
High-level review of IFAD's financial statements for 2025

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High-level review of IFAD’s financial statements for 2025

I. Introduction

1. This document provides additional information on IFAD’s audited financial statements for the year ended 31 December 2025. The analysis contained herein focuses on the core business reflected in the IFAD-only financial statements and provides details and Management’s commentary on key figures and trends.

II. External and internal financial environment

2. In 2025, the external context was characterized by a general volatility in the exchange rates market as a result of global challenges, instability and continuing conflicts.
3. The special drawing right (SDR) to United States dollar (US\$) exchange rate increased from 1.302 at the end of 2024, to 1.369 as at 31 December 2025.
4. IFAD continued implementing operations focused on food security and the eradication of rural poverty.
5. Pledges to the Thirteenth Replenishment of IFAD’s Resources (IFAD13) reached the record level of US\$1.57 billion as at 31 December 2025.
6. IFAD’s operations and its financial situation are stable, with all financial indicators within the established policies. In 2025, in recognition of IFAD’s sound capitalization, liquidity and risk management framework, and its support from Member States, IFAD’s rating was confirmed by Fitch Ratings and Standard & Poor’s at AA+, with a positive rating outlook provided by the latter agency.

III. Key figures and ratios

7. Fiscal year 2025 is the first year of the IFAD13 period, and instruments of contribution deposited increased the equity balance to US\$11.6 billion (in 2024 US\$11.2 billion). The overall net equity position increased to US\$8.7 billion as at 31 December 2025 (US\$8.3 billion as at 31 December 2024).
8. Long-term financial viability continues to be monitored closely. IFAD’s preferred creditor status remains strong and loan repayments are increasing despite macroeconomic trends and rating assessments. At the end of 2025, expected credit loss represented 2.1 per cent of the loan outstanding balance (1.6 per cent at the end of December 2024).
9. During fiscal year 2025, a total of US\$1.2 billion was approved in new projects (loans and grants). For the first time, this balance includes the approval of non-sovereign loans amounting to US\$10.0 million. Disbursements to projects amounted to US\$913.2 million. Loan repayments reached the level of US\$573.5 million. Operating expenditures remained below 2 per cent of total assets.
10. Table 1 provides a summary of the main financial results.

Table 1

Main financial results
(Millions of United States dollars)

	2025	2024	2023	2022	2021	2020
Total assets	12 321	11 195	10 567	10 240	10 596	9 883
Replenishment contributions (Equity)	11 596	11 225	10 373	10 185	10 104	9 170
Loans outstanding	9 127	8 451	8 367	7 998	8 111	8 050
Net equity/loans outstanding	95.5%	98.4%	94.7%	99.6%	105.8%	102.0%
Projects approved	1 176	2 053	532	1 043	892	824
Disbursements	913	931	898	934	906	778
Operating expenditures/total assets (annual)	1.9%	1.8%	1.9%	1.9%	1.8%	1.7%

11. Despite negative retained earnings, IFAD’s overall net equity is positive. At the end of 2025, it represented 70.8 per cent of total assets in nominal terms. At the end of 2025, IFAD’s total assets (US\$12.3 billion) were sufficient relative to total liabilities (US\$3.6 billion), undisbursed loan commitments (US\$5.2 billion) and undisbursed grant commitments (US\$0.8 billion).
12. As at 31 December 2025, all financial risk parameters were within the thresholds established by IFAD’s policies and/or contracts. The financial ratios are summarized in table 2 below.

Table 2
Financial ratios
(Percentage)

	2025	2024	2023	2022	2021	2020
Equity/total assets	94.9	101.1	99.2	100.4	96.2	93.7
Debt/capital available	38.5	31.4	29.0	24.9	19.5	14.6
New ratio debt/capital available*	37.5	30.7	n.a.	n.a.	n.a.	n.a.
Liquidity/total assets	17.3	16.2	15.2	14.0	13.3	11.8
Debt service coverage	21.7	22.8	21.7	10.5	6.8	4.1

* See paragraph 13.

IV. Risk management

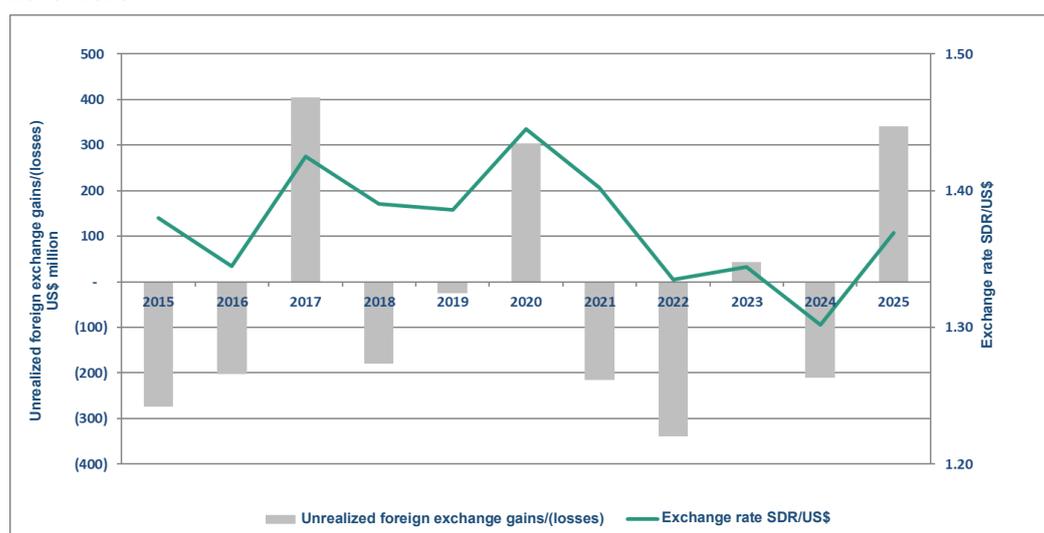
13. **Capital adequacy.** The Fund’s main internal capital adequacy metric is the deployable capital (DC) ratio. The DC ratio assesses IFAD’s capital utilization and the availability of resources to support future commitments. To ensure that the Fund is well capitalized and maintains strong credit ratings at all times, the capital utilization trajectory is managed within appropriate tolerance levels, indicating that IFAD has enough capital to cover expected and unexpected losses derived from core and non-core risks embedded within operations. As at December 2025, IFAD was in compliance with the limit established for the DC ratio (>0 per cent). The revised Capital Adequacy Policy introduced conservative managerial zones with a view to supporting capital planning and transparently monitoring the long-term evolution of the DC ratio and credit rating agency capital ratios. The threshold applicable to the leverage ratio (debt-to-capital available) was removed from the policy but will continue to be prudently monitored. The ratio was refined in alignment with the new DC ratio to take into account the denominator of net equity plus allowance for expected credit losses minus a portion of undisbursed grants to countries in debt distress. The new debt-to-capital available ratio as at 31 December 2025 stood at 37.5 per cent.
14. **Liquidity risk.** The Fund’s liquidity position remained within policy thresholds. Liquidity at the end of December 2025 represented 17.3 per cent of total assets (16.2 per cent at the end of December 2024). IFAD also remained in compliance with internal liquidity prudential ratios and requirements by rating agencies.
15. **Interest rate risk.** This is defined as the potential for loss arising from adverse movements in market interest rates. The interest rate risk is mitigated by reducing the duration mismatch between its assets (investment portfolio and loan portfolio) and liabilities (borrowed funds). Table 3 below provides a summary of the interest margin in the period 2020–2025.

Table 3
Interest margin
(Thousands of United States dollars)

	2025	2024	2023	2022	2021	2020
Loan income	132 182	131 729	123 572	79 638	68 084	70 158
Net investment income	91 088	84 662	78 075	5 909	6 257	7 295
Borrowings interest expenses	(98 617)	(96 179)	(77 506)	(17 028)	(3 346)	(1 164)
Interest margin	124 653	120 213	124 141	68 519	70 995	76 289
Interest margin/earning assets	1.1%	1.2%	1.4%	1.2%	0.9%	0.9%

16. In order to mitigate exchange rate risks and align the currency with the currency of the assets to be financed, IFAD entered into cross-currency swaps. To mitigate interest rate risk, IFAD entered into interest rate swaps to convert the interest rate profile of the liabilities from a fixed to a floating rate in line with the rate applied to loan assets at ordinary terms. IFAD applies International Financial Reporting Standard (IFRS 9) hedge accounting treatment to individual identified hedge relationships when conditions set out by the standard are met.
17. **Currency risk.** IFAD conducts its operations in various currencies, while accounting records are maintained in United States dollars. The conversion of assets into United States dollars for reporting purposes has always generated foreign exchange movements, which appear as unrealized gains and losses on IFAD's statement of comprehensive income. Fluctuations in the United States dollar rate vis-à-vis the other currencies, and in particular against the SDR exchange rate, have always created volatility in IFAD's accounts. Exchange rate fluctuations have historically netted out, as illustrated in figure 1 below.

Figure 1
Unrealized foreign exchange gains/(losses) due to movements in US\$:SDR exchange rate trends 2015–2025



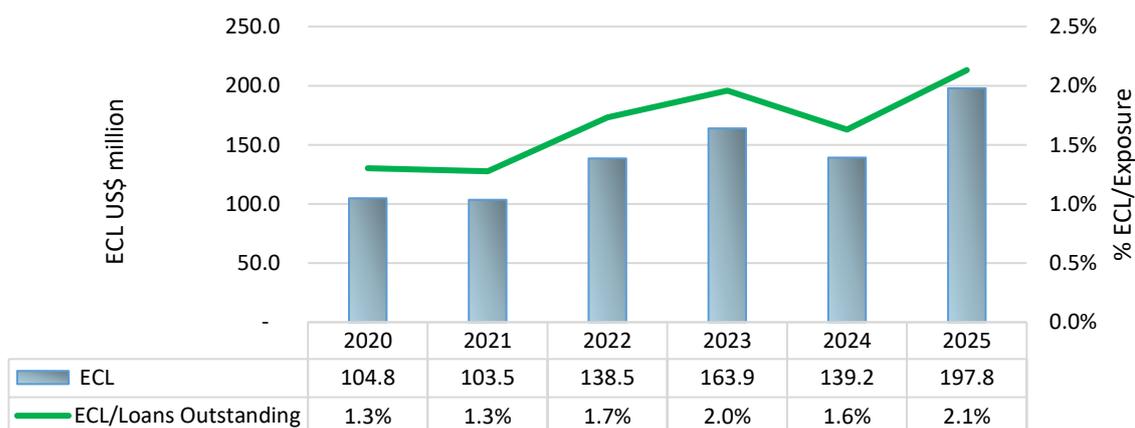
18. During 2025, the SDR appreciated against the United States dollar by approximately 5.2 per cent (from 1.302 at the end of 2024 to 1.367 as at 31 December 2025). The US\$:EUR exchange rate increased from 1.035 at the end of 2024 to 1.174 at 31 December 2025, equivalent to a depreciation of the US\$ by 13.4 per cent. At the end of December 2025, the unrealized exchange rate gains amounted to US\$341.2 million. Table 4 provides details about the main driving factors.

Table 4
Foreign exchange movements
(Millions of United States dollars)

<i>January to December 2025</i>	
Cash and investments	131.3
Loan liabilities	(199.0)
Other receivable and payables	(10.1)
Loans and grants	417.3
Contributions	1.7
Total	341.2

19. Foreign exchange risk on commitment capacity is mitigated by ensuring that commitments for undisbursed loans and grants are supported by assets denominated in the SDR basket of currencies; therefore, the capital requirements for currency risk are computed on the net position of assets and liabilities in each currency. Capital requirements for currency risk are based on a historical simulation of the behaviour of each foreign exchange rate. IFAD's balance sheet is still mainly denominated in SDR. Assets granted in euros are almost entirely matched with liabilities in the same currency. Accordingly, the gap in this currency remains relatively small. In order to immunize its short-term liquidity profile against foreign currency risk fluctuations, the Fund ensures that the currency composition of its projected inflows is aligned to its outflows over a 24-month horizon. IFAD holds sufficient amounts in each currency to fund the projected net outflows over a 24-month period, taking into consideration the 10 per cent tolerance level.
20. **Credit risk.** Credit risk is closely monitored. Details by region are provided in the annex.
21. Expected credit losses (ECL) reflect a probability-weighted outcome, time value of money, and the best available forward-looking information through the inclusion of the latest macroeconomic factors. In line with IFRS 9 requirements, ECL comprises a three-stage model based on changes in credit quality since origination or initial recognition of the financial instrument – the date on which disbursement conditions have been met (for loans). IFAD's preferred creditor status remains strong as countries are honouring IFAD's debt service on a timely basis despite macroeconomic trends and rating assessments. Figure 2 provides an overview on the ECL trends over the period 2020 to 2025. At the end of 2025, ECL represented 2.1 per cent of the loan outstanding balance (1.6 per cent at the end of December 2024).

Figure 2
Expected credit loss trends 2020–2025



22. The ECL loan impairment allowance at the end of December 2025 increased to US\$197.8 million from US\$139.2 million in 2024 (see table 5 below). The increase is attributable to the concurrence of factors such as negative foreign exchange movements, macroeconomic scenarios embedding the effects of conflicts and instability, and the transition of Niger exposure from stage 2 to stage 3 due to long outstanding arrears. Table 5 below provides a summary of ECL and exposure by stage.

Table 5
Exposure and ECL loan impairment allowance by stage
(Millions of United States dollars)

Stage	Dec-25			Dec-24			Difference	
	Exposure	%	Allowance	Exposure	%	Allowance	Exposure	Allowance
Stage 1	8 488.9	69.8	6.1	7 520.7	66.8	3.7	968.2	2.4
Stage 2	3 254.8	26.8	82.3	3 465.3	30.8	71.7	(210.5)	10.6
Stage 3	415.3	3.4	109.4	268.0	2.4	63.8	147.3	45.6
	12 159.0		197.8	11 254.0		139.2	905.1	58.6

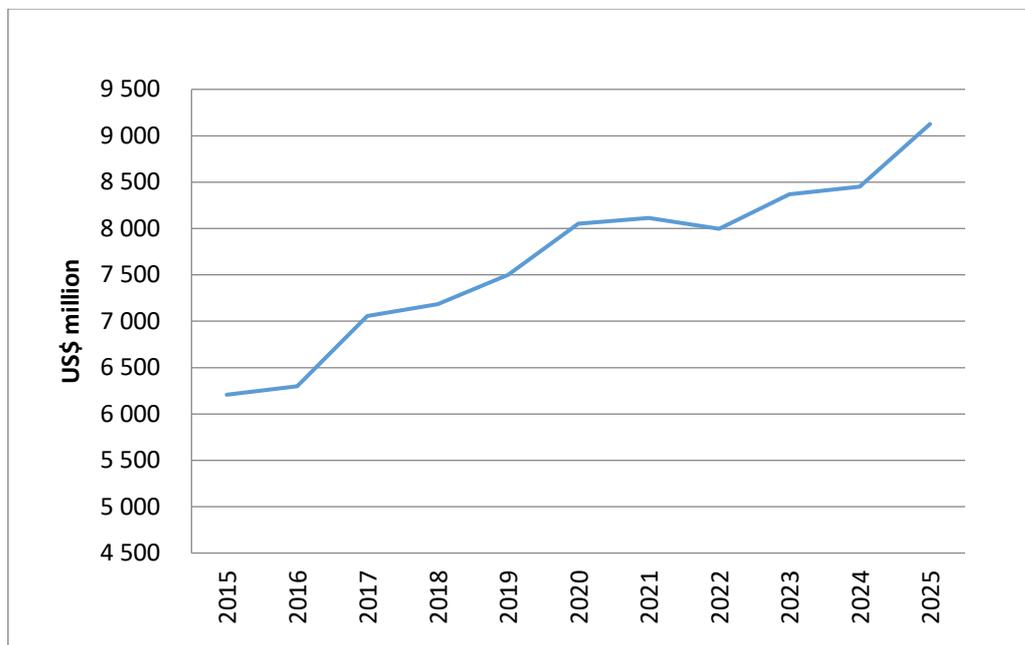
23. Movements between stages depend on the evolution of the financial instrument's credit risk from initial recognition to reporting date. Both improvement and deterioration may therefore cause volatility in the impairment allowance balances.
- **Stage 1: Performing loans.** The credit loss provision has been calculated with a required one-year time horizon
 - **Stage 2: Underperforming loans.** These loans show signs of creditworthiness deterioration. The credit loss provision has been calculated for the full life cycle of the loan. It should be noted that such countries are honouring their loan obligations towards IFAD on a timely basis. Stage 2 allowance increased in 2025 due to: in February 2025, Lebanon – having fully honoured the outstanding billing – transitioned from stage 3 to stage 2; and other countries – Senegal and Solomon Islands – transitioned from stage 1 to stage 2. During the last quarter of 2025, Niger's creditworthiness further deteriorated, with the country transitioning from stage 2 to stage 3.
 - **Stage 3: Non-performing loans (NPLs).** At the end of December 2025, the ECL at stage 3 balance increased by US\$45.6 million compared to December 2024 figures. This was due to: the negative impact of foreign exchange movements, the positive transition of Lebanon from stage 3 to stage 2; and the inclusion of Niger as a non-performing borrower. The majority of stage 3 borrowers (Cuba, Democratic People's Republic of Korea, Gabon, Myanmar, Niger, Bolivarian Republic of Venezuela and Yemen) have a history of outstanding arrears. IFAD is holding regular conversations with local authorities to ensure an efficient recovery.
24. The Fund enjoys preferred creditor status and adopts several operational measures to reduce default risk. These include suspending disbursements on loans that are 75 days in arrears (after a grace period) and suspending disbursements on the entire country portfolio. During 2025, IFAD registered the improvements due to Lebanon honouring its outstanding loan arrears. However, as mentioned above, Niger's creditworthiness further deteriorated, leading to an increase in the NPL ratio¹ to 3.9 per cent in December 2025 (compared with 2.4 per cent at the end of 2024). Additional details are provided in the annex.

¹ NPL ratio is calculated as non-performing loans outstanding over the overall loan outstanding portfolio balance.

V. IFAD's operating activities

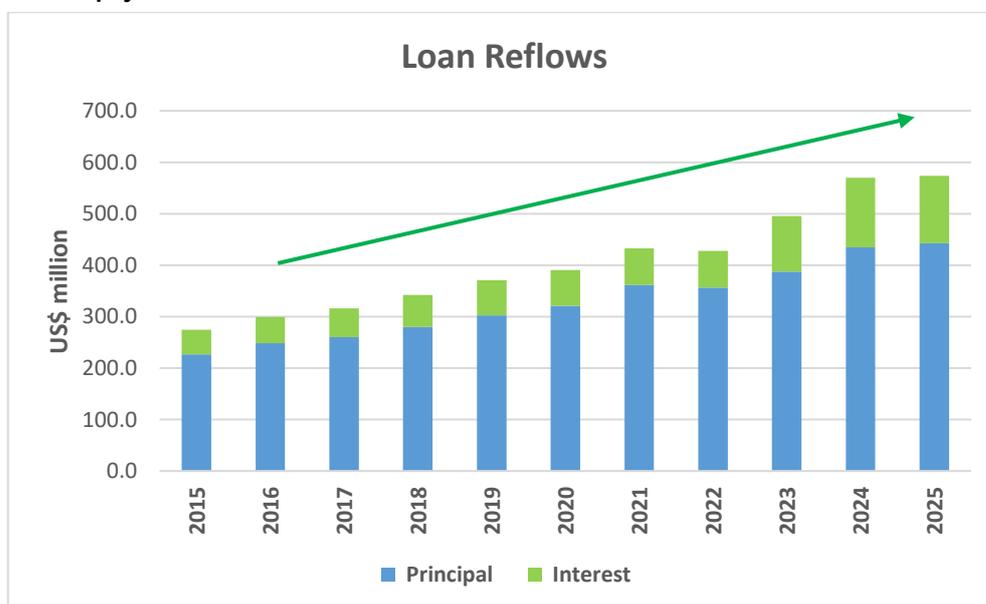
25. During 2025, the Fund approved loans and grants totalling US\$1,176 million (2024: US\$2,053 million); this is aligned to the IFAD13 cycle. Further details are provided in table 6.
26. The balance of loans outstanding has been increasing over the years (as shown in figure 3 below). The majority of IFAD loans are provided on highly concessional terms, with a repayment period of up to 40 years. Loans are typically disbursed over an average of seven years.

Figure 3
Outstanding loan balance 2015–2025



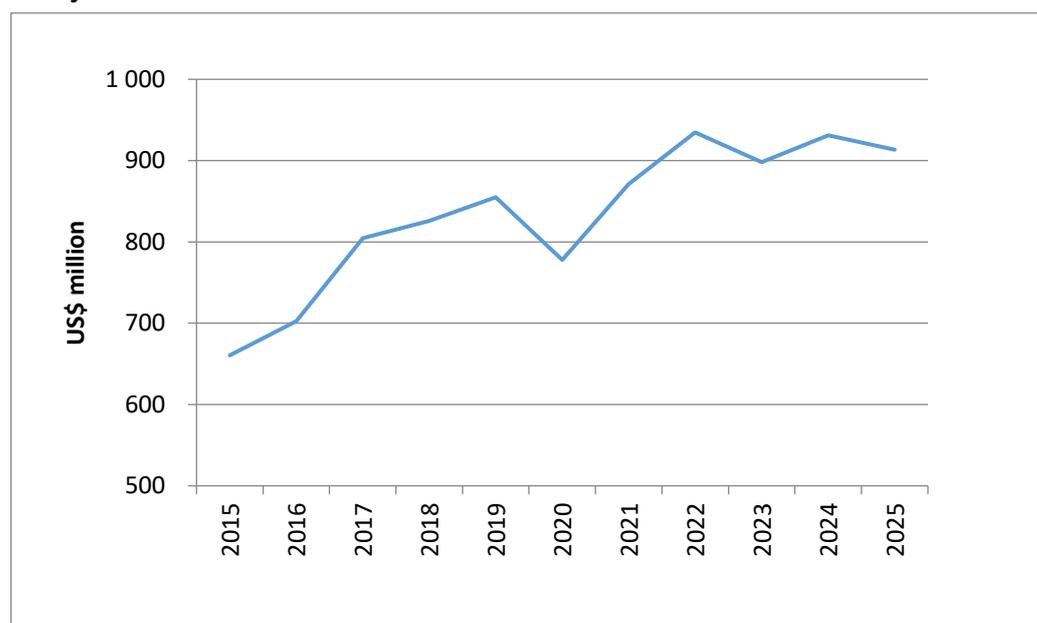
27. During 2025, loan repayments continued to present an upward trend, reaching the record level of US\$573.5 million.

Figure 4
Loan repayments 2015–2025



28. Overall, annual disbursements to IFAD-funded projects through loans and grants have shown an upward trend over the years (see figure 5 below).

Figure 5
Yearly disbursements 2015–2025



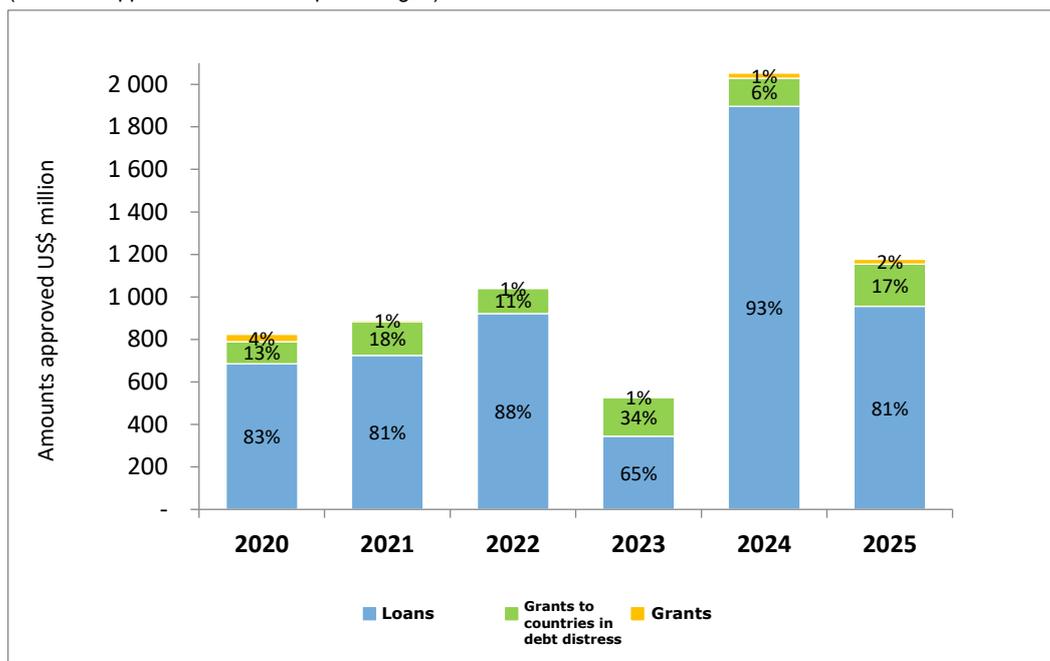
29. Table 6 and figure 6 provide a summary of the volume of operational activities and loan approvals by product type.

Table 6
Loan and grant flows and balances
(Millions of United States dollars – nominal values)

	2025	2024	2023	2022	2021	2020
Approvals						
Loans – sovereign	945.3	1 896.5	344.8	921.5	724.6	685.5
Loans – non-sovereign operations	10.0	-	-	-	-	-
Grants to countries in debt distress*	199.6	131.9	181.6	118.8	159.7	103.4
Grants	21.3	24.9	6	3.0	7.6	35.2
Total approvals	1 176.2	2 053.3	532.4	1 043.3	891.9	824.2
Outstanding/undisbursed						
Net loans outstanding	9 126.9	8 450.7	8 367.3	7 997.9	8 110.6	8 049.9
Undisbursed loans	5 165.9	4 874.9	4 014.3	4 409.8	4 476.3	4 747.3
Undisbursed grants to countries in debt distress*	845.9	830.3	887.0	887.3	965.3	1 005.1
Undisbursed grants	57.0	55.8	54.2	82.1	116.5	158.0
Disbursements						
Loan disbursements	746.8	736.5	691.4	735.5	662.8	558.4
Disbursements to countries in debt distress*	151.4	172.5	178.1	165.1	163.9	172.4
Grant disbursements	15.1	21.7	28.7	33.3	44.4	47.3
Total disbursements	913.2	930.7	898.2	933.9	871.1	778.1
Loan repayments	573.5	569.8	495.5	427.8	432.6	390.5
Cancellations/reductions	221.3	179.9	113.1	124.9	216.7	91.8

* Formerly referred to as Debt Sustainability Framework (DSF) grants.

Figure 6
Approvals of loans, grants to countries in debt distress, and grants
(Amounts approved and related percentages)



VI. IFAD's financing activities

30. In February 2024, the Governing Council adopted resolution 235/XLVII on the Thirteenth Replenishment of IFAD's Resources, and IFAD13 became effective in August 2024. In line with IFAD's replenishment cycles, additional instruments of contribution were received in 2025. At the end of December 2025, instruments of contributions deposited towards IFAD13 represented 79 per cent of the level of pledges. This is reflected in an increase in equity (contributions) to US\$11.6 billion at the end of 2025 (US\$11.2 billion in 2024).
31. During 2025, IFAD entered into additional borrowing agreements in an overall amount of US\$547.0 million for concessional partner loans and private placements. During the year, repayments for borrowing principal instalments and interest amounted to US\$124.2 million (US\$129.9 million in 2024).
32. At the end of December 2025, overall borrowing liabilities amounted to US\$3.1 billion (2024: US\$2.4 billion).

VII. IFAD's sustainability-related and environmental, social and governance reporting

33. In 2025, IFAD issued four sustainable bonds under its Sustainable Development Finance Framework (SDFF) from its Euro Medium-Term Note Programme. This is a full "use of proceeds" programme, as 100 per cent of bond proceeds will support the financing of development projects. Accordingly, all IFAD issuances will be sustainable bonds.
34. Since 2023, IFAD has published an impact report in line with its SDFF and the principles of the International Capital Market Association (ICMA). The report provides information about the use of proceeds, allocation and expected results from a pool of projects financed through the issuance of 12 sustainable bonds from 2022, for an overall amount of US\$1.04 billion as of 31 December 2025.
35. IFAD's latest impact report sets forth the results that IFAD expects to achieve through the proceeds of these bonds. These include: reaching almost 11.7 million

people; providing more than 1.6 million people with targeted support to improve their nutrition; bringing 262,057 hectares of land under climate-resilient practices; and promoting the empowerment and decision-making capacity of 685,780 individuals.

36. In 2022, IFAD became a voting member of the ICMA Principles and, as an environmental, social and governance (ESG) issuer, is committed to upholding the highest international standards and guidelines, as outlined by ICMA, with the ultimate goal of connecting global capital markets to rural and agricultural development.
37. Through these endeavours, IFAD contributes directly to 10 Sustainable Development Goals (SDGs) and indirectly to 16 SDGs.
38. Throughout 2025, IFAD took steps to adopt requirements that ensure compliance with IFRS Sustainability Standards S1 and S2. The IFAD Sustainability Disclosure Report is a corollary to the consolidated financial statements. The report is the result of a collegial effort involving the proactive support of several divisions and engagement with Audit Committee members.
39. This sustainability report provides information about IFAD's sustainability-related risks and opportunities for the 12-month period ended 31 December 2025. It considers the relevant disclosure elements from IFRS S2: Climate-related Disclosures and from IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information on governance, strategy, risk management, metrics and targets.
40. Building on the preliminary IFRS sustainability disclosures reported for the year ended 31 December 2024, where the transition relief of disclosing climate-only elements was used, the 2025 report now covers governance, strategy, risk management, metrics and targets for IFAD's material topics, and sustainability-related risks and opportunities. It builds on documents already published by IFAD such as the Report on IFAD's Development Effectiveness (RIDE) and the Report on IFAD's Mainstreaming Effectiveness (RIME).
41. This expansion of the scope is underpinned by a comprehensive materiality assessment (2024) and annual review (2025) confirming 17 material topics. As per best practice and requirements of the IFRS Sustainability Disclosure Standards, IFAD has associated relevant topics with related sustainability impacts, risks and opportunities that could reasonably be expected to affect IFAD's operations and financial prospects. The exercise was extensive and undertaken also through the materiality assessment at the subtopic level.
42. Relevant stakeholders were involved in the original materiality assessment, in the annual review of the material topics and in identifying the relevant metrics and targets. These activities included interacting with internal stakeholders such as subject matter experts and with external stakeholders such as Audit Committee members, thus involving IFAD Member States. Management conducted an extensive benchmarking exercise with other international financial institutions.
43. The report also provides an insight into IFAD's strategic action on various topics and into the work carried out in 2025 on climate risk stress-testing, applying scenarios from the Network for Greening the Financial System. Further, to ensure robust and accurate data, IFAD documented internal controls over sustainability reporting (ICSR) in 2025, developed several internal reports and undertook training of staff in order to further strengthen the processes and capabilities around sustainability reporting.
44. The report highlights relevant metrics and their potential related target (if any) under chosen material topics. The metrics have been selected to meet the disclosure requirements of the IFRS standards, drawing on indicators already

tracked by IFAD and providing decision-useful information to the primary users of general purpose financial reports.

VIII. IFAD-only financial statements

45. The following analysis refers to the relevant appendices and related notes (appendix D) of the consolidated financial statements.

A. Balance sheet (appendix A)

Assets

46. **Cash and investments.** In 2025, the value of the cash and investment portfolio, including investment receivables and payables, increased to approximately US\$2.1 billion (US\$1.8 billion in 2024). This is consistent with the adopted replenishment scenarios and the liquidity policy. Detailed information is included in the Report on IFAD's Investment Portfolio for 2025.
47. **Receivables in respect of instruments of contribution and promissory notes.** Net receivables increased to US\$729.8 million at the end of 2025 (US\$666.0 million at the end of 2024). This is in line with replenishment cycles.
48. **Loans outstanding.** Loans outstanding, net of accumulated allowances for loan impairment losses and the Heavily Indebted Poor Countries (HIPC) Initiative, totalled US\$9.1 billion in 2025 (2024:US\$8.5 billion). This increase was a result of the net effect of additional disbursements, loan repayments, exchange rate movements and the movement in the loan impairment allowance (see table 7 below).

Table 7

Loans outstanding

(Millions of United States dollars)

	2025	2024
Loans outstanding (principal)	9 384.7	8 648.7
Interest receivable	37.7	37.5
Loans outstanding at nominal value*	9 422.4	8 686.2
Accumulated allowance for loan impairment losses**	(203.2)	(147.3)
Accumulated allowance for HIPC	(92.3)	(88.2)
Net loan outstanding	9 126.9	8 450.7

* Balances as at 31 December.

** Balance pertaining to ECL and Haiti Debt Relief.

49. **Allowance for loan impairment losses.** As reported above, the allowance is calculated in accordance with IFRS 9. Loan impairment losses amounted to US\$203.2 million at the end of 2025 (2024: US\$147.3 million) encompassing an expected credit loss allowance of US\$197.8 million² and the provision of US\$5.3 million for Haiti Debt Relief.
50. **HIPC Initiative allowance.** The HIPC allowance increased to US\$92.3 million (US\$88.2 million in 2024). This increase is mainly attributable to foreign exchange movements. IFAD has been participating in the HIPC Debt Initiative since 1997 (see appendix I of the financial statements). The total amount of debt relief provided to date is US\$525.3 million, which includes US\$410.0 million in principal and US\$115.3 million in interest.

Liabilities and equity

51. **Borrowing liabilities.** At the end of December 2025, borrowing liabilities amounted to the equivalent of US\$3,149.9 million (US\$2,443.1 million in 2024).

² See paragraphs 20 to 24 for details.

52. **Contributions.** Table 8 below provides key information on the status of IFAD13 for the years ended 31 December 2025 and 2024.

Table 8

Key contributions flows

(Millions of United States dollars at replenishment exchange rates)

<i>IFAD13*</i>	2025	2024
Pledges		
Regular resources	1 516.3	1 359.7
Core additional climate contributions	54.2	51.3
Cumulative pledges to date (A)	1 570.5	1 410.9
Instruments of contribution received (B)	1 238.8	908.5
Outstanding pledges (A)-(B)	331.7	502.4
Total cumulative payments received	583.0	121.7

* In February 2024, the Governing Council adopted resolution 235/XLVII on the Thirteenth Replenishment of IFAD's Resources.

53. Full details of Member States' contributions are shown in appendix G of the consolidated financial statements.

B. Statement of comprehensive income (appendix B)

Revenue

54. Income from loan interest and service charges amounted to US\$132.2 million in 2025 (US\$131.7 million in 2024).
55. Income from cash and investments increased to US\$97.6 million (US\$89.1 million in 2024).

Expenses

56. Expenses reported in 2025 include those incurred under the annual administrative expenses budget in that year and funded by carry-forward funds from the previous year's budget, plus the costs of the Independent Office of Evaluation of IFAD and annual IFAD After-Service Medical Coverage Scheme (ASMCS) costs. Table 9 below compares expenses incurred in 2025 and 2024 (see appendix B).

Table 9

Operating expenses

(Millions of United States dollars)

<i>Operating expenses</i>	<i>2025</i>	<i>2024</i>	<i>Movement +(-)</i>
Staff salaries and benefits			
Staff salaries and post-adjustments	82.8	73.9	8.9
Other allowances*	53.4	46.5	6.9
Subtotal	136.2	120.4	15.8
Office and general expenses	35.9	32.2	3.7
Consultants and other non-staff costs	49.7	49.7	-
Direct investment costs	6.5	4.4	2.1
Total	228.3	206.7	21.6
Depreciation	10.4	12.8	(2.4)

* This balance includes pension, repatriation and separation indemnity, and education grants.

57. The total balances shown above include expenses of US\$23.7 million funded from other sources (US\$18.4 million in 2024). These funds were mainly provided by the Government of Italy for reimbursable expenses (US\$10.4 million in 2025 and US\$9.4 million in 2024) matched by associated revenue.
58. The above balances also include local staff costs for IFAD country offices (ICOs) totalling US\$12.1 million in 2025 (US\$9.2 million in 2024), and ICO operating and consultancy expenses of US\$4.6 million (US\$4.7 million in 2024). ICO

administration is managed directly by IFAD or through service-level agreements with other international organizations, mostly from the United Nations system.

59. **Staff salaries and benefits.** Staff salaries and post-adjustments increased to US\$136.2 million from approximately US\$120.4 million in 2024. This trend is due to several factors such as the change of salary scale adopted by the International Civil Service Commission, trends in the US\$:EUR exchange rate, and a decrease in the vacancy rate with respect to 2024.
60. **Office and general expenses and depreciation.** In 2025, office and general expenses increased to US\$35.9 million from US\$32.2 million in 2024. Depreciation decreased to US\$10.4 million in 2025 from US\$12.8 million in 2024.
61. **Consultant and other non-staff costs.** In 2025, consultant and other non-staff costs remained stable at US\$49.7 million.
62. **Exchange rate movements.** A detailed analysis is provided in paragraphs 17 to 19 above.
63. **After-service medical benefits.** In 2025, as in previous years, IFAD engaged an independent actuary to perform a valuation of the ASMCS. The methodology adopted was consistent with the previous year's valuation, and the assumptions used reflected prevailing market conditions. The 2025 ASMCS actuarial valuation calculated a liability of US\$111.9 million at the end of 2025 (US\$104.7 million at the end of 2024). During 2025, IFAD recorded a net charge for current service costs of US\$2.9 million (comprising interest costs and current service charges). This resulted in a net unrealized actuarial loss of US\$4.2 million (compared to an unrealized actuarial gain of US\$7.6 million in 2024). The change in liability was caused principally by the prevailing market conditions, which also affected the discount rate used in the 2025 valuation of 4.9 per cent for international staff and 6.0 per cent for national staff (respectively 4.3 per cent and 5.6 in 2024).

Statement of changes in retained earnings (appendix B1)

64. The balance of the accumulated deficit represents the accumulation of yearly reported financial results from operations and the impact of exchange rate movements – mainly the translation of loan balances denominated in SDR into United States dollars, IFAD's reporting currency. The balance changed from negative US\$2.91 billion at the end of 2024 to negative US\$2.88 billion at the end of 2025. The total annual comprehensive gain of US\$31.0 million for 2025 contributed to the aforementioned retained earnings balance.
65. The net gain of US\$31.0 million in 2025 comprises: revenue of US\$253.7 million, unrealized foreign exchange rate gains of US\$341.2 million, grant expenses of US\$164.8 million; operating expenses (including staff, consulting services and supplier expenses) of US\$228.3 million; loan interest expenses of US\$98.6 million, actuarial loss of US\$4.2 million, and accruals of loan allowances for impairment losses of US\$51.1 million, a HIPC expenses reversal of positive US\$2.0 million; and other expenses of US\$18.9 million.
66. In line with IFRS requirements, the General Reserve represents an appropriation of retained earnings. Between 1980 and 1994, the Executive Board approved several transfers, bringing the General Reserve to its current level of US\$95 million.
67. Issues to be considered in assessing annual transfers to the General Reserve include the overall balance of the accumulated surplus/deficit, and the underlying drivers of the yearly net income/loss, particularly unrealized gain/loss balances.³

³ IFAD Financial Regulation XIII states that: "Annual transfers from the accumulated surplus to the General Reserve shall be determined by the Executive Board after taking into account the Fund's financial position in the context of the review/approval of yearly audited financial statements of the Fund".

68. Considering that at the end of 2025, the Fund reported a net comprehensive gain of US\$31.0 million, mainly generated by unrealized foreign exchange positive movements, and that net retained earnings remain negative at approximately US\$2.9 billion, a transfer to the General Reserve at the end of 2025 is not recommended.

C. Adjusted statement of comprehensive income

69. To better represent IFAD's yearly results, an adjusted statement of comprehensive income is put forward to provide details considering the peculiarities of IFAD's business model that are not impacted by accounting estimates. The below report is not an IFRS-compliant statement, but rather a managerial report.
70. IFAD statement of comprehensive income is adjusted to exclude the following items:
- **Development finance items.** This relates to grant expenses (mainly to indebted countries) provided for HIPC. From an accounting perspective, these items are treated as expenses, although they are funded directly by replenishment contributions (equity).
 - **Gains and losses from currency exchange rate movements.** IFAD conducts its operations in several currencies. Fluctuations in the United States dollar vis-à-vis the other currencies and in particular the SDR exchange rate have long created volatility in IFAD's accounts. The conversion of such items into United States dollars for reporting purposes has always generated foreign exchange movements, which appear as unrealized gains and losses on IFAD's statement of comprehensive income and do not necessarily represent a financial risk.
 - **Actuarial gains/losses for post-employment benefit scheme.** IFAD has established a Trust Fund to set aside the assets necessary to fund the post-employment benefit scheme. Assets held in the Trust Fund are sufficient to cover liabilities in actuarial terms.
71. The IFAD-adjusted result for fiscal year 2025 was negative US\$89.6 million compared with negative US\$93.8 million for 2024. Fiscal year 2025 was characterized by a larger volume of income from loans partially compensated by larger volumes of interest expenditure on borrowing liabilities.

Table 10

Adjusted statement of comprehensive income (Thousands of United States dollars)

	2025	2024
Revenue		
Income from loans	132 182	131 729
Income/(losses) from cash and investments	97 628	89 061
Other income	23 842	18 794
Total revenue	253 654	239 584
Operating expenses	(225 825)	(205 249)
Interest expenditure on financial liabilities and leases	(98 617)	(96 179)
Depreciation	(10 400)	(12 802)
Total expenses	(334 842)	(314 230)
(Loss)/profit hedge accounting	(8 436)	(19 160)
Net (loss)/profit a	(89 624)	(93 806)
Reconciliation to statement of comprehensive income		
Operating expenses charged under the IFAD Climate Facility	(2 528)	(1 428)
Grant expenses	(164 796)	(186 416)
HIPC Initiative expenses gains	2 042	8 120
Allowance loan impairment losses	(51 070)	19 785
Change in provision for ASMCS benefit	(4 216)	7 629
Foreign exchange movements	341 172	(209 894)
Subtotal reconciling items b	120 604	(362 204)
Total comprehensive (loss)/income (a+b)	30 979	(456 010)

D. Cash flow statement – IFAD-only (appendix C)

72. Appendix C shows movements in liquid unrestricted cash and investments in the balance sheet.
73. In 2025, IFAD grant disbursements amounted to US\$15.1 million (US\$21.7 million in 2024).
74. Disbursements to countries in debt distress (former DSF) amounted to US\$151.4 million in 2025 (US\$172.5 million in 2024).
75. IFAD loan disbursements amounted to US\$746.8 million in 2025 (US\$736.6 million in 2024).
76. During 2025, IFAD encashed additional borrowing, for an overall amount of US\$547.0 million (US\$308.6 million in 2024). Over the year, IFAD repaid borrowing liabilities – principal and interest – in the amount of US\$124.2 million (US\$129.9 million in 2024).
77. Receipts for cash and promissory notes as replenishment contributions totalled US\$387.1 million in 2025 (US\$521.5 million in 2024). At the end of December 2025, IFAD13 replenishment encashments were equivalent to 37 per cent of the level of pledges, in line with replenishment cycles.
78. Receipts for non-replenishment contributions totalled US\$9.3 million in 2025 (US\$18.5 million in 2024).

IX. Internal controls over financial reporting and risk governance

79. Since 2011, IFAD has included a Management assertion regarding the effectiveness of the Fund's internal controls over financial reporting (ICFR) framework in its financial statements. An attestation by the external auditor (currently PricewaterhouseCoopers) regarding the reliability of the Management assertion has also been included since 2012.
80. IFAD has identified the 2013 Framework of the Committee of Sponsoring Organizations of the Treadway Commission as a suitable basis for Management's approach to evaluating the effectiveness of ICFR.
81. Management's self-assessment against the framework underscores IFAD's commitment to effective internal controls. This attentive stance places IFAD on par with industry best practice and provides a comprehensive account of the IFAD processes underpinning the preparation of financial statements, and the implementation of internal controls over transactions impacting financial statements.
82. The ICFR is subject to internal and external auditing on a yearly basis to ensure effectiveness thereof. Testing is underpinned by 35 process flows mapped across five divisions and identifies 82 key controls.
83. During 2025, IFAD continued to strengthen its anti-money laundering and countering the financing of terrorism, and its sanction screening and related risk measures to reduce the organization's exposure to serious reputational damage, financial loss or legal liability. IFAD has also adopted measures on personal data protection, thus ensuring overall consistency with industry best practice.
84. Finally, fiduciary and risk management has also been strengthened over the years with the approval of the Enterprise Risk Management Policy and the IFAD Risk Appetite Statement, which is now in operation through the new governance provided by technical risk governance committees.

Status report on arrears in principal, interest and service charge payments

This document provides Executive Board representatives with information regarding the status of arrears of more than 75 days as at 31 December 2025.

Table 1

Year-on-year comparison of arrears by region

(As at 31 December)

Region	Number of loans	Thousands of United States dollars			Percentage
		Principal	Interest and service charges	Total arrears	
Asia and the Pacific					
As at 31 Dec 2024	5	28 174	5 362	33 537	29%
As at 31 Dec 2025	6	25 632	5 574	31 205	23%
East and Southern Africa					
As at 31 Dec 2024	3	615	109	724	1%
As at 31 Dec 2025	8	1 564	303	1 867	1%
Latin America and the Caribbean					
As at 31 Dec 2024	8	7 358	2 812	10 170	9%
As at 31 Dec 2025	7	10 470	4 320	14 790	11%
Near East, North Africa and Europe					
As at 31 Dec 2024	38	56 082	10 991	67 073	58%
As at 31 Dec 2025	37	67 112	12 761	79 873	60%
West and Central Africa					
As at 31 Dec 2024	33	3 478	1 049	4 526	4%
As at 31 Dec 2025	37	4 295	1 615	5 910	4%
Total all regions					
As at 31 December 2024	87	95 706	20 324	116 030	
As at 31 December 2025	95	109 073	24 572	133 645	

Note: 2024 figures reclassified according to the established de minimis threshold.