

A woman wearing a pink hat and an orange shirt is working in a field of green plants with red flowers. She is holding a bunch of the plants. The background shows a blue sky with white clouds and tall green trees.

FMC

Entrepreneurial
Development
Bank

Land Use Facility

Annual Report 2025



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, Dutch Fund for Climate and Development (DFCD), AEF-II and Mobilising Finance for Forests (MFF), with MFF being co-funded by the UK government. 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, Kirirom in Cambodia.



**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 MANAGEMENT BOARD

The year 2025 began in a climate of global uncertainty, a defining feature that persisted throughout the year. Conflicts intensified, geopolitical tensions rose, and global alliances continued to shift. Yet despite this turbulence, many of FMO's customers made steady progress and their perseverance enabled FMO to continue supporting inclusive and sustainable prosperity across its markets.

The strengths of partnerships

Against this backdrop, public funds played a pivotal role in mobilizing capital. Through the mandates we manage on behalf of the Dutch Ministry of Foreign Affairs (MoFA), the European Commission (EC), and the UK government, FMO worked closely with public partners, project developers, NGOs and complementary impact investors to deploy catalytic finance to underserved markets and customer segments. This has become even more critical amid declining global Official Development Assistance (ODA) flows, and growing demand from investment teams for higher-risk-tolerant capital - complementing FMO's own risk-tolerant funding. Our publicly funded programs such as Access to Energy Fund (AEF), Building Prospects (BP), Dutch Fund for Climate and Development (DFCD), MASSIF, Mobilising Finance for Forests (MFF), Nasira, and FMO Ventures Program continued to support investments in challenging markets and expanded access to finance for, amongst others, youth, women, smallholder farmers, and early-stage innovators - groups that remain disproportionately excluded from traditional banking systems.

In parallel, FMO's MASSIF Market Creation Pilot (MASSIF-MCP), supported by the Dutch Ministry of Foreign Affairs, addressed upstream constraints in fragile and underserved markets by strengthening market ecosystems, enhancing investment readiness, and developing investable pipelines in sectors critical to inclusive and sustainable growth. Through catalytic early-stage support, MASSIF-MCP broadened FMO's ability to support Micro, Small and Medium Enterprises (MSMEs) and emerging sectors requiring early and targeted intervention.

Across our public fund portfolio, 2025 saw continued progress in governance, reporting, and compliance, alongside closer alignment with evolving donor frameworks. Annual program reports were reviewed and approved through established EC and MoFA processes, with audits continuing to support transparency and oversight. In parallel, FMO's expanding engagement with new and scaled European Commission instruments under EFSD+ and Team Europe reinforced our role as a trusted partner in blended finance.

Within the Dutch Fund for Climate and Development, the DFCD Land Use Facility, managed by FMO, proceeded on its journey to scale climate adaptation and mitigation investments in sectors related to sustainable land use. With risk-tolerant financing, the Facility supported projects in challenging and vulnerable markets that would otherwise remain beyond the reach of conventional finance. Its integrated approach - linking investment capital with technical assistance - helped advance investable opportunities in areas such as climate-resilient agriculture, forestry, and sustainable food systems.

Looking ahead

The increasingly volatile geopolitical environment – now also including the escalating conflict in the Middle East – alongside high fluctuations in FX-rates, and the influence of AI, is reshaping the context in which FMO operates. Within that environment, we are undertaking a midterm review of our 2030 Strategy: Pioneer–Develop–Scale. Not because our ambitions have changed, but because we consider it prudent, especially in light of the pace and scale of global transformation, to reflect and ensure our strategic direction remains both relevant and resilient.

While 2026 is bringing its share of challenges, it also calls for clarity of purpose and continued commitment. We will remain focused on maximizing our impact, strengthening our partnerships, and supporting markets and customers to navigate uncertainty. As we reflect on the past year and look ahead to the challenges before us, we acknowledge that our achievements would not have been possible without our partners. We extend our sincere gratitude for their trust and collaboration



throughout the year and remain fully committed to delivering the impact and reliability they expect from us.

The Hague, 31 March 2026

On behalf of the Management Board:

Franca Vossen, Chief Risk Officer

Huib-Jan de Ruijter, Co-Chief Investment Officer

Michael Jongeneel, Chief Executive Officer, Chief Finance & Operations Officer a.i.



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PERFORMANCE ON OUR STRATEGY

Highlights

2025 was a pivotal year for the Land Use Facility (LUF), marking a transition from building foundations to scaling impact. Benefitting from an FMO loan of €240 million, partly guaranteed from the European Commission, LUF accelerated deployment. By the end of 2025, more than 40% of the €240 million allocation was committed, supported by a strong and diversified pipeline that positions the facility for full commitment in 2026 and early 2027. This rapid progress reflects LUF's ability to combine strategic ambition with operational discipline. A typical example is the \$12 million term loan with Phuc Sinh in Vietnam. The company will build a climate-smart coffee processing plant with the proceeds of the loan.

Beyond direct investments in individual companies, LUF advanced on its aggregator approach through financial institutions. Thousands of smallholders and MSMEs were provided access to climate-smart lending. The \$10 million investments in First National Bank Zambia (FNB) illustrates this approach, as the first market-driven investment in Zambia's financial sector since several years. The innovative approach aligns risk mitigation with outreach, creating a pathway for systemic change in agricultural finance.

Internally, LUF added value to its balance sheet and governance, implementing enhanced financial reporting and liquidity planning to support accelerated deployment. Engagement with external stakeholders intensified: LUF deepened collaboration with EU services and Delegations and maintained structured dialogue with MoFA.

Lessons from the external evaluation were integrated into pipeline selection and reporting, sharpening focus on gender inclusion, vulnerable communities, and robust monitoring frameworks. These actions underscore LUF's commitment to continuous learning and adaptive management.

In essence, 2025 was a year of acceleration, innovation, and leadership for LUF: mobilizing resources at scale, delivering transformative investments, and shaping the future of climate finance through collaboration and strategic foresight.

For more information we refer to the general DFCD Annual Report 2025.

Land Use Facility Production 2025

MSB - \$30 million loan



In January 2025, LUF closed a \$30 million facility with Vietnam Maritime Commercial Joint Stock Bank (MSB) as part of an overall \$80 million financing package. The investment aims to expand access to finance for SMEs, micro-SMEs, and women-led businesses in rural, climate-smart, and agricultural sectors. DFCD’s longer term exposure plays a catalytic role by de-risking green investments and mobilizing additional private capital. This transaction contributes to Vietnam’s climate adaptation goals and aligns with DFCD’s mandate to promote inclusive growth and climate resilience in vulnerable regions such as the Mekong Delta.

Phuc Sinh - \$12 million loan



In April 2025, FMO signed a \$15 million financing package with Phuc Sinh Corporation, a leading exporter of Rainforest Alliance-certified coffee and pepper in Vietnam. The investment includes a \$12 million term loan for constructing a new coffee processing factory in Dak Nong and \$3 million from Building Prospects (another program managed by FMO) for working capital. This transaction aims to scale climate-resilient, deforestation-free coffee production in Vietnam’s vulnerable coffee-growing regions. Over the next three years, Phuc Sinh will nearly double Rainforest Alliance-certified cultivation to over 7,000 hectares, benefiting 10,000 individuals—including 3,800 from vulnerable groups—and avoiding 3,825 tonnes of CO_{2e} emissions annually.

Miro Forestry Development Limited - \$1 million equity (3rd top-up)



In mid-2025, LUF approved a \$1 million capital injection into Miro Forestry as part of an emergency restructuring to prevent insolvency. Miro, West Africa’s largest FSC-certified plantation forestry company, faced a severe liquidity crunch and was projected to run out of cash by June 2025. The rescue package—structured as a rights issue alongside a new lead investor—required a full capital restructuring, converting preference shares into ordinary shares and canceling warrants.

GH2 - \$5 million loan



In 2025, LUF committed \$5 million to GH2 Industries in Pakistan as part of a blended finance structure alongside a Building Prospects loan of \$5 million. The investment supports the construction of a greenfield agri-based manufacturing facility in Sindh, designed with “Zero Liquid Discharge” technology and biomass-based cogeneration, resulting in net-negative GHG emissions. The project strengthens climate resilience in Pakistan’s rice value chain, which faces severe flooding and drought risks, by promoting climate-smart agriculture and circular production models. GH2 is expected to generate \$18 million in annual export revenues, substitute \$4 million in imports, and create significant rural employment. DFCD’s concessional capital de-risks this innovative project, enabling future commercial participation and scaling sustainable practices across the supply chain.

Stichting Hivos Triodos Fonds - \$20 million loan



In 2025, LUF committed \$20 million to the junior tranche of Stichting Hivos-Triodos Fonds—a facility managed by Triodos Investment Management—targeted at sustainable agriculture, rural development, and climate projects across Africa (~60%) and Asia (~40%). This investment is strategically important for DFCD because HTF can finance smaller ticket sizes (~\$0.5–5 million) that typically fall below FMO’s threshold, creating crucial absorption capacity for the growing pipeline of early-stage projects originated by SNV and WWF under the DFCD Origination Facility.

FNB Zambia - \$10 million loan



LUF supported First National Bank Zambia (FNBZ) with a blended finance structure aimed at accelerating climate-smart agriculture and resilience in Zambia. Through a \$20 million Senior Term Loan, co-financed by FMO and DFCD, FNBZ is expanding its portfolio to serve SMEs and agribusinesses with sustainable solutions such as conservation agriculture, irrigation, agroforestry, and renewable energy. The DFCD tranche of \$10 million strengthens FNBZ’s institutional capacity and enables the development of a Climate-Smart Agriculture investment framework and digital monitoring tools. This transaction addresses Zambia’s critical need for long-term US dollar funding following the sovereign default and recent drought, while catalyzing private capital and aligning with EU Global Gateway objectives for inclusive green growth.



Financial Statements

Statement of financial position

At December 31, 2025

	Notes	2025	2024
Assets			
Current account with FMO	(1)	21,453	6,808
Short term deposits		-	8,028
Loans to the private sector	(2)		
- of which: at amortized cost		77,363	42,616
- of which: at fair value through profit or loss		-	4,475
Equity investments		420	31
Other receivables		102	18
Total assets		99,338	61,976
Liabilities			
Current account with FMO	(3)	6	-
Borrowed funds	(4)	47,627	6,456
Accrued and other liabilities		44	605
Provisions		359	51
Total liabilities		48,036	7,112
Fund capital			
Contribution DGIS – Available to consortium partners	(5)	74,649	67,896
Undistributed results previous years	(5)	-13,032	-16,897
Net profit/(loss)		-10,315	3,865
Total fund capital		51,302	54,864
Total liabilities and fund capital		99,338	61,976



Statement of comprehensive income

At December 31, 2025

	Notes	2025	2024
Income			
Interest income calculated using the effective interest method	(6)	5,328	3,062
Other interest income	(6)	387	1,107
Interest expenses	(6)	-2,002	-55
Net interest income		3,713	4,114
Net fee and commission income	(7)	34	11
Results from financial transactions	(8)	-8,174	2,751
Other operating income		-	8
Total income		-4,427	6,884
Expenses			
Results from equity investments		-2,160	-190
Operating expenses	(9)	-1,759	-1,762
Total expenses		-3,919	-1,952
Impairment charges on financial assets and loan commitments	(10)	-1,969	-1,067
Net profit/(loss)		-10,315	3,865
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		-10,315	3,865



Statement of changes in capital

	Unallocated DFCD	LUF	Undistributed results previous years	Net profit/loss	Total fund capital
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
Balance at January 1, 2025	-	67,896	-16,897	3,865	54,864
Addition undistributed results	-	-	3,865	-3,865	-
Contributions from DGIS	14,840	-	-	-	14,840
Transfer to LUF	-6,753	6,753	-	-	-
Distributions to consortium partners	-8,087	-	-	-	-8,087
Results current year	-	-	-	-10,315	-10,315
Net balance at December 31, 2025	-	74,649	-13,032	-10,315	51,302



Statement of cash flows

At December 31, 2025

	Notes	2025	2024
Cash flow from operating activities			
Inflows			
Interest received on loans		4,108	2,331
Interest received on cash and deposits		206	793
Repayments on loans		1,924	3,708
Dividends and fees received		27	11
Other received amounts		-	613
Outflows			
Disbursements on loans	(2)	-43,808	-24,171
Investments in equity instruments		-1,225	-221
Interest paid on borrowed funds		-1,841	-
Direct Personnel costs	(9)	-1,397	-1,400
Other direct project costs	(9)	-356	-362
Overhead / indirect costs	(9)	-6	-
Other paid amounts		-584	-
Net cash flow from operating activities		-42,952	-18,698
Cash flow from financing activities			
Inflows			
Cash flow from financing activities		43,356	6,401
Contribution DGIS current year		14,840	8,900
Outflows			
Contributions to Consortium partners		-8,087	-8,403
Net cash flow from financing activities		50,109	6,898
Net cash flow		7,157	-11,800
Position at January 1 ¹⁾		14,811	26,455
Foreign exchange translation		-521	156
Position at December 31 ¹⁾		21,447	14,811

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 Stichting SNV Nederlandse Ontwikkelingsorganisatie (SNV), Stichting Het Wereld Natuur Fonds-Nederland (WWF-NL) and Climate Fund Managers B.V. (CFM) to manage on behalf of the Dutch Ministry of Foreign Affairs.

The financial statements comprise the activities of Land-use Facility (LUF) under DFCD (the "Fund").

Basis of preparation

The financial statements of FMO Land-use Facility as at December 31, 2025, have been prepared in accordance with the reporting requirements set out by Dutch Ministry of Foreign Affairs, being in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), as adopted by the European Union.

The 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 1 January 2026. Most of these amendments and new standards are not applicable to LUF, and the impact of the relevant amendments and standards are summarised below.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for periods beginning on or after 1 January 2027. The new accounting standard introduces the following new requirements:

- Entities are required to classify income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined "operating profit" subtotal, however net profit will not change.
- Management defined performance measure (MPM) are to be identified and disclosed in a single note in the financial statements.
- The guidance on grouping of information in the financial statements has been enhanced.

The assessment indicates that the impact on LUF is limited to clearly identifying and disclosing the new subtotal and the newly applicable operating and income tax categories in the statement of profit or loss. The cash flow statement is prepared using the direct method, no MPMs are presented in these financial statements, and the current level of aggregation and disaggregation is appropriate under the enhanced guidance.

Significant estimates, assumptions and judgements

In preparing the 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 financial statements. 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 financial statements are stated in Euros, which is the presentation and functional currency of the Fund. 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.

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 current account maintained with FMO and short-term deposits that usually mature in less than three months from the date of acquisition. Short-term deposits consist of money market funds which are measured at FVPL. 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. Unrealized gains or losses on the money market funds (including foreign exchange results) are reported in the 'results from financial transactions.'

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

Macro-economic scenarios are calibrated on a per country basis twice per year at FMO. The scenario of every country considers 3 potential pathways: positive, base, and downturn scenarios. The scenarios are forecasted using a simulation approach which considers the past macro-economic performance each country with input data coming from the IMF.

The three scenarios applied are:

- Positive scenario: Reduced vulnerability to an economic downturn.
- Base scenario: Vulnerability and accompanying losses based on the current expected trajectory in a market.
- Downturn scenario: Elevated vulnerability to an 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:

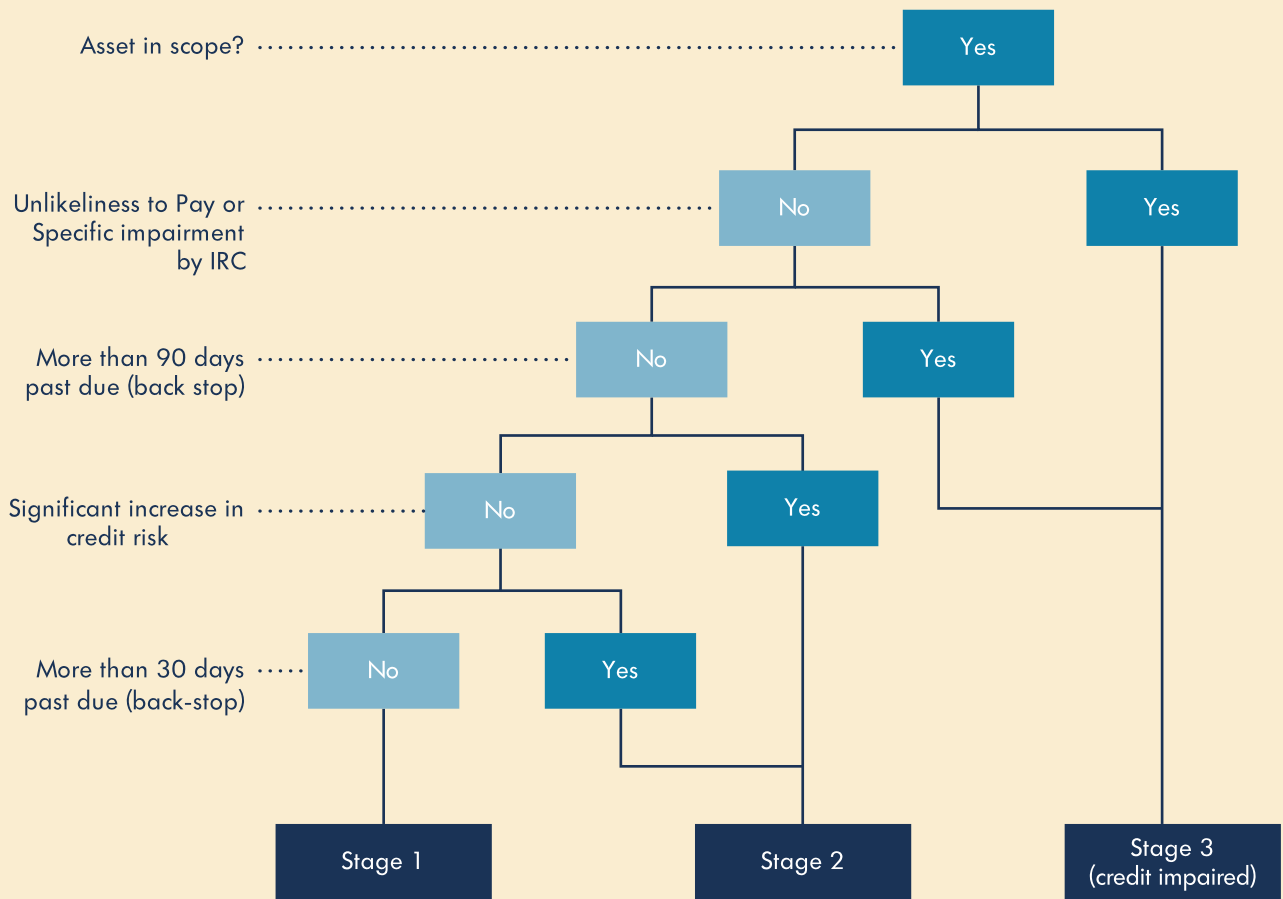
- The fact that an early warning signal has triggered financial difficulty following a transfer to the watchlist;
- The fact that the financial asset is 30 days past due or more on any material obligation to the Fund, including fees and excluding on charge expenses (unless reasonable information and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

Derecognition of financial assets and financial liabilities

Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions

As previously explained in the accounting policy for "Financial assets impairment", the Fund derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financial instrument.

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Fund also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Fund has transferred the financial asset if, and only if, either:

- The Fund has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Fund retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following three conditions are met:

- LUF has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Fund cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Fund has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Fund is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Fund has transferred substantially all the risks and rewards of the asset, or
- The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Fund considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.



When the Fund has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Fund's continuing involvement, in which case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Fund could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Fund would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Borrowed Funds

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

The reserves contain 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.

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 represents the amounts related to the bank account maintained by FMO on behalf of the Fund. The statement of cash flows is presented using the direct method.

Cash flow from operational activities includes the Fund's portfolio movements, such as loans to the private sector, equity investments and other financial assets.

LUF has no investing cash flows.

Cash flow from financing activities includes movements in the funding from the Dutch Ministry of Foreign Affairs.



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 11.

Notes to the financial statements

1. Current account with FMO (asset)

	2025	2024
Current account with FMO	21,447	6,808
Balance at December 31	21,447	6,808

The amount relates to balance of the bank account maintained by FMO on behalf of the Fund. This balance was previously recognized and presented as 'Cash balances with banks', however, it has been reclassified to 'Current account with FMO' in the current year to ensure fair presentation. The current account can freely be disposed of.

2. Loans to the private sector

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 2025
Balance at January 1, 2025	43,305	4,475	47,780
Disbursements	43,808	-	43,808
Interest Capitalization	38	478	516
Conversion from loan to equity	-	-1,202	-1,202
Repayments	-2,046	-	-2,046
Changes in amortizable fees	-457	-	-457
Write-off	-	-3,151	-3,151
Changes in accrued income	1,422	-140	1,282
Exchange rate differences	-6,474	-460	-6,934
Balance at December 31, 2025	79,596	-	79,596
Impairment charges	-2,233	-	-2,233
Net balance at December 31, 2025	77,363	-	77,363

	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 charges	-689	-	-689
Net balance at December 31, 2024	42,616	4,475	47,091

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



2025

Loans segmented by sector	Stage 1	Stage 2	Stage 3	Fair value	Total
Financial Institutions	34,775	3,783	-	-	38,558
Energy	-	-	1,859	-	1,859
Agribusiness	33,752	-	3,194	-	36,946
Total balance at December 31	68,527	3,783	5,053	-	77,363

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

2025

Loans segmented by geographical area	Stage 1	Stage 2	Stage 3	Fair value	Total
Africa	-	-	2,919	-	2,919
Asia	53,942	3,783	2,134	-	59,859
Europe & Central Asia	4,366	-	-	-	4,366
Non - region specific	10,219	-	-	-	10,219
Total balance at December 31	68,527	3,783	5,053	-	77,363

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
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

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 2025

	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, 2024	36,115	-322	6,304	-267	886	-100	43,305	-689
Additions	43,427	-281	-	-	381	-50	43,808	-331
Exposures derecognised or matured / lapsed (excluding write-offs and modifications)	-1,508	1	-538	-	-	-	-2,046	1
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-5,004	54	5,004	-54	-	-	-	-
Transfers to Stage 3	-	-	-6,303	267	6,303	-267	-	-
Modifications of financial assets (including derecognition)	-	-	-	-	38	-	38	-
Changes in risk profile not related to transfers	-	151	-	-44	-	-1,424	-	-1,317
Amounts written off	-	-	-	-	-	-	-	-
Changes in amortizable fees	-496	-	12	-	27	-	-457	-
Changes in accrued income	1,368	-	-60	-	114	-	1,422	-
Foreign exchange adjustments	-5,026	48	-569	31	-879	24	-6,474	103
At December 31, 2025	68,876	-349	3,850	-67	6,870	-1,817	79,596	-2,233

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

3. Current account with FMO (Liability)

	2025	2024
Current account with FMO	6	-
Balance at December 31	6	-

The current account which can freely be disposed of.

4. Borrowed funds

Borrowed funds refer to the funds received from FMO to LUF. Under the 2021 EFSD+ Program of the European Commission, the DFCD Aya initiative was established in 2024 as an expansion of the existing DFCD structure. As part of this program, LUF receives a loan facility of €240 million from FMO-A, of which €105 million is covered by an EC financial guarantee. The loan has a final maturity of 30 September 2037 and is expected to be drawn over the first five years. The FMO loan ranks senior to the existing LUF capital provided by the Dutch Government, which continues to serve as the equity buffer for the program.

	2025	2024
Balance at January 1	6,456	-
Received from FMO	48,156	6,401
Repayments	-4,800	-
Changes in accrued income	102	55
Fx revaluation	-2,287	-
Net balance at December 31	47,627	6,456

5. Contributed fund capital and reserves

	2025	2024
Contributed Fund Capital		
Contributions DGIS - Available to consortium partners previous years	67,896	67,399
Contributions DGIS - Available to consortium partners current year	6,753	497
Balance at December 31	74,649	67,896

	2025	2024
Undistributed results previous years		
Balance at January 1	-16,897	-10,639
Net profit / (loss)	3,865	-6,258
Balance at December 31	-13,032	-16,897

6. Net interest income

Interest income

	2025	2024
Interest on loans measured at effective interest rate	5,196	2,950
Interest on bank accounts	132	112
Total interest income from financial instruments measured at effective interest rate	5,328	3,062
Other interest on loans	338	401
Interest on short-term deposits	49	706
Total other interest income	387	1,107
Total interest income	5,715	4,169

Interest expense

	2025	2024
Interest expense on borrowed funds	-2,002	-55
Total interest expenses	-2,002	-55



7. Net fee and commission income

	2025	2024
Administration fees	27	11
Other flat fees	7	-
Net fee and commission income	34	11

8. Results from financial transactions

	2025	2024
Results on sales and valuations of FVPL loans	-3,150	68
Foreign exchange results	-5,024	2,683
Total results from financial transactions	-8,174	2,751

9. Operating expenses

The following table presents the operating expenses incurred in 2025 and 2024. Operating expenses comprise of management fees paid to FMO, while the overhead costs incurred relate to legal fees.

	2025	2024
Management fees FMO	-1,753	-1,762
Overhead / indirect costs	-6	-
Total operating costs	-1,759	-1,762

10. Impairment charges on financial assets and loan commitments

	2025	2024
Impairment charges on		
Loans	-1,647	-1,156
Loan commitments	-322	89
Total impairment charges	-1,969	-1,067

11. 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	2025	2024
Contractual commitments for disbursements of:		
Loans	29,612	7,195
Equity	7,951	9,423
Total irrevocable facilities	37,563	16,618

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



IFRS 9 Changes in loans commitments in 2025	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, 2025	6,763	-51	-	-	432	-	7,195	-51
Additions	56,553	-290	8,512	-226	38	-	65,103	-516
Exposure derecognised or matured/lapsed (excluding write offs)	-38,789	145	-	-	-451	-	-39,240	145
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	-1,932	12	1,932	-12	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	73	-	-24	-	-	-	49
Changes to modifications not resulting in derecognition	33	-	-	-	-	-	33	-
Foreign exchange adjustments	-3,242	12	-218	1	-19	-	-3,479	13
At December 31, 2025	19,386	-99	10,226	-261	-	-	29,612	-360

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

12. 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 by the headings in the statement of financial position.



December 31, 2025	FVPL - mandatory	Amortized cost	Total
Financial assets			
Cash balances with Banks	-	21,453	21,453
Loans to the private sector	-	77,363	77,363
Equity investments	420	-	420
Other receivables	-	102	102
Total Financial assets	420	98,918	99,338
Financial liabilities			
Current account with FMO	-	6	6
Borrowed funds	-	47,627	47,627
Accrued and other liabilities	-	44	44
Provisions	-	359	359
Total Financial liabilities	-	48,036	48,036

December 31, 2024	FVPL - mandatory	Amortized cost	Total
Financial assets			
Cash balances with Banks	-	6,161	6,161
Current account with FMO	-	647	647
Short-term deposits	8,028	-	8,028
Loans to the private sector	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			
Borrowed Funds	-	6,456	6,456
Accrued and other liabilities	-	605	605
Provisions	-	51	51
Total Financial liabilities	-	7,112	7,112

Fair value of financial assets and liabilities

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, FMO 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 techniques

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. These valuation techniques applied by FMO to determine the fair value of its financial instruments are described below:

Derivatives

FMO uses internal valuation models to value derivative financial instruments. Valuation inputs include valuation curves provided by specialized price-makers for emerging markets currencies. Consequently, derivatives involving emerging market currencies are classified as level 2.

Equity Investments

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 and related notes within these financial statements. 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.

Firm offer

When a credible firm offer exists, the fair value should be based on the firm offer price minus all transaction costs. This method reflects the most concrete and observable market-based exit price available at the valuation date

Multiples (Book, Earnings, Market/Industry, Anchored)

Multiples apply when comparable financial or market data can be used to estimate value. Book multiples are applied to reflect equity performance. Earnings multiples (EV/EBITDA, EV/EBIT, P/E) are applied for companies with maintainable earnings. Market/industry multiples rely on peer benchmarks. Anchored multiples use the post-money valuation at investment entry, performance is subsequently assessed.

Net Asset Value (NAV)

Net asset value involves the application of the reported NAV. This is directly applied as the valuation input for fund investment. And it could also be applied to direct investments of which the value is indirectly derived from a Fund's NAV.

Other Methods

When none of the standard methodologies are applicable, other valuation methods may be used, but only with clear, enhanced justification explaining why all typical alternatives are unsuitable.

Financial instruments not measured at fair value

The table below presents the carrying value and estimated fair value of the financial assets and liabilities that are not measured at fair value.

The carrying values of the financial asset and liability categories in the table below are measured at AC. The underlying changes to the fair value of these assets and liabilities are therefore not recognized in the balance sheet.

The valuation technique we use for the fair value determination of these financial instruments is the discounted cash-flow method. The discount rate we apply is a spread curve based on the average spread of the portfolio. The fair value calculation is mainly based on level 3 inputs.



At December 31	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Non fair value financial assets				
Cash balances with Banks	21,453	21,453	6,161	6,161
Current account with FMO	-	-	647	647
Loans to the private sector at AC	77,363	74,334	42,616	43,593
Other receivables	102	102	18	18
Total non fair value financial assets	98,918	95,889	49,455	50,432
Financial liabilities not measured at fair value				
Current account with FMO	6	6	-	-
Borrowed funds	47,627	47,627	6,456	6,456
Accrued and other liabilities	44	44	605	605
Total financial liabilities not measured at fair value	47,671	47,671	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, 2025	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Short-term deposits	-	-	-	-
Loans to the private sector	-	-	-	-
Equity investments	-	-	420	420
Total financial assets at fair value	-	-	420	420

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

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, 2025	4,475	31	4,506
Total gains or losses			
· In profit and loss (changes in fair value)	4,201	-2,160	2,041
Write-off	-7,352		
Purchases/disbursements	-	1,225	1,225
Interest Capitalization	478	-	478
Accrued income	-140	-	-140
Exchange rate differences	-460	-	-460
Conversion of loan to equity	-1,202	1,324	122
Balance at December 31, 2025	-	420	420



	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

Type of equity investment	Fair value at December 31, 2025	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Private equity fund investments	126	Net asset value	n/a	n/a
Private equity direct investments	294	Other	n/a	A decrease/increase of the book multiple with 10% will result in a lower/higher fair value of € 29k.
Total	420			

13. Related party information

The programme defines the Dutch Government, FMO and its Management Board and Supervisory Board 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 €14.8 million in 2025 (2024: €8.9 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 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, € 47.6 million has been disbursed to LUF under this program. Interest of € 2.0 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.

14. Subsequent events

There have been no other significant subsequent events between the balance sheet date and the date of authorization 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 Fund 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 fund 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 the fund'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 fund's customers. 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. The Special Operations department is responsible for actively managing the restructuring of distressed assets.

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 maximum exposure to credit risk increased during the year to €131.3 million at year-end 2025 (2024: €74.8 million).



Maximum exposure to credit risk

	2025	2024
On balance		
Cash balances with Banks	21,453	6,161
Short term deposits	-	8,028
Loans to the private sector		
- of which: Amortized cost	80,273	43,594
- of which: Fair value through profit or loss	-	9,166
Current accounts with FMO	-	647
Other receivables	102	18
Total on-balance	101,828	67,614
Off-balance		
Commitment	29,612	7,195
Total credit risk exposure	131,440	74,809

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 credit scoring 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 (91 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, 2025 Indicative
counterparty credit rating scale of S&P**

	Stage 1	Stage 2	Stage 3	Fair Value	Total
F11-F13 (BB-,BB,BB+)	45,511	-	-	-	45,511
F14-F16 (B-,B,B+)	23,991	3,883	-	-	27,874
F17- F19 (CCC+, CCC, CCC-)	-	-	-	-	-
F20 (CC)	-	-	6,888	-	6,888
Subtotal	69,502	3,883	6,888	-	80,273
Less: amortizable fees	-626	-33	-18	-	-677
Less: ECL allowance	-347	-70	-1,816	-	-2,233
Less: FV adjustments	-	-	-	-	-
Carrying value	68,529	3,780	5,054	-	77,363

**Loans commitments at December 31, 2025 Indicative
counterparty credit rating scale of S&P**

	Stage 1	Stage 2	Stage 3	Other	Total
F11-F13 (BB-,BB,BB+)	11,078	-	-	-	11,078
F14-F16 (B-,B,B+)	8,308	10,226	-	-	18,534
Total nominal amount	19,386	10,226	-	-	29,612
ECL allowance	-102	-258	-	-	-360
Total	19,284	9,968	-	-	29,252

**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- F19 (CCC+, CCC, CCC-)	-	6,348	-	-	6,348
F20 (CC)	-	-	892	9,166	10,058
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- F19 (CCC+, CCC, CCC-)	-	-	-	-	-
F20 (CC)	-	-	431	-	431
Total nominal amount	6,764	-	431	-	7,195
ECL allowance	-51	-	-	-	-51
Total	6,713	-	431	-	7,144

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.

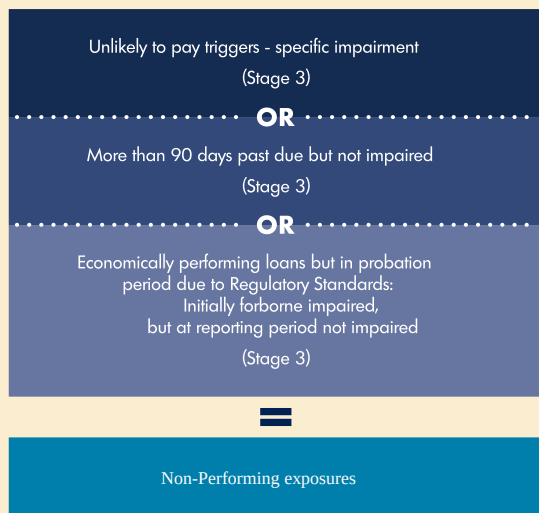
NPE classifications are applied at the customer level, and such situations are considered to have occurred when one or more of the following conditions apply:

- 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 increased from 7.4% in 2024 to 8.6% in 2025.

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 impairment charges 2025

	Stage 1	Stage 2	Stage 3	Fair value	Total
Loans not past due	69,502	3,883	4,251	-	77,636
Loans past due:					
-Past due up to 30 days	-	-	2,637	-	2,637
Subtotal	69,502	3,883	6,888	-	80,273
Less: amortizable fees	-626	-33	-18	-	-677
Less: ECL allowance	-347	-70	-1,816	-	-2,233
Less: FV adjustments	-	-	-	-	-
Carrying amount	68,529	3,780	5,054	-	77,363

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
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

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.

The following tables present how the Fund's loan portfolio is concentrated according to country ratings. The comparison with FMO demonstrates that the Fund has a higher proportion of exposure to lower-rated countries, which is consistent with its mandate and results in relatively higher inherent credit risk.



Overview country ratings

Indicative external rating equivalent 2025	LUF (%)	FMO-A (%)
F9 and higher (BBB and higher ratings)	-	4.7
F10 (BBB-)	5.0	10.6
F11 (BB+)	57.7	7.1
F12 (BB)	-	19.8
F13 (BB-)	11.5	13.6
F14 (B+)	13.6	16.9
F15 (B)	-	6.7
F16 (B-)	12.2	11.8
F17- F19 (CCC+, CCC, CCC-)	-	8.8
F20 (CC)	-	-
Total	100.0	100.0

Gross exposure of loans distributed by region and sector

	Agribusiness	Financial Institutions	Energy	Total
At December 31, 2025				
Africa	1,233	-	2,637	3,870
Asia	22,580	39,053	-	61,633
Europe & Central Asia	4,430	-	-	4,430
Non - region specific	10,340	-	-	10,340
Total	38,583	39,053	2,637	80,273

	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

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 Fund decline because of unfavorable market movements. For the Fund, this includes interest rate risk and currency risk.

Interest rate risk

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).



Exposures

The following table summarizes the interest repricing characteristics for Fund's assets and liabilities per December 2025.

Interest re-pricing characteristics						
December 31, 2025	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Cash balances with Banks	21,453	-	-	-	-	21,453
Equity investments	-	-	-	-	420	420
Loans to the private sector at AC	16,722	53,633	1,870	5,139	-	77,363
Loans to the private sector at FV	-	-	-	-	-	-
Other receivables	-	-	-	-	102	102
Total assets	38,175	53,633	1,870	5,139	522	99,338
Liabilities and Fund Capital						
Current account with FMO	-	-	-	-	6	6
Borrowed Funds	47,627	-	-	-	-	47,627
Accrued and other liabilities	-	-	-	-	44	44
Provisions	-	-	-	-	358	358
Fund Capital	-	-	-	-	51,302	51,302
Total Liabilities and Fund Capital	47,627	-	-	-	51,710	99,338
Interest sensitivity gap 2025	-9,453	53,633	1,870	5,139	-51,189	
Interest rate risk sensitivities						
	December 31, 2025	December 31, 2024				
PV01, 1 bps instantaneous increase in interest rates	-5	-6				
PV01, 1 bps instantaneous decrease in interest rates	5	6				



Interest re-pricing characteristics

December 31, 2024	<3 months	3-12 months	1-5 years	>5 years	Non-interest-bearing	Total
Assets						
Cash balances with 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
Borrowed Funds	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	

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.

Exposures

The table below illustrates that the currency risk sensitivity gap per December 2025.

Currency risk exposure (at carrying values)

December 31, 2025	EUR	USD	Total
Assets			
Cash balances with Banks	19,649	1,804	21,453
Loans to the private sector			
- of which: at amortized cost	-	77,363	77,363
- of which: at fair value through profit or loss	-	-	-
Equity investments	-	420	420
Other receivables	-	102	102
Total assets	19,649	79,689	99,338
Liabilities and Fund Capital			
Current account with FMO	6	-	6
Borrowed Funds	-	47,627	47,627
Accrued and other liabilities	11	33	44
Provisions	-	359	359
Fund Capital	51,302	-	51,302
Total liabilities and fund capital	51,319	48,020	99,338
Currency sensitivity gap 2025		31,669	
Currency sensitivity gap 2025 excluding equity investments		31,249	



Currency risk exposure (at carrying values)

December 31, 2024	EUR	USD	Total
Assets			
Cash balances with 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			
Borrowed Funds	-	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	

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, 2025	
USD value increase of 10%	3,167
USD value decrease of 10%	-3,167

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

The sensitivities employ simplified scenarios. The sensitivity of profit and loss to possible changes in the main foreign currencies is based on the immediate impact on the financial assets and liabilities held at year-end.

Strategic risk

Environmental, Social and Governance risks

Definition

The investments may, unintentionally, lead to negative impacts on people and the environment. ESG risk is defined as the negative ESG impacts of the investments and the resulting financial risks these may pose to LUF: negative impacts on people and the environment could result in financial risks, leading to, for example, financial (remediation, legal) costs to LUF or its customers/investees, jeopardizing access to capital for LUF (from external investors), jeopardizing the license to operate, jeopardizing relations with investors, or causing reputational damage. LUF is exposed to ESG risk via our investment selection (the risks associated with our investments, which include the investments of our customers/investees) and the effectiveness of customers'/investees' ESG risk management, including the effectiveness of LUF's engagement thereon.

Risk appetite and governance

FMO 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. The Fund 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 (FEC) risk is the risk that the fund, its 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 the fund.

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. 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 2025, 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.

FMO has conducted a review of the organization-wide SIRA. The review confirmed the inherent top integrity risks and assessed the effectiveness of existing mitigation measures. Based on the analysis, current mitigation strategies were found to be adequate, with targeted enhancements identified to address emerging risks.



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. Since March 2025, FMO has implemented the regulatory tool "Corlytics" to support the identification and monitoring of regulatory updates that are (potentially) applicable to FMO.

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.



Authorization of the financial statements

March 31, 2026

Management board

Franca Vossen, Chief Risk Officer

Huib-Jan de Ruijter, Co-Chief Investment Officer

Michael Jongeneel, Chief Executive Officer



OTHER INFORMATION



Independent auditor's report



Independent auditor's report

To: the management board of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., in their capacity as manager of Land Use Facility

Report on the audit of the financial statements 2025

Our opinion

In our opinion, the financial statements of Land Use Facility (hereafter: 'the Fund') give a true and fair view of the financial position of the Fund as at 31 December 2025, and of its result and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union ('EU').

What we have audited

We have audited the accompanying financial statements 2025 of Land Use Facility, The Hague.

The financial statements comprise:

- the statement of financial position as at 31 December 2025;
- the following statements for 2025: the statements of comprehensive income, changes in capital and cash flows; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is IFRS Accounting Standards as adopted by the EU.

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www.pwc.nl



The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Land Use Facility in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (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).

Responsibilities for the financial statements and the audit

Responsibilities of the management board

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the EU ; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management board is responsible for assessing the Fund's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Fund's ability to continue as a going concern.



Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They 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 the financial statements.

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 judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, 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 intentional 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 Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.'s internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.



- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Amsterdam, 31 March 2026
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. Brouwer RA



Colophon

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Photography DFCD consortium client: Kirirom, Cambodia

Design Studio Duel, The Hague www.studioduel.nl

Production F19 Digital Reporting, Eindhoven www.f19digitalreporting.com

