

FMO (Nedfin)

NEDFIN

Nicholas Cullum

Credit Analyst
+44 20 7597 8844
Nicholas.Cullum@uk.daiwacm.com

William Hahn

Senior Credit Analyst
+44 20 7597 8355
William.Hahn@uk.daiwacm.com

Agency	Issuer Rating		
	LT	ST	Outlook
Fitch	AAA	F1+	Stable
Moody's	n.a.	n.a.	n.a.
S&P	AAA	A-1+	Stable

Source: Fitch, Moody's, S&P

Background and Ownership

FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, or Nedfin) is a Dutch promotional development bank that is majority-owned by the state (51%). Established in 1970, it functions as a strategic policy vehicle to support private sector projects in emerging markets. Private-sector ownership of FMO is concentrated in the three-largest domestic banks – ING, ABN AMRO and Rabobank – collectively holding 41%. These stakes sit alongside a smaller free float comprising employers' associations, trade unions and individual investors. Unlike some of the larger Dutch promotional banks that focus on local authority financing, FMO's lending exposures in higher-risk jurisdictions results in roughly 78% of gross loans to be classified as non-investment grade. Geographically, exposures are diversified but skewed towards emerging markets, with Europe and Central Asia accounting for 26% of lending, followed by Latin America and the Caribbean (25%), Africa (23%), and Asia (19%).

Main Purpose and Support

As a state-backed development bank, FMO's mandate is closely aligned with Dutch government development policy, focusing on strengthening international supply chains, promoting sustainable growth, reducing poverty and leveraging domestic expertise in areas such as water and food security. At YE25, FMO's balance sheet was reported at €11.4bn, primarily comprising its loan portfolio to the private sector (€6.3bn) and equity investments (€2.8bn). Sector concentration reflects the bank's policy priorities, with lending allocated towards financial institutions (59%), followed by energy (24%), and agricultural businesses (17%). FMO also partners with commercial lenders, assuming higher-risk positions with longer-dated exposures in low-and-middle-income countries, which would otherwise have less access to private capital. By acting as a risk-bearing intermediary and partner, FMO plays a systemic role in mobilising capital and enhancing financial access within the emerging market ecosystem.

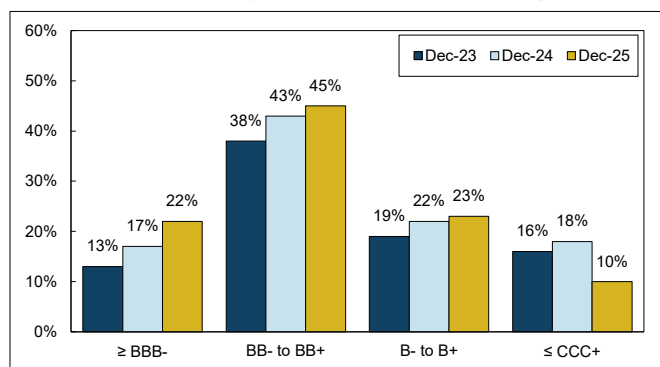
FMO operates under direct supervision of the Dutch Central Bank, with joint oversight from the Ministries of Finance and Foreign Affairs. The bank benefits from a formal 'keep-well' agreement with the Dutch state, whereby the state is committed to preserving FMO's solvency across a variety of scenarios and circumstances. It is legally bound to support the bank in meeting its financial obligations on time, implicitly guaranteeing FMO's liabilities. The keep-well agreement has an indefinite duration, requiring 12 years' notice for termination by either party, and forms the basis for the alignment of FMO's credit ratings with that of the Dutch sovereign.

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Key Data		
Balance Sheet (€bn)	FY25	FY24
Total Assets	11.4	11.1
Total Liabilities	7.5	7.2
Loans and Advances	6.3	5.8
Medium-term Debt	6.5	6.3
Key Ratios (%)		
NPE	5.5	7.0
Equity / Assets	34.0	34.7
CET1	22.2	20.4
Total Capital	22.3	21.3
Cost / Income	61.3	63.5
Return on Equity	1.3	8.1
Regulatory Details		
ECB risk-weight (%)	0%	
LCR Liquidity Category	Level 1	
ECB Haircut Category	IV	

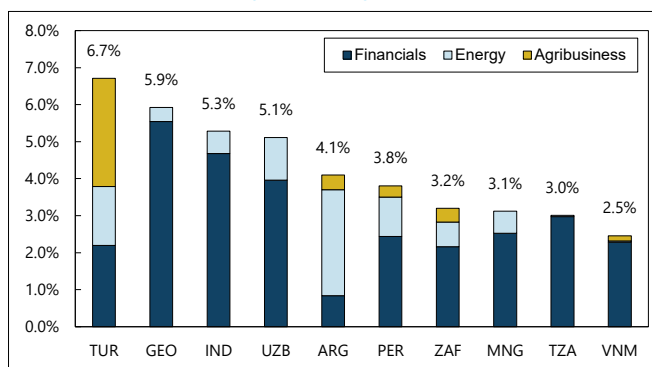
Source: FMO; Daiwa Capital Markets Europe

Loan exposures by external credit rating



Source: FMO, Daiwa Capital Markets Europe

Loan exposures by country



Source: FMO, Daiwa Capital Markets Europe

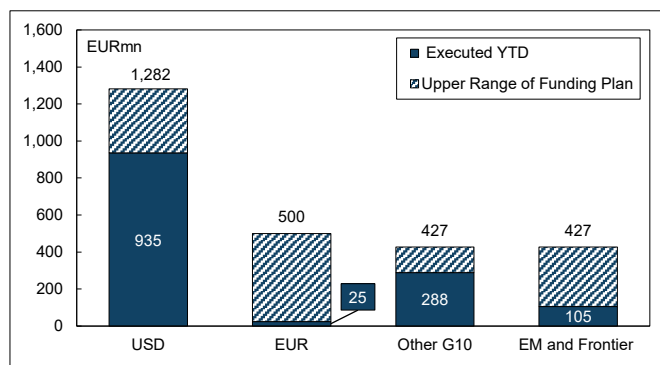
Financial Strength Indicators

Funding: FMO's funding strategy is underpinned by sustained market access, supported by its core presence in USD and EUR-denominated issuance and diversification across currencies and formats. To fund its lending activities, FMO leans on its EMTN (€8bn) and AUD/NZD notes (AUD1bn) programmes, complemented by opportunistic issuance in frontier currencies as well as its ECP programme (€1.5bn) to manage short-term liquidity.

At YE25, non-equity funding totalled €7.5bn, of which 87% comprised medium-term debt securities. Funding remains skewed towards USD, reflecting client demand for dollar-denominated lending in emerging markets, while euro issuance remains a strategic funding choice, following a period of reduced issuance in 2023-24. By currency, the mix is led by USD (46%) and EUR (29%), followed by SEK (10%), with AUD and GBP (~1% each) and frontier local currencies (13%) accounting for the balance. Improved EM financing conditions – driven by USD depreciation and lower global rates – supported a recovery in non-USD issuance. According to Bloomberg data, FMO increased EUR issuance to 42% of annual funding and expanded activity in local currencies (TRY 6%, GEL 5%), while USD issuance declined to 38% of the total.

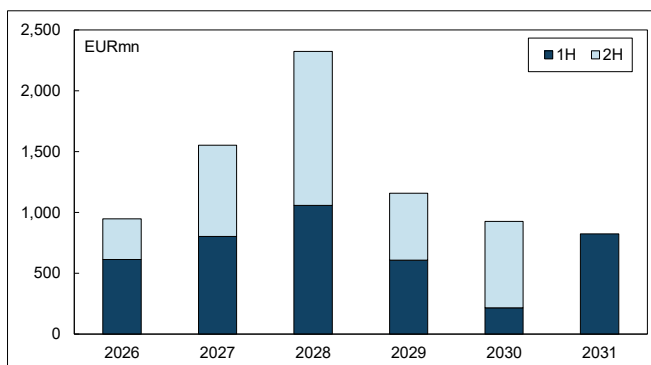
The weighted-average tenor at issuance for FMO's outstanding bonds is 5.1-years, compared with a remaining maturity of 2.7-years at end-April. New issue tenors are capped at 12-years to remain covered by the implicit government support, in line with the terms of the keep-well agreement. The agreement also establishes a debt ceiling of USD16bn, although this does not preclude state support for issuance above the notional cap. In practice, outstanding debt remains comfortably below the limit. 2026 annual funding needs are at the upper-end of FMO's typical range, with the bank targeting ~€2.6bn in medium-to-long-term issuance. The bank guided for USD to return as the primary funding currency (~USD1-1.5bn), reflecting underlying asset demand, complemented by issuance in EUR (~€500mn), frontier currencies (~USD400mn) and private placements across other G10 currencies (~USD300mn). As at end-April, FMO had completed more than half of its planned annual issuance.

2026 funding plan



Source: FMO, Daiwa Capital Markets Europe; as of 22nd April 2026

Redemption profile



Source: FMO, Daiwa Capital Markets Europe

Capitalisation & Liquidity: As a licensed bank under DNB and ECB supervision, FMO is subject to the European Union's CRD/CRR capital requirements. Capitalisation is strong, with a CET1 and Total Capital Ratio of 22.2% and 22.3% respectively, comfortably above the 13.3% SREP requirement. Total capital increased by 1.8ppt yoy, mainly due to FX related effects and regulatory model changes that reduced RWAs. While the Dutch state does not provide an explicit guarantee, the keep-well agreement creates an implicit support framework that justifies a 0% risk weight under CRR. This compares favourably with larger Dutch promotional banks, which typically attract a 20% risk weight. The resulting regulatory treatment supports HQLA Level 1 eligibility, reinforcing stable demand from bank treasuries, insurers and pension funds.

The liquidity portfolio accounts for ~16% of total assets. This comprises treasury securities (e.g. 'AAA'-rated money market funds and commercial paper) and longer-dated bonds, including covered, sovereign, SSA and thematic exposures. Funding is primarily conducted in USD and EUR, with some opportunistic local currency positions, largely hedged back to USD via cross-currency swaps and FX forwards. As a licensed bank, FMO has access to ECB refinancing operations if required, while its bond portfolio can be pledged as collateral in repo transactions to generate short-term liquidity. The treasury portfolio (~€1.1bn) carries an average rating of 'AA+', with no exposures below 'A-'. Liquidity metrics are well above regulatory minima, with LCR and NSFR at 368% and 111%, respectively, at year-end.

ESG Credentials

Due to its own geographical exposures, the Netherlands places a high policy priority on global climate stability to prevent rising sea levels and environmental degradation. As a state-backed development bank, FMO extends Dutch national climate policy through its international operations, enabling it to invest in projects which support climate adaptation, mitigation and resilience. This strategic alignment underpins FMO's development role while shaping portfolio composition, with a clear bias towards climate-related investments in emerging markets. The bank's long-term sustainability objectives, as set out in its 2030 strategy paper, are aligned with the goals of the Paris Agreement.

FMO's total committed portfolio stood at €15.3bn at year-end, comprising funds from its own balance sheet (€10.5bn), funds mobilised from public and private co-investors (€3.4bn), and public funds (€1.4bn). In line with its development mandate, FMO targets a combined €20bn in debt and equity investments by 2030 (across all funding sources), with an equal split between green and social projects, up from the ~€6.2bn and €6.7bn achieved under each label, respectively, at YE25. The bank benefits from participation in EU guarantee schemes, notably the ~€40bn European Fund for Sustainable Development Plus (EFSD+), which supports public and private investment outside the EU. These programmes provide partial risk mitigation, enabling FMO to scale exposure to higher-risk, high-impact climate projects beyond what would be feasible on a standalone basis without the safeguard covering potential financial losses.

FMO launched its inaugural sustainability bond in 2013, positioning it as the first sustainability bond issuer in the Netherlands. ESG bonds are an important part of FMO's funding strategy, accounting for nearly half of total bonds outstanding (~€3.3bn) at end-April, according to Bloomberg. The portfolio is weighted towards green and sustainability formats (52% and 33% of ESG debt outstanding, respectively). In 2025, FMO expanded into social bonds with a €500mn inaugural issuance, which saw strong demand (~9x oversubscribed), of which proceeds are earmarked for improving access to financial services, food and energy. All thematic issuance is governed by the bank's [Sustainability Bond Framework](#) (last updated in Sep-2025), which carries an [SPO](#) by S&P Global Ratings, confirming alignment with the recommendations and core components of the ICMA Principles, specifically the GBP (2021), SBP (2023) and SBG (2021). While FMO has yet to issue a thematic bond in 2026, it has guided to a potential €500mn benchmark transaction in green or sustainability format. In 2025, total thematic issuance reached ~€670mn across green, social, and sustainability bonds.

Rating Agencies' Views

Fitch (Sep-25): FMO's stable outlook and senior unsecured and subordinated ratings remain unchanged at AAA and AA+, respectively. The long-term issuer default rating (IDR) is equalised with that of the Dutch sovereign, reflecting 'visually certain' extraordinary support via the keep-well agreement and FMO's policy-driven mission – and therefore sensitive to any action on the sovereign ratings. Tier 2 notes are rated one notch below the IDR, reflecting subordination to senior unsecured debtholders in case of liquidation, bankruptcy or emergency regulation being declared by the supervisory authority, despite the state support for all FMO debt liabilities.

S&P (Dec-25): FMO's stable outlook mirrors that on the Netherlands. The outlook also reflects the expectation that the formal agreement regarding the Dutch government's support of FMO will remain, which supports the agency's assessment of the bank's critical role for, and link with, the government. S&P's views of almost certain government support for the majority state-owned FMO reflects the bank's: (1) critical role for the Dutch government as the key vehicle for promoting the state's public policy goal of fostering private-sector growth in developing countries; and (2) integral link with the government, which exercise control of and strong support for FMO, a majority (51%) state-owned company.

Select benchmark transactions

Issue Date	Payment Rank	Maturity/Call	Size (m)	Final Spread (bps)	Tightening (bps)	Coupon (%)	Yield (%)	Book (m)/cov.
16 Apr 26	Sr. Preferred	Long 2Y	£250	SONIA + 28	0	4.025*	4.025*	-
25 Mar 26	Sr. Preferred	5Y	US\$500	SOFR MS + 36	-3	3.875	3.916	\$1,250 / 2.5x
14 Jan 26	Sr. Unsecured	2.5Y	US\$500	SOFR MS + 25	-3	3.500	3.592	\$1,700 / 3.4x
01 Oct 25	Sr. Unsecured	5Y (Social)	€500	MS + 18	-4	2.500	2.576	€4,400 / 8.8x
19 Jun 25	Tier 2	11NC6	€300	MS + 75	-25	3.000	3.026	€1,000 / 3.3x
29 Jan 25	Sr. Preferred	Long 3Y	US\$500	SOFR MS + 35	-4	4.500	4.511	\$2,300 / 4.6x

Source: Bondradar; Bloomberg; *Floating-rate note

This is an issuer profile and contains factual statements only. All statements are sourced from FMO financial reports, which can be found at <https://www.fmo.nl/invest-with-us/funding>

Access our research at:

<http://www.uk.daiwacm.com/ficc-research/research-reports>

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- 3: Out/underperform TOPIX/benchmark index by less than 5% over the next 12 months.
- 4: Underperform TOPIX/benchmark index by 5-15% over the next 12 months.
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* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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