

FMO

Entrepreneurial
Development
Bank

A woman wearing a red t-shirt, a blue and red patterned skirt, and a black hat with a yellow and pink headband is smiling and pushing a yellow wheelbarrow. The wheelbarrow is filled with several black trays of young green plants. She is standing in a dirt path between two long, arched greenhouses with translucent plastic coverings. The background shows more greenhouses and some trees under a clear sky.

Land Use Facility

Annual Report 2024



Government of the Netherlands



FMO manages the following funds on behalf of the Dutch government: the Access to Energy Fund (AEF), Building Prospects (BP), MASSIF and the Dutch Fund for Climate and Development (DFCD). The total committed portfolio of these funds (excluding grants) amounts to €1,290 million as per December 31, 2024. The term "fund" as used in this annual report refers to a program in the form of a subsidy received from the Dutch government that is managed by FMO, unless reference is made to an investment made under a program.

Front and back photo is from a DFCD consortium client, Miro Forestry in Ghana.



**The DFCD Land Use
Facility targets
investments in sectors
relating to agroforestry,
sustainable land use and
climate resilient food
production in developing
countries.**



LETTER FROM THE MB OF THE FUND MANAGER

Stepping up

At the heart of FMO's strategy lies the commitment to enable entrepreneurs to increase inclusive and sustainable prosperity. Looking back at 2024, we must acknowledge several concerning trends: rising geopolitical turmoil and weakening institutional foundations threaten global stability and solidarity, disproportionately affecting the most vulnerable people. Additionally, we are witnessing the public withdrawal of several major financial players from their climate and environmental, social and governance (ESG) commitments. In this context, FMO calls on the financial sector to remain resolute in advancing sustainable investment strategies. Financial institutions play a pivotal role in driving local economic growth, reducing inequality, and driving meaningful climate action. Investing in access to (green) energy, food and finance creates long-term value, something FMO has demonstrated consistently over 50 years of impactful and profitable investments.

Amidst these challenges, FMO recognizes the urgent need to step up even more. However, meaningful change cannot be achieved alone, strong partnerships are essential. By working together, we can drive sustainable investment, create economic opportunities, internationally and for Dutch business, and build a more resilient, inclusive future.

The strengths of partnerships

By providing crucial financial support and mobilizing additional funding for underserved regions, FMO has continued to make a tangible impact in 2024. The strength of our partnerships—evident in the success of initiatives such as the SDG Loan Fund and European Commission guarantees—enable us to expand programs like NASIRA and the FMO Ventures Program. These programs contribute to local livelihood options for the one billion young people who will try to enter the job market over the next decade—a majority living in emerging markets. We are also grateful for the increased funding and support for the Dutch Fund for Climate and Development (DFCD Aya) from the Dutch government and the European Commission, and for Mobilising Finance for Forests (MFF) from both the Dutch and UK governments.

How these partnerships enhance our impact is marked by investments in customers like Camimex, a Vietnamese exporter of organic shrimp. With the Netherlands as one of the larger importers of Vietnamese shrimp, this investment increases climate adaptation and resilience for Vietnamese shrimp farmers and enhances carbon sequestration through expanded mangrove coverage. An investment sourced through our DFCD partnership with SNV. Another noteworthy example is our NASIRA guarantee to First City Monument Bank in Nigeria, the country that is most significant African trade partner of The Netherlands. The guarantee enabled increased lending to agricultural, youth, and women-owned SMEs, groups traditionally seen as too risky by banks.

Benefitting from these partnerships, as shown in the Camimex example, the Land Use Facility (LUF) or 'DFCD Aya', of DFCD, plays a crucial investment role in advancing sustainable land use and food security, following the priorities of the Dutch government. Managed by FMO, this facility targets investments in sectors such as agroforestry and sustainable agriculture. By supporting initiatives that enhance climate adaptation and resilience, the LUF contributes to food security, the well-being of vulnerable communities, and the resilience of critical ecosystems across Africa, Asia, and Latin America. Notable investments include projects that promote sustainable practices and improve livelihoods, demonstrating the facility's commitment to creating long-term value and environmental sustainability.

Looking ahead

In a volatile global landscape, FMO faces three key long-term challenges: a scarcity of investment-ready companies, limited availability of concessional funding, and increasing regulatory requirements. We remain committed to our 2023 ambitions and will increase our efforts to stay on track.



We will in particular focus on RI-labeled investments, especially in LDCs and on Green investments. Crucial next steps include the Market Creation initiative, onboarding of new EFSD+ programs and our increased cooperation with the Dutch and UK governments. As we reflect on the past year and prepare for the challenges ahead, we recognize that our achievements would not have been possible without our partners, and we extend our heartfelt gratitude to them for their trust and collaboration over the past year. We remain dedicated to deliver on the impact and trust that our partners place on us. At FMO, we believe that doing makes the difference, and that amidst the global turmoil, stepping up is a must.

The Hague, 31 March 2025

On behalf of the Management Board

Fatoumata Bouaré, Chief Finance & Operations Officer

Franca Vossen, Chief Risk Officer

Huib-Jan de Ruijter, Co-Chief Investment Officer

Michael Jongeneel, Chief Executive Officer

Peter Maila, Co-Chief Investment Officer



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PERFORMANCE ON OUR STRATEGY

Highlights

Investment Focus

In 2024, the Land Use Facility (LUF) of the Dutch Fund for Climate and Development (DFCD) continued to prioritize investments in agroforestry, sustainable land use, and climate-resilient food production in emerging markets and developing countries. This strategic focus was designed to address the dual challenges of climate change and food security. By investing in projects that promote sustainable agricultural practices, the LUF aimed to enhance the resilience of local communities to climate impacts, while also improving their livelihoods. These investments targeted fostering long-term sustainability and environmental stewardship in regions most vulnerable to climate change.

Production

The year 2024 marked significant progress in the implementation of various projects under the LUF. Several initiatives that were in the origination phase in previous years, successfully transitioned to being taken up by the investment teams. Projects on reforestation, sustainable farming, restoration of degraded land, and (indirect) investments in climate relevant SMEs, will underwrite the LUF mandate. These initiatives contribute to carbon sequestration, and enhance climate resilience, with job creation and sustainable use of land.

Partnerships and Collaborations

Strengthening partnerships and collaborations was a key focus for the LUF in 2024. The facility worked closely with local and international organizations to enhance its capacity to deliver impactful projects. These alliances have been instrumental in leveraging additional resources, expertise, and networks, thereby amplifying the reach and effectiveness of the LUF's initiatives. By fostering strong partnerships, the LUF ensures that its projects are well-supported and aligned with broader development and climate goals.

Financial Milestones

One of the significant financial milestones achieved by the LUF in 2024 was the signing of a guarantee agreement with the European Commission under their EFSD+ program ('DFCD Aya'). This partial guarantee secured EUR 240 million of additional funding from FMO to support future projects and bolster the facility's financial stability and capacity to undertake larger and more ambitious initiatives, mobilized via the initial capital provided by the Dutch Ministry of Foreign Affairs. This financial backing is crucial for scaling up successful projects and thereby catalyze private finance locally and replicate them in other regions. Throughout the report, we will refer to DFCD Aya instead of the LUF.

Pipeline Development

Developing a robust pipeline of projects was another highlight for DFCD Aya in 2024. A well-defined pipeline ensures a steady flow of investments into sustainable land use initiatives, maintaining momentum and continuity in the facility's efforts. The pipeline includes a diverse range of prospects, from small-scale community-based initiatives to large-scale programs via aggregators. In particular the aggregator model via Financial Institutions and investments in funds with a strategic fit to DFCD Aya become more prominent in the pipeline, and suits the scalability ambitions of the European Commission.

Impact and Future Outlook

The achievements of DFCD Aya in 2024 underscore its critical role in promoting sustainable land use and climate resilience. Looking ahead, DFCD Aya aims to expand its reach and impact by leveraging its strong

partnerships and financial backing. As the main focus of 2024 was the signing of DFCD Aya, the main focus of 2025 will be the deployment of the new funding. The facility plans to support even more transformative projects, focusing on innovative solutions and scalable models that can be replicated across different regions. By continuing to prioritize sustainability and resilience, DFCD Aya is well-positioned to make a lasting difference in the fight against climate change.

For more information we refer to the general DFCD Annual Report 2024.

DFCD Aya Production 2024

Production 2024

Camimex - USD 15 million loan



Camimex Group Joint Stock Company (CMX) is one of Vietnam’s leading processors and exporters of conventional and premium organic shrimps. Established in 1977 in the Ca Mau province of the Mekong Delta, the company processes seafood, mainly shrimps, at three processing factories, with an annual capacity of 15,000t. The company sources organic shrimp from over 1,200 smallholder farmers across 6,300ha of integrated mangrove farms. CMX employs ~1,100 people directly. The facility finances expansionary capex to (i) construct a new processing factory (6,000), including cold storage and fast freezing systems, (ii) construct new organic hatcheries, (iii) working capital required for certifications and purchasing of organic shrimp. The capex forms part of a larger plan to (i) improve the incomes of ~7,200 smallholder farmers through organic certifications and supplying organic certified PLs, (ii) promote the sustainable management of up to 16,300 hectares of wetlands by promoting sustainable Silvo-aquaculture practices, which includes mangrove cover expansion.

Helios CLEAR - USD 10 million equity



The Helios Climate, Energy, Adaptation and Resilience Fund (“CLEAR”, “the Fund”) is a private equity fund being raised by Helios Investment Partners, a leading Pan-African PE firm. CLEAR is a Paris-aligned climate fund dedicated to securing a low-carbon growth trajectory for Africa. The Fund is an ‘article 9 Fund’ according to the Sustainable Finance Disclosure Regulation classification system. The Fund adopts a ‘climate first’ lens and is targeting dual climate benefits – both mitigation and adaptation – through investments in mid-cap businesses across five key themes (green energy solutions, climate-smart agribusiness, green transport and logistics, resource efficiency and climate enablers). The aim is to bring much needed growth capital to companies with meaningful climate mitigation and adaptation impact in Africa. The Fund will focus on growth capital investments in mid-cap businesses with high growth potential in the key themes noted above, alongside reliable and trustworthy partners. CLEAR’s return outcomes extend beyond capital appreciation, including seek to avoid and reduce carbon emissions, enabling sectors and populations to become more resilient and to adapt to climate change, improved ESG standards and performance, aligned to international standards and increased development impact that supports a wider stakeholder community.

Miro Forestry Development Limited - USD 1.07 million loan (2nd top-up)



Miro Forestry Developments Limited is one of the largest forestry companies in West Africa, operating plantations in Ghana and Sierra Leone. Total available land is ~48,000 ha and total planted area is c.21,000 ha. Miro develops and manages high quality, cost-competitive, FSC certified, fast growing industrial timber species (mainly: eucalyptus/acacia), and processes the harvested timbers into high value ready-made plywood, edged glued boards and utility poles for local and export markets. The aim of the top up is to fund the plywood mill ramping up process until Miro reaches cash flow positive.



Special purpose annual accounts

Statement of financial position

At December 31

	Notes	2024	2023
Assets			
Banks	(1)	6,161	6,028
Current account with FMO	(2)	647	-
Short term deposits	(3)	8,028	20,427
Loan portfolio	(4)		
- of which: at Amortized cost		42,616	20,350
- of which: at Fair value through profit or loss		4,475	3,730
Equity investments	(6)	31	-
Other receivables	(7)	18	102
Total assets		61,976	50,637
Liabilities			
Loan FMO	(8)	6,456	-
Accrued liabilities	(9)	605	-
Provisions	(10)	51	135
Total liabilities		7,112	135
Fund capital			
Contribution DGIS – Available to consortium partners	(11)	67,896	67,399
Undistributed results previous years	(11)	-16,897	-10,639
Net profit/(loss)		3,865	-6,258
Total fund capital		54,864	50,502
Total liabilities and fund capital		61,976	50,637
Irrevocable facilities	(18)	16,618	16,049



Statement of comprehensive income

At December 31

	Notes	2024	2023
Income			
Interest income from financial instruments measured at AC	(12)	3,062	1,365
Interest income from financial instruments measured at FVPL	(12)	1,107	786
Interest expenses	(12)	-55	-
Net interest income		4,114	2,151
Fee and commission income	(13)	11	7
Results from financial transactions	(15)	2,751	-3,651
Other operating income	(16)	8	-
Total income		6,884	2,158
Expenses			
Results from equity investments	(14)	-190	-2,104
Operating expenses	(17)	-1,762	-1,760
Total expenses		-1,952	-7,515
Impairments on			
Loans		-1,156	-901
Loan commitments		89	
Total impairments		-1,067	-901
Net profit/(loss)		3,865	-6,258
Total comprehensive income		3,865	-6,258



Statement of changes in fund capital

	Unallocated DFCD	LUF	Undistributed results previous years	Net profit/loss	Total fund capital
Balance at January 1, 2023	-	55,651	-3,950	-6,689	45,012
Addition undistributed results	-	-	-6,689	6,689	-
Contributions from DGIS	25,000	-	-	-	25,000
Transfer to LUF	-11,748	11,748	-	-	-
Distributions to consortium partners	-13,252	-	-	-	-13,252
Results current year	-	-	-	-6,258	-6,258
Net balance at December 31, 2023	-	67,399	-10,639	-6,258	50,502
Balance at January 1, 2024	-	67,399	-10,639	-6,258	50,502
Addition undistributed results	-	-	-6,258	6,258	-
Contributions from DGIS	8,900	-	-	-	8,900
Transfer to LUF	-497	497	-	-	-
Distributions to consortium partners	-8,403	-	-	-	-8,403
Results current year	-	-	-	3,865	3,865
Net balance at December 31, 2024	-	67,896	-16,897	3,865	54,864



Statement of cash flows

At December 31

	Notes	2024	2023
Cash from operating activities			
Inflows			
Interest received on loans		2,331	800
Interest received on cash and deposits		793	693
Repayments on loans	(4)	3,708	1,385
Dividends and fees received		11	5
Other received amounts		613	-
Outflows			
Disbursements on loans	(4)	-24,171	-14,951
Investments in equity instruments		-221	-
Direct Personnel costs		-1,400	-1,403
Other direct project costs		-362	-350
Overhead / indirect costs		-	-7
Other paid amounts		-	-72
Net cash from operating activities		-18,698	-13,900
Cash flow financing activities			
Inflows			
Cash flow financing activities (loan FMO)		6,401	-
Contribution DGIS current year		8,900	25,000
Outflows			
Contribution to Partners		-8,403	-13,252
Net cash from financing activities		6,898	11,748
Net change in cash & cash equivalent		-11,800	-2,152
Position of cash at January 1 ¹⁾		26,455	29,086
Foreign exchange translation		156	-479
Position of cash at end of period ¹⁾		14,811	26,455

1 Cash includes current account with FMO.

Summary of material accounting policies

General information

The Dutch Fund for Climate and Development (DFCD) (the "Fund") is established as a consortium led by FMO with consortium partners SNV Netherlands Development Organisation (SNV), World Wide Fund for Nature (WWF-NL) and Climate Fund Managers (CFM) to manage on behalf of the Dutch Ministry of Foreign Affairs.

The special purpose annual accounts comprise the activities of FMO Land-use Facility under DFCD (the "Fund").

Basis of preparation

The 2024 special purpose financial statements of FMO Land-use Facility have been prepared in accordance with the reporting requirements set out by Dutch Ministry of Foreign Affairs. Accounting policies are based on International Financial Reporting Standards (IFRS) as adopted by the European Union.

The special purpose financial statements are prepared under the historical cost convention, except for:

- Equity investments that are mandatorily measured at fair value through profit and loss;
- A part of the loan portfolio is mandatorily measured at fair value (refer to business model assessment and contractual cash flow assessment in this chapter below).

The material accounting policies adopted are set out below.

Adoption of new standards, interpretations and amendments

There are no new standards, interpretations or amendments adopted that have an impact on LUF.

Issued but not yet adopted standards

LUF has assessed recently completed amendment and standard development projects expected to be effective from 2025 to 2027, LUF does not expect these amendments and new standards to have a significant impact on its financial statements.

Significant estimates, assumptions and judgements

In preparing the special purpose financial statements based on the accounting principles of IFRS, management is required to make estimates and assumptions affecting reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment is inherent to the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the special purpose annual accounts. For the Fund the most relevant estimates and assumptions relate to:

- The determination of the fair value of financial instruments based on generally accepted modeled valuation techniques;
- The determination of the expected credit loss allowance in accordance with IFRS 9;

Information about judgements made in applying accounting policies are related to the following:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest.
- The inputs and calibration of the ECL model which include the various formulas and the choice of inputs, aging criteria and forward-looking information.

Foreign Currency translation

The Fund uses the euro as the unit for presenting its special purpose annual accounts. All amounts are denominated in thousands of euros unless stated otherwise. In accordance with IAS 21, foreign currency transactions are translated to euro at the exchange rate prevailing on the date of the transaction. At the statement of financial position date, monetary assets and

liabilities are reported using the closing exchange rate. Non-monetary assets that are not measured at cost denominated in foreign currencies are reported using the exchange rate that existed when fair values were determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of profit or loss under 'Results from financial transactions'.

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. When a gain or loss for non-monetary financial asset is recognized through FVOCI (fair value through other comprehensive income), any foreign exchange component of the gain or loss is also recognized through FVOCI.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value of financial instruments

The Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

In the performance of the fair value assessment for equity instruments, the exposure and impact of climate and environmental risks on the relevant investee companies are considered according to current and near-term climatic and environmental conditions, as appropriate, in developing a reasonable estimate of the fair value for these equity instruments.

Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

Gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost (AC), fair value through P&L (FVPL) or fair value through other comprehensive income (FVOCI)

A financial asset is measured at AC if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For equity investments that are not held for trading an irrevocable election exists (on an instrument-by-instrument basis) to present subsequent changes in fair value in OCI.



All financial assets not classified as measured at AC or FVOCI as described above are measured at FVPL. In addition, on initial recognition The Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition.

Business model assessment

The Fund has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- How the performance of the portfolio is evaluated and reported to management of the Fund;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets whose performance is based on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cashflow assessment

For the purpose of the contractual cash flow assessment, related to solely payments of principal and interest (SPPI), 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund has considered the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund has considered among others:

- Contingent events that would change the amount and timing of cash flows – e.g. prepayment and extension features, loans with performance related cash flows;
- Features that modify the consideration for the time value of money – e.g. regulated interest rates, periodic reset of interest rates;
- Loans with convertibility and prepayment features;
- Terms that limit the Funds' claim to cash flows from specified assets – e.g. non-recourse assets;
- Contractually linked instruments.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Fund accounts for the Day 1 profit or loss.

Reclassification

Financial assets can be only reclassified after initial recognition in very infrequent instances. This happens if the business model for managing financial assets has changed and this change is significant to the Fund's operations.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and current account maintained with FMO that usually mature in less than three months from the date of acquisition. These financial instruments are very liquid with high credit rating, and which are subject to an insignificant risk of changes in fair value. There is no restriction on these financial instruments and the Fund has on demand full access to the carrying amounts.

Loans

Loans originated by the Fund include loans to the private sector in developing countries for the account and risk of the Fund.

Loans on the statement of financial position of the Fund include:

- Loans measured at AC which comply with the classification requirements for AC as indicated in the section Financial assets – classification. These loans are initially measured at cost, which is the fair value of the consideration paid, net of transaction costs incurred. Subsequently, the loans are measured at AC using the effective interest rate method.
- Loans mandatorily measured at FVPL which do not comply with the classification requirements for AC as indicated in the section Financial assets – classification. These are measured at fair value with changes recognized immediately in the statement of profit or loss.

Equity investments

Equity investments on the statement of financial position of the Fund include:

- Equity investments are measured at FVPL. The Fund has a long-term view on these equity investments, usually selling its stake within a period of 5 to 10 years. Therefore, these investments are not held for trading and are measured at fair value with changes recognized immediately in the statement of profit or loss

Financial assets – Impairment

The Fund estimates an allowance for expected credit losses for all financial assets and loan commitments (off balance items) in scope of IFRS 9 impairment assessment.

No impairment loss is recognized on equity investments.

Impairment stages loans and banks

The Fund groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognized, an allowance is recognized based on a 12-month expected credit loss;
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, an allowance is recorded for the lifetime expected credit loss;
- Stage 3 – Credit-impaired loans: a lifetime expected credit loss is recognized for these loans. In addition, in Stage 3, interest income is accrued on the AC of the loan net of allowances;

ECL measurement

The Funds ECL model is primarily an expert based model and this model is frequently benchmarked with other external sources if possible.

ECL measurement Stage 1 and Stage 2

ECL allowance reflects unbiased, probability-weighted estimates based on loss expectations resulting from default events over either a maximum 12-month period from the reporting date or the remaining life of a financial instrument. The method used to calculate the ECL allowances for Stage 1 and Stage 2 assets are based on the following parameters:

- PD: the Probability of Default is an estimate of the likelihood of default over a given time horizon. The Fund uses an scorecard model based on quantitative and qualitative indicators to assess current and future clients and determine PDs. The output of the scorecard model is mapped to the Moody's PD master scale based on idealized default rates. For IFRS 9 a point in time adjustment is made to these PDs using a z-factor approach to account for the business cycle;
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, scheduled by contract or otherwise, expected draw downs and accrued interest from missed payments;
- LGD: the Loss Given Default is an estimate of the Fund's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows that the Fund would expect to receive;



- Z-factor: the Z-factor is a correction factor to adjust the client PDs for current and expected future conditions. The Z-factor adjusts the current PD and PD two years into the future. GDP growth rates per country from the IMF, both current and forecasted, are used as the macro-economic driver to determine where each country is in the business cycle. Client PDs are subsequently adjusted upward or downward based on the country where they are operating.

Macro economic scenarios in PD estimates

In addition to the country-specific Z-factor adjustments to PD, the Fund applies probability-weighted scenarios to calculate final PD estimates in the ECL model. The scenarios are applied globally, and are based on the vulnerability of emerging markets to prolonged economic downturn. The scenarios and their impact are based on IMF data and research along with historical default data in emerging markets.

The three scenarios applied are:

- Positive scenario: Reduced vulnerability to an emerging market economic downturn;
- Base scenario: Vulnerability and accompanying losses based on The Funds best estimate from risk models;
- Downturn scenario: Elevated vulnerability to an emerging market economic downturn.

ECL measurement Stage 3

The calculation of the expected loss for Stage 3 is different when compared to the Stage 1 and Stage 2 calculation. Reason for this is that loan-specific impairments provide a better estimate for Stage 3 loans in the Fund's diversified loan portfolio. The following steps are taken which serve as input for the Financial Risk Committee (FRC) to decide about the specific impairment level:

- Calculate probability weighted expected loss based on multiple scenarios including return to performing (and projected cash flows), restructuring, and write-off or sale;
- Based on these probability weights, a discount curve is generated and the discounted cashflow (DCF) model is used to determine the percentage to be applied on the outstanding amount of a loan;
- Take expected cash flows from liquidation processes and "firm offers" into account. The cashflows arising from these processes and "firm offers" serve as a cap for the provision (or a floor for the value of the loan).

Staging criteria and triggers

Financial instruments classified as low credit risk

The Fund considers all financial instruments with an investment grade rating (BBB- or better on the S&P scale or F10 or better on the Fund's internal scale) to be classified as low credit risk. For these instruments, the low credit risk exemption is applied and irrespective of the change of credit risk (as long as it remains investment grade) a lifetime expected credit loss will not be recognized. This exemption lowers the monitoring requirements and reduces operational costs.

No material significant increase in credit risk since origination (Stage 1)

All loans which have not had a significant increase in credit risk since contract origination are allocated to Stage 1 with an ECL allowance recognized equal to the expected credit loss over the next 12 months. The interest revenue of these assets is based on the gross amount.

Significant increase in credit risk (Stage 2)

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognized based on their lifetime ECLs. The Fund considers whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. Interest revenue for these financial assets is based on the gross amount. This assessment is based on either one of the following items:

- The fact that an early warning signal has triggered financial difficulty following a transfer to the watchlist;
- The fact that the financial asset is 30 days past due or more on any material obligation to the Fund, including fees and excluding on charge expenses (unless reasonable information and supportable information is available demonstrating that the client can service its debt).

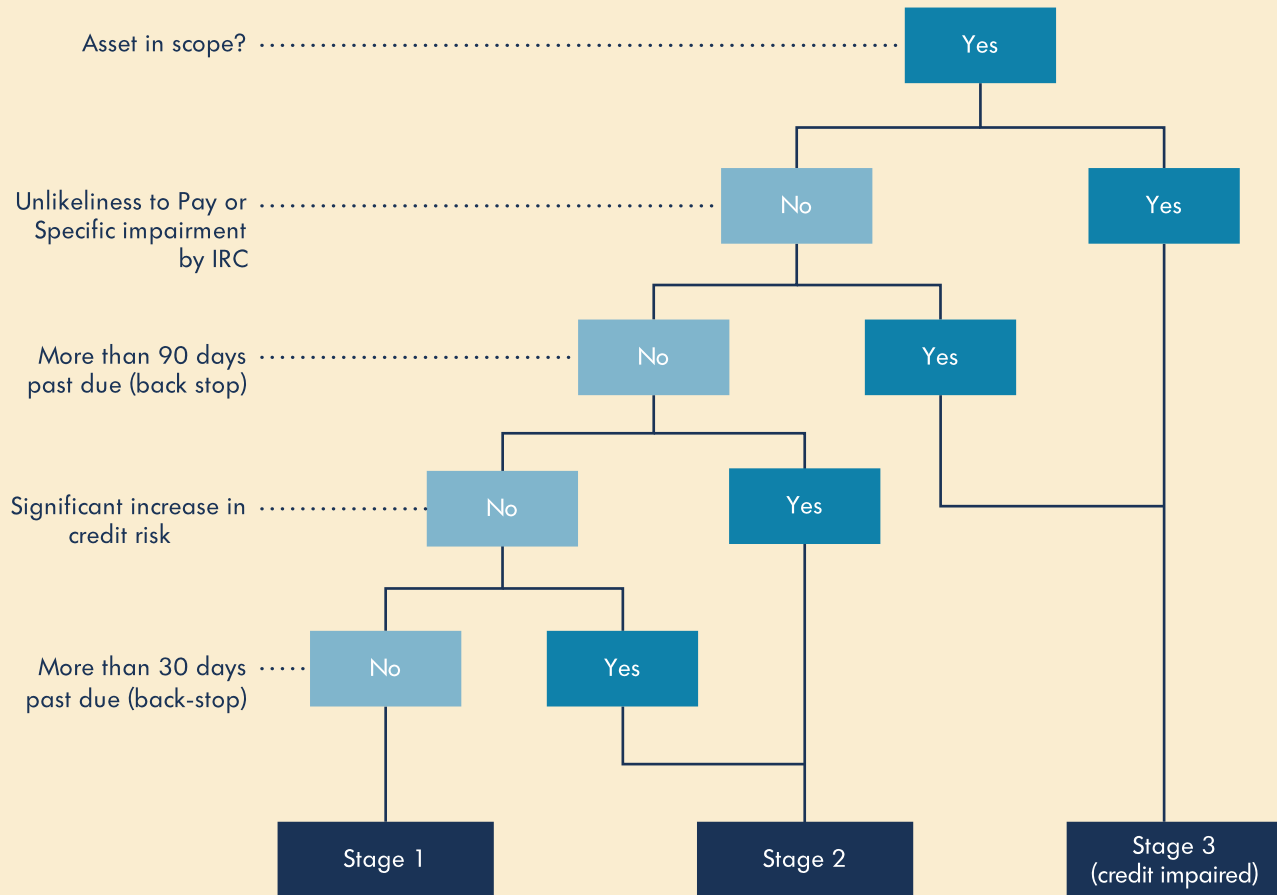
Definition of default (Stage 3)

A financial asset is considered as default when any of the following occurs:



- The client is past due more than 90 days on any material credit obligation to the Fund, including fees (excluding on-charged expenses);
- The Fund judges that the client is unlikely to pay its credit obligation to the Fund due to occurrence of credit risk deterioration and the FRC or Credit department decides on a specific impairment on individual basis. The triggers for deciding on specific impairment include among others bankruptcy, days of past due, central bank intervention, distressed restructuring or any material adverse change or development that is likely to result in a diminished recovery of debt;

The following diagram provides a high level overview of the IFRS 9 impairment approach at the Fund.



Reversed staging

Reversed staging relates to criteria which trigger a stage transfer to Stage 1 for loans which are in Stage 3 or Stage 2. The following conditions must apply for a transfer to stages representing lower risk:

- Loans in Stage 2 will only revert to Stage 1 when there is no indication of financial difficulty and the exposure is removed from the watchlist, the regulatory forbearance probation period of minimum two years has passed and no material amounts are past due for more than 30 days;
- Loans in Stage 3 will revert to Stage 2 when the specific impairment is released, there are no obligations past due for more than 90 days and all regulatory probation periods have passed.

Climate and environmental (C&E) risk impact assessment

The Fund has set up a process to evaluate climate and environmental related risks on individual customers, both at origination and throughout monitoring via an internal tool, as part of the credit process. Through this process, the Fund aims to ensure that higher risk transactions undergo further assessments and appropriate measures (when feasible) are taken to address and manage climate-related and environmental risks throughout the investment cycle. As part of the annual monitoring cycle of the Fund's customers, reviews will take place to assess whether the assessments are still up to date and

where needed adjusted. The performance of climate risk assessments as part of our investment process is considered to be an important mitigant for our credit risk in relation to C&E risks.

Given the current understanding of climate and environmental risks and their impact within the Fund, the Fund does not currently consider such risks in its ECL assessment directly. Central tendencies for the calibration of PDs do include a best-effort correction for uncertainty with a 10% increase of the assumed long-term average default rate to account for uncertainties from a variety of factors that could be considered to account for Climate-related and Environmental risks. Additionally, a review of past defaults found little direct impact of Climate-related and Environmental risks on defaults, with most issues being related to questions of governance and ability of a company to adapt; such factors are captured in the Fund's current rating model.

Written-off financial assets

A write-off is made when a claim is deemed non-collectible, when the Fund has no reasonable prospects of recovery after, among others, enforcement of collateral or legal enforcement with means of lawsuits. Furthermore, a write-off is performed when the loan is being forgiven by the Fund. There are no automatic triggers, which would lead to a write-off of the loan; specific impaired loans are assessed on individual basis depending on their circumstances. Generally, when the impairment percentage exceeds 95%, the FRC is advised to consider a write-off.

Write-offs are charged against previously booked impairments. If no specific impairment is recorded on basis of FRC decision making from the past, the write-off is included directly in the profit and loss account under 'Impairments'.

Modification of financial assets

The Fund has defined specific events-based triggers, related to the type of restructuring being carried out in order to determine whether a specific change in contractual terms gives rise to derecognition or modification, instead of relying only on a quantitative threshold related to differences in net present value (NPV).

Modification of terms and conditions arise from lending operations where the Fund enters into arrangements with clients, which implies modifications to existing contractual cash flows or terms and conditions. Such arrangements are usually initiated by the Fund when financial difficulty occurs or is expected with a borrower. The purpose of such an arrangement is usually to collect original debt over different terms and conditions from the borrower. Modifications may include extending the tenor, changing interest rate percentages or their timing, or changing of interest margin.

During the modification assessment, the Fund will evaluate whether the modification event leads to a derecognition of the asset or to a modification accounting treatment. Generally, loans that are sold to a third party or are written off lead to a derecognition. When existing debt is converted into equity, a derecognition of the debt will occur and be recognized again on the statement of financial position as equity. For modifications in interest percentages or tenor changes of existing amortized cost loans do not pass the SPPI test, the loan will also be derecognised and will be recognised as new loans on the Fund's statement of financial position according to the new classification.

When modification measures relate to changes in interest percentages or extensions of tenors and the loan is at amortized cost, the Fund will recalculate the gross carrying amount of the financial asset by discounting the modified expected cash flows using the original effective interest rate and recognizes the difference in the gross carrying amount as a modification gain or loss under 'interest income related to financials assets at amortized cost'. However, when the NPV of the original loan is substantially different than the NPV of the modified loan, the original loan is derecognized and rerecognized on the statement of financial position. The Fund considers a variance of greater than 10% as substantially different.

Modification of contractual terms versus forbearance

Forbearance is not an IFRS term, but relates to arrangements with clients which imply modifications to existing terms and conditions due to financial difficulties of the client. Financial difficulties include, among others, prospects of bankruptcy or central bank intervention. Forbearance must include concessions to the borrower such as release of securities or changes in payment covenants that implies giving away payment rights. Forbearance measures do not necessarily lead to changes in contractual cash flows.

Theoretically modification of contractual cash flows or terms and conditions, does not necessarily apply to clients in financial difficulties or performed due to potential higher credit risk. However for the Fund, a modification of the contractual terms is usually initiated when financial difficulty occurs or is expected. Therefore only in exceptional cases, changes in modifications of contractual terms not following from credit risk related triggers, will not lead to forbearance e.g. in case of an environmental covenant breach. Generally modifications will follow from financial difficulties of the borrower and will be classified as forborne assets.

Liabilities

Loan FMO

The loan received from FMO is initially measured at the fair value of the consideration received. Subsequent measurement is at amortised cost, using the effective interest rate method to amortize the cost at inception to the redemption value over the life of the debt.

Fund Capital

This special purpose reserve contains the total capital provided by the State to finance the portfolio of loans and equity investments. Only when capital is claimed from the State, it is recognized in the Fund Capital. The remaining part of the committed capital is not recognized until claimed from the State.

Contributions available to consortium partners

Funding from the State is received directly by the consortium's lead party. Contributions received from the State that have not been drawn down by the respective consortium partners are held within a reserve called "Contributions DGIS - Available to consortium partners". Any distributions to consortium partners will be shown as a decrease in this balance.

Contributions attributable to Land-use Facility

Funding that has been drawn down by the Land-use Facility from the overall funding received from the State is presented in the reserve called "Contributions DGIS - Attributable to Land-use Facility".

Undistributed results previous years

The undistributed results consist of the part of the annual results that the Fund is accumulating to maintain the recoverability of the Fund.

Profit and Loss

Net interest income: interest income and expense

Interest income and interest expenses from financial instruments measured at AC are recognized in the profit and loss account for all interest-bearing financial instruments on an accrual basis using the 'effective interest' method based on the fair value at inception. Interest income and interest expenses also include amortized discounts, premiums on financial instruments.

When a financial asset measured at AC is credit-impaired and regarded as Stage 3, interest income is calculated by applying the effective interest rate to the net AC of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

Interest income from loans measured at FVPL are recognized under 'Interest income from financial instruments measured at FVPL'.

Fee and commission income and expense

The revenue recognition for financial service fees depends on the purpose for which the fees are charged and the basis of accounting for the associated financial instrument. Fees that are part of a financial instrument carried at fair value are recognized in the profit and loss account. Fee income that is part of a financial instrument carried at AC can be divided into three categories:

- *Fees that are an integral part of the effective interest rate of a financial instrument (IFRS 9)*
These fees (such as front-end fees) are generally treated as an adjustment to the effective interest rate. When the facility is not used and the commitment period expires, the fee is recognized at the moment of expiration. However, when the financial instrument is to be measured at fair value subsequent to its initial recognition, the fees are recognized as interest-income;
- *Fees earned when services are provided (IFRS 15)*
Fees charged by the Fund for servicing a loan (such as administration fees and agency fees) are recognized as revenue when the services are provided. Portfolio and other management advisory and service fees are recognized in line with the periods and the agreed services of the applicable service contracts;
- *Fees that are earned on the execution of a significant act (IFRS 15)*
These fees (such as arrangement fees) are recognized as revenue when the significant act has been completed.



Dividend income

Dividends are recognized in dividend income when a dividend is declared. The dividend receivable is recorded at declaration date.

Results from equity investments

Gains and losses in valuation of the equity investment portfolio are recognized under 'Results from equity investments'. These gains and losses include foreign exchange results of equity investments which are measured at fair value.

Results from financial transactions

Results from financial transactions include foreign exchange results (excluding foreign exchange results related to equity investments measured at fair value) that are driven by changes in the market. Furthermore, the valuation gains and losses related to loans measured at fair value are recognized in the profit and loss immediately under 'Results from financial transactions'.

Operating expenses

Operating expenses include direct and overhead costs. Expenses are recorded on accrual basis as they are incurred.

Statement of cash flows

The statement of cash flows is presented using the direct method.

Undrawn loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Fund is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL allowances are disclosed in Note 18.



Notes to the special purpose annual accounts

1. Banks

	2024	2023
Banks	6,161	6,028
Balance at December 31	6,161	6,028

The cash in bank accounts can be freely disposed of.

2. Current account with FMO

	2024	2023
Current account with FMO	647	-
Balance at December 31	647	-

3. Short-term deposits

	2024	2023
Money market funds	8,028	20,427
Balance at December 31	8,028	20,427

4. Loans

Loans originated by the Fund include loans to the private sector in developing countries for the account and risk of the Fund.

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2024
Balance at January 1, 2024	21,212	3,730	24,942
Disbursements	23,574	-	23,574
Interest Capitalization	597	530	1,127
Repayments	-3,708	-	-3,708
Changes in amortizable fees	-34	-	-34
Write-off	-1,418	-	-1,418
Changes in fair value	-	68	68
Changes in accrued income	738	-129	609
Exchange rate differences	2,344	276	2,620
Balance at December 31, 2024	43,305	4,475	47,780
Impairment	-689	-	-689
Net balance at December 31, 2024	42,616	4,475	47,091



	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2023
Balance at January 1, 2023	9,018	4,909	13,927
Disbursements	14,263	688	14,951
Interest Capitalization	-	423	423
Repayments	-1,385	-	-1,385
Changes in amortizable fees	-211	-	-211
Changes in fair value	-	-2,202	-2,202
Changes in accrued income	267	83	350
Exchange rate differences	-740	-171	-911
Balance at December 31, 2023	21,212	3,730	24,942
Impairment	-862	-	-862
Net balance at December 31, 2023	20,350	3,730	24,080

The following tables summarize the loans segmented by sector and geographical area:

2024					
Loans segmented by sector	Stage 1	Stage 2	Stage 3	Fair value	Total
Financial Institutions	14,770	-	-	-	14,770
Energy	-	2,842	-	-	2,842
Agribusiness	21,023	3,195	786	4,475	29,479
Total balance at December 31	35,793	6,037	786	4,475	47,091

2023					
Loans segmented by sector	Stage 1	Stage 2	Stage 3	Fair value	Total
Financial Institutions	9,002	-	2,144	-	11,146
Agribusiness	9,003	-	201	3,730	12,934
Total balance at December 31	18,005	-	2,345	3,730	24,080

2024					
Loans segmented by geographical area	Stage 1	Stage 2	Stage 3	Fair value	Total
Africa	-	2,842	786	4,475	8,103
Asia	24,301	3,195	-	-	27,496
Latin America & the Caribbean	-	-	-	-	-
Europe & Central Asia	6,630	-	-	-	6,630
Non - region specific	4,862	-	-	-	4,862
Total balance at December 31	35,793	6,037	786	4,475	47,091

2023					
Loans segmented by geographical area	Stage 1	Stage 2	Stage 3	Fair value	Total
Africa	-	-	200	3,730	3,930
Asia	13,457	-	-	-	13,457
Latin America & the Caribbean	-	-	2,145	-	2,144
Non - region specific	4,548	-	-	-	4,549
Total balance at December 31	18,005	-	2,345	3,730	24,080

The movements in the gross carrying amounts and ECL allowance for the loan portfolio measured at AC are as follows:



Changes in loans to the private sector at AC in 2024

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
At December 31, 2023	18,216	-211	-	-	2,996	-651	21,212	-862
Additions	20,799	-398	2,775	-75	-	-	23,574	-473
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-759	18	-1,531	51	-1,418	1,116	-3,708	1,185
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-4,600	108	4,600	-108	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Modifications of financial assets (including derecognition)	-	-	-	-	597	-	597	-
Changes in risk profile not related to transfers	-	182	-	-123	-	-1,899	-	-1,840
Amounts written off	-	-	-	-	-1,418	1,418	-1,418	1,418
Changes in amortizable fees	-61	-	27	-	-	-	-34	-
Changes in accrued income	686	-	73	-	-21	-	738	-
Foreign exchange adjustments	1,834	-21	360	-12	150	-84	2,344	-117
At December 31, 2024	36,115	-322	6,304	-267	886	-100	43,305	-689

Changes in loans to the private sector at AC in 2023

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
At December 31, 2022	4,737	-20	4,281	-91	-	-	9,018	-111
Additions	14,035	-270	-	-	-	-	14,035	-270
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-	-	-	-	-1,158	4	-1,158	4
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-	-	-	-
Transfers to Stage 3	-	-	-4,281	91	4,281	-91	-	-
Changes in risk profile not related to transfers	-	75	-	-	-	-573	-	-498
Changes in amortizable fees	-240	-	-	-	29	-	-211	-
Changes in accrued income	312	-	-	-	-45	-	267	-
Foreign exchange adjustments	-628	4	-	-	-111	9	-739	13
At December 31, 2023	18,216	-211	-	-	2,996	-651	21,212	-862

5. ECL allowances - assessment

ECL allowances are calculated for Interest bearing Securities, Loans at private sector at AC (including off balance loan commitments) and Guarantees Given to customers. The movement in ECL allowances for each of these items is presented in their relevant notes.

To demonstrate the sensitivity of the SICR criteria, the tables below presents the distribution of stage 2 impairments by the criteria that triggered the migration to stage 2. For 2023 there were no balances.



December 31, 2024

ECL allowance - Stage 2 trigger assessment	Loan portfolio	Loan commitments	Total
More than 30 days past due	-	-	-
Deterioration in credit risk	267	-	267
Total	267	-	267

6. Equity investments

The equity investments in developing countries are for the Fund's account and risk. The movements in fair value of the equity investments are summarized in the following table. Equity investments are measured at FVPL.

	2024	2023
Net balance at January 1	-	2,104
Purchases and contributions	221	-
Changes in fair value	-190	-2,104
Net balance at December 31	31	-

The following table summarizes the equity investments segmented by sector:

	2024	2023
Multi-Sector Fund Investments	31	-
Net balance at December 31	31	-

7. Other receivables

	2024	2023
Debtor fees	18	102
Balance at December 31	18	102

8. Loan FMO

	Loan FMO
Balance at January 1, 2024	-
Received from FMO	6,401
Repayments	-
Changes in accrued income	55
Net balance at December 31, 2024	6,456

9. Accrued liabilities

	2024	2023
Accrued liabilities	605	-
Balance at December 31	605	-

10. Provisions

	2024	2023
Allowance for loan commitments	51	135
Balance at December 31	51	135

11. Contributed fund capital and reserves

	2024	2023
Contributed Fund Capital		
Contributions DGIS - Available to consortium partners previous years	67,399	55,651
Contributions DGIS - Available to consortium partners current year	497	11,748
Balance at December 31	67,896	67,399
Undistributed results		
Balance at January 1	-10,639	-3,950
Net profit / (loss)	-6,258	-6,689
Balance at December 31	-16,897	-10,639

12. Net interest income

Interest income

	2024	2023
Interest on loans measured at AC	2,950	953
Interest on bank accounts	112	412
Total interest income from financial instruments measured at AC	3,062	1,365
Interest on loans measured at FVPL	401	505
Interest on short-term deposits	706	281
Total interest income from financial instruments measured at FVPL	1,107	786
Total interest income	4,169	2,151

Interest expense

	2024	2023
Interest payable on loan FMO	-55	-
Total interest expenses	-55	-

13. Net fee and commission income

	2024	2023
Administration fees	11	7
Net fee and commission income	11	7

14. Results from equity investments

	2024	2023
Results from equity investments:		
Unrealized results from changes in fair value	-190	-2,104
Total results from equity investments	-190	-2,104

15. Results from financial transactions

	2024	2023
Results on sales and valuations of FVPL loans	68	-2,202
Foreign exchange results	2,683	-1,449
Total results from financial transactions	2,751	-3,651

16. Operating income

	2024	2023
Other operating income	8	-
Total other operating income	8	-

17. Operating expenses

The following table presents the operating expenses incurred in 2024 and 2023. Next to direct personnel costs, direct project costs relate mainly to audit and advisory expenses. Furthermore, overhead costs incurred relate to legal fees and costs for support staff.

	2024	2023
Direct Personnel costs	-1,394	-1,380
Other direct project costs	-368	-373
Overhead / indirect costs	-	-7
Total operating costs	-1,762	-1,760

18. Off-Balance Sheet information

To meet the financial needs of borrowers, the Fund enters into various irrevocable commitments (loan commitments, equity, and grants).

Irrevocable facilities	2024	2023
Contractual commitments for disbursements of:		
Loans	7,195	16,049
Equity	9,423	-
Total irrevocable facilities	16,618	16,049

The movement in exposure for the loan commitments is as follows:

IFRS 9 Changes in loans commitments in 2024	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
Outstanding exposure as at January 1, 2024	15,823	-135	-	-	-	-	15,823	-135
Additions	13,808	-136	-	-	1,020	-109	14,828	-245
Exposure derecognised or matured/lapsed (excluding write offs)	-20,799	215	-2,775	-	-597	109	-24,171	324
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-2,712	41	2,712	-41	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-31	-	41	-	-	-	10
Foreign exchange adjustments	643	-5	63	-	9	-	715	-5
At December 31, 2024	6,763	-51	-	-	432	-	7,195	-51



IFRS 9 Changes in loans commitments in 2023	Stage 1		Stage 2		Stage 3		Total	
	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance	Nominal amount	ECL allowance
Outstanding exposure as at January 1, 2023	-	-	-	-	-	-	-	-
New exposures	30,459	-238	-	-	-	-	30,459	-238
Exposure derecognised or matured/lapsed (excluding write offs)	-14,263	164	-	-	-	-	-14,263	164
Changes to models and inputs used for ECL calculations	-	-62	-	-	-	-	-	-62
Foreign exchange adjustments	-373	1	-	-	-	-	-373	1
At December 31, 2023	15,823	-135	-	-	-	-	15,823	-135

19. Analysis of financial assets and liabilities by measurement basis

The significant accounting policies summary describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table gives a breakdown of the carrying amounts of the financial assets and financial liabilities by category as defined in under IFRS and by balance sheet heading.

December 31, 2024	FVPL - mandatory	Amortized cost	Total
Financial assets			
Banks	-	6,161	6,161
Current account with FMO	-	647	647
Short-term deposits	8,028	-	8,028
Loan portfolio	4,475	42,616	47,091
Equity investments	31	-	31
Other receivables	-	18	18
Total Financial assets	12,534	49,442	61,976
Financial liabilities			
Loan FMO	-	6,456	6,456
Accrued liabilities	-	605	605
Provisions	-	51	51
Total Financial liabilities	-	7,112	7,112
December 31, 2023			
Financial assets			
Banks	-	6,028	6,028
Short-term deposits	20,427	-	20,427
Loan portfolio	3,730	20,350	24,080
Equity investments	-	-	-
Other receivables	-	102	102
Total Financial assets	24,157	26,480	50,637
Financial liabilities			
Provisions	-	135	135
Total Financial liabilities	-	135	135

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on lowest level input that is significant to the fair value measurement as a whole, as follows:



Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation process

For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the Fund uses the valuation processes to decide its valuation policies and procedures and analyze changes in fair value measurement from period to period.

The fair value methodology and governance over its methods includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the relevant departments. Once submitted, fair value estimates are also reviewed and challenged by the FRC. The FRC approves the fair values measured including the valuation techniques and other significant input parameters used.

Valuation technique

When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument (level 1). A market is regarded as active if transactions of the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Valuation techniques include:

- Recent broker / price quotations
- Discounted cash flow model
- Option-pricing models

The techniques incorporate current market and contractual prices, time to expiry, yield curves and volatility of the underlying instrument. Inputs used in pricing models are market observable (level 2) or are not market observable (level 3). A substantial part of fair value (level 3) is based on net asset values.

Equity investments are measured at fair value when a quoted market price in an active market is available or when fair value can be estimated reliably by using a valuation technique. The main part of the fair value measurement related to equity investments (level 3) is based on net asset values of investment funds as reported by the fund manager and are based on advanced valuation methods and practices. When available, these fund managers value the underlying investments based on quoted prices, if not available multiples are applied as input for the valuation. For the valuation process of the equity investments we further refer to the accounting policies within these Annual Accounts as well as section 'Equity Risk', part of the Risk Management chapter. The determination of the timing of transfers is embedded in the quarterly valuation process, and is therefore recorded at the end of each reporting period.

The table below presents the carrying value and estimated fair value of non fair value financial assets and liabilities.



At December 31	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
Non fair value financial assets				
Banks	6,161	6,161	6,028	6,028
Current account with FMO	647	647	-	-
Loans to the private sector at AC	42,616	43,593	20,350	21,450
Other receivables	31	31	-	-
Total non fair value financial assets	49,455	50,432	26,378	27,478
Financial liabilities not measured at fair value				
Loan FMO	6,456	6,456	-	-
Accrued liabilities	604	604	-	-
Total financial liabilities not measured at fair value	7,060	7,060	-	-

The following table gives an overview of the financial instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

December 31, 2024	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits	8,028	-	-	8,028
Loans portfolio	-	-	4,475	4,475
Equity investments	-	-	31	31
Total financial assets at fair value	8,028	-	4,506	12,534

December 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits	20,427	-	-	20,427
Loans portfolio	-	-	3,730	3,730
Equity investments	-	-	-	-
Total financial assets at fair value	20,427	-	3,730	24,157

The following table shows the movements of financial assets measured at fair value based on level 3.

	Loans portfolio	Equity investments	Total
Balance at January 1, 2024	3,730	-	3,730
Total gains or losses			
· In profit and loss (changes in fair value)	68	-192	-124
Purchases/disbursements	-	221	221
Interest Capitalization	530	-	530
Accrued income	-129	-	-129
Exchange rate differences	276	2	278
Balance at December 31, 2024	4,475	31	4,506



	Loans portfolio	Equity investments	Total
Balance at January 1, 2023	4,909	2,104	7,013
Total gains or losses			
· In profit and loss (changes in fair value)	-2,202	-2,104	-4,306
Purchases/disbursements	688	-	688
Interest Capitalization	423	-	423
Accrued income	83	-	83
Exchange rate differences	-171	-	-171
Balance at December 31, 2023	3,730	-	3,730

Type of debt investment	Fair value at December 31, 2024	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	4,475	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result in a higher/lower fair value of approx € 0.04m.
Total	4,475			

20. Related party information

The Fund defines the Dutch Government as related parties.

Dutch Government:

The Dutch Ministry of Foreign Affairs, in particular Directoraat-Generaal Internationale Samenwerking (DGIS), sets up and administers the investment funds ("State Funds"), including the DFCD Land-use Facility, according to the Dutch Government's development agenda. DGIS is the main contributor to the DFCD facilities, providing funding upon FMO's request for a net amount of €8.9 million in 2024 (2023: €25.0 million).

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FMO")

The Dutch development bank FMO supports sustainable private sector growth in developing and emerging markets by leveraging its expertise in focus areas - agribusiness, food & water, energy, financial institutions, Dutch business - to invest in impactful businesses. FMO is a public-private partnership, with 51% of FMO's shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a triple A rating from both Fitch and Standard & Poor's.

FMO has been entrusted by the Dutch Government to execute the mandates of the State Funds. Currently MASSIF, Building Prospects, Access to Energy – I, FOM and the Land Use Facility of DFCD are under FMO's direct management; the execution of Access to Energy – II and the other facilities of DFCD are performed by third parties under FMO's supervision.

In 2024 the DFCD Aya program was launched which resulted in a loan commitment of €240 million from FMO towards LUF, €105 million of which is guaranteed by the European Commission. As at the date of this report, € 6.4 million has been disbursed to LUF under this program. Interest of € 0.05 million is recognized as an expense in the current financial year.

The operating expenses of the Fund represent payments made to FMO to reimburse FMO for the costs incurred on the programme.

21. Subsequent events

There have been no other significant subsequent events between the balance sheet date and the date of approval of these accounts which should be reported by the Fund.

Risk management

Organization of risk management

For FMO, acting in its role as Fund Manager ("FMO") to be able to carry out the Fund's strategy, it is essential to have an adequate risk management system in place to identify, measure, monitor and mitigate financial risks. The DFCD Land Use Facility ("the Fund") has a pre-defined risk appetite translated into limits per client/ project, country and region. Limit usages are monitored on a monthly basis and for each proposed transaction.

The LUF Facility Manager reviews each transaction and provides consent to eligible proposals. Departmental Investment Committees, comprising of senior representatives of several departments, review financing proposals for new transactions. Each financing proposal is assessed in terms of specific counterparty, product risk as well as country risk and environmental, social and governance ("ESG") risk. All financing proposals are accompanied by the advice of the Credit department before approval. This department is responsible for credit risk assessment of both new transactions and the existing portfolio.

In addition, clients are subject to a periodic client review, which are in general executed annually. Exposures requiring specific attention are reviewed by the Financial Risk Committee (FRC). The large and higher risk exposures are accompanied by the advice of the Credit department. If the Financial Risk Committee concludes that a client has difficulty in meeting its payment obligations, the client is transferred to the Special Operations department – responsible for the management of distressed assets – where it is closely monitored.

Financial risk

Credit risk

Definition

Credit risk is defined as the risk that the bank will suffer an economic loss because a customer fails to meet its obligations in accordance with agreed terms.

Risk appetite and governance

Adverse changes in credit quality can develop within FMO's emerging market loan portfolio due to specific customer and product risk, or risks relating to the country in which the customer conducts its business. The main source of credit risk arises from investments in emerging markets and off-balance instruments such as loan commitments and guarantees.

Credit risk management is important when selecting and monitoring projects. In this process, a set of investment criteria per sector and product is used that reflects minimum standards for the required financial strength of FMO's customers. This is further supported by credit risk models that are used for risk quantification, calculations of expected credit loss allowance, and the determination of economic capital use per transaction. Funding decisions depend on the risk profile of the customer and financing instrument. As part of regular credit monitoring, FMO customers are subject to annual reviews at a minimum. Customers that are identified as having financial difficulties fall under an intensified monitoring regime to proactively manage loans before they become non-performing, including quarterly portfolio monitoring meetings. For distressed assets, the Special Operations department actively manages workout and restructuring.

FMO has set internal appetite levels for non-performing exposures and specific impairments on loans. If any of the metrics exceed the appetite levels, Credit will assess the underlying movements and analyze trends per sector, geography, and any other parameter. Credit will also consider market developments and peer group benchmarks. Based on the analysis, Credit will propose mitigating measures to the FRC. If any of the indicators deteriorate further, the Risk department will be involved to assess to what extent the trend is threatening FMO's capital and liquidity ratios.

Exposures and credit scoring

The following table shows LUF's total gross exposure to credit risk at year-end. The exposures, including derivatives, are shown gross, before impairments and the effect of mitigation using third-party guarantees, master netting, or collateral agreements. Regarding derivative financial instruments, only the ones with positive market values are presented. The maximum exposure to credit risk increased during the year to €74.8 million at year-end 2024 (2023: €72.2 million).

Maximum exposure to credit risk

	2024	2023
On balance		
Banks	6,161	6,029
Short term deposits	8,028	20,427
Loans to the private sector		
- of which: Amortized cost	43,594	21,450
- of which: Fair value through profit or loss	9,166	8,182
Current accounts with FMO	647	-
Other receivables	18	102
Total on-balance	67,614	56,190
Off-balance		
Commitment	7,195	16,049
Total credit risk exposure	74,809	72,239

When measuring the credit risk of the emerging market portfolio at the customer level, the main parameters used are the credit quality of the counterparties and the expected recovery ratio in case of defaults. Credit quality is measured by scoring customers on various financial and key performance indicators. FMO uses a Customer Risk Rating (CRR) methodology. The model follows the EBA guidelines regarding the appropriate treatment of a low default portfolio and uses an alternative for statistical validation to perform the risk assessment of the models when there is limited or no default data.

The CRR models are based on quantitative and qualitative factors and are different for respective customer types. The models for banks and non-banking financial institutions use factors including the financial strength of the customer, franchise value, and the market and regulatory environment. The model for corporates uses factors including financial ratios, governance, and strategy. The project finance model uses factors such as transaction characteristics, market conditions, political and legal environment, and financial strength of the borrower.

Based on these scores, FMO assigns ratings to each customer on an internal scale from F1 (lowest risk) to F20 (default) representing the probability of default. This rating system is equivalent to the credit quality rating scale applied by Moody's and S&P. Likewise, the loss given default is assigned by scoring various dimensions of the product-specific risk and incorporating customer characteristics. The probability of default and loss given default scores are also used as parameters in the IFRS9 expected credit loss model. Please refer to the 'Significant accounting policies' section, for details of the expected credit loss calculation methodology.

The majority of our gross loan portfolio (69 percent) remains in the F11 to F16 ratings categories.

Credit quality analysis

In addition to on balance loans, irrevocable facilities (off-balance) represent commitments to extend finance to clients and consist of contracts signed but not disbursed yet which are usually not immediately and fully drawn.

The following tables provide insights in the credit risk allocation of loan portfolio, loan commitments and financial guarantees according to internal ratings.



**Loan portfolio at December 31, 2024 Indicative
counterparty credit rating scale of S&P**

	Stage 1	Stage 2	Stage 3	Fair Value	Total
F11-F13 (BB-,BB,BB+)	21,505	-	-	-	21,505
F14-F16 (B-,B,B+)	14,849	-	-	-	14,849
F17 and lower (CCC+ and lower)	-	6,348	892	9,166	16,406
Subtotal	36,354	6,348	892	9,166	52,760
Less: amortizable fees	-240	-44	-5	-	-289
Less: ECL allowance	-321	-267	-101	-	-689
Less: FV adjustments	-	-	-	-4,691	-4,691
Carrying value	35,793	6,037	786	4,475	47,091

**Loans commitments at December 31, 2024 Indicative
counterparty credit rating scale of S&P**

	Stage 1	Stage 2	Stage 3	Other	Total
F14-F16 (B-,B,B+)	6,764	-	-	-	6,764
F17 and lower (CCC+ and lower)	-	-	431	-	431
Total nominal amount	6,764	-	431	-	7,195
ECL allowance	-51	-	-	-	-51
Total	6,713	-	431	-	7,144

**Loan portfolio at December 31, 2023 Indicative
counterparty credit rating scale of S&P**

	Stage 1	Stage 2	Stage 3	Fair Value	Total
F11-F13 (BB-,BB,BB+)	13,781	-	-	-	13,781
F17 and lower (CCC+ and lower)	4,668	-	3,001	8,182	15,851
Subtotal	18,449	-	3,001	8,182	29,632
Less: amortizable fees	-233	-	-5	-	-238
Less: ECL allowance	-211	-	-651	-	-862
Less: FV adjustments	-	-	-	-4,452	-4,452
Carrying value	18,005	-	2,345	3,730	24,080

**Loans commitments at December 31, 2023 Indicative
counterparty credit rating scale of S&P**

	Stage 1	Stage 2	Stage 3	Other	Total
F14-F16 (B-,B,B+)	15,823	-	-	-	15,823
Total nominal amount	15,823	-	-	-	15,823
ECL allowance	-135	-	-	-	-135
Total	15,688	-	-	-	15,688

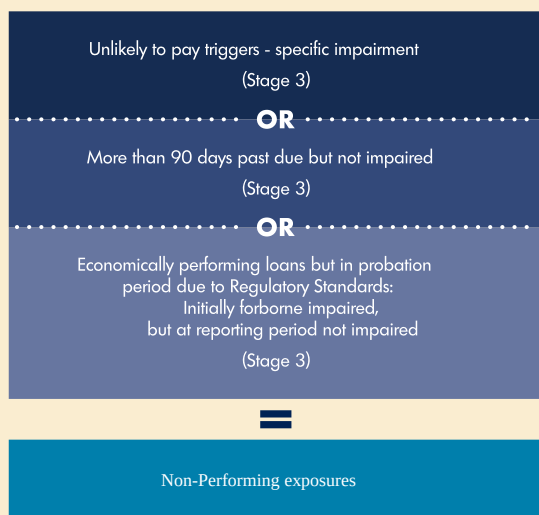
Non-performing exposures

A customer is considered non-performing when it is not probable that the customer will be able to pay his payment obligations in full without realization of collateral or calling on a guarantee, regardless of the existence of any past-due amount or the number of days past due.

This situation is considered to have occurred when one or more of the following conditions apply:

- The customer is past due more than 90 days on any outstanding facility;
- An unlikelihood to pay (UTP) trigger is in place that automatically leads to NPE;
- An impairment analysis, done upon a UTP trigger that possibly leads to NPE, results in an impairment higher than 12.5% on any outstanding facility;
- There are additional criteria for a customer to enter NPE status in case of Forbearance. If a customer with (No) Financial Difficulty - Forbearance status under probation is extended additional forbearance measures/ concessions or becomes more than 30 days past-due, it shall be classified as non-performing. This only applies if the customer has been non-performing while it was forborne.

NPE is applied at customer level.



The Fund's NPE ratio decreased from 10.1% in 2023 to 7.4% in 2024.

NPE levels in LUF's portfolio partially reflect long recovery periods, which are inherent in markets in which LUF invests.

Past due information related to LUF's loans portfolio is presented in the tables below.

Loans past due and impairments 2024

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	36,354	3,318	892	9,166	49,730
Loans past due:					
-Past due up to 30 days	-	3,030	-	-	3,030
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	-	-	-
Subtotal	36,354	6,348	892	9,166	52,760
Less: amortizable fees	-240	-44	-5	-	-289
Less: ECL allowance	-321	-267	-101	-	-689
Less: FV adjustments	-	-	-	-4,691	-4,691
Carrying amount	35,793	6,037	786	4,475	47,091

Loans past due and impairments 2023

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	18,449	-	227	8,182	26,859
Loans past due:					
-Past due up to 30 days	-	-	-	-	-
-Past due 30-60 days	-	-	-	-	-
-Past due 60-90 days	-	-	-	-	-
-Past due more than 90 days	-	-	2,773	-	2,773
Subtotal	18,449	-	3,001	8,182	29,632
Less: amortizable fees	-233	-	-5	-	-238
Less: ECL allowance	-211	-	-651	-	-862
Less: FV adjustments	-	-	-	-4,452	-4,452
Carrying amount	18,005	-	2,345	3,730	24,080

Equity risk

Definition

Equity risk is the risk that the fair value of an equity investment decreases. It also includes exit risk, which is the risk that the Fund's stake cannot be sold for a reasonable price and in a sufficiently liquid market.

Risk appetite and governance

The fund has a long-term view on its equity portfolio, usually selling its equity stake within a period of 5 to 10 years. The fund can accommodate an increase in the average holding period of its equity investments and wait for markets to improve before pursuing an exit. The equity investment portfolio consists of direct investments, largely in the financial institutions and energy sectors, co-investments with aligned partners (mainly in cooperation with funds), and indirect investments in private equity funds. Equity investments are approved by the Investment Committee. In close cooperation with the Credit and Finance departments, the Private Equity department assesses the valuation of equity investments on a periodic basis, which are approved by the FRC. Diversification across geographical area, sector, and equity type across the total portfolio is evaluated before new investments are made. Based on this performance and the market circumstances, direct exits are pursued by involving intermediaries. In the case of co-investments, our fund managers initiate the exit process as they are in the lead. Exits are challenging due to the limited availability of liquidity in some markets and the absence of well-developed stock markets.

The risk of building an equity portfolio is driven by two factors:

- Negative value adjustments due to currency effects (EUR/USD and USD/local currencies), negative economic developments in emerging markets (EM), and specific investee-related issues. This would negatively affect the profitability of the fund.
- Liquidity of the portfolio – in case the fund is not able to liquidate (part) of its maturing equity portfolio by creating sufficient exits for its direct and co-investment portfolio. This is also reflected in the fund portfolio where some fund managers have to hold longer to their portfolio due to the lack of good exit opportunities

Concentration risk

Definition

Concentration risk is the risk that the fund's exposures are too concentrated within or across different risk categories. Concentration risk may trigger losses large enough to threaten the fund's health or ability to maintain its core operations or trigger a material change in our risk profile.

Risk appetite and governance

Strong diversification within the fund's emerging market portfolio is ensured through stringent limits on individual counterparties (single and group risk limits), sectors, countries, and regions. These limits are monitored by Risk, reviewed regularly, and approved by the FRC, the Managing Board, and the Supervisory Board. Diversification across countries, sectors, and individual counterparties is a key strategy to safeguard the credit quality of the portfolio.

The level of the country limits depends on the sovereign rating. FMO recognizes that the impact of country risk differs across the financial products it offers.

Single exposure risk

Single risk refers to an individual client or a group of clients which are so interconnected that while they might be separate legal entities on paper, from the risk perspective, they behave as if they were a single entity. A single risk exposure refers to the sum of all exposures on entities that constitute a single risk.

Diversification within the Fund's portfolio is ensured through limits on country, region and maximum exposures per client/project. The fund has a limit that no more than thirty percent (30%) of the total aggregate funding commitments can be allocated to a single mandate country. In addition, no more than fifty (50%) of total commitments can be allocated to a specific region: Africa, Asia, or Latin America. In the fund risk appetite, the maximum customer exposure for investment is set at EUR 10 million.

The following tables present how the Fund's loan portfolio is concentrated according to country ratings. The comparison with FMO demonstrates that loan portfolio of the Fund is concentrated in countries with higher ratings and is relatively prone to higher credit risk.



Overview country ratings

Indicative external rating equivalent 2024	LUF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	-	4.6
F10 (BBB-)	10.5	8.8
F11 (BB+)	20.2	3.8
F12 (BB)	-	11.9
F13 (BB-)	-	23.2
F14 (B+)	20.9	9.2
F15 (B)	10.3	10.9
F16 (B-)	20.7	16.4
F17 and lower (CCC+ and lower ratings)	17.4	11.2
Total	100.0	100.0

Gross exposure of loans distributed by region and sector

	Agribusiness	Financial Institutions	Energy	Total
At December 31, 2024				
Africa	10,058	-	3,030	13,088
Asia	13,112	14,949	-	28,061
Europe & Central Asia	6,715	-	-	6,715
Non - region specific	4,896	-	-	4,896
Total	34,781	14,949	3,030	52,760
	Agribusiness	Financial Institutions	Energy	Total
At December 31, 2023				
Africa	8,409	-	-	8,409
Asia	4,668	9,200	-	13,868
Latin America & the Carriibbean	-	2,773	-	2,773
Non - region specific	4,582	-	-	4,582
Total	17,659	11,973	-	29,632

Liquidity risk

Definition

Liquidity risk is defined as the risk for fund not being able to fulfill its financial obligations due to insufficient availability of liquid means.

Risk appetite and governance

The Fund has a conservative liquidity management to ensure sufficient liquidity is available. In case of a liquidity shortfall, the Fund can make a funding request to FMO for up to a maximum of 10% of the Fund's net portfolio.

Market risk

Market Risk is the risk that the value and/or the earnings of the bank decline because of unfavorable market movements. At FMO, this includes interest rate risk and currency risk.

Interest rate risk in the banking book

Definition

Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly influence the fair value of fixed interest balance sheet items and affect fund's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII).



Credit spread risk is the risk driven by changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk.

Risk appetite and governance

Fund's policy is to match assets and liabilities within defined limits. As the loan portfolio is more granular, loans are pre-funded and new funding is obtained periodically and matched to the asset portfolio in terms of expected maturity and interest rate sensitivity. Interest rate risk arises from the residual tenor mismatch, mismatch in fixed rate assets funded by floating rate liabilities, and differences in reference rates or currencies resulting in basis risk. Fund has little optionality in its portfolio and has no material exposure to rates-driven prepayment risk. The volatility of the market value of assets and liabilities over the holding period due to interest rate movements is of less concern as these are held until maturity.

Interest rate risk management falls under the responsibility of the FRC. The Treasury department acts as the first line and is responsible for the day-to-day management of interest rate risk and daily transactions. The quantification, monitoring and control of market risk is the responsibility of the Risk department as second line.

Interest rate risk is monitored using earnings-based metrics and value-based metrics.

Earnings-based methods capture short-term effects of interest rate repricing or repricing that may impact NII. The following two metrics are used for this purpose.

- The interest rate gap provides a static overview of the full balance sheet's repricing and refinancing characteristics. The gap is monitored over different time buckets with limits in place per bucket and on a cumulative level, for all currencies (aggregate and currency-by-currency).
- NII at Risk provides a dynamic projection of net interest income sensitivity to yield curve shocks. FMO monitors NII at Risk on a two-year forward-looking basis and applies different scenarios simultaneously that also allow for identification of basis risk.

Economic value methods capture changes in net present values of assets, liabilities and off-balance sheet items to changes in yield curves. Value-based metrics measure long-term effects of interest rate changes over the full tenor of the balance sheet. The following economic value metrics are calculated:

- Basis Point Value (BPV) provides the change in market value of assets, liabilities and interest-rate risk sensitive off-balance items for a one basis point change in yield curves. Limits are in place for the whole balance sheet, and for main currencies (EUR and USD) separately.
- Delta Economic Value of Equity (delta EVE) provides changes in the economic value of the shareholder's equity, given certain shift in yield curves. The impact of a 200 basis-points parallel shifts and SA-IRRRB scenarios are reported.

The interest rate gap and BPV exposure are monitored on a weekly basis against limits set by the FRC. BPV limits are defined dynamically to accommodate a 200 basis-points shock within five percent of Tier I. The delta EVE limit is defined in the RAF and set at five percent of Tier I. The NII at Risk limit is defined based on one percent of Tier 1.

Credit spread risk is measured under both economic value and NII, in line with IRRBB.

The interest rate positions were within risk appetite in 2024. In spite of rates volatility in the United States, Europe and globally our positions remain within limits.

Exposures

The interest rate risk limits were not breached in 2024. The following table summarizes the interest repricing characteristics for Fund's assets and liabilities.



Interest re-pricing characteristics

December 31, 2024	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	6,161	-	-	-	-	6,161
Short term deposits	8,028	-	-	-	-	8,028
Equity investments FVPL	-	-	-	-	31	31
Loans to the private sector at AC	19,725	14,633	2,862	5,396	-	42,616
Loans to the private sector at FV	-	-	-	4,475	-	4,475
Other assets/liabilities	-	-	-	-	665	665
Total assets	33,914	14,633	2,862	9,871	696	61,976
Liabilities and Fund Capital						
Accrued assets/liabilities	-	-	-	-	605	605
Provisions	-	-	-	-	51	51
Loan FMO	6,456	-	-	-	-	6,456
Fund Capital	-	-	-	-	54,864	54,864
Total Liabilities and Fund Capital	6,456	-	-	-	55,520	61,976
Interest sensitivity gap 2024	27,458	14,633	2,862	9,871	-54,824	

Interest re-pricing characteristics

December 31, 2023	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Banks	6,028	-	-	-	-	6,028
Short-term deposits	20,427	-	-	-	-	20,427
Loans fair value through profit or loss	-	-	-	3,730	-	3,730
Loans at amortized cost	11,241	-	4,560	4,549	-	20,350
Equity investments fair value through profit or loss	-	-	-	-	-	-
Other receivables	-	-	-	-	102	102
Total assets	37,696	-	4,560	8,279	102	50,637
Liabilities and Fund Capital						
Accrued liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	135	135
Fund Capital	-	-	-	-	50,502	50,502
Total liabilities and Fund capital	-	-	-	-	50,637	50,637
Interest sensitivity gap 2023	37,696	-	4,560	8,279	-50,535	

Currency Risk

Definition

Currency risk is defined as the risk that changes in foreign currency exchange rates have an adverse effect on the value of the Fund's financial position and future cash flows.

Risk appetite and governance

FMO has limited appetite for currency risk. Exposures are hedged through matching currency characteristics of assets with liabilities, or through derivative transactions such as cross-currency swaps and FX forwards conducted with either commercial parties or with The Currency Exchange Fund (TCX Fund N.V.). Most currency exposures are hedged to US dollars on a micro-hedge basis, whereby the US dollar position is managed on a portfolio basis accordingly. FMO does not take any active positions in any currency for purpose of making a profit. Each individual currency is managed within a strict position limit and an overall appetite level is set at one percent of shareholder's equity for the total open position across all currencies. Both the individual and overall open positions are monitored by the Risk department on a daily basis. Additionally, FMO maintains a deliberately unhedged foreign currency position for the purpose of structural hedge which is reported to the FRC monthly. Please refer to the 'Structural hedge' sub-section for further details.



Exposures

Individual and total open currency positions were within risk appetite in 2024. The table below illustrates that the currency risk sensitivity gap per December 2024 is almost completely part of fund's equity investments and investments in associates.

Currency risk exposure (at carrying values)

December 31, 2024	EUR	USD	Total
Assets			
Banks	3,492	2,669	6,161
Current account with FMO	647	-	647
Short term deposits	8,028	-	8,028
Loans portfolio			
- of which: at Amortized cost	-	42,616	42,616
- of which: at Fair value through profit or loss	-	4,475	4,475
Equity investments	-	31	31
Other receivables	-	18	18
Total assets	12,167	49,809	61,976
Liabilities and Fund Capital			
Loan FMO	-	6,456	6,456
Accrued liabilities	-	605	605
Provisions	-	51	51
Fund Capital	54,864	-	54,864
Total liabilities and fund capital	54,864	7,112	61,976
Currency sensitivity gap 2024		42,697	
Currency sensitivity gap 2024 excluding equity investments		42,666	

Currency risk exposure (at carrying values)

December 31, 2023	EUR	USD	Total
Assets			
Banks	2,850	3,178	6,028
Short-term deposits	15,002	5,425	20,427
Loans portfolio	-	24,080	24,080
Equity investments	-	-	-
Other receivables	-	102	102
Total assets	17,852	32,785	50,637
Liabilities and Fund Capital			
Accrued liabilities	-	-	-
Provisions	-	135	135
Fund Capital	50,502	-	50,502
Total liabilities and fund capital	50,502	135	50,637
Currency sensitivity gap 2023		32,651	
Currency sensitivity gap 2023 excluding equity investments		32,651	

Sensitivity of profit & loss account and capital to main foreign currencies

Change of value relative to the euro	Sensitivity of profit & loss account
December 31, 2024	
USD value increase of 10%	4,270
USD value decrease of 10%	-4,270

Sensitivity of profit & loss account and capital to main foreign currencies

Change of value relative to the euro	Sensitivity of profit & loss account
December 31, 2023	
USD value increase of 10%	3,265
USD value decrease of 10%	-3,265

The sensitivities employ simplified scenarios. The sensitivity of profit and loss account and shareholders’ equity to possible changes in the main foreign currencies is based on the immediate impact on the financial assets and liabilities held at year-end. This includes the effect of hedging instruments.

Strategic risk

Environmental, Social and Governance risks

Definition

ESG risk is defined as the risk that our investments realize adverse impacts on people and the environment, and/or contribute to corporate governance practices, that are inconsistent with FMO policy commitments. FMO is exposed to ESG risk via our investment selection (the risks associated with our investments, which include the investments of our clients/investees) and the effectiveness of clients’/investees’ ESG risk management, including the effectiveness of FMO’s engagement thereon. In addition to potential adverse impacts to people and the environment, ESG risk can for example result in financial (remediation, legal) costs to FMO or client, jeopardized access to capital for FMO (external investors), jeopardized license to operate/shareholder relations or reputation damage.

Risk Appetite and Governance

The Fund has an appetite for managed risk in its portfolio, accepting ESG performance below standards when starting to work with a customer, with the goal that performance is brought in line with our ESG risk mitigation requirements within a credible and reasonable period. ESG risks are mitigated through environmental and social action plans and monitoring. The risk appetite for deviations from the exclusion list and human rights violations is zero.

As part of the investment process, all clients are screened on ESG risk and categorized according to the ESG risk that their activities represent. FMO assesses in detail customers with a high ESG risk category to identify ESG impact and risks and to assess the quality of existing risk management and mitigation measures. Due diligence also includes an analysis of contextual and human rights risk. In case of gaps in ESG risk management, FMO works with customers to develop and implement an Action Plan to avoid adverse ESG impacts and/or to improve ESG risk management over time. Key ESG risk items are tracked during the tenor of the engagement. FMO’s ESG risk management support to customers is an important part of development impact ambitions.

In addition, for customers with a high ESG category, FMO monitors customer performance on key ESG risk themes (against the IFC Performance Standards) using the ESG Performance Tracker (ESG-PT). The ESG-PT keeps track of key ESG risks and customer performance level, enabling FMO to have a portfolio-wide view of its ESG risks.

Non- financial risk

Operational risk

Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks, excluding strategic risks. This is the Basel definition of operational risk, which covers a wide range of non-financial risks.

FMO adopted the Operational Risk Data Exchange Association (ORX) risk taxonomy to structure all non-financial risk types, such as people, data, model, technology, third party, information and cyber security, business continuity, statutory reporting, transaction execution, et cetera. FMO uses the terms operational risk and non-financial risk interchangeably.

Risk appetite and governance

FMO is in general cautious about non-financial risks. We do not seek them as they have no direct material reward in terms of return/income generation, but they are inherent to our business. We prefer safe options, with low inherent risk, even if they limit rewards or lead to higher costs. There is no appetite for high residual risk.

First and second line functions work closely together to understand the full and varied spectrum of non-financial risks, and to focus their risk and control efforts on meaningful and material risks. Risk identification and assessment draws on multiple sources of data, such as topic-specific risk-assessments, results of half-yearly control monitoring and testing rounds, internal loss data and root cause analysis, audit results, supervisory findings, and key risk indicators. Policies and operating procedures clarify control standards, accountabilities, and mandate training on key risks.

Management of the first line is responsible for understanding risks and implementing and operating internal controls in the day-to-day business processes. Key controls are monitored and tested twice a year. The first line performs these responsibilities in line with the risk management framework, using the methods and tools provided by the second-line Operational Risk function. The Operational Risk function challenges and advises the first line, performs oversight and maintains the Integrated Control Framework.

Risk events will occur, despite the implementation of internal controls. Risk events can result in losses, non-compliance, misstatements in the financial reports, and reputational damage. Risk events are centrally registered and reviewed and classified by the Operational Risk team. Root cause analyses of high-concern risk events require approval by the Non-financial Risk Committee and follow-up of remediating actions is tracked and reported.

Non-financial Risk metrics are reported on a quarterly basis. These metrics cover operational risks, such as the amount of loss per quarter, timely follow-up of remediating actions by management, and specific metrics for all non-financial risk subtypes. All departmental directors evaluate the operational risks in their area of responsibility and sign a departmental in control statement at year end.

Financial economic crime risk

Definition

Financial economic crime risk is the risk that FMO, its subsidiaries, investments, customers and/or employees are involved or used for any crime that has a financial component, even though at times such transactions may be hidden or not socially perceived as criminal. This includes (but is not limited to): money laundering, terrorism financing, bribery and corruption, sanction breaches or any other predicate offence as defined by the Dutch Penal Code or any other rules or regulations related to financial crime that are applicable to FMO.

Risk appetite and governance

FMO acknowledges that as a financial institution it has been entrusted with a gatekeeper role. FMO attaches great value to this role and will always strive for full and timely adherence to financial economic crime regulations. We are aware that in line with FMO's mandate, the operational working environment (countries with high(er) financial crime risks) as well as the risk maturity level of its clients, risks are present and incidents within customer complexes (i.e. the customer and any associated and/or third parties) may happen.

Financial economic crime framework

FMO's financial economic crime (FEC) procedures include, amongst others, screening of customers on compliance with applicable anti-money laundering, counter financing of terrorism and international sanctions laws and regulations. Due diligence is performed on customers, which includes checks such as verifying the ultimate beneficial owners of the customer we finance, identifying politically exposed persons and screening against mandatory international sanction lists. These checks are also performed regularly during the relationship with existing customers.

In our continued efforts to implement learnings, FMO's Compliance department reviews its FEC framework in cooperation with the KYC (Know Your Customer) department on an ongoing basis, taking into account any monitoring results, risk analysis, incidents and updates in regulations and industry best practices. In addition, continuous risk-based quality monitoring takes place both in first- and second-line including sample-based and thematic monitoring. In 2024, the sample-based monitoring consisted of at least 10 percent of all finalized KYC files in every quarter. FMO also conducts ongoing training programs for its employees to raise awareness on topics related to FEC. Further, FMO continues to remind its customers of the importance of integrity in the business operations, including sanctions compliance.



FMO continues to work on strengthening the risk culture and creating awareness on FEC, potential unusual transactions and anti-bribery and corruption practices. In 2024, all FMO employees were required to complete the Compliance 'Annual Integrity refresher e-learning that addresses customer and personal integrity topics, such as bribery and corruption.

There is always a risk that a customer is involved or alleged to be involved in illicit acts (e.g., money laundering, fraud, or corruption). When FMO is of the opinion that there is a breach of law that cannot be remedied, that no improvement by the customer will be achieved (e.g., awareness, implementing controls) or that the risk to FMO's reputation is unacceptably high, FMO may exercise certain remedies under the contract, such as the right to cancel a loan or suspend upcoming disbursements. FMO will report to the regulatory authorities when necessary.

Regulatory compliance risk

Definition

Regulatory compliance risk is the risk that FMO does not operate in accordance with applicable rules and regulations, either by not or not timely identifying applicable regulations or not adequately implementing and adhering to applicable regulations and related internal policies and procedures.

Risk appetite and governance

FMO has a minimal appetite for regulatory compliance risk. FMO closely monitors and assesses future regulations that apply to FMO and strives for full and timely implementation of regulations.

To ensure compliance with the EU Banking Supervisory Regulations as implemented by the DNB and the ECB and other laws and regulations applicable to FMO, FMO closely monitors the regulatory developments including the supervisory authority's guidance.

FMO has a risk committee structure, accompanied by a Regulatory Monitoring Policy that defines the internal requirements, processes, roles, and responsibilities to identify, assess and implement regulatory changes.



INDEPENDENT AUDITOR'S REPORT



Shape the future
with confidence

Independent auditor's report

To: the management board of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Report on the audit of the special purpose accounts for the year ended 31 December 2024 included in the annual report

Our opinion

We have audited the special purpose annual accounts of the Land Use Facility (hereinafter: LUF) prepared by Nederlandse Financierings-maatschappij voor Ontwikkelingslanden N.V. (hereinafter: FMO) based in The Hague, as of 31 December 2024 (hereinafter: the special purpose annual accounts).

In our opinion the special purpose annual accounts of LUF as of 31 December 2024 have been prepared, in all material respects, in accordance with the grant requirements.

The applicable criteria on the basis of which FMO has prepared the special purpose annual accounts are the grant requirements as described in Grant decision Dutch Fund for Climate Development (DFCD) activity number 4000002735 (hereinafter: grant requirements).

The special purpose annual accounts comprise:

- The Statement of Financial Position as at 31 December 2024
- The Statement of Comprehensive Income
- The Statement of Changes in fund capital
- The Statement of Cash Flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing, and the guidelines as included in the Audit Protocol of DFCD. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the special purpose annual accounts section of our report.

We are independent of LUF in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of the basis for financial reporting and the restriction on use and distribution

The special purpose annual accounts have been prepared based on the accounting principles as described in the grant requirements and is intended for the Dutch State with the aim to assist FMO to comply with the grant requirements. As a result, the special purpose annual accounts may not be suitable for other purposes. Therefore, our auditor's report is intended solely for FMO and the Dutch State and should not be distributed to or used by others. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the special purpose annual accounts and our auditor's report thereon, the annual report contains other information that consists of:

- The management report
- Performance on our strategy
- International principles

Based on the following procedures performed, we conclude that the other information is consistent with the special purpose annual accounts and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the special purpose annual accounts or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the special purpose annual accounts.

Description of responsibilities regarding the special purpose annual accounts

Responsibilities of management for the special purpose annual accounts

Management is responsible for the preparation of the special purpose annual accounts in accordance with the grant requirements. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the special purpose annual accounts that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the special purpose annual accounts

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this special purpose annual accounts. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, the guidelines as included in the Audit Protocol of DFCD, ethical requirements and independence requirements.

Our audit included among others:

- Identifying and assessing the risks of material misstatement of the special purpose annual accounts, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the special purpose annual accounts, including the disclosures
- Evaluating whether the special purpose annual accounts represents the underlying transactions and events free from material misstatements

Communication

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 31 March 2025

EY Accountants B.V.

signed by P.J.A.J. Nijssen



Colophon

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