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CREDIT OPINION

22 July 2025

Update

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Stichting Waarborgfonds MBO (Netherlands)

Update to credit analysis

Summary

The credit profile of Stichting Waarborgfonds MBO (WMBO, Aa1 stable) reflects its links with the Government of the Netherlands (Aaa stable) and government oversight of the adult and vocational education (MBO) sector. It also reflects clear public policy mandate and government's sufficient financing of the sector and its importance to the overall economy. The sound principles on which WMBO and the sector are run and the government's tight monitoring of member institutions' financial performance also underpin the credit profile. The rating is one notch below the government to reflect the lack of an explicit government backstop agreement which could result in a slight timing differential between a request for support from WMBO and when government support would be provided.

RATINGS

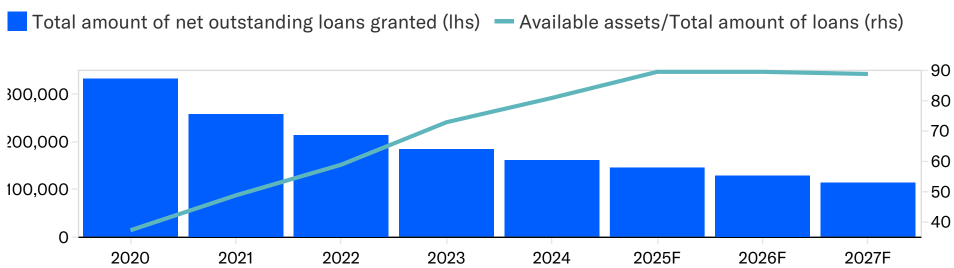
Stichting Waarborgfonds MBO

Domicile	Netherlands
Long Term Rating	Aa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Exhibit 1

Outstanding guaranteed loans will decline further in 2025-2027 period



F = Forecast.

Source: WMBO and Moody's Ratings

Credit strengths

» Strong institutional framework ensures ability to fulfill guarantees

» Sufficient liquidity reserves and callable capital to meet declining guarantee payments

» Stable operating performance with volatile investment returns

Credit challenges

» No government backstop, but proven resolution framework

» Concentration risk and small size of organisation

Contacts

Gjorgji Josifov +420.23.474.7531
AVP-Analyst
gjorgji.josifov@moodys.com

Federico Impaglione +34.91.768.8234
Sr Ratings Associate
federico.impaglione@moodys.com

Massimo Visconti, MBA +39.02.9148.1124
Associate Managing Director
massimo.visconti@moodys.com

Rating outlook

The stable outlook reflects the outlook on the Government of the Netherlands' rating, given the public mandate and government linkages with the issuer.

Factors that could lead to an upgrade

An upgrade for WMBO could occur in presence of an explicit guarantee from the Dutch government to prevent liquidity shortages.

Factors that could lead to a downgrade

The rating could be lower in case of a shift in government policy indicating weaker support or an erosion of the strong oversight exercised by the central government. A downgrade of the Government of the Netherlands would also likely lead to a downgrade of the rating.

Profile

Founded in 1997 by the Netherlands' Minister of Education, Culture and Science and the Minister for Agriculture, WMBO guarantees the payment of interest and principal on loans taken out by domestic MBO institutions for premises. The guarantee arrangement enables MBO institutions to borrow at a lower cost. Guaranteed loans must meet certain criteria including a minimum period of 10 years, a straight-line repayment profile, and fixed interest rates. WMBO does not have any plans to guarantee variable-rate debt, thus mitigating interest-rate risk.

WMBO is a not-for-profit entity. Membership in the WMBO is compulsory for all Dutch MBO institutions. As of 2024, there were 57 MBO institutions in the Netherlands, offering vocational training mainly in economics, technology and social services/healthcare as well as offering introductory courses for immigrants. The government's duty to provide education, including adult and vocational education, whilst stated in general terms, is enshrined in the constitution and elevates the political profile of the sector.

WMBO is rated one notch below the Government of the Netherlands (Aaa stable) and hence at the lower end of the narrow range for Dutch guarantee funds, whose ratings span from Aaa to Aa1. While we believe government support for WMBO is high, its rating reflects the lack of explicit backstop agreement with the central government to provide liquidity support, as is the case for its peers Stichting Waarborgfonds Eigen Woningen (NHG, Aaa stable) and Waarborgfonds Sociale Woningbouw (WSW, Aaa stable). We believe, however, that in practice there is a strong incentive and a high probability of government support being mobilised in a stress scenario.

Detailed credit considerations

Moody's considers WMBO to be a government-related issuer. The WMBO's credit strength is inextricably linked to that of the Government of the Netherlands due to its clear public policy mandate, strong oversight by the central government. As such, its rating is derived primarily from the strength of the Government of the Netherlands without assigning a Baseline Credit Assessment (BCA) as is described in Moody's rating methodology for government related issuers entitled "Government-Related Issuers", published in May 2025.

Strong institutional framework ensures ability to fulfill guarantees

WMBO operates within a robust institutional framework, supported by regular oversight from the Education Executive Agency (Dienst Uitvoering Onderwijs or DUO) under the Ministry of Education. DUO continues to assess the solvency, liquidity, and profitability of MBO institutions using a standardized scoring system. WMBO complements this oversight with its own monitoring of guaranteed institutions, including annual reviews of financial statements and direct engagement with management teams.

The Dutch Constitution mandates government support for education, and the MBO sector plays a central role in delivering vocational training and maintaining a skilled workforce.

WMBO's guarantee mechanism is activated if a member institution defaults on a guaranteed loan. In such cases, WMBO steps in to fulfill the payment obligation and secures a floating charge on the institution's assets. The Minister of Education is notified, and both WMBO and the Ministry may intervene to restructure the institution or transfer its obligations to a more stable institution.

We believe sector-wide failures are highly unlikely given the role of the Dutch government in funding, regulating and supporting the sector.

» All MBO institutions are regulated and overwhelmingly funded by the Dutch Ministry of Education, Culture and Science; this raises the national profile of sector and encourages intervention for an individual institution;

» The provisions of the Constitution requiring the government to establish and maintain consideration of education in practice raises the profile of the sector.

The 2023 Berenschot study on WMBO's relevance, commissioned by the Board and the Committee of Representatives, highlighted the sector's shift toward treasury banking and declining demand for guarantees. WMBO has taken a neutral stance on its future and awaits sector-wide decisions.

Sufficient liquidity reserves and callable capital to meet declining guarantee payments

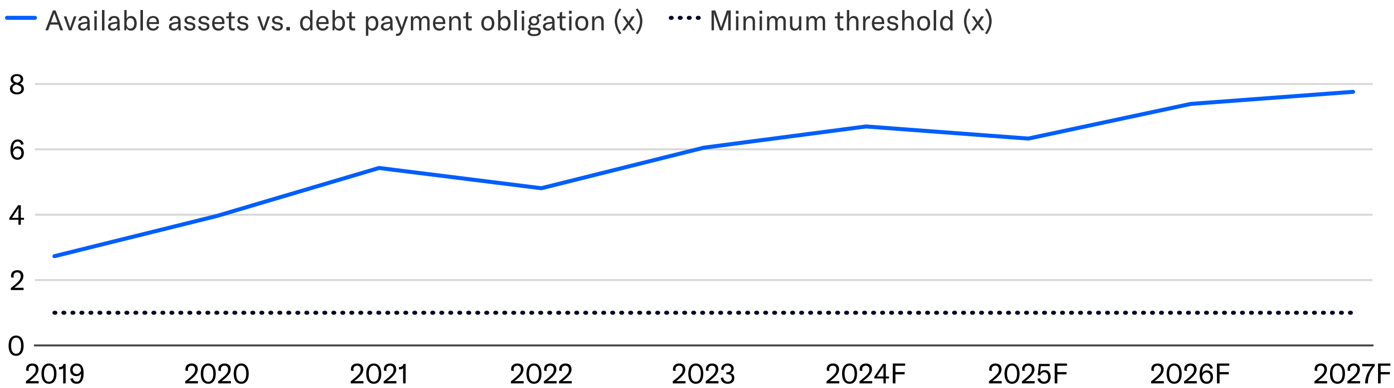
WMBO maintains a two-tiered capital structure: own-source capital and callable capital from member institutions. As of 31 December 2024, WMBO held €21.07 million in risk capital, including €12.09 million in general reserves and a €9.98 million government guarantee deposit. The investment portfolio is conservatively managed and includes highly rated (36% Aaa, 15% Aa and 38% A) bonds with the remainder invested in mortgage funds, with a portfolio duration of 3.17 years. WMBO is able to fully cover the debt service commitment of approximately €20 million for 2025 (WMBO projection) via own-source capital, or 14% of its total net guarantee portfolio outstanding as of 2024.

Callable capital from members totaled €112 million in 2024. If WMBO's reserves fall below the €9.98 million threshold, it can request from its members up to 2% of the annual government grant to MBO institutions. In 2024, this grant amounted to €5.57 billion, an increase of 0.6% when compared to previous year. Callable capital must be made available to WMBO within 30 days of the request. We believe that WMBO's liquid assets are sufficient to meet loan obligations during this 30-day period.

WMBO's guarantees are on amortizing loans, and the total residual debt of guaranteed loans declined from €180 million in 2023 to €160 million in 2024. Interest and principal payments are projected to fall to €18 million by 2027 down from €41 million five years ago. No new guarantees were issued in 2024, and this trend is expected to continue due to mergers, early repayments, and the growing preference for treasury banking.

The legislation does not limit the total value of loans that WMBO could guarantee. However, WMBO's policy is to ensure that the total capital-to-debt service ratio does not fall below 1.0x. The capital-to-debt service ratio stood at 6.1x in 2024, up from 5.1x in 2023, indicating strong coverage.

Exhibit 2
Capital-to-debt ratio expected well beyond critical threshold and will reach close to 8x in 2027



F = Forecast
Source: WMBO and Moody's Ratings

WMBO's board meets with selected institutions every year to discuss developments at these institutions and developments in the sector in general. WMBO also utilises information through MBO Raad (Association of MBO institutions). MBO Raad has its own ranking of institutions and WMBO has regular discussions with this association.

Stable operating performance with volatile investment returns
WMBO's revenue sources include a one-off guarantee fee (disagio) and investment income. No disagio was collected in 2024 due to the absence of new guarantees. However, WMBO reported a net result of €184,105, up from €26,734 in 2023, driven by bond amortization gains (€64,000) and unrealized gains on the ASR mortgage fund (€63,000).

Total revenues reached €396,696, while expenses declined to €212,123. WMBO applies conservative budgetary planning and forecasts a modest deficit in 2025 of around €10,000 by forecasting a poorer performance on portfolio's returns, while total expenditures are expected to be reduced by 4%. Results in general are driven by revenues from guarantees and portfolio returns being sufficient to cover operating costs. However, it has an element of revenue flexibility and can alter its fee charging if costs increase by more than forecasted, although it has no plans to increase the fee in the foreseeable future.

No government backstop, but proven resolution framework
Unlike NHG and WSW, WMBO does not benefit from a central government backstop. However, it has never been required to fulfill a guarantee or call on its members for capital. The 2018 resolution of AOC Edudelta demonstrated WMBO's ability to manage institutional distress effectively.

WMBO's guarantees cover only scheduled interest and principal payments. While loans can technically be accelerated, this is unlikely in practice due to the potential for sector-wide disruption.

WMBO closely monitors the strength of guaranteed institutions. The sector is also experiencing some mergers among smaller entities, which will lead to strengthening of their financial positions, mitigating the risk for WMBO. There has been no call on the guarantee as a result of the institution's financial difficulty, and WMBO does not expect a call on the guarantee.

Concentration risk and small size of organisation
As of end-2024, five institutions accounted for 88% of WMBO's guarantee exposure (€140 million out of €160 million), highlighting concentration risk. However, WMBO actively monitors these institutions and engages in regular dialogue to mitigate potential issues.

WMBO does not maintain any committed lines of liquidity to support its guarantee, although it anticipates having no difficulties with market access, due to its role as a government-created intermediary. Theoretically, this may leave WMBO exposed in the case that claims on its guarantee are higher than its current portfolio of cash and liquid securities, as its members are not contractually committed to consider any capital calls until 30 days following a declaration by WMBO of its necessity. However, we anticipate that the Dutch government, due to its dominant funding and tight regulatory control of the sector would be highly likely to provide support in an unlikely case of distress for WMBO.

WMBO is managed by a three-member board, which is independent from MBO institutions and autonomous from the DUO (the government). Only the current board members may appoint successors. The board is also responsible for reviewing and approving all guarantees issued by WMBO.

ESG considerations

How environmental, social and governance risks inform our credit analysis of WMBO

We take account of the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of WMBO the materiality of environmental, social and governance considerations to its credit profile are as follows:

Environmental risks are not material to WMBO's credit profile. In line with the rest of the Netherlands, its main environmental risk exposures relate to flood risk. Flood risk is managed by region and national authorities, and therefore, the financial burden of adapting to increased flood risk will not fall on WMBO.

Social risks are material to WMBO's credit profile. WMBO is exposed to risks stemming from socially and educationally driven policy agendas. Nevertheless, risks are mitigated for the rating, given WMBO strategic role and the support coming from the Dutch central government.

Governance considerations are material to WMBO's credit profile. The governance framework is intrinsically intertwined with the supporting government, which exerts strong oversight and heavily influences the definition of its strategy.

For more detail on our approach to incorporating environmental, social and governance factors in credit analysis, please see our cross-sector rating methodology.

Rating methodology

Moody's considers WMBO to be a government-related issuer. The WMBO's credit strength is inextricably linked to that of the Government of the Netherlands due to its clear public policy mandate, strong oversight by the central government, and backstop agreement provided by the central government. As such, its rating is derived primarily from the strength of the Government of the Netherlands, without assigning a Baseline Credit Assessment (BCA) as is described in Moody's rating methodology for government-related issuers entitled "Government-Related Issuers", published in May 2025.

Ratings

Exhibit 3

Category	Moody's Rating
STICHTING WAARBORGFONDS MBO	
Outlook	Stable
Issuer Rating -Dom Curr	Aa1

Source: Moody's Ratings

REPORT NUMBER 1445926

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454