OIKO CREDIT
investing in people

Annual report **2016**

Diversifying for the future

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Annual report 2016

About the cover picture

Jazdagul Borbukova is a sheep farmer in Kochkor village, Kyrgyzstan. She and her husband were trained in raising sheep by Kompanion Bank, a Kyrgyz microfinance institution. Previously they had just a few animals. Now, having received a loan worth about € 185, they breed sheep and have a better income, supplemented by the husband's second job at the local market. Jazdagul values Kompanion's specialist knowledge and provision of veterinary services and wishes only to continue raising sheep.

Kompanion was established in 2004 and has been an Oikocredit partner since 2007. With over 110,000 clients, it is one of Kyrgyzstan's largest financial institutions. Kompanion provides micro loans and technical assistance to small farmers, livestock herders and shepherds and promotes sustainable agriculture. It has Smart Campaign certification for the Client Protection Principles and in 2014 won the European Microfinance Award for its ethno-ecological approach to pastureland management training. With the € 100,000 prize Kompanion has developed a mobile classroom for herders, continued to provide training and produced educational videos for schools.

From the managing director

Oikocredit can look back on another successful year, during which our outstanding development financing portfolio exceeded € 1 billion for the first time. We have financed 1,834 partner organizations since 1975, and for more than 40 years our work has addressed almost all the Sustainable Development Goals that the United Nations adopted in 2015. We can be proud of this track record.

We remain committed to seeking the right balance between social, environmental and financial returns in our focus areas of inclusive finance, agriculture, renewable energy and Africa. This is also reflected in our 2016-2020 strategy, whose implementation got off to a solid start.

We increased the size of our outstanding portfolio in both credit and equity, and continued to improve portfolio quality. This portfolio growth was made possible by healthy capital inflow from our members, support associations and investors and the mobilization of capital through our banking partnerships.

Our capacity building work – so important in developing partners' resilience and ensuring that our work has positive and sustainable social impacts – continues to make good progress. Diverse possibilities are opening up through new capacity building collaborations with institutional donors.

While inclusive finance will remain a significant element of our portfolio, with the influx of many other lenders into this sector our funding may be more critically needed elsewhere. We are therefore committed to diversification, business development and innovation.

In addition to increased competition, our work also faces challenges from prevailing low interest rates. We therefore intend to further strengthen our organization and sharpen our emphasis on doing even better at 'doing good'. Our ambition is to be the social investor of choice by 2020 and an even more acknowledged leader in helping low-income people and communities improve their quality of life.

As always, we thank our members, investors and support associations, our staff in the Netherlands and around the world, our valued partners and our supervisory board for their commitment to Oikocredit's vision, mission and values.

Ging Ledesma
Interim managing director;
investor relations and social performance director

Five-year **Oikocredit key figures**

Figures from the consolidated financial statements						
	2016	**2015**	**2014**	**2013**	**2012**	**Reference**
Members	575	581	589	596	598	
Investors (approximate number)	54,000	51,000	53,000	52,000	48,000	
Countries with regional and country offices [1]	31	33	34	36	37	
National support offices and support associations	36	37	36	36	35	
Staff members in full-time equivalents (FTE) [2]	269	258	253	254	250	Note 26
Partners in portfolio [3]	801	809	805	815	854	
€ millions						
Total consolidated assets	1,209.3	1,026.3	907.1	779.2	723.3	Consolidated Balance sheet
Member capital	913.0	806.3	711.1	634.8	558.5	Consolidated Balance sheet
Other lendable funds [4]	105.5	93.2	96.4	83.2	73.8	Consolidated Balance sheet
Total lendable funds	1,018.5	899.5	807.5	718.0	632.3	
Development financing activities						
New disbursements	438.7	419.0	337.9	306.1	218.2	Note 8
Increase % disbursements	*4.7%*	*24.0%*	*10.4%*	*40.3%*	*11.3%*	
Cumulative disbursements	2,970.4	2,531.7	2,112.8	1,774.9	1,468.8	
Total cumulative payments (capital, interest and dividends) by partners	2,422.1	2,052.2	1,714.7	1,432.9	1,180.2	
Total development financing outstanding	1,047.2	900.2	734.6	590.5	530.5	Note 8
As % of lendable funds (beginning of year)	*116.4%*	*111.5%*	*102.3%*	*93.4%*	*89.3%*	
Portfolio at risk 90 days	4.5%	5.3%	5.1%	6.5%	7.0%	
Loan loss provisions on capital and interest and impairment of equity [5]	81.7	68.6	59.6	52.4	60.5	Notes 8 and 11
Loan loss provisions and impairment of equity as % of development financing outstanding	*7.8%*	*7.6%*	*8.1%*	*8.9%*	*11.4%*	
Write-offs capital charged to loss provisions [6]	11.4	6.8	6.1	7.5	13.1	Note 8
As % of development financing outstanding	*1.1%*	*0.8%*	*0.8%*	*1.3%*	*2.5%*	
Term investments	112.8	120.2	154.6	146.3	147.3	Consolidated Balance sheet
Total financial income [7]	101.9	75.3	65.3	56.7	63.4	Consolidated Income Statement
General and administrative expenses [8]	34.0	31.4	28.7	26.3	23.9	Consolidated Income Statement
As % of total assets	*2.8%*	*3.1%*	*3.2%*	*3.4%*	*3.3%*	
General and administrative expenses excluding grant-based expenses [9]	33.5	29.7	27.3	24.0	21.2	
As % of total assets	*2.8%*	*2.9%*	*3.0%*	*3.1%*	*2.9%*	
Impairments and additions to loss provisions	26.9	17.0	12.5	6.4	15.6	Consolidated Income Statement
As % of development financing outstanding	*2.6%*	*1.9%*	*1.7%*	*1.1%*	*2.9%*	
Net income (available for distribution) [10]	29.0	15.4	20.5	12.6	22.9	Society Income Statement
Proposed dividend	17.1	15.0	13.2	11.6	10.5	Other information

[1] Countries with legal entities that no longer carry out operational activities are not included in this number.
[2] Including staff employed by regional offices and national support offices.
[3] Partners in portfolio includes development financing outstanding as well as partners currently in the process of disbursement, and excludes partner funding that has been repaid, written off or cancelled.
[4] Other lendable funds are general reserves (2016: € 69.7 million) and non-current liabilities (2016: € 39.9 million) excluding hedge contracts (2016: € 4.1million).
[5] Provisions and impairments on capital (2016: € 77.5 million) and provision on interest (2016: € 4.2 million).
[6] Write-offs from portfolio amount to € 11.5 million, while write-offs charged to the loan loss provision amount to € 11.4 million as € 0.1 million relates to write-offs from funds of third parties.
[7] Consists of interest on development financing portfolio (2016: € 77.2 million), interest on term investments (2016: € 3.5 million) and income from equity investments (2016: € 21.2 million).
[8] Including expenses covered by grants (for example capacity building expenses) and investments in a new common administration system.
[9] Excluding expenses covered by grants (for example capacity building expenses).
[10] Refer to Society Income Statement.

We are pleased to present the annual report and consolidated financial statements of the Society for 2016. This report highlights the most important developments during the year.

Managing board report

Preparing for the future

In 2016 Oikocredit began to implement its five-year 2016-2020 strategy. We continued to grow our portfolio in line with the strategy, and our results were on target. We are strengthening the way we deliver our mission in a competitive landscape, innovating and 'future proofing' the organization, while remaining true to our values.

Oikocredit achieved very good results in 2016 and reached or exceeded all outflow and inflow target levels. One equity sale generated a sizeable profit that we will use to invest in our own organization as well as in our partners. Overall development financing portfolio growth exceeded expectations, and our outstanding portfolio surpassed the € 1 billion mark.

Mainly as a result of the continuing low interest rate environment, the margins on our credit portfolio remained under pressure. Increasing competition in the maturing microfinance sector also put pressure on our profitability. Another challenge for the coming years is the growth of our local currency portfolio relative to the local currency risk fund, our internal fund for offsetting currency risks.

Key developments

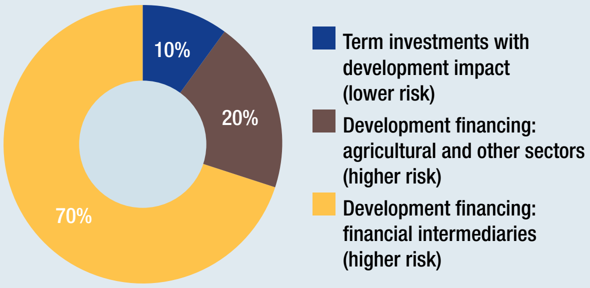
In 2016 we started implementing our 2020 credit strategy, which addresses the need to keep in balance social and environmental returns, risk and profitability. We achieved steady growth in the loan portfolio at a time of maturing microfinance markets and successfully maintained our planned diversification into agriculture and renewable energy, as well as our focus on Africa.

Annika Ngobeni, a client of the Small Enterprise Foundation (South Africa), making traditional skirts.

2016 in graphs

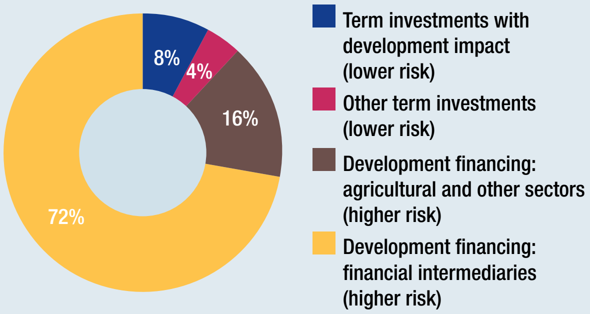
Investment mix Oikocredit invested funds 2016

As at 31 December 2016



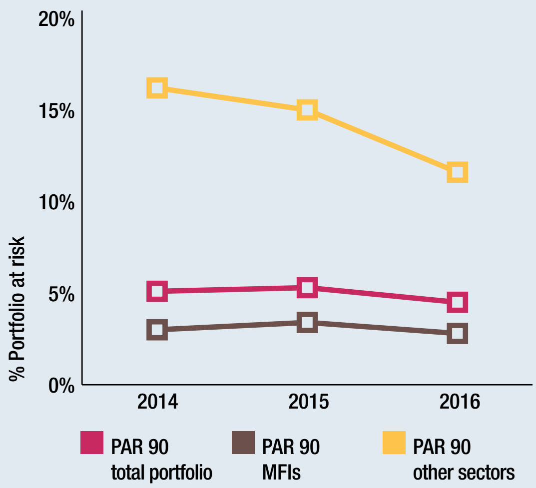
Investment mix Oikocredit invested funds 2015

As at 31 December 2015



Portfolio at risk

As percentage of total development financing
As at 31 December 2016



In equity we increased our long-term investing in selected partners where we also provide strategic support, achieving our growth target for the year. We sold our equity stake in the Cambodian microfinance institution (MFI) Hattha Kaksekar Ltd (HKL) for € 19.1 million and disbursed five new and 17 follow-up investments.

The business development strategy guides us in identifying and developing innovative sectors, markets and products and has begun to generate new projects for us. We are keen to foster a culture of innovation within the organization as we continue to diversify away from our traditional microfinance focus.

Capacity building work for partners has become a major element in Oikocredit's delivery of its social mission. The thematically structured capacity building programme prioritizes agriculture, financial services and client outcomes, with 2016 its first full year of implementation. Our ambitious client outcomes programme, combining training and research, builds partners' capacity to track, interpret and report changes in clients' lives over time. In parallel, we are enhancing our stewardship of capacity building grants and strengthening our fundraising capabilities to attract more grants for our programmes.

We have updated our environmental assessment guidelines and further defined environmental indicators for our renewable energy projects. We continued to calculate and offset our carbon footprint.

2016 saw very healthy growth in our incoming capital, thanks to our members, support associations and banking partners, who helped to raise awareness about our work. We are very pleased to have established our members' council, whose contribution has included organizing a dialogue among the various stakeholder groups in Oikocredit. In the process of finalizing our inflow network strategy, we strengthened relationships with our support associations, which do so much to sustain our cooperative's work. We also developed further banking partnerships and enhanced relations with the Global Alliance for Banking on Values (GABV).

Development financing

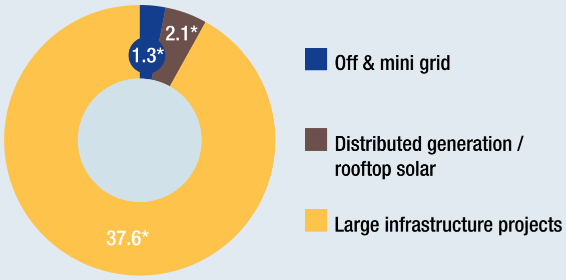
Oikocredit's total development financing portfolio (loans and equity investments) increased to € 1,047.2 million in 2016, from € 900.2 million in 2015. This growth of 16.3% exceeded the projected 10%. Loan and investment approvals totalled € 383.1 million, down by 23.0% from € 497.8 million in 2015. Disbursements rose to € 438.7 million, up by 4.7% from € 419.0 million.

We see our average loan size increasing as the total number of partners fell from 809 to 801, despite the overall portfolio growth. This increase in average loan size is largely due to the growth of partners that have been with us for many years. Half of our partners in 2010 were still with us at the beginning of 2016.

We provided financing in 70 countries. The outstanding portfolio in low-income countries (LICs) was € 57.5 million (5.5% of the total portfolio) and in least developed countries (LDCs) it amounted to € 123.0 million (11.7%).

Renewable energy portfolio

As at 31 December 2016



* € millions

share fell from 26.8% to 22.3%, while Latin America's increased from 44.9% to 49.7%. Eastern Europe and Central Asia's share was down from 5.4% to 4.3%, while all other regions (5.7%) comprised the remainder.

Portfolio quality

Overall the quality of our portfolio has continued to improve. The portfolio at risk (PAR – the percentage of the portfolio with payments more than 90 days overdue) appeared favourable at year-end, falling from 5.3% in 2015 to 4.5%. However, there have been several write-offs (1.1% of development financing outstanding, compared to 0.8% in 2015) and provisioning for some specific incidents with a small number of our partners. Over the longer term, our PAR has improved as we have monitored the portfolio more closely, and to an extent because of reduced country risks. Diversifying our lending across many countries helps spread portfolio risk.

Strategic priorities

Growth in both loans and equity was very satisfactory in our strategic focus areas of inclusive finance, agriculture, renewable energy and Africa.

Our inclusive finance portfolio – which includes financing for microfinance institutions (MFIs) and lending to banks that support small to medium enterprises (SMEs) – grew by 10.8% (from € 735.3 million to € 814.5 million) and included 536 partners. We approved € 300.5 million (25.1% less than in 2015) and disbursed € 319.3 million (5.1% less). As a percentage of our total portfolio, inclusive finance declined from 81.7% to 77.8%. This movement is in line with our strategy of diversification into other sectors.

In agriculture our outstanding development portfolio (loans and investments) grew by 38.8% (from € 113.3 million to € 157.3 million) and we have 197 partners. Approvals declined by 12.3% to € 57.0 million, while disbursements rose by 29.5% to € 81.6 million. Agriculture's share of the total portfolio increased from 12.6% in 2015 to 15.0% in 2016.

We saw strong growth in renewable energy. The outstanding portfolio grew by 150.3% (from € 15.9 million to € 39.8 million), and the number of projects from 12 to 20. Approvals (€ 22.7 million) and disbursements (€ 28.4 million) were up significantly (7.9% and 250.6% respectively). Renewable energy now comprises 3.8% of the total development portfolio (up from 1.8% in 2015).

The outstanding development portfolio in our priority region, Africa, grew by 19.4% (from € 158.1 million to € 188.7 million). Approvals (€ 92.4 million) and disbursements (€ 86.2 million) decreased by 21.0% and 10.0%, and we now finance 197 partners across the continent. Over the past three years, our financing in Africa has grown by more than 100%, which is why we plan to consolidate the portfolio in 2017. Africa will continue to be our priority region, with a focus on sustainable, quality long-term growth.

Portfolio distribution

Geographically, Africa's proportion of our loans and investments increased from 17.6% to 18.0%. Asia's portfolio

Local currency loans and risk fund

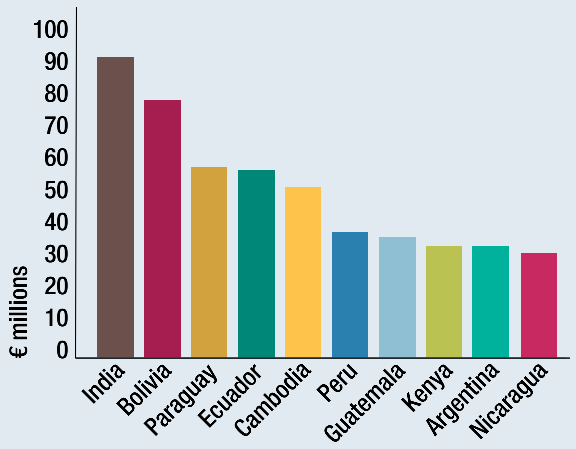
We make local currency loans where possible within acceptable risk limits to help protect partners from exchange rate fluctuations. Our percentage of local currency loans in 2016 came to 52.3%, almost the same as in 2015 (52.1%).

Stana Greceanu at work on her farm. She and her husband are clients of the Romanian microfinance institution Patria Credit IFN SA.

2016 in graphs

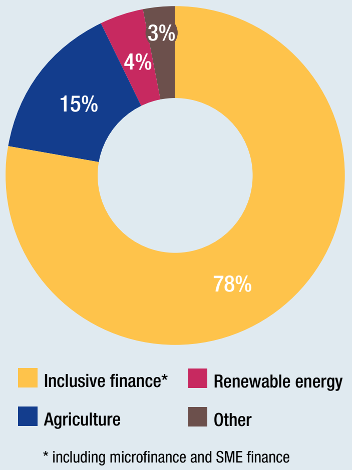
10 countries with highest capital outstanding

As at 31 December 2016



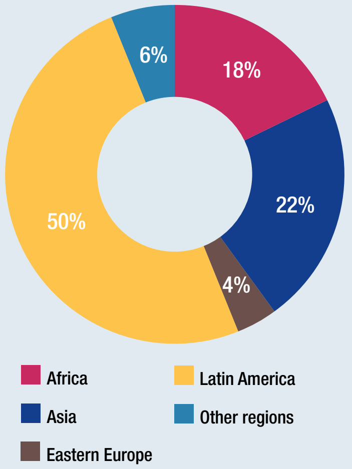
Development financing outstanding by sector

As at 31 December 2016



Development financing outstanding by region

As at 31 December 2016



This level reflects our efforts to make local currency loans as widely available as needed while at the same time balancing currency risks.

External hedging has helped improve our local currency risk fund coverage, while the appreciation of the dollar and currencies that closely correlate with the dollar increased the overall amount in the fund. The growing local currency portfolio forces us to hedge more externally, which is expensive, so we actively seek donations for the local currency risk fund.

Term investments (bond portfolio)

The term investments performed better than expected. We received interest payments of € 3.5 million and after deduction of the negative revaluation of the bond portfolio (€ 1.1 million), we gained € 2.4 million (2015: € 0.2 million gain). Given the prevailing low interest rates, this was very satisfactory. We changed fund managers and moved the portfolio from IMS to AXA Investment Managers' ethical portfolio. The portfolio is now more diversified, with 100 holdings compared to 40 before, and has a better risk profile along with a strong ethical profile.

Inflow of new capital

Gross inflow of total lendable funds was € 128.0 million (2015: € 120.6 million). Net capital inflow (gross inflow minus redemptions) was € 94.3 million (2015: € 102.0 million), in line with our targets. The net inflow result was affected by foreseen redemptions of more than € 20 million following the closure of Oikocredit USA. We are putting in place new partnerships in the USA to continue to attract US investments.

Income statement 2016

Financial income and financial expenses

In 2016 Oikocredit achieved income after addition to funds of € 29.0 million, while total operating income rose from € 64.0 million to € 104.9 million. The change was mainly due to increases in interest and similar income, the sale of an equity investment, and exchange rate differences.

The local currency result was € 10.3 million positive chiefly as a result of the appreciation of the dollar, which is partly unhedged, and of currencies closely correlated to the dollar. Hedging costs decreased slightly from € 5.6 million in 2015 to € 5.5 million. While the overall financial result was very positive, this largely resulted from the sale of our equity stake in HKL and exchange rate developments.

Loss provisions

Additions to loss provisions increased from € 17.0 million to € 26.9 million. Loan loss provisions grew faster than the portfolio and our PAR, largely because of risks in one renewable energy project and in some equity holdings.

Operational expenses

Operational expenditure was below budget. Although in absolute terms our costs increased by € 2.6 million (8.3%), our cost ratio fell to 2.8% due to a larger increase in our total assets.

Annual dividend
Oikocredit's investor dividend depends on the financial results. The 2016 annual general meeting (AGM) passed a members' motion requesting guidelines for the allocation of results and recommending consideration of key organizational needs such as the local currency risk fund and the capacity building fund when determining the dividend. Subject to the approval of the supervisory board, we expect to again recommend to the AGM the declaration of a 2% dividend for 2016. However, a future change in the dividend level cannot be ruled out.

Cash and currency management

Cash position and predictability
At end-2016 Oikocredit had liquidity of 17.2% in relation to total assets, within our target range of 15% to 25%. We improved predictability of incoming funds and are working to do the same for our outflow.

Financing of Maanaveeya
Our Indian subsidiary Maanaveeya has two new loans from Rabobank, of INR 560 million (€ 7.8 million) and INR 440 million (€ 6.1 million). Maanaveeya repaid INR 300 million (€ 4.2 million) to Oikocredit in non-convertible debentures, as well as INR 50 million (€ 0.7 million) as part of a loan from ING Bank. For the first time Maanaveeya has concluded, without our guarantee support, a loan with a local financial institution, Nabkisan Finance Limited of INR 20 million (€ 0.3 million), which indicates the health of our subsidiary's balance sheet.

Managing board changes

Major changes occurred in the managing board. Managing director David Woods stepped down to pursue his long-term personal goal of emigrating to New Zealand. We are grateful to David for his contribution during his three and a half years with Oikocredit. We also appreciate the willingness of our investor relations and social performance director, Ging Ledesma, to provide leadership during the transition period as interim managing director.

Credit director Florian Grohs decided to seek new opportunities outside Oikocredit. We thank Florian for his 14 years as regional manager/director of Central and Eastern Europe, national representative of the national support office in Germany and credit director. We welcomed as our new credit director Hann Verheijen, who joined us from the Oikocredit Nederland support association, where he held the position of director.

Other developments

Risk management
We have made progress in risk management. Work included developing 'value at risk' models to assess the proportion of the portfolio at risk and sensitivity to currency swings, and to better prepare against such risks. We worked on our enterprise risk management framework and reinforced internal collaboration between the risk, compliance and legal units.

Mauricio Brioso de Mijano and his wife Rosa, clients of Oikocredit partner Credicampo (El Salvador), on their farm.

Web-based developments
We have implemented our new system for managing outflow to partners, known as eFront, and are piloting MyOikocredit, our web-based service for investors.

Audit committee
In June 2016 the audit committee was integrated into the supervisory board. Prior to its integration the committee met once in 2016 and discussed with the auditors and the managing board the business environment, the financial statements, risk management and the annual internal audit plan for 2016.

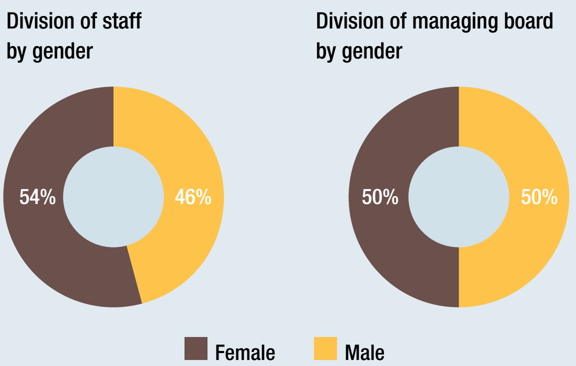
Human resources
At the end of 2016 we had a total of 269 full-time equivalent staff, up from 258 in 2015, with 168 staff working outside the Netherlands. Our new global head of human resources took up post, and the new human resources strategy, which focuses strongly on staff development and the Oikocredit Academy, was approved.

The Oikocredit Academy is our skills and knowledge staff training programme, which we launched in 2015. The academy is now supported by a dedicated staff member, and we have widened participation in the programme beyond senior staff, particularly involving country managers and project officers.

The search for a new managing director took place, assisted by an external recruitment firm. This has been a very consultative process, involving all relevant stakeholders in defining the profile, as well as stakeholder representatives in process and selection.

IFRS readiness
The supervisory board discussed our plans to move our accounting basis from Dutch GAAP to the International Financial Reporting Standards (IFRS). The board agreed that we should continue preparing for this major change but not yet implement it, due to other strategic priorities for the organization.

Oikocredit staff overview
As at 31 December 2016



Oikocredit employs staff from almost 50 countries worldwide.

Outlook
In the coming years we will continue to implement our 2020 strategy, aiming for steady annual growth of 10% of our development finance portfolio and maintaining the focus on loans and equity in inclusive finance, agriculture, renewable energy and Africa.

As we continue the journey towards these goals we need to keep pushing boundaries and remain a dynamic learning organization that consistently builds on its strengths and addresses its challenges. We want to be proactive and ask ourselves how we can improve the delivery of our mission in terms of social impact, profitability and efficiency. We will therefore begin a review of our operating model to strengthen Oikocredit's presence and capacity to respond to the needs of its target groups in a rapidly changing world. The review will also look at how we can enhance our offer of a fulfilling workplace and opportunities for career development for those working in Oikocredit.

We look forward to welcoming our new managing director, Thos Gieskes, who joins us from Rabobank, an international cooperative bank with its headquarters in the Netherlands. He will take up his position in April 2017. We also plan to hire a chief risk officer to ensure that there is a balance between our focus on growth and innovation and our ability to manage and mitigate any associated risks.

In early 2017 we held a conference for members and other stakeholders about further development of our term investment policy, and we will continue to strengthen our partnership with the GABV, of which we became a member in January. Following the 2016 AGM motion regarding the results and dividend, we will develop guidelines for the allocation of results according to organizational needs.

Conclusion
In terms of results and reaching our targets, 2016 saw a continuation of Oikocredit's solid record of performance spanning over 40 years. Our strengths include our investors' loyalty and our unrivalled dedication to social impact, but we cannot be complacent about either and need to ensure that we continue to deliver our mission effectively.

We are determined to 'future proof' our systems and processes so that we can meet new macroeconomic and regulatory challenges as they arise, while bringing all our valued stakeholders along with us. Balancing social, environmental and financial goals is a major task facing us as we continue to strive to empower low-income people and communities sustainably around the world.

Amersfoort, 1 March 2017

Ging Ledesma
Interim managing director; investor relations and social performance director

Bart van Eyk
Equity and business development director

Irene van Oostwaard
Chief financial officer/ chief operating officer

Hann Verheijen
Credit director

Supervisory board report

Governing our cooperative

Oikocredit has consolidated its two-tier board structure, first introduced in 2014. The supervisory board met regularly in 2016, considered important governance matters and engaged in self-development training and meetings with other stakeholders.

Oikocredit's supervisory board acts as the deliberative, guiding and non-executive body and together with the managing board is responsible for keeping the organization true to its vision, mission and values. The board has an advisory and supervision role towards the managing board and the cooperative as a whole. It appoints the managing board and acts as its sounding board, especially with regard to strategy and policy, and it helps ensure that Oikocredit is responsive to internal and external stakeholders in its decision-making and direction. The supervisory board monitors risk, finances, human resources structures and policies, and compliance with relevant laws and regulations.

Board developments

The supervisory board re-elected Ms Jacinta Hamann de Vivero (Peru) as chair and elected Mr Karsten Löffler (Germany) as vice-chair in succession to Mr Richard Librock (Canada). Oikocredit's June 2016 annual general meeting (AGM) approved changes to the supervisory board's composition profile (such as desired expertise and experience) and agreed to integrate the audit committee into the supervisory board.

In 2016 the board adopted a set of governing rules for itself, complementary to rules that apply to the managing board, and to Dutch legal requirements and Oikocredit's articles of association. The board approved a risk card for the risks it faces, appointed the cooperative's new credit director and interim managing director, and set in motion the selection of a permanent successor to departing managing director David Woods. The supervisory board also agreed that the organization would appoint a chief risk officer as a member of the managing board; recruitment will start in 2017.

Other matters considered by the board during the year included: adoption of the 2016-2020 strategy implementation plan; the term investment strategy and change in asset manager; the forthcoming closure of country offices in Honduras and the Dominican Republic; endorsement of an organizational whistle-blower policy; and approval of the 2015 annual report and accounts and the cooperative's annual budget for 2017, including the main write-offs. Among recurring discussions were the dividend, the local currency risk fund and the adequacy of the reserves. Self-evaluation is always on the supervisory board's agenda.

Addressing challenges

The supervisory board has considered some key challenges facing the organization. Market developments, especially maturing microfinance markets and consequently lower margins, are having a considerable impact on Oikocredit's work. In addressing these challenges the organization needs to become more innovative and to find niches in the market that enable it to maintain healthy growth. Balanced growth also requires continued attention to ensuring that processes and procedures are sound, and to the need for alignment and mutual understanding among stakeholders. The supervisory board and managing board reflected together on how to structure a process for the review of our operating model.

Board meetings and committees

The supervisory board held three face-to-face meetings, in March, June and November/December, plus six teleconferences, in March, April, May (twice) and September (twice). The managing board attended all three face-to-face meetings and participated in five of the teleconferences. The supervisory board met with representatives of the works council and the managing board to exchange thoughts and expectations.

Many topics were discussed with the managing board, although a few issues, such as managing director succession and the board's budget and rules, were considered separately.

The supervisory board's committees help prepare for plenary board meetings, enabling the board to organize its work efficiently. Current board committees (including former working groups) comprise:

- Audit committee
- Credit committee
- Governance committee
- Members relations committee
- Personnel committee
- Risk committee
- Strategy committee

As noted above, the audit committee is now integrated into the supervisory board, and it includes two independent members: Ms Ilse Roeleveld-Schmidt (chair) and Mr Vincenz Gora.

The supervisory board committees met at least three times in 2016 in the weeks that the board held face-to-face meetings, and had various teleconferences and email exchanges between these meetings.

Board members met with the cooperative's members and support associations during the June AGM week in the Netherlands. Several participated with managing board members, works council members and other staff in an internal multi-stakeholder dialogue in Amersfoort, the Netherlands, in November.

Training

To coincide with three board meetings, board members participated in three full-day self-development training sessions provided by Nyenrode Business Universiteit as part of members' continuous education programme. Among the topics covered were boardroom dynamics; collaboration between the managing board and the supervisory board and the distinction between managing and the supervisory role; board self-assessment; and managing cultural differences.

Remuneration of the supervisory board and managing board

The remuneration is described in note 34 of the financial statements.

Outlook

Challenges and opportunities facing Oikocredit of particular interest to the supervisory board include developments in the microfinance market environment, as indicated above. Achieving sustainable growth in Africa and in the renewable energy sector is a key priority, as is addressing changing legal frameworks in many target countries and the need to adapt the organization's business models accordingly.

The board is keen to ensure that the organization continues to achieve impact on the ground in fulfilment of its vision and mission. Having welcomed the establishment of the new members' council, we recognize the importance of a close working relationship with our cooperative's members.

Amersfoort, 1 March 2017

Jacinta Hamann de Vivero
Chair

Karsten Löffler
Vice-chair

Ayaan Adam
Supervisory board member

Annette Austin
Supervisory board member

Vincent De Waele
Supervisory board member

Daira Gómez Mora
Supervisory board member

Eduardo Jimenez
Supervisory board member

Richard Librock
Supervisory board member

Åsa Silfverberg
Supervisory board member

Carla Veldhuyzen van Zanten
Supervisory board member

Ruth Waweru
Supervisory board member

Cleaning the solar panels on the roof of the ONergy building in Kolkata (India). ONergy is the brand name for products marketed by Oikocredit partner Punam Energy Private Limited.

Credit

Diversification as microfinance markets mature

We achieved steady overall growth in our loan portfolio in 2016 at a time of maturing microfinance markets. We continued to diversify into agriculture and renewable energy, while maintaining our strong focus on lending in Africa.

In 2016 we started implementing our 2020 credit strategy and focused on keeping in balance three key elements: social and environmental impact, risk and profitability.

Oikocredit's loan portfolio grew in 2016 by 13.4% to € 933.4 million (from € 822.9 million in 2015). Loans in our focus areas of agriculture and renewable energy showed faster growth. Our total number of credit partners fell slightly to 767 (from 776 in 2015). We approved 232 new loans during the year, down from 251 in 2015, while the value of approvals decreased by 21.2% to € 362.9 million (from € 460.9 million in 2015). Disbursements increased by 0.5% to € 397.3 million (from € 395.3 million in 2015).

Portfolio at risk (PAR – the percentage of the portfolio with payments more than 90 days overdue) and especially PAR in agriculture have decreased favourably. Overall PAR is down to 4.5% (from 5.3% in 2015). We mainly attribute this to write-offs and to improvements in partner selection and partner support.

Inclusive finance

Out of the total inclusive finance portfolio (credit and equity), 87.8% (€ 725.1 million) was in loans. Inclusive finance still makes up the largest part of our loan portfolio (77.7% at end-2016), albeit a declining share in line with our diversification strategy. It grew by 5.3% from € 688.2 million in 2015 to € 725.1 million in 2016. Our lending in inclusive finance comprises funding not only for microfinance institutions (MFIs) but also for commercial banks that finance small to medium enterprises (SMEs), a sector of significant growth, although its portfolio share is still relatively minor.

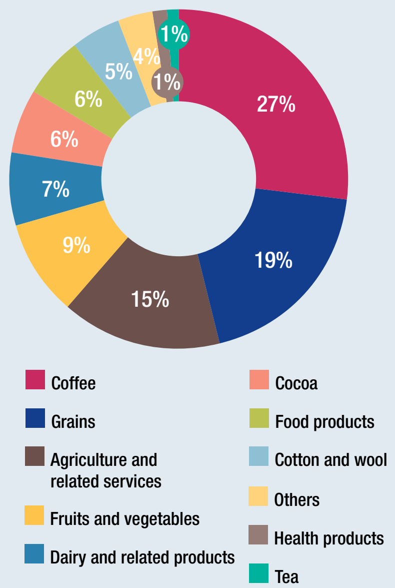
Microfinance markets are maturing, with much competition, high liquidity and a low interest rate environment, which puts pressure on our profitability. We have responded by increasing the size of our loans to an average of about € 1.6 million per newly approved project. To keep a balance between large and small loans, we continue to finance smaller local organizations as well. We also believe it wise to diversify further, spreading our risks and seeking new ways to achieve impact.

Agriculture

The agriculture sector is important to Oikocredit because of its capacity to reduce rural unemployment and poverty and to strengthen food sovereignty in developing countries. However, the sector has continued to experience falling prices, crop losses due to erratic weather associated with climate change, uncertain or unfavourable regulatory environments and a depreciation of emerging market currencies.

Agricultural loan portfolio

As at 31 December 2016



Nomanyo Wofoa is a drum maker and a client of Millenium Microfinance (2M), a cooperative in Togo which mobilizes savings and provides credit to its members.

Our outstanding lending in agriculture increased by 29.3% from € 96.3 million in 2015 to € 124.5 million in 2016. Loans to agricultural partners made up 79.1% (€ 124.5 million) of the total agricultural portfolio. Our leading subsector was coffee, as in previous years, accounting for more than a quarter of our total agriculture loans portfolio. Other notable subsectors include cocoa, dairy produce, fruits and vegetables. While agriculture is relatively high risk for lenders compared with loans to financial institutions, we have reduced the portfolio at risk (PAR) to 11.1% (from 14.0% in 2015) by writing off projects and focusing closely on partner selection and partner support.

In 2016 we enhanced our profile through active participation in international agricultural forums and trade fairs.

Sadly, our dear colleague Carina Torres, who worked in our agriculture unit in Lima, Peru, and had been instrumental in our progress in the sector, died suddenly.

Renewable energy

In the renewable energy sector, declining costs of solar equipment are catalyzing development and driving growth. Cheap solar and innovative business models are revolutionizing energy access in least developed countries, while both demand for and availability of funding for clean energy are accelerating in emerging markets.

Oikocredit's renewables strategy aims to meet our triple bottom line commitment to environmental protection; to contribute to the low-carbon transition; and to provide affordable off-grid energy to low-income households. Our lending comprises three market segments: off-grid home solar electricity in sub-Saharan Africa (high social impact); large rooftop solar distributed generation in India and South America (social and CO_2 impact and gains in cost saving and reliability); and on-grid project finance for solar, wind and hydropower (infrastructure and national CO_2 reduction benefits) in all regions.

Out of the total renewable energy portfolio, 74.6% (€ 29.7 million) was in loans. The renewable energy loan portfolio grew by 257.8% from € 8.3 million in 2015 to € 29.7 million in 2016. We added 12 new projects, bringing the total number to 18. Together with Triodos Bank, Finance in Motion and the European Bank for Reconstruction and Development (EBRD) we funded the first-ever wind project in Georgia. We partnered in two other joint project transactions with development finance institutions: the Alisios wind project in Costa Rica with the Netherlands Development Finance Company (FMO), and a hydropower project in Latin America with the International Finance Corporation (IFC). A hydropower project in Peru was confronted with significant cost overruns and construction issues, which resulted in impairment of the investment in 2016.

Africa

Out of the total Africa portfolio (credit and equity), 85.9% (€ 162.2 million) was in loans. Our lending in Africa increased substantially in 2016, by 17.6% from € 137.9 million to € 162.2 million. Africa is still a challenge as the least developed continent for financial inclusion, which is why we put so much effort into it and have selected it as our focus region as part of our 2020 strategy.

Regulations are changing in some African countries, with impacts on our work and that of our partners. Kenya, for example, introduced a regulation to limit interest rates. Very high or rising inflation rates in Nigeria and other countries in Africa make it more difficult for us to do business and support partners.

Guarantees and partnerships

Guarantee facilities and funding partnerships help Oikocredit finance higher-impact projects that come with greater risk. We set up a US$ 24 million loan guarantee with the US Agency for International Development (USAID) and USAID's Development Credit Authority, for example, for our lending to West African smallholder producers.

Internal collaboration between our agriculture unit and the social performance and capacity building department enabled us to secure a US$ 1 million grant from the Inter-American Development Bank for a price risk management project with 16 coffee cooperative partners in Latin America. The programme will be rolled out in 2017 and aims to increase partners' capacity to hedge coffee prices, thereby reducing farmers' livelihood risks arising from price volatility.

Credit strategy and organizational developments

We have developed and are now implementing a credit strategy based on Oikocredit's overall 2020 strategy to guide credit staff at the international office and in the regions. Six principles guide the credit strategy: a focus on social performance and environmental sustainability; organic growth; diversifying the portfolio further towards agriculture and renewable energy; investing in staff; maintaining portfolio quality; and increasing profitability and efficiency.

In 2016 we decided to downsize our presence in Honduras and the Dominican Republic. We will continue working with partners in both countries through an outsourcing model with two local project officers, one based in each country. The closure of the legal entity in Honduras is a long process and depends on the final approval of local authorities.

Hann Verheijen became our new credit director in October, joining us from the support association Oikocredit Nederland, which he had led as a director since 2012. Hann follows Florian Grohs, who decided to seek opportunities outside of Oikocredit.

Credit staff from Amersfoort and the country and regional offices participated in training as part of the Oikocredit Academy. One training event was held per region in 2016 with a focus on partners' due diligence. A separate staff exchange programme between Amersfoort and the regions also continued.

Outlook

MFIs are expected to mobilize more local deposits and to attract more financing from local banks, reducing the role in this sector for Oikocredit and other investors. Global interest rates are likely to stay low in the medium term. These external circumstances strengthen our commitment to the quality of our inclusive finance lending; we will continue to focus on projects in the financial sector that truly align with our mission.

We plan to continue to grow our agriculture portfolio in key subsectors such as coffee, cocoa and dairy. In renewable energy we plan to invest evenly in off-grid home solar, large rooftop solar distributed generation, and on-grid solar, wind and hydropower.

We are determined to add value to our partners and optimize our impact, using the financial resources entrusted to us by our investors. Accordingly, we will continue to look for market opportunities and projects that truly improve the quality of life of low-income people and communities. And we will pay close attention to ensuring that our organizational arrangements enable us to fulfil our mission optimally.

Valeria González is a quality control employee at Manos del Uruguay, a non-profit fair trade organization selling wool and a range of products made from wool.

Africa Challenges in our priority region

We saw different trends across the countries where we invest, but we maintained portfolio growth and continue to see opportunities.

We manage our West African portfolio through our regional office in Abidjan, Côte d'Ivoire, and its four country offices. The outstanding development financing portfolio grew by 31.0% to € 50.6 million, invested in 28 partners, as we responded to strong demand. We more than doubled our comparatively small portfolio in agriculture, from € 2.9 million to € 8.0 million. While we expect to grow more slowly in West Africa in 2017, we want to continue to support producer and processor organizations and high-impact, cost-effective projects.

The East African development financing portfolio in Kenya, Uganda, Rwanda and Tanzania comprises 81 partners and stands at € 52.4 million, a slight decline of 2.6%, mainly driven by deposit products that were not renewed in 2016 and growth slowdown in Uganda due to presidential elections. The portfolio features a mix of repeat loans and new partners – MFIs, SME banks and community banks, savings and credit cooperatives, and producer agri-businesses. In Kenya there are new limits on bank loan interest rates, but there is still space for us to grow, because historically banks have been risk averse while we have been able to support organizations that banks cannot reach. We plan to increase our lending in agriculture, particularly in the Rwandan coffee subsector and the Kenyan dairy subsector.

In other African countries, which we manage through our developing markets team in Amersfoort, we had strong growth of our development financing portfolio (43.6% to € 97.4 million), with 36 partners. We continued to support SME-focused and leasing financial institutions and provided new credit facilities to partners in Cameroon, South Africa, Tunisia and Zambia. We also lent to European-based microfinance networks that primarily finance African subsidiaries. Increased competition has led to longer negotiations and lower interest rates, while political unrest, the macroeconomic landscape and currency volatility have proved challenging. We aim to deepen our work in Ethiopia, Madagascar, Tunisia and Zambia, diversifying into manufacturing and agriculture.

PEG Africa

Oikocredit teamed up in 2016 with development investment managers responsAbility and solar finance specialist SunFunder to provide financing to PEG Africa, a supplier of off-grid solar home systems to low-income and rural communities in Ghana. Each system comprises a battery, an 8W solar panel, two lamps, a torch, a radio and a phone charger. After 12 monthly payments the system is paid for. Clients are also eligible for credit for additional products such as efficient cookstoves, smartphones and solar-powered TVs.

PEG Africa's subsidiaries mainly serve customers in peri-urban and rural communities with a typical daily income of between US$ 1 and US$ 6. Many clients are smallholder farmers or fishers. Solar home systems provide clean energy and have the potential to improve living conditions, income, health and education.

PEG Africa, the largest supplier of off-grid solar in Ghana, aims to supply 500,000 households with off-grid energy by 2020. Each lending partner is providing a loan of US$ 500,000 (€ 437,365) for this project, which marks our first investment in renewable energy in West Africa.

Asia **Diversification and expansion**

Our Indian and Southeast Asian portfolios both performed well. Sector diversification is crucial in India and has begun in Southeast Asia.

In India political and macroeconomic conditions are stable, and the policy environment is improving for start-ups and SMEs. Several microfinance partners have converted or plan to convert to small finance banks, thereby gaining wider access to refinancing and reducing Oikocredit's role. Maanaveeya, our 100% owned Indian subsidiary, has been successful with product diversification in microfinance and sectoral diversification to renewable energy companies and financial intermediaries lending to SMEs. Our outstanding portfolio in India reduced by 11% to € 78.1 million, invested in 74 partners.

Portfolio growth was affected by government demonetization of large denomination notes, which impacted on recoveries in all retail lending including the microfinance sector. The situation is now fast improving, however.

Interest rates are falling, so Maanaveeya has to focus on reducing its cost of funds. Product innovation and expansion to non-microfinance segments and renewable energy will continue to be important.

Economic and business conditions remained relatively strong in Southeast Asia, although challenges of food security, rural poverty and the negative impact of natural disasters remain. Oikocredit performed solidly, with an outstanding development financing portfolio of € 84.3 million (down by 11.4% on 2015) and 59 partners.

The contraction of the portfolio was mainly influenced by a slowdown of credit growth of MFIs in Cambodia to manage the risk of over-indebtedness which is a positive development.

We began to diversify into agriculture by approving a loan to an Indonesian social enterprise that supports local corn farmers. We also diversified geographically, providing more financing in Indonesia and Vietnam.

Highly liquid capital markets are a challenge in Cambodia, Indonesia, the Philippines and Vietnam, with low interest rates and restrictive regulatory conditions in Vietnam. We continued to support MFIs in addressing responsible finance practices and credit risks including risks of client over-indebtedness. We plan to further investigate expansion to another country in the region.

Abrasa Multi-Purpose Cooperative

Abrasa, located in the Cagayan Valley, Luzon, the Philippines, has been an Oikocredit partner since 2009. This cooperative provides 3,300-plus smallholder-farmer members with financial services such as loans, microfinance and a savings scheme. In addition, Abrasa trades rice, corn, sorghum, drought-resistant cassava and vegetable seed, produces organic fertilizer and provides technical, business, financial literacy and environmental training, and runs a small hotel.

The cooperative runs stores and a grain trading centre that help farmers market their produce. It aims to expand and improve its storage facilities, so that members and non-members can sell more produce at a better price, increasing their income. Committed to be a dynamic and responsive cooperative, Abrasa promotes organic and natural farming among its members to preserve and enhance soil fertility.

Women make up just over half of the cooperative's membership. Abrasa offers women's empowerment training that includes community awareness raising about equality, abuse prevention and the importance of women's education, as well as livelihood skills for women. Abrasa has taken part in several Oikocredit capacity building programmes.

Latin America
Substantial growth continues

Our portfolio grew satisfactorily across this large and diverse region, and we continued to diversify.

In Mexico, Central America and the Caribbean our outstanding development financing portfolio grew by 23% to € 162.3 million in 2016, invested with 166 partners. We continued diversifying into agriculture, renewable energy and financial intermediaries for SMEs. Renewable energy and agriculture experienced substantial growth. We improved loan portfolio quality, reduced costs, increased productivity and restructured our presence in Honduras and the Dominican Republic. The region has benefitted from the US economic recovery, due to strong ties through exports and remittances, but immigration reforms and protectionism anticipated from the new US administration may affect growth.

Although economic growth decelerated in Colombia, Ecuador and Peru, our development financing portfolio in northern South America grew by 30.6% to € 111.1 million, with 66 partners. While half the portfolio is currently invested in Ecuador, it is in Colombia and Peru that we most aim to develop our portfolio and build our presence further. We supported partners in Ecuador with disaster relief funds and loan rescheduling following a major earthquake. Peru leads our agriculture portfolio in the region, and we aim to grow in this sector and to introduce new financing products. Most of our loans remain with MFIs.

In southern South America (Argentina, Bolivia, Brazil, Paraguay and Uruguay) our outstanding development financing portfolio reached € 208.9 million, an increase of 29.1%, with 111 partners. Agricultural financing makes up a third of the portfolio, mainly invested in Argentina and Uruguay. Since hiring a new country manager in Brazil, we have increased our footprint there despite the recession and political upheaval. We maintained our presence and relevance in Bolivia, Paraguay and Uruguay through our local offices. Bolivia has been affected by a severe drought that reduced agricultural output and impacted on our partners. The outlook for southern South America is broadly positive, with agricultural enterprises expecting a recovery and economic growth picking up in Argentina and Brazil.

UNOCACE

Unión de Organizaciones Campesinas Cacaoteras del Ecuador (UNOCACE) is a cooperative that brings together 12 grassroots cocoa producer associations and almost 800 farmers in four provinces in southwest Ecuador. Established in 1999, UNOCACE's mission is to produce and trade high-quality fine flavour cocoa beans (Arriba Naçional variety) and to increase its volume of production by 25% each year.

As well as marketing and exporting dried cocoa, UNOCACE provides farmer members with technical training, pre-export finance and quality control. It has both ECOCERT organic and Fairtrade certification.

Almost all UNOCACE's members live in rural areas. More than half own less than five hectares of land, while the average farm size is about six hectares. Although cocoa is the main source of income, members combine crop cultivation, livestock and forestry. Diversification helps ensure a regular income for families throughout the year.

UNOCACE had only one buyer for all its organic production for many years. Today, largely thanks to a credit line and long-term loan from Oikocredit that helped it in negotiating new agreements, UNOCACE has a good network of international buyers to sell its cocoa to.

Eastern Europe and Central Asia
Staying engaged amid difficult conditions

Despite challenging economic conditions, we achieved successes in Eastern Europe and Central Asia in 2016, and look forward to renewed growth in 2017.

Oikocredit's work in Eastern Europe and Central Asia serves a large number of countries with diverse environments. In 2016 low oil prices and sanctions imposed on Russia influenced many countries' economic performance. As a result of difficult economic conditions and low interest rates, our outstanding development financing portfolio decreased slightly, by 2.1% to € 96.0 million. We have 99 partners.

Economic problems including high local currency volatility and low remittances caused many MFIs to restructure their portfolios. MFIs continued to demand local currency loans, and our capacity to provide them makes us a desired lender for microfinance partners.

We established partnerships with new financial intermediaries in Tajikistan and renewed lending to partners involved in agriculture and microfinance that have repaid in full or in part their existing loans. We participated in two syndicated loans for two SME banks in Mongolia and Kyrgyzstan.

We made our first agricultural loan in Kyrgyzstan to an enterprise that has a large impact on local employment and rural living standards.

Oikocredit is one of the lenders with the smallest outstanding portfolio compared to other international lenders in this region, and we see good future growth potential. While major macroeconomic improvements are unlikely in the near term, some stabilization is to be expected. The region is much affected by the economic situation in Russia, mainly because of remittances.

We plan to expand our agricultural portfolio, develop new partnerships in Ukraine and work with our renewable energy unit in developing renewables projects for the region. We aim to strengthen our regional team to improve our capacity and operational effectiveness.

Bank Eskhata OJSC

Bank Eskhata OJSC was founded in 1994 in Khujand, Tajikistan's second largest city. It serves both private and corporate clients, with a focus on SMEs. The bank has a total of close to 600 branches, sub-branches and money transfer points across the country, with a strong presence in northern Tajikistan. It is family-run with several international minority shareholders, including the European Bank for Reconstruction and Development.

An Oikocredit partner since April 2016, Eskhata offers innovative solutions and products to meet the needs of Tajik SMEs. It has recently launched renewable energy and agricultural loan products with low interest rates. These products support clients in setting up environmentally friendly heating systems or drip irrigation systems or are used to purchase greenhouse equipment.

Eskhata is keen to learn from the social performance expertise and best practices of shareholders and business partners such as Oikocredit. It has endorsed the SMART Campaign's Client Protection Principles and wants to intensify its impact on social wellbeing, especially among SMEs, and to develop its already strong focus on environmental protection.

Equity

Active shareholding

We continued to grow our equity investments in selected partners needing long-term risk capital and strategic support, while seeking new opportunities.

Oikocredit's aim in 2016 was to increase the equity investment portfolio from € 77.3 million in 2015 to close to € 100 million, and we achieved € 113.8 million by year-end. We continued to focus on equity investments in inclusive finance (microfinance and small to medium enterprise finance) and in agri-businesses (throughout the whole value chain).

Portfolio growth and distribution

Oikocredit processed equity approvals of € 20.3 million (2015: € 37.0 million) and disbursed € 41.4 million (2015: € 23.6 million). Our equity stakes are distributed between Africa (23.3% of our portfolio share), Asia (23.1%), Eastern Europe (1.9%), Latin America (33.3%) and other regions (18.3%). Of these holdings, 54.8% (€ 62.4 million) are in financial services, 28.8% (€ 32.8 million) in agriculture and food processing and 8.38% (€ 10.0 million) in renewable energy.

We sold one equity stake, disbursed investments to five new partners and made follow-up investments in 17 existing partners. In total we have 57 equity partners. We exited from the Cambodian microfinance institution (MFI) Hattha Kaksekar Ltd (HKL), which since we first invested in 2008 has grown rapidly and benefitted from our close support and capacity building to attain high standards of transparency and client protection. All HKL's social co-investors sold their stakes to Bank of Ayudhya, a respected Thailand-based universal bank with a genuine interest in microfinance and social impact.

Developments and challenges

Implementing our previously agreed equity strategy has helped us achieve consistency in our thematic focus. We paid careful attention to our organizational set-up in 2016, including consolidation of operational procedures and maturing our business.

Oikocredit's aim going forward is to make direct equity investments rather than place investments through funds. Our global networks and expanding capacity make this possible.

We have continued to play an active role as a shareholder and through our board representation in helping partners enhance their social performance. We specify more explicitly the social return we are striving for with our investments and report on these objectives in our periodic portfolio reviews.

Microfinance is a maturing sector in some regions. Oikocredit needs to be selective in providing equity support where we can still add value and where a good balance between risk and returns applies. In India, for example, some MFI partners are converting into small finance banks, which brings challenges as well as opportunities. We closely monitor all such market developments and actively explore new options such as in housing finance and micro-insurance.

Our equity portfolio in agri-businesses, being a less mature sector with early-stage or family-owned businesses, has a higher risk profile and governance issues. We need to balance risk and social and environmental value in agriculture carefully as well as diversifying our portfolio throughout the value chain.

The same generally applies to Africa, where we expect many opportunities to arise in agriculture. Africa remains an important focus area for equity investing.

Outlook

In 2017 we will continue delivering on our five-year equity strategy, which seeks to grow the portfolio to € 200 million by 2020.

Inclusive finance and agriculture will remain key equity sectors, and we will strive to maintain the right balance between financial, social and environmental return and risk management.

Two of our equity partners

Darjeeling Organic Tea Estates Pvt

Darjeeling Organic Tea Estates Private Limited (DOTEPL) purchases and restores abandoned tea estates in the regions of Darjeeling and Assam in northeast India, where workers have often been left abandoned by the former owners. DOTEPL has been very successful with its first estate, Ambootia, which is internationally known for its delicious high-quality tea. Over the last 12 years, the family business has bought and renovated 15 of the 87 Darjeeling estates. DOTEPL's estates grow organic tea and use seeds from older tea bushes produced on the estate, improving the plants' quality and strength.

Oikocredit entered into partnership with DOTEPL in 2013 because of its focus on redeveloping the estates, supporting its workers, working with local producers and using best ecological practices. We are one of DOTEPL's equity investors and made a further investment in 2016. We have agreed with the company to undertake a joint assessment of social and environmental impacts in the newly acquired estates.

As well as making strides in the quality of its tea, DOTEPL is transforming the lives of the estate workers and their families. Ensuring the workers are well supported and fairly paid is a priority. Besides a living wage, housing and food, workers receive fuel, footwear, protective clothing, winter blankets and basic medical treatment. Free milk is distributed to infants, and each child is entitled to free primary education. Social security includes provident and pension funds, gratuity payments and support for dependants.

DOTEPL's solid business plan and commitment to the welfare of its workers are key reasons why Oikocredit chose to partner with the company and invest in its equity. Through a seat on the company's board of directors we can actively contribute to its strategy.

Banco FIE

Banco para el Fomento a las Iniciativas Económicas S.A. (Banco FIE) is an MFI with a social mission headquartered in La Paz, Bolivia. It began in 1985 as a non-governmental organization (NGO) supporting small-scale economic activities of low-income households. Today Banco FIE operates as a bank providing diverse financial services to micro- and small to medium entrepreneurs in urban, semi-urban and rural areas. It maintains its commitment to promote financial inclusion. The NGO continues separately, supporting low-income entrepreneurs with financial education and other services.

Oikocredit has held equity in Banco FIE since 2002 and has assisted the MFI in becoming one of Bolivia's leading financial institutions and one of Latin America's most respected providers of inclusive financial services. Banco FIE has become a larger, more mature partner over the years, and in 2016 we increased our stake in the organization, allowing us to also add value at a strategic level through participation on the board of directors.

Banco FIE is strongly committed to gender equality, women's empowerment in the workplace, and equitable and inclusive development. Its clients, almost half of whom are women, work in production, trade, services, small to medium-scale agricultural production and other ventures.

Now one of Bolivia's MFIs with the largest national coverage, Banco FIE operates in all of the county's nine departments through 150 branches. It has won national and international awards for its microcredit services, transparency, social performance and outreach and is a member of the Global Alliance for Banking on Values.

Business development

Fostering innovation

Our business development unit has been active in identifying new prospects and in strengthening a culture of innovation.

In 2016 Oikocredit's business development unit, which serves both our credit and equity operations, completed its first full year of activity. Business development reports to the same director as equity but is a separate operation.

Our business development strategy focuses on innovation – new sectors, markets and products. Questions that we ask before engaging with new a business idea include: Will it add significant social and environmental value? Will it generate sufficient revenue to be sustainable? Is it scalable and replicable in-country or across our network?

We analyze potential new sectors for loans and investments such as healthcare, education, water and sanitation, social housing and waste management, including looking into enterprises' financing needs and the competition.

The team has been active in attending and speaking at external events, researching market developments, looking into trends and opportunities, and building our profile. This work has begun to generate new projects for us.

We are especially keen to support smaller enterprises. Our research has shown that investing directly in small to medium enterprises (SMEs) remains challenging, and we see a more viable approach through intermediary financial institutions. Fintech (financial technology) is the basis of many emerging business models in SME finance. Some models are growing fast, involving low-touch (less labour intensive and more efficient) delivery of financial services to clients and making more use of technology such as credit scoring, point-of-sale devices and mobile phones. We are exploring the role we can play in financing the growth of these new concepts and institutions.

A culture of innovation

We want to foster innovation as part of Oikocredit's overall culture as we continue to diversify from our traditional microfinance focus. Business development is helping catalyze this change.

In 2016 we held our first ideas competition, inviting staff and support associations to present potential business opportunities. Forty ideas were submitted, and we selected five, inviting the people who had proposed them to pitch their ideas to more than 100 people during our annual general meeting week in Noordwijkerhout, the Netherlands. Feedback on this event was very positive.

The winning idea, presented by our country manager in Guatemala, is a holistic social housing project that was developed in Guatemala with support from the business development unit.

In this project, an Oikocredit microfinance partner in Guatemala provides loans to clients to purchase houses from a construction company, which builds affordable housing integrating eco-friendly construction materials and appropriate technologies.

Funds for the project were recently approved, and if the pilot succeeds we will consider its potential for replication.

Outlook

In business development, we will continue to move from research into implementation and further develop our pipeline of new ideas and potential projects while assessing market trends and opportunities. In SME finance we are further refining our niche and execution strategy.

Keeping client outcomes at the heart of our mission

Client outcomes were increasingly at the forefront of Oikocredit's social performance and capacity building work in 2016, the first full year of our thematically structured programmes. We continued to focus on agriculture, financial services and the environment.

Oikocredit's mission of empowering low-income people sustainably commits us to prioritize our own and our partners' social performance. Our capacity building work with partners is central to this. In 2016 we rolled out programmatic approaches in this area and increased our capability in fundraising and analysis.

Capacity building

Capacity building for partners is essential if Oikocredit's core business of providing access to financial resources is to build resilience and generate positive social impact. In place of our previous country-based methodology, we now structure the work around three global, thematic programmes: capacity building in agriculture; in financial services; and in client outcomes. This year we completed the first full-year's implementation of this approach.

With support from donors, our support associations and using our own funds, in 2016 we approved 45 capacity building engagements and spent € 490,000. Of these funds, € 196,000 went to Africa, € 207,000 to Latin America, € 83,000 to Asia and € 4,000 to global initiatives. The top three capacity building activities we support are the development of agriculture value chain financing (€ 66,000), improving social performance management (SPM) practices (€ 67,000) and risk management (€ 41,000).

We strengthened our fundraising efforts with institutional donors and we are enhancing our grant stewardship. The Church of Sweden, one of our members, remains a key donor and partner, particularly for training innovations in building organizational and farmer-level resilience with farmer cooperatives.

Another member, the Evangelische Landeskirche (Evangelical-Lutheran Church) in Württemberg, south-west Germany, has committed to fund two capacity building programmes. Fourteen new partners will receive support under one grant, while other funds will underpin three years' work with East African agricultural partners. We have also strengthened ties with the US Agency for International Development (USAID), which has supported our staff training in West Africa.

We formed a new partnership with the Inter-American Development Bank (IDB) to deliver a three-year price risk management project in Latin America in cooperation with Fair Trade USA and Catholic Relief Services. The project aims to bring together value-chain actors to address challenges of sustainable agriculture, promote the inclusion of smallholder farmer cooperatives in high-value markets, and mitigate the effects of price volatility.

A worker harvests corn on land owned by Mr Parno, a client of Vasham. The social enterprise provides financing to smallholder corn farmers in Indonesia.

Agriculture and financial services

Our capacity building in agriculture involves working with agricultural cooperatives, associations and other organizations to improve business management and governance and to develop knowledge and skills. The goals are to increase farmer welfare and for farmer-based organizations to access markets and adequate loans. This requires strengthening at all levels in terms of staff being knowledgeable about operational and financial management and analysis; board members fully understanding their organizations' strategic vision and reporting; and farmer members and suppliers gaining from financial literacy training and increased awareness of their responsibilities.

We are assisting the Ol'kalou Dairy cooperative in Kenya, for example, with mentoring and implementing its strategic plan and improving milk production. In Uganda we are supporting farmer-based organizations with leadership, governance, management, marketing and, at farmer level, technical training.

The financial services capacity building programme addresses partners' social performance management and risk management. It aims to strengthen organizational performance and to support partners in sustainably improving the quality of life of their clients.

Our past advocacy of client rights through promotion of the Client Protection Principles (CPP) among our partners has led to positive results. CPP endorsement by our financial inclusion partners rose from 19% in 2011 to 68% in 2015. During the same period, the percentage of our financial inclusion partners that undertook a formal CPP assessment increased from 1% to 25%.

We have provided SPM capacity building for microfinance institutions (MFIs) in 15 African, Asian and Latin American countries. In Africa our support again focused on the CPPs. In Latin America we are enabling social performance assessments in Brazil and social performance monitoring with a partner in Colombia. In Southeast Asia the focus was on risk management, and in India we extended the training programme on enterprise development with a new phase.

Client outcomes

Oikocredit's client outcomes programme combines training and research to build partners' capacity to track, interpret and report changes in clients' lives over time. The programme aims to reach 50 partners by 2020. Currently 14 MFIs are participating, mainly in India, the Philippines and Nicaragua. When a partner joins the programme, we assess the specific nature of the poverty faced by its clients and provide training in client data management and analysis.

The programme's research component is collaborative and practical. In 2016 we investigated rural/urban differences in poverty levels using data on 187,988 clients of two MFIs in Asia. The study showed that rural borrowers are poorer than their urban counterparts but experience stronger poverty reduction over time, which helps narrow the poverty gap. This indicates that MFIs and social investors should maintain and even strengthen their focus on disadvantaged rural communities.

Another research partnership, with Ludwig-Maximilians-Universität, Munich, Germany, focused on product development for low-income women. Joint research with our partner Ahon Sa Hirap Inc. (ASHI), an MFI in the Philippines providing micro loans to women, aims to assist in the development of new financial products that better meet clients' needs. In 2016 we undertook 'field laboratory' decision making experiments, which showed that many of ASHI's clients would pay slightly more for structured flexibility in their loan repayments, while agricultural clients often wanted longer loan cycles.

We have shared findings from the client outcomes programme at several peer and academic conferences to drive learning across the sector. We have also begun a new research collaboration with the International Institute for Social Studies (ISS), Erasmus University of Rotterdam, the Netherlands.

Environment

In 2016 we finalized a multi-year environmental strategy, which includes further improving internal operations, seeking out 'green' projects and helping partners prepare for natural disasters. To complement our expanding agricultural and renewable energy portfolio, we updated our environmental assessment guidelines, aligning them further with International Finance Corporation (IFC) sustainability standards, and improved our environmental due diligence. With the renewable energy unit, we selected and defined environmental indicators for renewable energy projects.

The southern South America regional office became the sixth of Oikocredit's eight regions to report its carbon footprint. At the international office the footprint increased by 3%, in line with portfolio and staff growth. However, the footprint decreased by 1% per full-time equivalent, which we attribute to greater environmental awareness and more conscious travel choices among staff.

To offset emissions, funds from the CO_2 compensation fund paid for installation of a photovoltaic system at the nut processing factory of CANDELA in Puerto Maldonado, Peru, and for solar office roof panels at our Indian subsidiary Maanaveeya in Hyderabad, India.

Based on earlier disaster relief workshops for Philippine partners, our Southeast Asia regional office co-published with our microfinance partner ASKI a guidebook on disaster risk reduction and business continuity planning for MFIs. The guidebook has been shared globally, and our northern South America regional office already has plans to apply the guidebook's findings.

In 2016 Oikocredit became chair of the Dutch Platform for Inclusive Finance (NpM) working group on green inclusive finance which aims to raise environmental awareness. A letter of intent on 'greening the inclusive finance sector' was sent to the Dutch Ministry of Foreign Affairs and a survey commissioned among NpM members. These initiatives were presented at the Netherlands-African Business Council conference in Amsterdam and at the European Microfinance Week in Luxembourg.

A worker harvesting rice in fields owned by SODAR client Jean Pierre Bamenya. The company processes rice supplied by farmers associated with cooperatives in the Rwandan districts of Rusizi and Nyamasheke.

Other highlights

Following a major earthquake in Ecuador, together with fair-trade organization Max Havelaar Switzerland, we provided support for our fair trade cocoa growers' association partner Fortaleza del Valle.

Our social performance mentoring programme concluded after five successful years, leaving a valuable legacy including trained mentors in the regions who can undertake this work. Oikocredit's expertise and value in an advisory role are well recognized.

We contributed to sectoral good-practice guidelines on loan agreement covenants, helping to set a standard among the global social investor community and simplifying demands on MFIs. We also fine-tuned our environmental, social and governance (ESG) scorecard for the financial sector to align better with the Universal Standards for Social Performance Management.

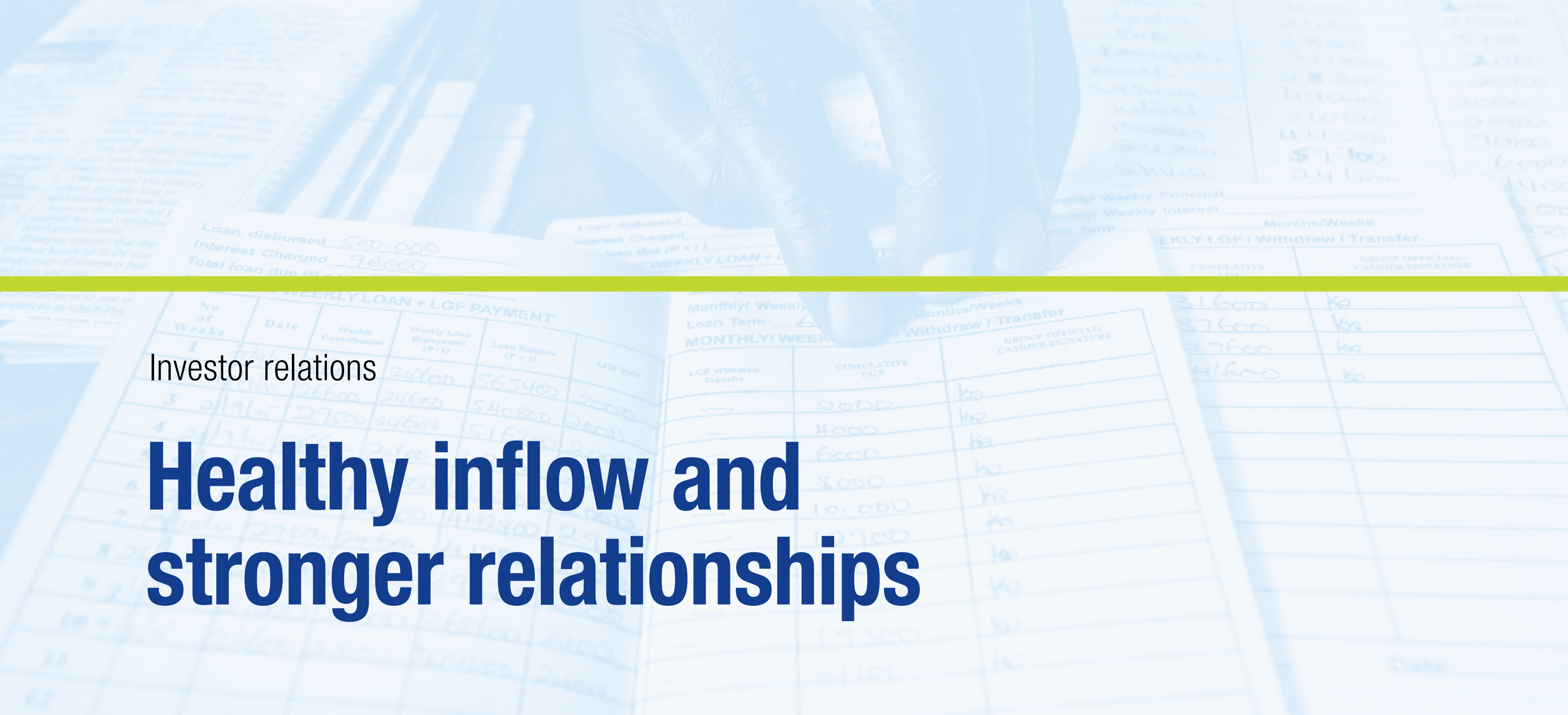
Outlook

Oikocredit expects to expand the client outcomes programme to more countries in 2017 and to increase the number of partners involved in Asia and Latin America. We aim to establish long-term, sustainable and effective capacity building offers in agriculture and financial services, based on our values and aspirations and the needs of the people we seek to serve.

Our priority is to work with like-minded institutional donors that identify with our social mission and to develop strategic partnerships with service providers to deliver change. We will also pursue opportunities to co-implement the programmes with institutional members and support associations. A new partnership with another large donor is set to be launched in early 2017.

We plan to review our social indicators and score cards related to SME investments, to develop further our understanding of the environmental impacts of agricultural projects and to undertake a client satisfaction survey.

We will also continue to research and analyze our impacts on partners' financial and social performance, where preliminary results have been positive.



Investor relations

Healthy inflow and stronger relationships

Oikocredit had a very satisfactory level of incoming capital in 2016. Besides providing and attracting all-important funds, our members, investors and volunteers helped us in raising public awareness about our mission.

Together with our inflow partners – support associations, members and social and ethical banks – in 2016 we raised € 94.3 million in net lendable funds (gross inflow minus redemptions), This was despite the significant redemption of more than € 20 million by US investors following the decision of the board of Oikocredit USA in 2015 to wind down its operations because of the high cost of the debt capital it was raising. To continue to attract US investments we established a partnership with the Presbyterian Foundation's New Covenant Trust Company and extended our existing partnership with the Calvert Foundation.

Healthy inflow reflects good relationships with our inflow network. The main countries driving our investments were Germany, the Netherlands and Austria. Investors in France and Switzerland also contributed strongly. We have approximately 54,000 investors in total. Of these, 6,000 are institutions and 48,000 individuals.

To diversify our inflow and increase cooperation with social banks we have embarked on new strategic partnerships with Alternative Bank Schweiz (ABS), Switzerland, and Banca Etica, Italy. A new Oikocredit savings account offered by ABS has sparked much interest and helped the Swiss support associations to achieve stronger recognition.

We also received capital via depository receipts offered by the Oikocredit International Share Foundation (OISF) in Austria, Canada, France, Sweden, and the UK and Ireland. Our OISF capital grew by 15.9% to € 190.9 million in 2016.

Individual investors

Most of our inflow comes from individuals. Their loyalty shows that people believe in Oikocredit's capacity to achieve meaningful social impact on a global scale and trust our solid financial track record of more than 40 years.

We have become more active in attracting young, new investors, particularly in Austria, where we ran a successful campaign that included the targeting of younger audiences.

Our investor base provides more than simply funds. Many of our investors are conscious of the role of money in being able to change the world for the better, and in their life choices they mirror values that they find in Oikocredit. Their support for our outreach helps inform and educate the public.

Volunteers and support associations

Volunteers are essential actors in Oikocredit's network – ambassadors who spread the word about our mission and advocate fair finance. All support association board members are volunteers, and many undertake a heavy workload. We offer volunteer training and exchanges (such as visits to the international office) and facilitate peer-to-peer audit visits.

The 30 support associations (SAs) are our greatest asset in promoting awareness, educating the public and attracting capital inflow. This year 21 associations have reported mobilizing almost 500 volunteers, holding or attending close to 600 events and reaching more than 30,000 people. The Austrian support association and national support office, for example, ran a cross-media campaign entitled 'Investing on an equal footing'. SA Canada held 'OikoSocial' networking events for people in the fair finance sector, students and the wider public. SA Euskadi in Spain organized an event in Madrid to attract volunteers that resulted in a new local support group. The West German SA sponsored a documentary film festival; the Northeast German SA cooperated with universities in holding seminars and workshops for young adults; and in German-speaking Switzerland 1,600 people visited the booth of the local SA at a slow food fair.

Following the closure of Oikocredit USA, our two US support associations are working on a merger to create a national association based in Seattle, Washington. In Canada, members decided to disband the Canada West association and agreed that the Canada Central association in Toronto would cover their area of operations under the new name SA Canada. Canada Atlantic continues as a separate support association.

Inflow network strategy

Oikocredit's inflow network comprises support associations, national support offices, the investor relations department and our cooperative's members. In 2015/16 we co-created an inflow network strategy for the coming five years. The strategy centres on key areas relevant to our overall 2020 strategy, which internally we call the 'five Ps':

- Offering new and current investors and members – **P**eople – an appropriate **P**roduct to match their profile. In some countries, our investor base is ageing, and we need to bring to a younger audience the promise that Oikocredit originally offered investors over 40 years ago.
- Creating momentum for active participation, including by people outside the organization, via a **P**latform that is both online and offline.
- Increasing the **P**roximity of all stakeholders. Our cooperative has an inflow and an outflow network and spans the world. We will look at how to bring stakeholders closer together including with the people on the ground whose lives we work to benefit.
- Ensuring **P**redictable inflow. By delivering against our targets we inspire confidence throughout the organization that sufficient resources will be available as and when needed to support our outflow partners.

Relationships between Oikocredit and the support associations have benefitted from the open and participatory style of collaboration used to develop our inflow network strategy.

Making connections

We continue to link members and investors with our outflow network and other stakeholders via roadshows, study tours, partner visits and webinars. People in countries where we raise capital benefit both from what they learn from visitors from partner countries during roadshows and from the insights they gain on study tours. All such events give support associations opportunities to promote Oikocredit's mission and help instil confidence in our work.

The annual study tour took place in Ecuador, enabling investors, inflow staff and volunteers to witness the work we support, such as in financial inclusion and women's economic empowerment. Participants met with Ecuador office staff, partner organizations and their clients and members.

We organized a visit for support association staff and investors to our Egyptian partner SEKEM, a social enterprise producing organic food, textiles and herbal medicines. Participants gained rich insights into SEKEM's business model and the benefits it provides for local communities, which include running a school, a medical centre and a university.

There were two roadshows. Uruguay country manager Cecilia Maroño spoke at three events across Canada about the role of cooperatives in the social economy, microfinance and the Sustainable Development Goals (SDGs).

Strawberry farmer Manuel Mungobusi, is a client of Ambato, an Ecuadorian savings and credit cooperative. Oikocredit investors and volunteers visited him during a study tour to Ecuador in 2016.

In Germany and the Netherlands, Marilou Juanito, our Southeast Asia capacity building and social performance coordinator, spoke about Oikocredit's work in relation to the SDGs at nine events.

The Austrian national support office took four journalists to Bulgaria to showcase our work there. This included a visit to Ezoxs, an organic dairy farm that we have helped achieve success.

Churches and other institutions

Churches and church-related organizations founded Oikocredit and continue to be important supporters. With their global presence the churches can play a key role in our inflow networks. Some, such as the World Council of Churches, demonstrate their commitment by investing a fixed percentage of assets. Others, such as the Protestant Church in the Netherlands, raise funds from their congregations at no cost to Oikocredit. The Church of Sweden and the Evangelische Landeskirche (Evangelical-Lutheran Church) in Württemberg, south-west Germany, both invest and support our capacity building work.

Our church members are open to new ways of thinking about membership and want to see our mission flourish. They helped us develop proposals for a members' council to reflect our diverse membership and attract more members from the global South. The 2016 annual general meeting (AGM) agreed to establish the council, which has begun to meet and to engage on a range of issues. In 2016 it coordinated a multi-stakeholder dialogue with representatives of our supervisory and managing boards, works council, Oikocredit credit and equity staff and support associations.

Outlook

Investor relations work comes with challenges. Social impact investing has grown increasingly popular and become a crowded field, where we used to be a pioneer.

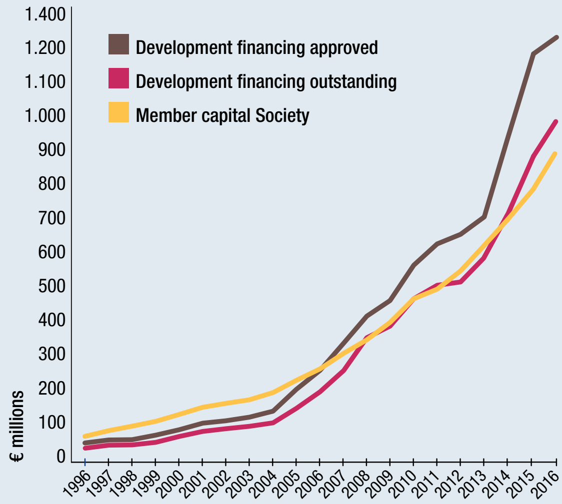
Although more impact investors are competing for funds, we anticipate steady inflow growth. We aim to further develop our products to ensure these appeal to different types of investors in different markets. We will develop our digital services further, building on MyOikocredit, which we piloted in 2016 with SA Baden-Württemberg, Germany, enabling investors to manage their investments online.

We will continue to implement the inflow network strategy and investor relations departmental strategy for 2020 and strengthen relations with support associations, members, investors and others. We will consolidate our growing second stream of funds via OISF with a focus on recruiting investors in countries such as Austria, Canada, France, Sweden and the UK. Our banking partnerships will develop further as a third channel for inflow capital, and we will research and pilot other inflow channels.

Recognizing that our members and investors provide more than just money in support of our mission, we will tap into the wealth of experience, expertise and commitment they bring, as we work to enhance the engagement of stakeholders at different levels of the organization.

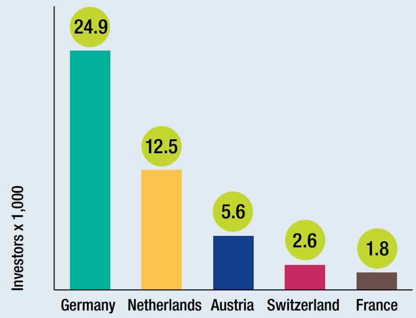
Member capital

As at 31 December 2016



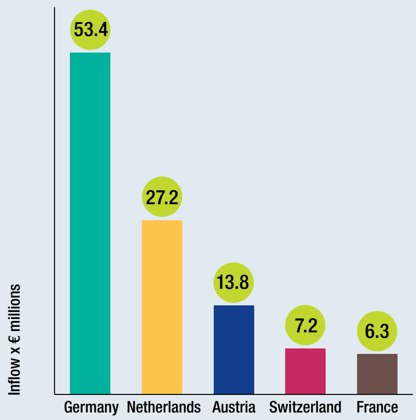
Number of investors

Top 5 countries as at 31 December 2016



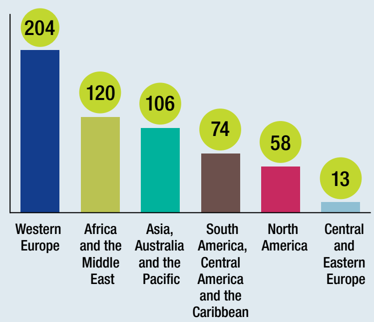
Net inflow

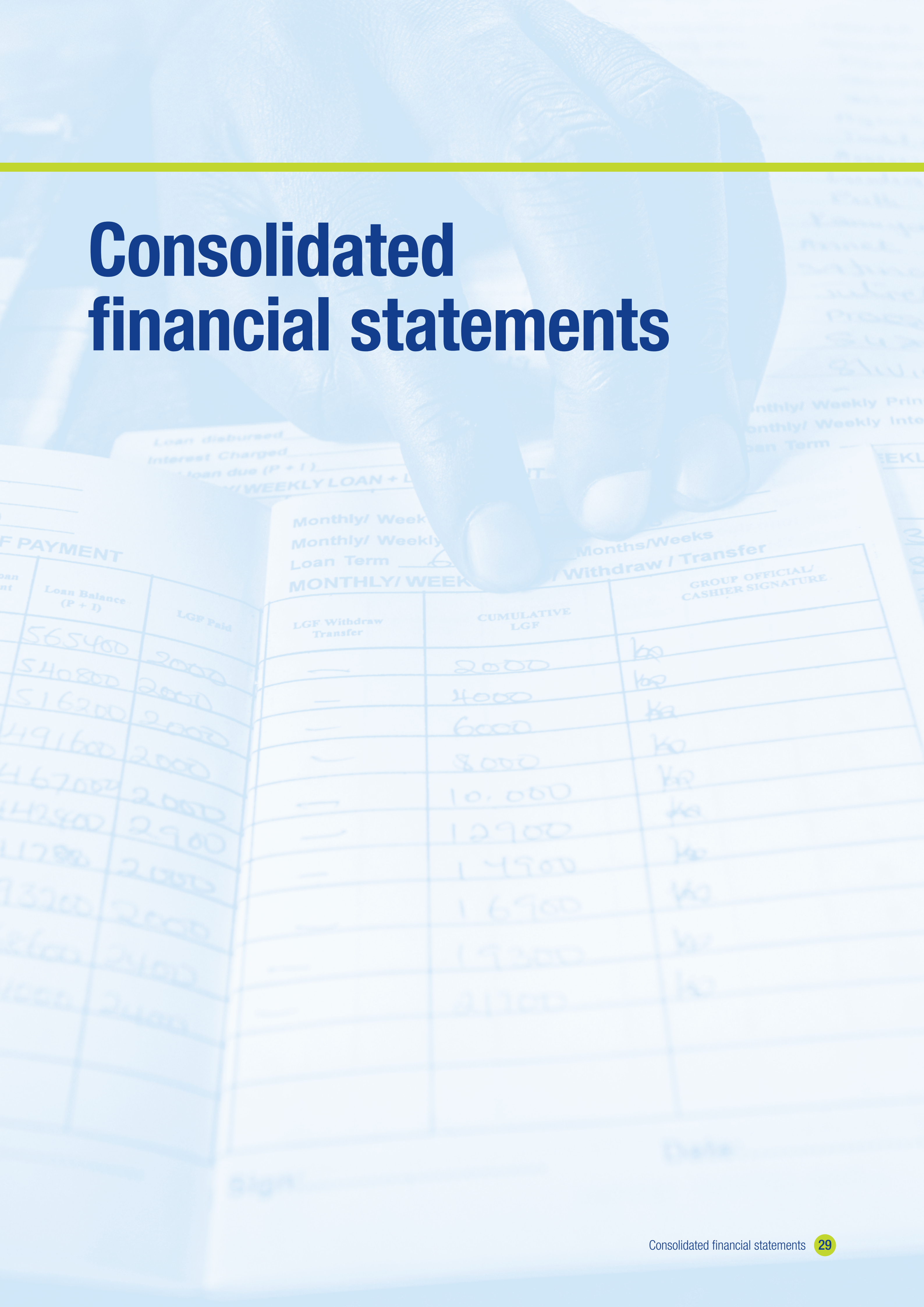
Top 5 countries as at 31 December 2016



Number of members per continent

As at 31 December 2016





Consolidated financial statements

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/16	31/12/15
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
6	**Intangible fixed assets**	**1,024**	**1,182**
7	**Tangible fixed assets**	**1,328**	**623**
	Financial assets		
8	Development financing:		
	Total development financing outstanding	1,047,226	900,153
	Less: - loss provision and impairments	(77,513)	(64,478)
		969,713	**835,675**
	Consists of:		
	Loans (net of loss provision)	*873,676*	*767,491*
	Equity (net of impairments)	*96,037*	*68,184*
9	Term investments	112,807	120,188
10	Other financial fixed assets	998	1,024
	Total	**1,083,518**	**956,887**
	Total non-current assets	**1,085,870**	**958,692**
	CURRENT ASSETS		
11	Receivables and other current assets	27,958	25,442
12	Cash and banks	95,447	42,214
	Total	**123,405**	**67,656**
	TOTAL	**1,209,275**	**1,026,348**

The accompanying notes are an integral part of these financial statements.

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/16	31/12/15
		€ ,000	**€ ,000**
	GROUP EQUITY AND FUNDS		
13	Member capital	912,968	806,277
14	General reserve	69,684	69,318
14	Restricted exchange fluctuation reserve	(3,108)	(3,473)
15	Local currency risk funds	51,300	37,888
16	Funds for subsidized activities and model costs	4,332	4,941
	Undistributed net income for the year	29,003	15,371
		1,064,179	**930,322**
17	**Third-party interests**	**4,959**	**4,680**
	Total group equity and funds	**1,069,138**	**935,002**
18	**NON-CURRENT LIABILITIES**	**39,877**	**34,090**
19	**CURRENT LIABILITIES**	**100,260**	**57,256**
	TOTAL	**1,209,275**	**1,026,348**

The accompanying notes are an integral part of these financial statements.

Consolidated **income statement**

Notes		2016	2015
		€ ,000	**€ ,000**
	INCOME		
	Interest and similar income		
21	Interest on development financing portfolio	77,216	68,572
21	Interest on term investments	3,466	3,377
9/21	Revaluation term investments	(1,088)	(3,094)
	Total interest and similar income	**79,594**	**68,855**
22	**Interest and similar expenses**	**(1,544)**	**(1,381)**
	Income from equity investments		
23	Result from sale of equity investments	19,245	442
23	Dividends	1,946	2,836
	Total income from equity investments	**21,191**	**3,278**
24	**Grant income**	**796**	**3,436**
	Other income and expenses		
25	Exchange rate differences	10,227	(4,672)
25	Hedge premiums	(5,456)	(5,565)
25	Other	54	47
	Total other income and expenses	**4,825**	**(10,190)**
	Total operating income	**104,862**	**63,998**
	GENERAL AND ADMINISTRATIVE EXPENSES		
26	Personnel	(20,380)	(17,391)
	Travel	(1,286)	(1,180)
27	General and other expenses	(12,299)	(12,793)
	Total general and administrative expenses	**(33,966)**	**(31,364)**
	ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS		
29	Additions to loss provisions	(18,250)	(15,273)
29	Impairments on equity investments	(8,697)	(1,711)
	Total additions to loss provisions and impairments	**(26,947)**	**(16,984)**
	INCOME BEFORE TAXATION	**43,950**	**15,650**
30	Taxes	(1,865)	(1,779)
	INCOME AFTER TAXATION	**42,085**	**13,871**
17	Third-party interests	(279)	(28)
31	Additions to (-) and releases (+) from funds	(12,803)	1,528
	INCOME FOR THE YEAR AFTER ADDITIONS TO FUNDS	**29,003**	**15,371**

The accompanying notes are an integral part of these financial statements.

Consolidated **cash flow statement**

Notes		2016	2015
		€ ,000	€ ,000
	INCOME BEFORE TAXATION	**43,950**	**15,650**
	Adjusted for non-cash items		
8/11	Value adjustments loans, equity and receivables	24,159	13,737
9	Unrealized revaluation term investments	1,088	3,094
6/7	Depreciation (in)tangible fixed assets	581	271
10/11/ 19/30	Taxes	(1,774)	(1,809)
	Exchange adjustments	(30,125)	(12,219)
	Changes in:		
8	Development financing (disbursements and repayments)	(128,788)	(145,419)
10	Other financial assets	(8)	169
11	Receivables and other current assets	(2,816)	(5,525)
19	Current liabilities	38,289	18,891
	CASH FLOW FROM OPERATING ACTIVITIES	**(55,444)**	**(113,160)**
9	Term investments	6,187	31,789
6/7	(In)Tangible fixed assets	(1,128)	(830)
	CASH FLOW FROM INVESTING ACTIVITIES	**5,059**	**30,959**
44	Member capital (issue and redemptions)	106,691	95,165
33	Dividend paid on member capital	(15,005)	(13,383)
18	Loans and notes	11,932	(10,258)
17	Third-party interests	-	1,642
	CASH FLOW FROM FINANCING ACTIVITIES	**103,618**	**73,166**
	CHANGES IN CASH AND BANKS	**53,233**	**(9,035)**
	Cash and banks beginning of period	42,214	51,513
	De-consolidation Oikocredit International Share Foundation		(264)
	Cash and banks end of period	95,447	42,214
	CHANGES IN CASH AND BANKS	**53,233**	**(9,035)**

The accompanying notes are an integral part of these financial statements.

Notes to the **consolidated financial statements**

Year ended 31 December 2016

These financial statements are expressed in euros (€). As at 31 December 2016, US$ 1 equalled € 0.950841 (31 December 2015: US$ 1 equalled € 0.920726).

1 General information

Description of the organization

Oikocredit Ecumenical Development Cooperative Society U.A. (the Society) was established in 1975 in Rotterdam, the Netherlands, and possesses corporate status according to the laws of the Kingdom of the Netherlands. The Society is owned by its members throughout the world: churches, subdivisions of churches, councils of churches, church-related organizations, partner members and support associations established by individuals and local parishes. The Society has an undefined ending date.

The entities belonging to the Oikocredit group (Oikocredit) are: the Society situated in Amersfoort, the Netherlands; Oikocredit International Support Foundation (Support Foundation) in Amersfoort, the Netherlands; Maanaveeya Development & Finance Private Limited in Hyderabad, India; FINANCE Company Oikocredit Ukraine in Lviv, Ukraine; and the Low Income Countries Loan Fund (LIC Loan Fund) in Amersfoort, the Netherlands and are managed by the Society.

Oikocredit's mission is to challenge all to invest responsibly. It provides financial services and supports organizations to improve the quality of life of low-income people and communities in a sustainable way.

Oikocredit's vision is a global, just society in which resources are shared sustainably and all people are empowered with the choices they need to create a life of dignity.

Oikocredit has its international office in Amersfoort, the Netherlands, and has regional offices in the following locations: Abidjan, Côte d'Ivoire; Amersfoort, the Netherlands; Hyderabad, India; Lima, Peru; Manila, the Philippines; Montevideo, Uruguay; Nairobi, Kenya and San José, Costa Rica. It has country offices in addition to regional offices in Argentina, Benin, Bolivia, Brazil, Bulgaria, Cambodia, Colombia, Dominican Republic, Ecuador, El Salvador, Ghana, Guatemala, Honduras, Kyrgyzstan, Mali, Mexico, Mozambique, Nicaragua, Nigeria, Romania, Paraguay, Rwanda, Senegal, Slovakia, South Africa, Tanzania, Uganda, Ukraine and the USA.

The offices in Colombia, Dominican Republic, Honduras, Mozambique, South Africa and Tanzania no longer carry out operational activities.

Oikocredit has national support offices that coordinate and support efforts to attract investors in Austria, Canada, France, Germany, the United Kingdom and the USA. The support office in the USA no longer carries out operational activities.

The offices in Bolivia, Brazil, Colombia, Costa Rica, Côte d'Ivoire, Ecuador, Ghana, Guatemala, Kenya, Mozambique, Nigeria, the Philippines, Rwanda, South Africa, Tanzania, Uruguay and the USA are incorporated as legal entities. Due to the limited size of the assets of these legal entities, it was decided to regard these assets as if they were owned by branch offices.

LIC Loan Fund

The Society has developed the LIC Loan Fund, which invests in projects in low-income countries. This fund has been created as a restricted, tax transparent investment fund (beleggingsfonds) with an closed end. The fund is not an incorporated legal entity, but an unincorporated contract of its own nature. The fund and the participations will not be listed on any stock exchange.

Oikocredit International Support Foundation

The Support Foundation was established on 10 March 1995, in Amersfoort, the Netherlands, in accordance with the laws of the Kingdom of the Netherlands. The duration of the Support Foundation is unlimited. The main purpose of the Support Foundation is to mobilize grant funds to support various subsidized activities such as technical assistance and 'model costs' of the Society. 'Model costs' are costs no financial institution of this size would incur, but which are an integral part of the Society's cooperative model. The board of the Support Foundation has decided to allocate some of these costs to their account (category A) and to endeavour to raise funds to subsidize part of the remaining costs (category B).

Category A costs are:
- 100% (2015: 100%) of external capacity building for partners

Category B costs are:
- Investor relations costs: besides the category A costs charged to the Support Foundation, the target is to raise subsidies and grants for another 15% of national support office costs and 15% of technical and organizational assistance to support associations.
- Incidental costs: to be decided on a case-by-case basis.

The Support Foundation also manages local currency risk funds and guarantee funds. The local currency risk funds are available to offset the risk of currency losses on Oikocredit loans disbursed in local currencies, the guarantee funds are available to cover Oikocredit's partners which are deemed to be risky.

Basis of consolidation

The consolidated financial statements include the financial information of Oikocredit, its group companies and other entities over which it exercises control or whose central management it conducts. Group companies are entities over which Oikocredit exercises direct or indirect dominant control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it has the power to govern. Potential voting rights that can be directly exercised at the balance sheet date are also taken into account.

Inter-company transactions, profits and balances among group companies and other consolidated entities are eliminated. Unrealized losses on inter-company transactions are also eliminated. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them with the prevailing group accounting policies. Group companies and other entities over which Oikocredit exercises control or whose central management it conducts are consolidated in full. Minority interests in group equity and group net income are disclosed separately.

The Society in Amersfoort is at the head of the group and includes the consolidated companies (consolidated for 100%) listed below:

- Oikocredit International Support Foundation, Amersfoort, the Netherlands
- Maanaveeya Development & Finance Private Limited, Hyderabad, India
- FINANCE Company Oikocredit Ukraine, Lviv, Ukraine
- Low Income Countries Loan Fund, Amersfoort, the Netherlands

As the income statement for 2016 of the Society is included in the consolidated financial statements, an abridged income statement has been disclosed in the Society financial statements in accordance with Section 402, Book 2, of the Netherlands Civil Code.

Related parties

All Oikocredit group companies mentioned above are considered to be related parties.

The support associations and the Oikocredit International Share Foundation (Share Foundation) are separate organizations established to support the worldwide work of Oikocredit.

The Oikocredit Provident Fund, a foundation situated in Amersfoort, the Netherlands, manages the designated savings and contributions from Oikocredit Ecumenical Development Cooperative Society U.A. employees based in developing countries. The board of the foundation mainly consists of Oikocredit employees.

The Share Foundation was established on 10 March 1995, in Amersfoort, the Netherlands, according to the laws of the Kingdom of the Netherlands. The duration of the Share Foundation is unlimited. The main purpose of the Share Foundation is to provide investment opportunities in Oikocredit for non-church bodies, such as banks and development organizations and for individuals in countries where no support association exists or where support associations are not allowed to sell financial products themselves.

Members are also considered to be related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted at arm's length. The nature, extent and other information of transactions are disclosed if this is required to provide a true and fair view.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities.

Estimates

The preparation of financial statements, in conformity with the relevant rules, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. If necessary for the purposes of meeting the requirements under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

General information

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in euros. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes. These financial statements have been prepared under the going concern assumption.

Comparative figures

The accounting policies have been consistently applied to all the years presented.

Foreign currencies

The financial statements are presented in euros, which is the functional and presentation currency of the Society. Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Foreign-exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the income statement.

Translation differences on non-monetary assets held at cost are recognized using the exchange rates prevailing at the dates of the transactions.

Assets and liabilities of consolidated foreign group companies denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. The cumulative exchange rate differences on investments in foreign group companies are kept in the restricted exchange fluctuation reserve.

Intangible fixed assets and depreciation

Intangible fixed assets (only software) are stated at cost minus depreciation. Expenditure for additions, renewals and improvements are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets. At each balance-sheet date, it is established whether there are any indications of intangible fixed assets being subject to impairment. If any such indication exists, the recoverable amount of the asset is determined. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost minus depreciation. Expenditure for additions, renewals and improvements are capitalized. Upon retirement or disposal, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included under expenses. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets. At each balance sheet date, it is established whether there are any indications of tangible fixed assets being subject to impairment. If any such indication exists, the recoverable amount of the asset is determined. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Development financing

Receivables disclosed under development financing are valued at amortized cost. Equity investments in companies in which Oikocredit has significant influence ('associates') are accounted for under the equity accounting method. Significant influence is normally evidenced when Oikocredit has from 20% to 50% of a company's voting rights unless:

1. Oikocredit is not involved in the company's operational and/or strategic management by participation in its management, supervisory board or investments committee; and
2. There are no material transactions between Oikocredit and the company; and
3. Oikocredit makes no essential technical assistance available.

Investments in associates are initially recorded at cost and the carrying amount is increased or decreased after the date of acquisition to recognize Oikocredit's share of the investee's results or other results directly recorded in the equity of associates.

Oikocredit operates in developing countries that may not have particularly advanced accounting standards and practices comparable to those in developed countries. Financial reporting may not always be comparable to the quality under part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. Inherent to this situation, Oikocredit only accounts the associates according to the equity method if underlying financial data has been recently audited and prepared under internationally accepted accounting standards. If these criteria are not met, Oikocredit records the associates at cost less impairment. In line with the accounting principles for equity investments, the impairment losses are included in profit and loss and cannot be reversed through the profit and loss accounts, except upon realization.

Provision for possible losses on development financing

The Society's provision for possible losses is based on an evaluation of the risks of the current development financing portfolio (loans and equity investments) in terms of present conditions. The calculation of the loss provision comprises the following layers:

- A collective general provision for incurred but not yet identified losses at reporting date using historical loss data.
- A collective provision based on actual country ratings calculated for each country in which the partner is based, also considering the currency in which the loan is granted.
- If a partner is considered to be 'non-performing' (see section 3 for explanation of a non-performing partner) due to overdue payments or other factors, the Society will account for a specific provision if the incurred loss exceeds the collective provision for that partner. This provision is calculated based on management's risk assessment of, and experience with, these kinds of partners.

This provision for development financing risks is deducted from loans and interest outstanding in the balance sheet. Write-offs are charged against this loss provision. Additions to or withdrawals from the provision for loan losses are recognized in the income statement.

Equity investments are valued at cost less impairment. All equity investments are reviewed and analyzed at least annually. An equity investment is considered impaired when the carrying amount exceeds the recoverable amount. Oikocredit operates in countries where there is no active market for these equity stakes. The recoverable amount calculated as part of the impairment assessment is determined taking into account suitable valuation methods such as price-earnings ratios and recent sale prices of similar investments as far as these are available.

Term investments

The term investments (securities and bonds) which are listed on regulated markets are measured and recognized at fair value as these are not held to maturity. Changes in the fair value are taken directly to the income statement.

Non-listed term investments (only equity investments) are stated at cost less impairment. The term investments stated at cost are tested annually for impairment.

Transaction costs are expensed in the income statement if these are related to financial assets carried at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and deposits held at call or with maturities up to one year. Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this is taken into account in the measurement.

Member capital

The Society issues shares in euros, British pounds, Canadian dollars, Swedish kronor, Swiss francs and US dollars.

The shares shall be redeemed no later than five years after a redemption request has been submitted and are as such considered a liability (puttable shares). Redemption (or partial redemption) will be at the nominal value. However, if the net asset value per share is lower than the value stated in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet (article 13 of the Articles of Association).

The managing board opted to make use of the exemption in RJ 290.808 to classify its member capital in both euros and foreign currency as equity. The member shares are the most subordinated class of instruments issued by the Society. All member shares are identical in subordination, the difference in currency denomination does not provide any preferential terms or conditions to its holder and all members are treated equally in the event of dissolution of the Society. As such, all instruments are presented as equity in the consolidated financial statements.

Where the Society repurchases shares, the consideration paid is deducted from equity (member capital). Where such membership shares are issued, any consideration received is included in equity (member capital).

Pensions

The Society has pension plans to which the conditions of the Dutch Pension Act are applicable. The pension plan is a defined contribution plan. The Society pays premiums based on (legal) requirements, on a contractual or voluntary basis to insurance companies. Premiums are recognized as personnel costs when they are due. Prepaid contributions are recognized as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

Non-current liabilities

Borrowings are initially recognized at fair value, with net transaction costs incurred. Borrowings are subsequently stated at amortized cost, being the amount received taking account of any premium or discount, less transaction costs.

Financial instruments

A financial asset or a financial liability is recognized in the balance sheet when the contractual rights or obligations in respect of that instrument arise. A financial instrument is no longer recognized in the balance sheet when there is a transaction that results in a transfer to a third party of all or substantially all of the rights to economic benefits and all or substantially all of the risks related to the position. Listed securities (part of the term investments) included in financial and current assets are stated at fair value. All other financial instruments are carried at (amortized) cost, which usually equals face value, unless stated otherwise.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using: recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that represents substantially the same discounted cash flow, and option pricing models, making allowance for entity-specific inputs.

Derivative financial instruments are stated at cost or lower market value. The company has applied cost price hedge accounting. The Society has documented the relationship between hedging instruments and hedged items. The company also tests its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Society has no derivative financial instruments embedded in contracts.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- If the hedged item is recognized at cost in the balance sheet, the derivative instrument is also stated at cost.
- If the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate on the balance sheet date. If the derivative instrument has currency elements, the difference between the spot rate (on the date the derivate instrument is contracted) and the forward rate (at which it will be settled) is spread over the maturity of the derivative instrument.

The ineffective portion of the hedge is recognized directly in profit or loss.

3 Accounting policies for the income statement

Income and expense recognition

Income from investments, expenses, outstanding project funding, management fees and time deposits are recognized on an accrual basis. The Society does not accrue or invoice interest for partners that are considered 'non-performing'. Non-performing partners are partners that are in the process of foreclosure or being written off and where the value of collateral or a third-party guarantee does not exceed the amounts due to the Society.

Transactions between the Society and equity investments that do not classify as group companies, resulting in a gain or loss are recognized directly and in full in the consolidated income statement. Dividends of equity investments that are carried at cost are recognized as income from equity investments in the period in which the dividends become payable.

Finance income and expenses

Interest paid and received is recognized on an accrual basis, taking into account the effective interest rate of the assets and liabilities concerned.

Grant contributions

Designated grants are included as income in the year in which such grants are realized.

Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the income statement in the period that they arise, unless these monetary items are designated as hedges.

Short-term employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the employee's terms of employment, when these are due to employees.

Pensions

For its pension plans, the Society pays contributions to insurance companies. Contributions are recognized as expenses when incurred. Prepaid contributions are recognized as prepayments and accrued income to the extent that this will lead to a reduction in future payments or a cash refund.

Taxes

The tax authorities in the Netherlands have exempted the Society from corporate income tax provided that the Society complies with certain conditions, all of which were complied with in 2016. No tax will have to be withheld on dividends distributed by the Society to its members.
The growth of the organization has led us to thoroughly review Oikocredit's tax and legal structures in the countries where we have offices, to ensure that we have a structure in place to pay our fair share of taxes. We have included an amount in our current liabilities for possible tax payments from the past.

4 Accounting policies for the cash flow statement

The consolidated cash flow statement shows the sources of liquidity that became available during the year and the application of this liquidity. The liquidity is measured by the balance sheet accounts 'cash and banks'. The cash flows are broken down according to operating, investing and financing activities. The cash flow statement is prepared using the indirect method.

Cash flow from operating activities

The net cash flow from operating activities includes the portfolio movements, such as loans and equity investments. The net cash flow further includes the movements in receivables and current liabilities.

Cash flow from investing activities

The net cash flow from investing activities includes the movements in the term investment portfolio and tangible fixed assets.

Cash flow from financing activities

The net cash flow from financing activities includes movements in the funding attracted from member capital and received loans.

5 Risk management

The risk governance framework comprises the duties and the responsibilities of the risk management organization and the risk committee structure. Oikocredit systematically tests and assesses its internal control. This is done by the line management (first line of defence), the departments specifically tasked with adequately controlling risks (monitoring and testing by the risk management and compliance function as the second line of defence) and the internal audit function (third line of defence).

In its operating environment and daily activities, Oikocredit encounters risks. Therefore, Oikocredit has a risk management system to identify the most important risks that may threaten its operations and continuity. The 'risk universe' document provides an overview of all relevant major risks, grouped into themes such as market risk (currency risk, equity risk, interest rate risk), liquidity risk and credit risk. A risk card was prepared for each theme. The risk card has the following main objectives:

- The first objective is to assess the risks in the current situation. Risks have been assessed and reviewed to ensure that the organization is aware and in control of these risks on a permanent basis.
- The second objective is to define new measures for those risks for which no measures were taken, or where measures were not effective.

A systematic risk management system was embedded and implemented within Oikocredit. Identified risks are evaluated and reassessed every year during our Management by Objectives (MbO) cycle by:

- Reviewing the progress on the implementation of new actions.
- Reviewing whether the risk profile is still valid or whether it has changed because of changes in strategy, goals or environment.

The managing board of Oikocredit established a risk management committee (RMC). The RMC monitors and evaluates the risks and risk policies of Oikocredit and ensures a sufficient level of risk mitigation measures is in place within the risk governance framework.

The supervisory board established a Supervisory Board Risk Committee (SBRC). The purpose of this committee is to advise the supervisory board in particular on the current and future overall risk appetite and overall risk strategy and to support the supervisory board in monitoring the implementation of this strategy by the managing board.

The supervisory board also established an audit committee which will replace the former audit committee as a representative of our members. The key focus areas of the audit committee are the administrative organization and internal control, IT, internal audit and the auditing of the financial reporting. The audit committee approves the appointment, assessment and dismissal of the head of internal audit.

Oikocredit recognized reputation risk as an important risk and has taken steps to mitigate reputation risk, such as the improved screening of its clients using new and enhanced sources of information as well as an improved anti-money laundering procedure including online training facilities for all staff involved.

The following financial risks have been identified by Oikocredit: 1) credit, 2) market and 3) liquidity risk.

1) Credit risk

The risk that a change in the credit quality of a counterparty (to which Oikocredit has granted loans or invested in an equity stake or bonds or shares) will affect the value of Oikocredit's position. Changes in credit quality can, for example, occur due to specific counterparty risk, risks relating to the country in which the counterparty conducts its business and sectorial risks.

Development financing

Country risk arises from country-specific events that have an impact on the group's exposure in a specific country, such as those of a political or macroeconomic nature. All investments in low-income countries involve country risk. The assessment of country risk is, among others, based on a benchmark of external rating agencies and other internal and external information. All individual financing proposals (loans and equity) are assessed by our local management and staff in the developing countries in which we work, as well as by analysts in the international office in Amersfoort, the Netherlands. In assessing the financing proposals, predefined criteria should be met. Strengths, weaknesses, opportunities and threats (SWOT) analysis is made and management, financial, legal and social performance analyses take place. Risks are evaluated through a risk score card. Where appropriate, credit enhancement is available in the form of collateral or third-party guarantees.

The Society's credit committee, consisting of the managing director, credit director, credit deputy director, credit operations deputy director, equity and business development director, CFO/COO, finance manager, investor relations and social performance director, social performance and capacity building deputy director, capacity building manager, head of risk and risk manager, with input from a member of the legal team, approve credit partners. At least three credit committee members from different departments should be present at the meeting to constitute a valid quorum.

The Society has also established policies based on its risk assessment system to set limits in exposure related to:

- Amounts outstanding per country and per region (depending on a risk assessment of the countries where Oikocredit operates).
- Amounts outstanding per partner over € 10 million need approval from the supervisory board.
- Amounts outstanding to a group of companies. The observance of these limits is monitored on a periodic basis.

Loans more than 90 days overdue or rescheduled loans have been provisioned, depending on the individual partner's situation or available collateral. A provision for country risks has also been established based on the rating of the country where Oikocredit operates.

Credit risk is monitored using PAR 90, which is currently 4.5% (2015: 5.3%).

Term investments

The term investments in bonds have all been rated 'investment grade' by either Moody's, S&P and/or Fitch, with at least 30% in the AAA range (Aaa-A3) and up to a maximum of 65% in the BBB range. Moreover, it is defined in the investment policy that individual issuers are maximized at 5% of total portfolio for quasi and foreign governments, 2.5% of total portfolio for AAA/AA range, 1.75% of total portfolio for A range and 1.5% of total portfolio for BBB and lower range. The manager of the bond portfolio, AXA Investment Managers Paris, constantly monitors the performance of the bonds and takes appropriate action when necessary. Despite this, a debtor can face sudden downgrades and/or price corrections. Such credit risk must always be taken into account when investing. A maximum of 10% of the total amount available for term investments can be invested in shares.

2) Market risk

Market risk is divided into three types:

- Currency risk – the risk that the value of Oikocredit currency positions will fluctuate due to changes in foreign currency exchange rates.
- Interest rate risk – the risk that changes in market interest rates will cause fluctuations in the value of Oikocredit's development financing or term investment portfolio.
- Equity risk – the risk that the value of Oikocredit equity investments will fluctuate due to changes in the value of equity investments, for example due to specific business risks, sectorial risks and country risks.

Currency risk

A significant part of Oikocredit's investments in development financing is outstanding in US dollar and in domestic currencies. The Society issues US dollar, British pound, Canadian dollar, Swiss franc and Swedish krona denominated shares which reduces this currency exposure. A result of issuing shares and receiving loans in US dollars is a better match between assets and liabilities in the different currencies.

It is expected that Oikocredit's US dollar and domestic currency exposure will increase as a result of further growth in the development financing portfolio. This is because most newly issued member capital tends to be in euros. Taking into account the considerations in the above-mentioned paragraphs, the Oikocredit supervisory board decided that Oikocredit should hedge at least 50% to 75% of its exposure in US dollars (currently hedged for 83.8%) with a view to maintaining the value of its member capital. Derivatives are used for this purpose.

Part of the foreign currency exposures are hedged. For the remaining part of the foreign currency exposures that are not hedged, Oikocredit has obtained funds (via the Oikocredit International Support Foundation) to absorb these losses or part of these losses, should they occur.

In 2016 Oikocredit developed a value-at-risk based currency risk estimation model. With this model in place, Oikocredit is better able to monitor and manage the foreign currency risks as well as further refine the currency risk mitigation policies.

Interest rate risk – development financing
Oikocredit has established an interest rate model for interest rates used in loans to its partners. These loans use base rates in the currencies in which Oikocredit works (Euribor, Libor, swap rates and similar rates) plus surcharges for risks, costs and dividends we expect to pay. Minimum base rates used in this model (to establish interest rates to be charged to partners) are the dividends we expect to pay plus the costs of raising capital.

The interest rates on loans denominated in US dollars and euros granted to our partners are usually fixed for the term of the loan. The loans have an average tenor of around four years. Individual loans can have tenors from one up to 20 years. Each year, a proportion of the loan portfolio matures and is repaid. Oikocredit replaces the loans with new loans to new or existing partners. The new loan agreements we enter into are spread over the year.

The risk of market interest rate changes influencing the market value of the portfolio is reduced, as each year new loans are added to the portfolio with fixed interest rates (usually in hard currency) prevailing at the moment we enter into a new loan agreement. The interest rates on loans denominated in the domestic currencies of the countries in which we work granted to our partners are usually variable and repriced quarterly or semi-annually. Therefore, market interest rate developments influence the value of our loan portfolio stated in domestic currencies in a limited way.
The main focus of the Society in concluding derivatives is currency hedging and not interest rate hedging.

Interest rate risk – term investments
The average effective duration of the term investment portfolio is a measure of the sensitivity of the fair value of the fixed-interest securities to changes in market interest rates. The management of the term investment portfolio aims for duration of its bond portfolio of approximately 4.5 to 5.5 years (a lower or higher duration can be accepted) and does not normally actively manage interest rate risks related to its bond portfolios.

Interest rate risk – liabilities
The risk of market interest rate changes influencing the market value of the liabilities is reduced, as each year new long-term loans are added with fixed interest rates prevailing at the moment Oikocredit enters into a new loan agreement.

Equity risk – development financing
The risk of equity investment stake changes influencing the value of the portfolio, for example due to finding a buyer, specific business risks, land sectorial risks and country risks, is reduced by the following:
The Society's investment committee, consisting of the members of the managing board, as well as the head of risk and the risk manager, approves all equity investments. Investment proposals are processed by the equity department and require initial approval from the equity investment committee. At least three investment committee members should be present in the meeting to constitute a valid quorum.

3) Liquidity risk
Liquidity risk refers to the risk that Oikocredit will encounter difficulty in raising funds to meet its commitments.

The supervisory board decided (based on an asset liability study) that the Society should at least have 15% of its total assets in cash or term investments. Term investments are liquid and not subject to legal or contractual restrictions on their resale. As a result, investments can be easily acquired or disposed of at prices quoted on the various exchanges. This enables the Society to meet its commitments to contracts already entered into and the possible redemptions of member capital.

Furthermore, the Society is primarily funded by member capital. The Articles of Association include provisions that shares shall be redeemed no later than five years after a redemption request has been submitted. Redemption (or partial redemption) will be at the nominal value. However, if the net asset value per share is lower than the nominal value per share in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet. To date, the Society has not used these provisions to delay redemptions of its member capital.

In addition, the Society is exposed to liquidity risk on break clauses included in financial derivative contracts. These break clauses, which are not unusual, give parties the right and sometimes the obligation to terminate the contract at certain times. The Society may have to pay the market value of the derivative financial instrument in the event that a break clause results in termination of the contract. Break clauses only lead to a liquidity risk for the Society when the market value of the financial instrument is negative upon termination date. At balance sheet date the Society has derivative contracts with a notional amount of € 384.0 million with a negative market value of € 17.7 million involving break clauses.

6 Intangible fixed assets

Changes in intangible fixed assets in 2016 and in the costs of acquisition and accumulated depreciation as at 31 December 2016 can be specified as follows:		
	2016	**2015**
	€ ,000	**€ ,000**
Historical cost price as at 1 January	1,182	717
Accumulated depreciation as at 1 January	-	-
Balance as at 31 December	1,182	717
Investments	91	465
Disposals	-	-
Depreciation	(249)	-
Movements in the year	**(158)**	**465**
Historical cost price as at 31 December	1,273	1,182
Accumulated depreciation as at 31 December	(249)	-
Balance as at 31 December	**1,024**	**1,182**

The intangible assets consist of software. The software relates to the new loans and investment system, which went live during 2016. Software is depreciated in three years.

7 Tangible fixed assets

Changes in tangible fixed assets in 2016 and in the costs of acquisition and accumulated depreciation as at 31 December 2016 can be specified as follows:					
	IT equipment	**Furniture**	**Installations**	**Total 2016**	**Total 2015**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost price as at 1 January	1,662	1,296	-	2,958	2,593
Accumulated depreciation as at 1 January	(1,336)	(999)	-	(2,335)	(2,064)
Balance as at 1 January	326	297	-	623	529
Investments	222	112	718	1,052	365
Disposals	(12)	(3)	-	(15)	-
Depreciation	(189)	(97)	(46)	(332)	(271)
Movements in the year	**21**	**12**	**672**	**705**	**94**
Historical cost price as at 31 December	1,872	1,405	718	3,995	2,958
Accumulated depreciation as at 31 December	(1,525)	(1,096)	(46)	(2,667)	(2,335)
Balance as at 31 December	**347**	**309**	**672**	**1,328**	**623**

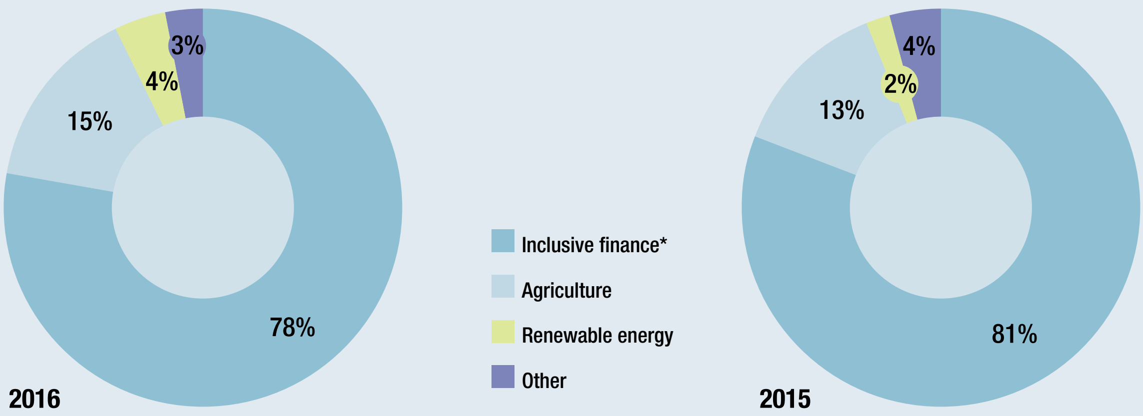
The useful life of the furniture is estimated at five years on average. Information technology (IT) equipment is depreciated in three years. Installations consisting of solar panels are depreciated in 20 years.

8 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Outstanding as at 1 January	900,153	734,606
Disbursements	438,653	418,960
Capitalized interest and dividends	27	469
Less: - repayments	(309,865)	(273,541)
- write-offs	(11,465)	(6,930)
Exchange adjustments	29,723	26,589
Outstanding as at 31 December	**1,047,226**	**900,153**

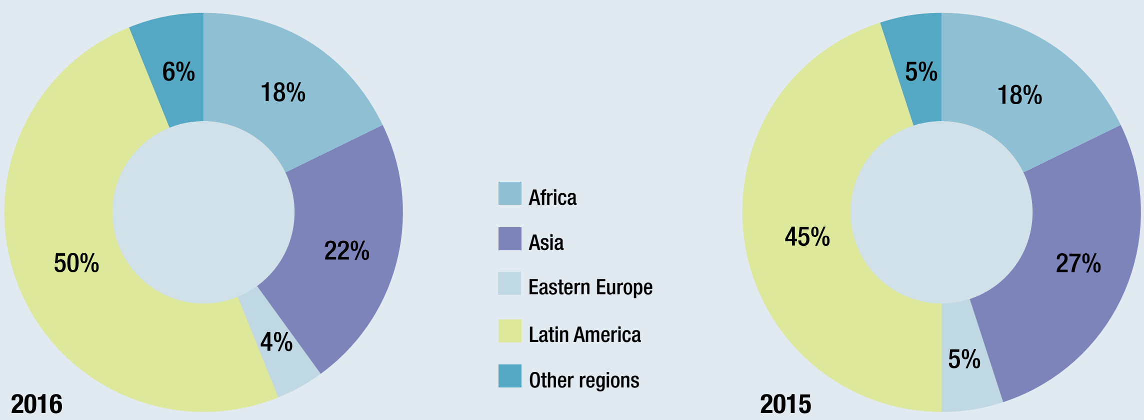
Breakdown of development financing outstanding

Development financing outstanding by sector as at 31 December

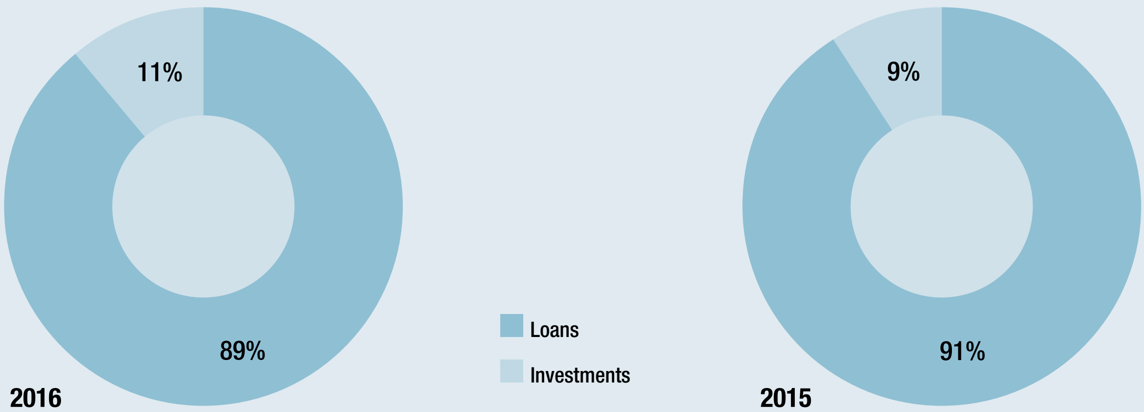


* including microfinance and SME finance

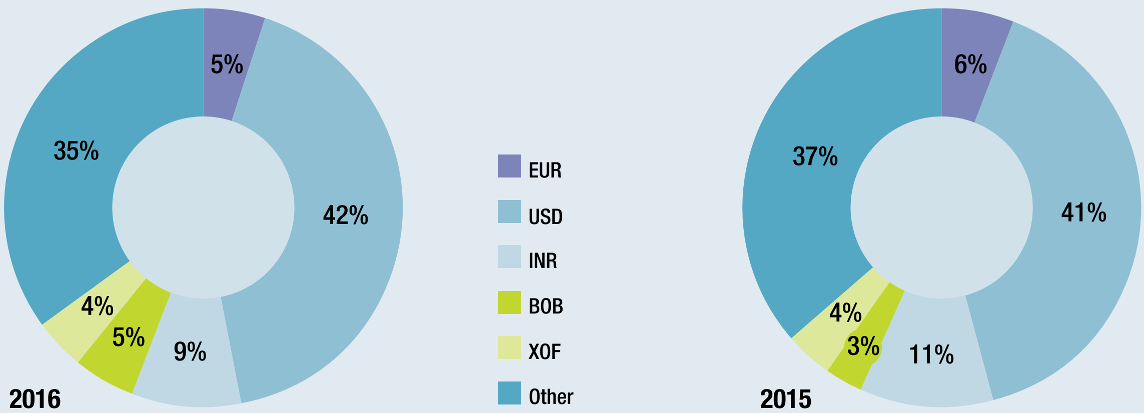
Development financing outstanding by region as at 31 December



Development financing outstanding by type of financing (loans and equity investments) as at 31 December



Development financing outstanding by type of currency as at 31 December



Maturity of development financing outstanding		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Instalments maturing < 1 year	313,833	329,422
Instalments maturing > 1 < 5 years	535,562	471,238
Instalments maturing > 5 years	84,020	22,232
Equity investments	113,811	77,261
Balance as at 31 December	**1,047,226**	**900,153**

Movement schedule equity investments		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	77,261	56,790
Additions	41,360	24,098
Write-offs	-	(1,181)
Disinvestments	(4,810)	(2,446)
Balance as at 31 December	**113,811**	**77,261**

Movement schedule equity investments				
Can be specified as follows:	**< 20%**	**> 20%**	**Total 2016**	**Total 2015**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost value	98,115	15,696	113,811	77,261
Impairments	(10,739)	(7,035)	(17,774)	(9,077)
Net value as at 31 December	**87,376**	**8,661**	**96,037**	**68,184**

Equity investments above 20% participation				
Of the equity invstments in this note, the share participation of the following investments as at 31 December 2016 was more than 20%	**Participation**	**Participation**	**Net equity [1] (latest available)**	**Result [1] (latest available)**
	2016	**2015**	**€ ,000**	**€ ,000**
Guaguazu S.A., Bolivia	42.55%	42.55%	438	(40)
Tujijenge Tanzania Limited, Tanzania [2]	37.53%	37.53%		
Gebana Brazil Cataratas do Iguaçu Produtos Orgânicos Ltd., Brazil	33.35%	33.35%	629	(247)
Andean Power Generation SAC, Peru	29.15%	29.15%	7,781	(7,218)
Barefoot Power Pty Ltd., Australia [2]	27.55%	21.56%		
Banco Pyme de la Comunidad S.A., Bolivia	25.39%	25.39%	9,945	291
Equip Plus S.A., Senegal [2]	24.60%	24.60%		
Yalelo Ltd, Zambia [2]	22.21%	11.23%		
Les Saveurs du Sud S.A., Senegal [2]	22.16%	22.16%		

[1] The Net equity and Result in the table are the equity and result of the whole organization and not only the equity stake of Oikocredit.
[2] For these equity investments we make use of the exemption of art. 379.2 under part 9, Book 2 of the Netherlands Civil Code. These equity investments are not obliged to publish their net equity and result according to local law.

The presented net equity value and result are based on local accounting standards from unaudited financial statements not adjusted to reflect Oikocredit's share in the respective net equity value and result. Financial reporting may not always be comparable to the quality under part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. As such all the equity investments above 20% participation are valued at cost less impairment as at 31 December 2016.

Provision for possible losses		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	(55,401)	(46,229)
Additions	(15,415)	(13,220)
Exchange adjustments and other	(372)	(1,544)
	(71,188)	(60,993)
Less: - write-offs	11,449	5,592
Balance as at 31 December	**(59,739)**	**(55,401)**

Impairments equity investments		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	(9,077)	(8,547)
Additions	(8,697)[1]	(1,711)
	(17,774)	(10,258)
Less: - write-offs	-	1,181
Balance as at 31 December	**(17,774)**	**(9,077)**

[1] The increase in the additions to impairments is mainly caused by one specific equity investment of € 4.2 million.

Total loan loss provision and impairments equity	**2016**	**2015**
	€ ,000	**€ ,000**
Loan loss provision	(59,739)	(55,401)
Impairments equity	(17,774)	(9,077)
Balance as at 31 December	**(77,513)**	**(64,478)**

Fair value of development financing loan portfolio

- The development financing portfolio consists of local currency loans and hard currency loans usually with semi-annual or annual instalments that have to be repaid equally over the loan period.
- The interest rates charged to our partners on local currency loans consist of base rates (local interbank or other appropriate base rates) plus an additional margin for risk and costs and are usually comparable to local market rates. The majority of Oikocredit's local currency loans are repriced quarterly or semi-annually.
- The interest rates charged to our partners on hard currency loans are usually fixed interest rates for the full loan period and consist of base rates plus an additional margin for risks and costs. Oikocredit uses the applicable base rates in the currencies in which Oikocredit works (Euribor, Libor, swap rates and similar rates) plus surcharges for risks, costs and dividends we expect to pay.
- The loans have an average maturity of approximately 4 years (2015: 4 years).
- An analysis of the recoverability of the loans is performed quarterly and a provision for possible losses on the development financing loan portfolio is formed.

Considering the above, the fair value of the development financing loan portfolio at least equals the book value, which is estimated at € 873.7 million (2015: € 767.5 million).

Fair value of development financing equity portfolio

- Equity investments are valued at cost less impairment.
- Oikocredit operates in countries where there is no active market for these equity stakes. The fair value is however determined taking into account suitable valuation methods such as book value multiples, price-earnings ratios and recent sale prices of similar investments.

Considering the above, it is estimated that the fair value of the equity portfolio at least equals the book value, which is estimated at € 96.0 million (2015: € 68.2 million).

9 Term investments

Changes in term investments can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	120,188	154,587
Investments during the year at cost	3,850	3,266
Disinvestments/redemptions during the year	(10,037)	(35,055)
Revaluation to market value as at 31 December	(1,088)	(3,094)
Exchange adjustments	(106)	484
Balance as at 31 December	**112,807**	**120,188**

	2016	**2015**
	€ ,000	**€ ,000**
Buy and Maintain ESG Credit Portfolio [1]	108,276	-
4F-Euro, Fund for Fair Future, the Netherlands	-	111,474
4F-USD, Fund for Fair Future, the Netherlands	-	4,291
TCX, The Currency Exchange Fund N.V., the Netherlands	7,071	7,071
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Triple Jump, the Netherlands)	(1,708)	(1,708)
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Grameen Crédit Agricole Microfinance Foundation, Luxembourg)	(1,816)	(1,816)
Other	673	565
GLS Bank, Germany	300	300
Ekobanken, Sweden	11	11
Total term investments	**112,807**	**120,188**

[1] Until 2015 our bond portfolio was managed by asset manager IMS under the name ‘4F Fund (Fund for Fair Future)’. Upon expiry of the contract, we selected a new external fund manager, AXA Investment Managers Paris (AXA), which took over the management of Oikocredit’s portfolio in early 2016. The name of the bond portfolio managed by AXA is ‘Buy and Maintain environmental social governance (ESG) Credit Portfolio’. The bond portfolio aims to achieve better diversification, less credit risk and a better ESG footprint than the BofA Merrill Lynch Euro Corporate index with similar average credit rating and maturity characteristics.

Fair value of term investments
With the exception of the investment in The Currency Exchange Fund N.V. (TCX) the fair value equals the carrying amount. The fair value of the investment in TCX as at 31 December amounts to $ 5.1 million (€ 4.8 million (2015: $ 4.3 million, € 4.0 million)).

Part of the term investments serves as collateral for the credit facilities with banks – reference is made to notes 12 and 18.

Maturity of term investments		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Maturity < 1 year	8	7
Maturity > 1 < 5 years	8	16
Maturity > 5 years	112,791	120,165
Total	**112,807**	**120,188**

The average duration of the bond portfolio as at 31 December 2016 was 5.1 years (31 December 2015: 3.8 years). The target duration of the bond portfolio is 4.5 to 5.5 years, but the fund manager can keep the duration shorter for capital preservation purposes in a low interest environment. The term investments in bonds have all been rated 'investment grade' by either Moody's, S&P and/or Fitch.

10 Other financial fixed assets

Summary of other financial fixed assets:	**2016**	**2015**
	€ ,000	**€ ,000**
Hedge contracts financial institutions [1]	494	528
Staff loans [2]	504	496
Total	**998**	**1,024**

[1] The fair value of these hedge contracts and other details are disclosed in note 32.

[2] All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

Hedge contracts financial institutions		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	528	472
Movements	(34)	56
Balance as at 31 December	**494**	**528**

Staff loans		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	496	665
Movements	8	(169)
Balance as at 31 December	**504**	**496**

11 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		**2016**		**2015**
		€ ,000		**€ ,000**
Accrued interest on development financing net of allowance		14,387		12,855
Hedging receivable		2,809		538
Interest receivable		2,406		2,693
- face value	6,570		6,799	
- less: allowance for uncollectability	(4,164)		(4,106)	
Amounts prepaid		2,300		1,347
Value added tax and wage taxes		2,155		2,288
Receivables Share Foundation		1,203		725
Collaterals hedging		961		2,818
Hedge contracts (refer to note 32)		636		790
Receivables Oikocredit USA		247		658
Staff loans [1]		200		223
Accrued interest bank accounts and deposits		36		153
Sundry receivables		618		354
Balance as at 31 December		**27,958**		**25,442**

Changes in the allowance for uncollectability are specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	(4,106)	(4,831)
Additions charged to income	(2,835)	(2,053)
Write-offs from allowance	2,742	2,855
Exchange adjustment	35	(77)
Balance as at 31 December	**(4,164)**	**(4,106)**

[1] All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

12 Cash and banks

Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Cash and banks including time deposits maturing within one year	95,447	42,214
Balance as at 31 December	**95,447**	**42,214**

Oikocredit maintains its funds in banking institutions in Europe, Asia, Latin America, Africa and the United States of America. The time deposits included in cash and banks as at 31 December 2016 all mature in 2017.

The Society has credit facility agreements with Dutch banks amounting to € 5.0 million. These facilities, which were not used in 2016, are subject to the following conditions:

- Audited financial statements should be provided within six months after year-end.
- The solvency ratio of the Society should be at least 70%.
- The Society should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amounts of the credit lines of the Dutch institutions (€ 6.3 million).
- Without the written permission of the credit institution, Oikocredit is not allowed to sell or securitize fixed assets or establish mortgages or other encumbrances on fixed assets (except for transactions taking place in the normal course of business) and to issue guarantees for liabilities of third parties.

13 Member capital

The Society issues shares in euros, British pounds, Canadian dollars, Swedish kronor, Swiss francs and US dollars.

The shares shall be redeemed no later than five years after a redemption request has been submitted and are as such considered a liability (puttable shares). Redemption (or partial redemption) will be at the nominal value. However, if the net asset value per share is lower than the value stated in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet (article 13 of the Articles of Association). There were no repayment obligations to members as at 31 December 2016.

The managing board opted to make use of the exemption in Dutch GAAP to classify the puttable shares as equity (RJ 290.808) as disclosed in the accounting policies on page 46.

Can be specified as follows:		**2016**	**2015**
		€ ,000	**€ ,000**
Member capital			
Balance as of 1 January		806,277	711,112
New euro shares issued		107,654	98,111
New shares in other currencies issued		9,617	12,092
Redemption of euro shares		(7,974)	(11,696)
Redemption of shares in other currencies		(2,406)	(3,661)
Revaluation of shares in other currencies		(200)	319
Balance as at 31 December		**912,968**	**806,277**
Of which	- euro shares	837,248	737,569
	- shares in other currencies (at original exchange rate)	75,720	68,708

14 General reserve

General reserve		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as of 1 January	69,318	62,235
De-consolidation Oikocredit International Share Foundation	-	(287)
Appropriation of the prior-year results	366	7,370
Balance as at 31 December	**69,684**	**69,318**

For the restricted exchange fluctuation reserve please refer to note 45 of the Society financial statements.

15 Local currency risk funds

The currency risk funds are used to cover potential currency losses on loans issued in the currencies of developing countries where Oikocredit operates, rather than issuing loans in US dollars or euros in those countries. The funds originate from grants and subsidies from members and third parties and from the allocation of profits.

Local currency risk funds

	Philippines	Indonesia	General	Africa	South and East Asia	Mexico, Central America and the Caribbean	Local currency loans cumulative exchange rate differences [1]	Total 2016	Total 2015
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	2,805	529	34,419	4,382	4,579	2,832	(11,658)	37,888	40,012
Addition to/released from fund	749	274	(870)	1,191	11	1,105	10,952	13,412	(2,124)
Balance as at 31 December	**3,554**	**803**	**33,549**	**5,573**	**4,590**	**3,937**	**(706)**	**51,300**	**37,888**

[1] Local currency loans cumulative exchange rate differences account: this amount is included as a separate item in the local currency risk fund as long as local currency loans have not yet matured. The differences in interest rates agreed with our partners for these local currency loans and interest rates in euros (if these loans had been granted in euros) are added or charged to this account. Exchange rate differences on local currency loans when translated to euros are charged or added to this account as well. If losses or profits are realized when the loans in local currency mature, the cumulative profits or losses will be taken out of this cumulative exchange rate difference account and charged or added to the specified local currency risk funds mentioned above.
For the addition to and releases from these funds, we refer to note 31.

16 Funds for subsidized activities and model costs

The funds below originate from grants received for purposes described for each separate fund below. The Oikocredit International Support Foundation charges the related A and B costs to these funds. We refer to the general information (note 1) for an explanation of category A and B costs.

Funds for subsidized activities and model costs, capacity building and guarantee funds

Can be specified as follows:	2016	2015
	€ ,000	€ ,000
Funds for subsidized activities and model costs	1,271	1,220
Capacity building and guarantee funds	3,061	3,721
Balance as at 31 December	**4,332**	**4,941**

Funds for subsidized activities and model costs	Donated investments [1]	Funds for subsidized activities and model costs [2]	Total 2016	Total 2015
	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	372	848	1,220	1,285
Addition to/released from fund	104	(53)	51	(65)
Balance as at 31 December	**476**	**795**	**1,271**	**1,220**

[1] This fund was established to account for donated shares.

[2] This fund was set up in 1999 to cover the subsidized activities and model costs of Oikocredit.

Capacity building and guarantee funds	Capacity building Africa, South and East Asia [1]	Capacity building fund [2]	Capacity building ELK Client Outcome [3]	General guarantee fund [4]	Guarantee fund for Africa [4]	Schokland capacity building fund [5]	Geographic programmes fund [6]	Total 2016	Total 2015
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	(1)	864	-	721	2,091	46	-	3,721	3,060
Transfers	-	19	-	-	-	(19)	-	-	-
Addition to/released from fund [7]	-	206	-	(596)	(186)	(27)	(57)	(660)	661
Balance as at 31 December	**(1)**	**1,089**	**-**	**125**	**1,905**	**-**	**(57)**	**3,061**	**3,721**

[1] This fund originated from the Church of Sweden Aid and was set up in 2004 for capacity building of existing and potential partners and for feasibility studies of potential partners in Africa and South and East Asia.

[2] This fund was set up for capacity building of existing and potential partners and feasibility studies of potential partners in all countries.

[3] The Client Outcome fund originates from the Evangelical Lutheran Church of Württemberg and was set up for research and analysis training of microfinance institutions in Latin America and Asia to better understand how microfinance affects the welfare of their low-income clients.

[4] The two guarantee funds were established to enable institutional donors and individuals to participate in a fund that insures part of the counterparty risk (equity or loan and accumulated interest) of partners to be financed by Oikocredit.

[5] The Schokland capacity building fund was set up for capacity building of existing and potential partners and feasibility studies of potential partners in Central America and the Dominican Republic.

[6] The Geographic programmes fund is a specific capacity building fund from the Church of Sweden for a farmer-based organization incubation project in Uganda, the strengthening of the coffee sector in Peru and the strengthening of small cooperatives in Guatemala and Honduras.

[7] For the additions to and releases from these funds, we refer to note 31.

17 Third-party interests

Consists of third-party interests of participants in the Low Income Countries Loan Fund.

Can be specified as follows:	2016	2015
	€ ,000	€ ,000
Balance as at 1 January	4,680	2,900
Net additions to third-party participation	-	1,642
Results	279	28
Other	-	110
Balance as at 31 December	**4,959**	**4,680**

18 Non-current liabilities

Can be specified as follows:	**31/12/16**	**Remaining term**	**Remaining term**	**31/12/15**
	€ ,000	**> 1 year**	**> 5 years**	**€ ,000**
Bank loans [1]	29,254	29,254	-	23,588
Loan Calvert Foundation [2]	6,180	6,180	-	-
Hedge contracts (refer to note 32)	4,056	4,056	-	10,201
Loans for investment in development financing [3]	387	387	-	301
Balance as at 31 December	**39,877**	**39,877**	**-**	**34,090**

Repayment obligations due within 12 months of the end of the financial year are included under the current liabilities.

[1] Consists of the following loans:

- Loans with a total principal amount of INR 1.1 billion from financial institutions in India maturing in 2017 for INR 55.5 million (included under current liabilities) and in 2018 and 2019 for the remaining INR 1 billion. The loans carry an average interest rate of 10.2%.
- A loan granted by a German bank amounting to € 22.9 million (2015: € 20.2 million). The loan matures on 18 May 2017 for € 13 million and the remaining part (maximum € 9.9 million) matures on 30 January 2019. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2016: 0%) plus an agreed margin (as at 31 December 2016: 0.568%). This facility is subject to the condition that the Society keeps its debt from external loans below 20% of total Society assets. The loan is unsecured for the first € 4 million. From an outstanding amount of € 4 million up to € 24 million, the loan is guaranteed by KfW, Germany.
- A loan granted by a Swedish bank amounting to € 1.9 million (2015: € 1.4 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2016: 0%) plus an agreed margin (as at 31 December 2016: 0.568%). The loan is secured by a pledge on the Oikocredit bond portfolio for a maximum of € 6.3 million.
- A loan granted by a French bank amounting to € 3.0 million (2015: € 0.9 million). The loan is for a maximum term of five years. The loan carries an interest rate equal to the base rate of the financial institution plus an agreed margin (as at 31 December 2016: 0.9%). The loan is unsecured.

[2] A loan granted by an US organization amounting to € 6.2 million, maturing 31 October 2018. The loan carries an interest rate of 2.75%.

[3] Loans managed by Oikocredit on behalf of funders which have been invested in Oikocredit's development financing. Oikocredit receives these loans under contract from various co-financing donors or development agencies and social ethical funds. The loans for investment in development financing are managed by Oikocredit for the risk and account of these donor agencies and funds. From the total loans managed, € 0.4 million is classified under non-current liabilities and € 0.1 million under current liabilities.

Fair value of long-term liabilities

The majority of the bank loans are at variable interest rates. Therefore, the fair value of the current liabilities approximates the book value. Loans for investment in development financing have been invested in the Oikocredit development financing portfolio for risk and account of the funders.

19 Current liabilities

All current liabilities mature within one year and can be specified as follows:	2016	2015
	€ ,000	€ ,000
Long-term loans expired or expiring within one year [1]	69,288	34,710
Hedge contracts (refer to note 32)	18,355	13,643
Other taxes payable [2]	4,900	4,320
Provident fund payable [3]	3,232	-
Accrued expenses, sundry liabilities	1,929	2,263
Accrued personnel expenses	1,439	1,216
Accounts payable	679	723
Hedge premiums payable	359	310
Loans for investment in development financing	79	71
Balance as at 31 December	**100,260**	**57,256**

[1] Consists of amounts maturing within one year from loans taken from FMO, the Netherlands for € 50 million, from loans taken from a German bank for € 13 million, from loans taken from an Italian bank for € 5 million, from loans taken from financial institutions in India for € 0.7 million, from a loan taken from a Swiss organization for € 0.5 million and from loans managed by Oikocredit on behalf of funders for € 0.1 million.
[2] The growth of the organization has led us to thoroughly review Oikocredit's tax and legal structures in the countries where we have offices, to ensure that we have a structure in place to pay our fair share of taxes. We have included an amount of € 3.7 million for possible tax payments from the past and € 0.7 million for possible tax payments for 2016.
[3] The balance of the current account with Provident fund is a payable (2015: receivable).

Fair value of current liabilities

The interest rates of the current liabilities are in accordance with applicable market interest rates. Therefore, the fair value of the current liabilities approximates the book value.

20 Commitments and contingencies not included in the balance sheet

The Society entered into a rental agreement for the office building for seven years starting from 1 January 2015. The total yearly rent payments amount to € 301,800 per year and are indexed. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Standard Chartered Bank and TCX, The Currency Exchange Fund N.V. contain an obligation to post eligible collateral under a credit support annex. In the contract with Standard Chartered Bank, the threshold for Oikocredit is set at US$ 3,000,000 and for Standard Chartered Bank at US$ 50,000,000. In the contract with TCX, the threshold is set at US$ 3,000,000 for both Oikocredit and TCX. As at 31 December 2016 the mark to market value of the hedge contracts with TCX was US$ 0.9 million negative. As at 31 December 2016 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 3.2 million negative. For posted cash collateral, please refer to note 11.

The Society issued a corporate guarantee for a maximum of INR 600 million to Rabobank, the Netherlands for loans issued by Rabo India Finance Limited to Maanaveeya Development & Finance Private Limited in India. The Society issued a corporate guarantee for a maximum of INR 450 million to ING Vysya Bank for loans issued by this bank to Maanaveeya Development & Finance Private Limited in India.

The Society issued two guarantees for a total amount of € 0.1 million to an Ethiopian bank, covering loans issued by the bank to two partners in Ethiopia.

The Society pledged € 6.3 million of its bond portfolio to guarantee a loan from a Swedish financial institution (please refer to note 18).

Maanaveeya Development & Finance Private Limited in India filed appeals to the Commissioner of Income Tax/the Income-tax Appellate Tribunal challenging demand notices totalling INR 82.3 million (€ 1.1 million).

21 Interest and similar income

Can be specified as follows:	2016	2015
	€ ,000	€ ,000
Interest on development financing portfolio	**77,216**	**68,572**
Interest on term investments:		
- Interest unrealized	3,853	3,833
- Interest realized	(387)	(456)
Total interest on term investments	**3,466**	**3,377**
Revaluation term investments	**(1,088)**	**(3,094)**
Total interest and similar income	**79,594**	**68,855**

22 Interest and similar expenses

Can be specified as follows:	2016	2015
	€ ,000	€ ,000
Interest payable on long-term loans, current accounts and other short-term liabilities	**(1,544)**	**(1,381)**

23 Income from equity investments

	2016	2015
Can be specified as follows:	€ ,000	€ ,000
Result from sale of equity investments		
Sale Hattha Kaksekar Limited (HKL)	19,110	-
Sale Inversiones para el Desarrollo (Indes)	135	442
Total result from sale of equity investments	**19,245**	**442**
Dividends	**1,946**	**2,836**
Total income from equity investments	**21,191**	**3,278**

24 Grant income

Can be specified as follows:	2016	2015
	€ ,000	**€ ,000**
Grants recognized from Swiss Agency for Development Cooperation	-	1,421
Grants recognized from ICCO	-	1,138
Grants recognized from Church of Sweden	344	448
Other grants recognized	452	429
Total grants	**796**	**3,436**

Grants are received according to contractual agreements with partners or from other parties, such as donations from dividend or legacies. Grants recognized from partners means that the funds were spent during the year. Unused grants are accounted for under current liabilities. Other grants recognized are immediately recognized in the year received as there are no specific spending requirements. In 2016 we received SEK 2,000,000 from the Church of Sweden for general capacity building activities and another SEK 1,000,000 for specific geographic programmes. We also repaid SEK 53,635 to the Church of Sweden, being unused capacity building grants from 2015. The Evangelical Lutheran Church of Württemberg transferred EUR 50,000 in 2016 for the Client Outcome project.

25 Other income and expenses

Can be specified as follows:	2016	2015
	€ ,000	**€ ,000**
Exchange rate differences	10,227	(4,672)
Hedge premiums	(5,374)	(5,442)
Provision for hedge ineffectiveness	(82)	(123)
Management fees	54	47
Total	**4,825**	**(10,190)**

Exchange rate differences		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Local currency exchange rate differences (covered by local currency risk funds)	7,353	(8,421)
Hard currency exchange rate differences (unhedged)	2,874	3,749
Total	**10,227**	**(4,672)**

26 Personnel

The number of employees who were directly or indirectly employed by the Society and group companies at the end of 2016 on the basis of full-time equivalents (FTE) amounted to 269 (2015: 258). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2016: 168 FTE, 2015: 170 FTE). Of the total FTEs (269), 54% are female and 46% are male. Of the total managing board FTEs (4), 50% are female and 50% are male.

Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Salaries	(12,886)	(11,334)
Expenses temporary staff	(1,873)	(1,197)
Social security charges	(1,680)	(1,670)
Other allowances (13th month, holiday allowance)	(1,116)	(998)
Pension charges	(890)	(826)
Provident fund charges	(549)	(496)
Settlements	(383)	(183)
All other personnel costs	(1,003)	(687)
Total personnel expenses	**(20,380)**	**(17,391)**

27 General and other expenses

Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Contribution to support associations	(3,595)	(3,442)
Office expenses	(2,351)	(2,146)
Legal expenses	(1,685)	(693)
Marketing expenses	(1,589)	(1,280)
Consultancy expenses including audit fees (for audit fees refer to note 28)	(1,131)	(1,628)
IT-related expenses (including development costs new software)	(756)	(905)
Capacity building expenses	(695)	(2,062)
Expenses AGM and board	(365)	(290)
All other general expenses	(132)	(347)
Total general and other expenses	**(12,299)**	**(12,793)**

28 Audit fees

The following audit fees (of external auditor and other audit firms) were expensed in the income statement in the reporting period:	**2016**	**2015**
	€ ,000	**€ ,000**
Audit of financial statements	(118)	(92)
Other non-audit services	(85)	(34)
Other consulting services	(100)	(110)
Total audit fees	**(303)**	**(236)**

29 Additions to loss provisions and impairments

Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Additions to provisions against losses and equity impairments		
- equity impairments	(8,697) [1]	(1,711)
- on principal projects	(15,415)	(13,220)
- on interest	(2,835)	(2,053)
Total	**(26,947)**	**(16,984)**

[1] The increase in the additions to impairments is mainly caused by one specific equity investment of € 4.2 million.

30 Taxes

Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Taxes regional and country offices	(1,009)	(1,050)
Taxes Maanaveeya Development & Finance Private Limited	(828)	(693)
Taxes Financial Company Oikocredit Ukraine	(28)	(36)
Total taxes	**(1,865)**	**(1,779)**

The effective tax rate of the Society is 0%, as the tax authorities in the Netherlands have exempted the Society from corporate income tax provided that the Society complies with certain conditions, all of which were complied with in 2016.
The effective tax rate of the Oikocredit group is on average 4.2% (2015: 11.4%). The effective tax rate is lower compared to 2015 due to the gain on the equity sale of € 19.3 million which is not taxable.

31 Additions to and releases from funds

Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Local currency risk fund the Philippines		
Exchange rate differences on invested funds	21	(12)
Exchange rate differences local currency loans repaid	(738)	(441)
Interest added	(32)	1
Released from / addition to fund	(749)	(452)
Local currency risk fund Indonesia		
Exchange rate differences on invested funds	5	(2)
Exchange rate differences local currency loans repaid	(272)	-
Interest added	(7)	-
Released from / addition to fund	(274)	(2)
Local currency risk fund general		
Grants received	(90)	(1,063)
Exchange rate differences on invested funds	261	(147)
Exchange rate differences local currency loans repaid	1,036	(3,156)
Interest added	(337)	18
Released from / addition to fund	870	(4,348)
Local currency risk fund Africa		
Exchange rate differences on invested funds	33	(15)
Exchange rate differences local currency loans repaid	(1,175)	(1,353)
Interest added	(49)	2
Released from/addition to fund	(1,191)	(1,366)
Local currency risk fund South and East Asia		
Exchange rate differences on invested funds	34	(23)
Interest added	(45)	3
Released from/addition to fund	(11)	(20)
Local currency risk fund Mexico, Central America and the Caribbean		
Exchange rate differences on invested funds	22	(5)
Exchange rate differences local currency loans repaid	(1,093)	(1,805)
Interest added	(34)	-
Released from / addition to fund	(1,105)	(1,810)
Local currency loans cumulative exchange rate differences		
Addition exchange rate differences local currency loans repaid	2,241	6,757
Addition exchange rate differences and premiums	(13,193)	3,365
Released from / addition to fund	(10,952)	10,122
Subtotal local currency risk funds	**(13,412)**	**2,124**
Donated investments		
Grants received	(104)	(1)
Released from/addition to fund	(104)	(1)
Subsidized activities and model costs		
Grants received	-	4
Interest received (paid) allocated to fund	(8)	1
Other costs; office expenses	61	61
Released from / addition to fund	53	66

	2016	2015
	€ ,000	€ ,000
Capacity building Africa and South and East Asia		
Grants received	(207)	(215)
Non-allocated grants	48	33
Other costs	159	182
Released from / addition to fund	-	-
Capacity building funds		
Grants received	(239)	(1,959)
Non-allocated grants	(17)	30
Interest added (paid)	(10)	-
Other costs	60	1,167
Released from / addition to fund	(206)	(762)
Capacity building ELK Client Outcome		
Grants received	(50)	-
Non-allocated grants	50	-
Released from / addition to fund	-	-
General guarantee funds		
Guarantees called	600	5
Interest added (paid)	(4)	1
Released from / addition to fund	596	6
Guarantee fund for Africa		
Guarantee calls	206	-
Interest added (paid)	(20)	1
Released from / addition to fund	186	1
Schokland capacity building fund		
Other costs	27	94
Released from / addition to fund	27	94
Geographic programmes		
Grants received	(154)	(308)
Non-allocated grants	(32)	42
Other costs	243	266
Released from / addition to fund	57	-
Subtotal capacity building and guarantee funds	**609**	**(596)**
Total released from / (addition to) funds	**(12,803)**	**1,528**

32 Use of financial instruments

Balance sheet item	Product	2016 Notional € ,000	2016 Carrying amount € ,000	2015 Carrying amount € ,000
Oikocredit has entered into the following derivatives to cover its exposure:				
Fixed assets				
FX derivatives	Under hedge accounting	-	-	-
Cross currency swaps	Under hedge accounting	35,929	494	528
	Total		**494**	**528**
Current assets				
FX derivatives	Under hedge accounting	33,333	53	90
Cross currency swaps	Under hedge accounting	11,610	583	700
	Total		**636**	**790**
Non-current liabilities				
FX derivatives	Under hedge accounting	22,923	(3,225)	(3,500)
Cross currency swaps	Under hedge accounting	7,751	(831)	(6,701)
	Total		**(4,056)**	**(10,201)**
Current liabilities				
FX derivatives	Under hedge accounting	219,429	(10,294)	(8,395)
Cross currency swaps	Under hedge accounting	53,036	(8,061)	(5,248)
	Total		**(18,355)**	**(13,643)**

The total book value of the hedge contracts as at 31 December 2016 was € 21.3 million negative, while the market value was € 17.7 million negative. The hedge-effectiveness test established that some hedge contracts were ineffective during 2016, for which a provision was formed for € 206,000 which is recorded in the income statement under Hedge premiums (refer to note 25).

33 Overview total result

Movement in group equity and funds can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Equity and funds as at 1 January	**930,322**	**832,108**
Income after taxation	42,085	13,871
Exchange rate differences on investments in group companies	365	2,589
Third-party interest	(279)	(28)
Total direct changes in equity and funds	86	2,561
Total result group excluding third-party interests	**42,171**	**16,432**
De-consolidation Oikocredit International Share Foundation	-	(287)
Net addition member capital (new shares minus redemptions)	106,691	95,165
Dividends paid to members	(15,005)	(13,096)
	91,686	**81,782**
Equity and funds as at 31 December	**1,064,179**	**930,322**

34 Remuneration policies

Remuneration policy supervisory board

On 20 June 2014, the AGM adopted a new policy on the remuneration of members of the supervisory board to be implemented retroactively with effect from 1 January 2014. Oikocredit's remuneration of supervisory board members is an honorarium or fee to compensate for the services rendered on the board, and should not be considered as a salary to compensate for work done on the basis of a contract between employer and employee.

The remuneration structure is composed of four elements:

a) annual fee: the same basic amount for all board members. A one-size-fits-all approach to keep the structure simple. This annual fee must cover the cost related to time spent on the board membership on the basis of eight board meeting days and board committee meeting days per year;
b) board meeting attendance fee, to be paid out for every board meeting day that exceeds the eight basic meeting days per year. A board meeting and board committee meeting on the same day count as one meeting. Other meetings and activities should be covered by the annual fee;
c) additional fee for members that chair a board committee, and for the chair of the board.
d) compensation for costs.

The total compensation/remuneration in 2016 amounted to € 72,250 (2015: € 59,500).

Remuneration managing board

Remuneration of managing board		
The remuneration can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Former managing director (until 31 May 2016):		
G.D. Woods gross salary, holiday and year-end allowance	68	146
G.D. Woods expense allowance and 30%-facility [1]	31	66
G.D. Woods pension contributions	3	6
Interim managing director (from 1 June 2016):		
M.L. Hilado Ledesma gross salary, holiday and year-end allowance	73	-
M.L. Hilado Ledesma expense allowance	1	-
M.L. Hilado Ledesma pension contributions	1	-
Other managing board members:		
Gross salary, holiday, year-end allowance and performance reward (in 2016 fully in cash, in 2015 a part was paid net in Oikocredit shares)	396	514
Expense allowances and 30%-facilities	34	45
Pension contributions	8	2
Total	**615**	**779**

[1] An employer may grant a foreign employee a free (untaxed) reimbursement for the extra costs that the employee is possibly confronted with because he or she comes to work in the Netherlands (the so-called extraterritorial costs). An employer may also provide a foreign employee with 30% of his or her wage, including reimbursement, tax-free. This facility is known as the 30%-facility. The 30%-facility may only be used after a valid decision has been received from the Dutch Tax Authority. The Dutch Tax Authority checks whether all conditions have been met, one of which being that the employee has specific expertise that is not or is only barely available in the Dutch employment market.

Staff of Oikocredit globally

Oikocredit believes in remunerating its employees in a fair and equitable manner. This means that the remuneration of our staff worldwide should be aligned with the values and nature of the organization, acknowledging people's diverse experience and educational background, and elements of both the financial sector as well as the social sector at an international or national level, depending on the job requirements.

Staff based in the Netherlands

Oikocredit provides a combined defined benefit and defined contribution pension system for its employees in the Netherlands, to which the employer and the employees each contribute part of the pension premiums. Pensions are indexed, based on the average salary increases during the year, which will be determined from year to year.

Staff based outside the Netherlands

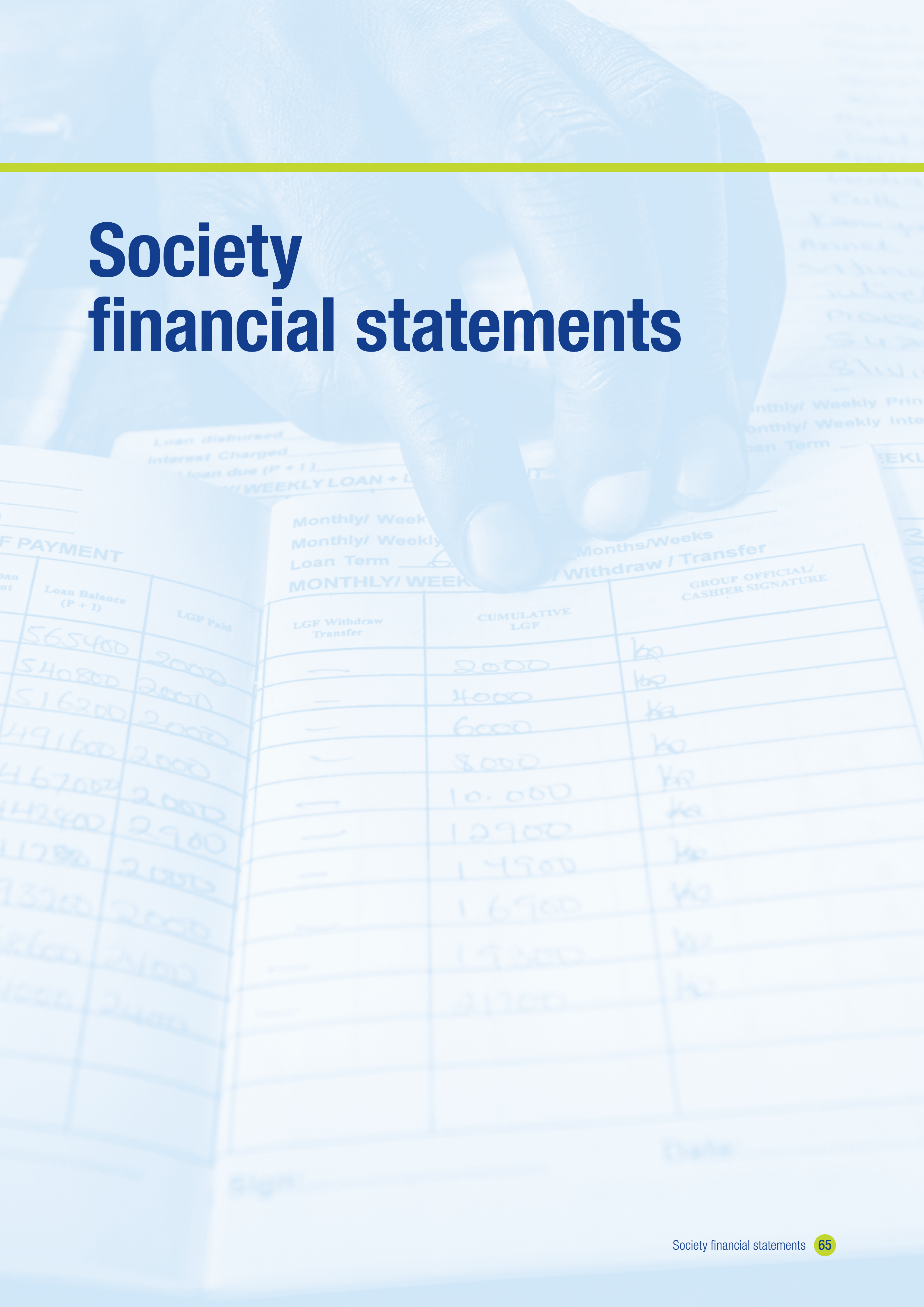
A savings/provident fund scheme is available for staff outside the Netherlands to which the employer and employees each contribute a fixed percentage of the staff member's gross remuneration.

Performance reward

A performance reward was awarded to all staff members with a permanent contract and working for the organization longer than one year (as an acknowledgement for good results based on specific social and financial objectives agreed with the supervisory board) for 2015 (paid in 2016) as well as 2014 (paid in 2015). A part of the performance reward is awarded in Oikocredit shares (at nominal value) and a part in cash, both subject to taxation. This amount is accounted for under personnel expenses.

Supervisory board and managing board holdings in Oikocredit share capital

Some supervisory board and managing board members have indirect holdings in Oikocredit shares. These holdings do not have any voting rights.



Society financial statements

Society **balance sheet**

(before appropriation of net income)

Notes		31/12/16	31/12/15
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
36	**Intangible fixed assets**	**1,024**	**1,182**
37	**Tangible fixed assets**	**641**	**608**
	Financial assets		
38	Development financing		
	Total development financing outstanding	989,582	838,001
	Less: - loss provision and impairments	(75,634)	(60,068)
		913,948	**777,933**
	Consists of:		
	Loans (net of loss provision)	*895,314*	*710,245*
	Equity (net of impairments)	*94,268*	*67,688*
39	Investments in group companies	45,434	41,076
40	Term investments	80,540	88,599
41	Other financial assets	7,285	22,387
	Total financial assets	**133,259**	**152,062**
	Total non-current assets	**1,048,872**	**931,785**
	CURRENT ASSETS		
42	Receivables and other current assets	29,048	26,497
43	Cash and banks	85,790	41,000
	Total current assets	**114,838**	**67,497**
	TOTAL	**1,163,710**	**999,282**

The accompanying notes are an integral part of these financial statements.

Society **balance sheet**

(before appropriation of net income)

Notes		31/12/16	31/12/15
		€ ,000	**€ ,000**
	MEMBER CAPITAL AND RESERVES		
44	Member capital	912,968	806,277
45	General reserves	69,682	69,316
45	Restricted exchange fluctuation reserve	(3,108)	(3,473)
	Undistributed net income for the year	29,003	15,371
		1,008,545	**887,491**
47	**NON-CURRENT LIABILITIES**	**25,374**	**33,050**
48	**CURRENT LIABILITIES**	**129,791**	**78,741**
	TOTAL	**1,163,710**	**999,282**

The accompanying notes are an integral part of these financial statements.

Society **income statement**

Notes		2016	2015
		€ ,000	**€ ,000**
	RESULTS		
39	Results participation in group companies after taxes	5,193	1,725
	Other results	24,819	14,696
	INCOME BEFORE TAXATION	**30,012**	**16,421**
	Taxes	(1,009)	(1,050)
	INCOME AFTER TAXATION	**29,003**	**15,371**

The accompanying notes are an integral part of these financial statements.

Notes to the **Society financial statements**

35 General

The Society financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The accounting policies of the Society financial statements and the consolidated financial statements are the same. Group companies are stated at net asset value in accordance with the accounting policies for the consolidated financial statements.

For the accounting policies of the Society financial statements, we refer to the summary of accounting policies as included in the notes to the consolidated financial statements.

36 Intangible fixed assets

Changes in intangible fixed assets in 2016 and in the costs of acquisition and accumulated depreciation as at 31 December 2016 can be specified as follows:

	2016	2015
	€ ,000	€ ,000
Historical cost price as at 1 January	1,182	717
Accumulated depreciation as at 1 January	-	-
Balance as at 1 January	1,182	717
Investments	91	465
Disposals	-	-
Depreciation	(249)	-
Movements in the year	**(158)**	**465**
Historical cost price as at 31 December	1,273	1,182
Accumulated depreciation as at 31 December	(249)	-
Balance as at 31 December	**1,024**	**1,182**

The intangible assets consist of software. The software relates to the new loans and investment system, which went live during 2016. Software is depreciated in three years.

37 Tangible fixed assets

Changes in tangible fixed assets in 2016 and in the costs of acquisition and accumulated depreciation as at 31 December 2016 can be specified as follows:

	IT equipment	Furniture	Total 2016 € ,000	Total 2015 € ,000
Historical cost price as at 1 January	1,634	1,279	2,913	2,557
Accumulated depreciation as at 1 January	(1,313)	(992)	(2,305)	(2,042)
Balance as at 1 January	321	287	608	515
Investments	220	110	330	356
Disposals	(12)	(3)	(15)	-
Depreciation	(187)	(95)	(282)	(263)
Movements in the year	**21**	**12**	**33**	**93**
Historical cost price as at 31 December	1,842	1,386	3,228	2,913
Accumulated depreciation as at 31 December	(1,500)	(1,087)	(2,587)	(2,305)
Balance as at 31 December	**342**	**299**	**641**	**608**

The useful life of the furniture is estimated at five years on average. Information technology (IT) equipment is depreciated in three years.

38 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Outstanding as at 1 January	838,001	680,213
Disbursements	406,013	379,033
Capitalized interest and dividends	27	416
Less: - repayments	(275,650)	(242,504)
- write-offs	(8,320)	(3,100)
Exchange adjustments	29,511	23,943
Outstanding as at 31 December	**989,582**	**838,001**

Equity investments above 20% participation				
Of the equity invstments in this note, the share participation of the following investments as at 31 December 2016 was more than 20%	**Participation**	**Participation**	**Net equity [1] (latest available)**	**Result [1] (latest available)**
	2016	**2015**	**€ ,000**	**€ ,000**
Guaguazu S.A., Bolivia	42.55%	42.55%	438	(40)
Tujijenge Tanzania Limited, Tanzania [2]	37.53%	37.53%		
Gebana Brazil Cataratas do Iguaçu Produtos Orgânicos Ltd., Brazil	33.35%	33.35%	629	(247)
Andean Power Generation SAC, Peru	29.15%	29.15%	7,781	(7,218)
Barefoot Power Pty Ltd., Australia [2]	27.55%	21.56%		
Banco Pyme de la Comunidad S.A., Bolivia	25.39%	25.39%	9,945	291
Equip Plus S.A., Senegal [2]	24.60%	24.60%		
Yalelo Ltd, Zambia [2]	22.21%	11.23%		
Les Saveurs du Sud S.A., Senegal [2]	22.16%	22.16%		

[1] The Net equity and Result in the table are the equity and result of the whole organization and not only the equity stake of Oikocredit.
[2] For these equity investments we make use of the exemption of art. 379.2 under part 9, Book 2 of the Netherlands Civil Code. These equity investments are not obliged to publish their net equity and result according to local law.

The presented net equity value and result are based on local accounting standards from unaudited financial statements not adjusted to reflect Oikocredit's share in the respective net equity value and result. Financial reporting may not always be comparable to the quality under part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. As such, all the equity investments above 20% participation are valued at cost less impairment as at 31 December 2016.

Provision for possible losses		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	(50,991)	(42,306)
Additions	(14,710)	(9,380)
Exchange adjustments	(463)	(1,530)
	(66,164)	(53,216)
Less: - write-offs	8,304	2,225
Balance as at 31 December	**(57,860)**	**(50,991)**

Impairments equity investments		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	(9,077)	(8,084)
Additions	(8,697) [1]	(1,711)
	(17,774)	(9,795)
Less: - write-offs	-	718
Balance as at 31 December	**(17,774)**	**(9,077)**

[1] The increase in the additions to impairments is mainly caused by one specific equity investment of € 4.2 million.

Total loan loss provision and impairments equity	**2016**	**2015**
	€ ,000	**€ ,000**
Loan loss provision	(57,860)	(50,991)
Impairments equity	(17,774)	(9,077)
Balance as at 31 December	**(75,634)**	**(60,068)**

We refer to note 8 of the consolidated financial statements for further detailed information on consolidated development financing.

39 Group companies

Net asset value investments in group companies		
	2016	**2015**
	€ ,000	**€ ,000**
Maanaveeya Development & Finance Private Limited, Hyderabad, India [1]	39,350	35,312
Financial Company Oikocredit Ukraine, Lviv, Ukraine [2]	1,125	1,084
Low Income Countries Loan Fund, Amersfoort, the Netherlands [3]	4,959	4,680
Balance as at 31 December	**45,434**	**41,076**

[1] The investment in Maanaveeya Development & Finance Private Limited, Hyderabad, India, consists of 100% of the ordinary shares amounting to INR 2.5 billion.
[2] The investment in Financial Company Oikocredit Ukraine in Lviv, Ukraine, consists of 100% of the ordinary shares, amounting to UAH 20 million.
[3] This amount represents the Society's participation in the Low Income Countries Loan Fund (50%). This fund was created as a restricted, open-ended, tax transparent investment fund for members/shareholders. The fund is not incorporated as a legal entity, but an unincorporated contract of its own nature.

Maanaveeya Development & Finance Private Limited		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	35,312	32,088
Result for the year	4,763	1,505
Interest paid to Oikocredit on non-convertible debentures	(1,199)	(1,319)
Exchange adjustments	474	3,038
Balance as at 31 December	**39,350**	**35,312**

Financial Company Oikocredit Ukraine		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	1,084	1,341
Net result for the year	151	192
Exchange adjustments	(110)	(449)
Balance as at 31 December	**1,125**	**1,084**

Low Income Countries Loan Fund		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	4,680	2,900
Investments	-	1,642
Result for the year	279	28
Other	-	110
Balance as at 31 December	**4,959**	**4,680**

The Society has direct interests in the following entities:	**Share in equity 31/12/16 (%)**	**Share in equity 31/12/15 (%)**
Fully consolidated		
Maanaveeya Development & Finance Private Limited, Hyderabad, India	100	100
Financial Company Oikocredit Ukraine, Lviv, Ukraine	100	100
Low Income Countries Loan Fund, Amersfoort, the Netherlands	50	50

40 Term investments

Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	88,599	123,437
Investments during the year at cost	2,725	2,548
Disinvestments / redemptions during the year	(10,037)	(35,055)
Revaluation to market value as at 31 December	(732)	(2,385)
Exchange adjustments	(15)	54
Balance as at 31 December	**80,540**	**88,599**

Summary of term investments:	**2016**	**2015**
	€ ,000	**€ ,000**
Bonds [1]		
Buy and Maintain ESG Credit Portfolio	80,114	-
4F-Euro Fund for Fair Future, the Netherlands	-	87,653
4F-USD Fund for Fair Future, the Netherlands	-	512
Subtotal bonds	80,114	88,165
Other term investments		
GLS Bank, Germany	300	300
Other	126	134
Subtotal other term investments	426	434
Balance as at 31 December	**80,540**	**88,599**

[1] With the expiry of the portfolio management contract in 2015, Oikocredit changed to AXA Investment Managers Paris (AXA) in early 2016.
The Buy and Maintain environmental social governance (ESG) Credit Portfolio is the name of our bond portfolio managed by AXA. The bond portfolio aims to achieve better diversification, less credit risk and a better ESG footprint than the BofA Merrill Lynch Euro Corporate index with similar average credit rating and maturity characteristics.

Fair value of term investments
The fair value equals the carrying amount.

Part of the term investments serves as collateral for the credit facilities with banks – reference is made to notes 43 and 47.

The average duration of the bond portfolio as at 31 December 2016 was 5.1 years (31 December 2015: 3.8 years). The target duration of the bond portfolio is 4.5 to 5.5 years, but the fund manager can keep the duration shorter for capital preservation purposes in a low interest environment. The term investments in bonds have all been rated ‘investment grade’ by either Moody’s, S&P and/or Fitch.

41 Other financial assets

Summary of other financial assets:	2016	2015
	€ ,000	€ ,000
Loans to group companies	5,581	9,705
Hedge contracts related parties (Oikocredit International Support Foundation)	706	11,658
Hedge contracts financial institutions	504	528
Staff loans [1]	494	496
Balance as at 31 December	**7,285**	**22,387**

[1] All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

42 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		2016		2015
		€ ,000		€ ,000
Accrued interest on development financing net of allowance		13,845		12,217
Hedging receivable		2,809		538
Loans to group companies expiring within 1 year		4,185		4,160
Amounts prepaid		2,300		1,347
Interest receivable:		2,165		2,231
- face value	6,150		6,100	
- less: allowance for uncollectability	(3,985)		(3,869)	
Receivable Share Foundation		1,203		725
Collateral hedging		961		2,818
Hedge contracts		636		790
Receivables OUSA		247		658
Value added tax and wage taxes		204		292
Staff loans [1]		200		223
Accrued interest on bank accounts and deposits		36		153
Sundry receivables		257		345
Balance as at 31 December		**29,048**		**26,497**

[1] All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

43 Cash and banks

The Society maintains its funds in banking institutions in Europe, Asia, Latin America, Africa and the United States of America. The time deposits included in cash and banks as at 31 December 2016 all mature in 2017.

The Society has credit facility agreements with Dutch banks amounting to € 5.0 million. These facilities, which were not used in 2016, are subject to the following conditions:

- Audited financial statements should be provided within six months after year-end.
- The solvency ratio of the Society should be at least 70%.
- The Society should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amounts of the credit line of the Dutch institutions (€ 6.3 million).
- Without the written permission of the credit institution, the Society is not allowed to sell or securitize fixed assets or establish mortgages or other encumbrances on fixed assets (except for transactions taking place in the normal course of business) and to issue guarantees for liabilities of third parties.

44 Member capital

For details about the member capital, please refer to note 13 of the consolidated financial statements.

45 General and other reserves

General reserves[1]		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	69,316	61,990
Appropriation of prior-year results	366	7,326
Balance as at 31 December	**69,682**	**69,316**

[1] The Oikocredit supervisory board allocated a part of the general reserve for specific purposes, we refer to Other information on page 79.

Restricted exchange fluctuation reserve[1]		
Can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Balance as at 1 January	(3,473)	(6,062)
Exchange rate differences	365	2,589
Balance as at 31 December	**(3,108)**	**(3,473)**

[1] The restricted exchange fluctuation reserve represents the accumulation of gains and losses from currency translation on investments in group companies. This reserve also contains the results (gains, losses and premiums) on the hedge contracts concluded on our investment in group companies.

46 Differences in equity and net income between the society and consolidated financial statements

Changes in the difference between the Society and consolidated equity and profit/loss in the financial year can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Equity according to society financial statements	**1,008,545**	**887,491**
Reserves Oikocredit International Support Foundation	2	2
Local currency risk funds Support Foundation	51,300	37,888
Funds for subsidized activities and model costs Support Foundation	4,332	4,941
Third-party interests	4,959	4,680
Group Equity and Funds according to consolidated financial statements	**1,069,138**	**935,002**

47 Non-current liabilities

Can be specified as follows:	2016	Remaining term > 1 year < 5 years	Remaining term > 5 years	2015
	€ ,000	€ ,000	€ ,000	€ ,000
Bank loans [1]	14,751	14,751	-	22,548
Loan Calvert Foundation [2]	6,180	6,180	-	-
Hedge contracts (refer to note 32, consolidated financial statements)	4,056	4,056	-	10,201
Loans for investment in development financing [3]	387	387	-	301
Total non-current liabilities	**25,374**	**25,374**	**-**	**33,050**

Repayment obligations due within 12 months of the end of the financial year are included under the current liabilities.

[1] Consists of the following loans:

- A loan granted by a German bank amounting to € 22.9 million (2015: € 20.2 million). The loan matures on 18 May 2017 for € 13 million and the remaining part (maximum € 9.9 million) matures on 30 January 2019. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2016: 0%) plus an agreed margin (as at 31 December 2016: 0.568%). This facility is subject to the condition that the Society keeps its debt from external loans below 20% of total assets. The loan is unsecured for the first € 4 million. From an outstanding amount of € 4 million up to € 24 million, the loan is guaranteed by KfW, Germany.
- A loan granted by a Swedish bank amounting to € 1.9 million (2015: € 1.4 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2016: 0.5%) plus an agreed margin (as at 31 December 2016: 0.568%). The loan is secured by a pledge on the Oikocredit bond portfolio for a maximum of € 6.3 million.
- A loan granted by a French bank amounting to € 3.0 million (2015: € 0.9 million). The loan is for a maximum term of five years. The loan carries an interest rate equal to the base rate of the financial institution plus an agreed margin (as at 31 December 2016: 0.9%). The loan is unsecured.

[2] A loan granted by an US organization amounting to € 6.2 million, maturing on 31 October 2018. The loan carries an interest rate of 2.75%

[3] Loans managed by Oikocredit on behalf of funders which have been invested in Oikocredit's development financing. Oikocredit receives these loans under contract from various co-financing donors or development agencies and social ethical funds. The loans for investment in development financing are managed by Oikocredit for the risk and account of these donor agencies and funds. From the total loans managed, € 0.4 million is classified under non-current liabilities and € 0.1 million under current liabilities.

Fair value of long-term liabilities

The majority of the bank loans are at variable interest rates. Therefore, the fair value of the current liabilities approximates the book value. Loans for investment in development financing have been invested in the Oikocredit development financing portfolio for risk and account of the funders.

48 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Long-term loans expired or expiring within one year [1]	68,514	29,041
Group companies (refer to note 50)	30,896	27,784
Hedge contracts (refer to note 32, consolidated financial statements)	18,355	13,643
Other taxes payable [2]	4,900	4,320
Accrued expenses, sundry liabilities	3,535	3,572
Provident fund payable [3]	3,232	-
Hedging premiums payable	359	310
Funds under management	-	71
Balance as at 31 December	**129,791**	**78,741**

[1] Consist of amounts maturing within one year from loans taken from FMO, the Netherlands for € 50 million, from loans taken from a German Bank for € 13 million, from loans taken from an Italian bank for € 5 million, from a loan taken from a Swiss organization for € 0.5 million and from loans managed by Oikocredit on behalf of funders for € 0.1 million.

[2] The growth of the organization has led us to thoroughly review Oikocredit's tax and legal structures in the countries where we have offices, to ensure that we have a structure in place to pay our fair share of taxes. We have included an amount of € 3.7 million for possible tax payments from the past and € 0.7 million for possible tax payments for 2016.

[3] The balance of the current account with Provident fund is a payable (2015: receivable).

Fair value of current liabilities

The interest rates of the current liabilities are in accordance with applicable market interest rates. Therefore, the fair value of the current liabilities approximates the book value.

49 Commitments not included in the balance sheet

The Society entered into a rental agreement for the office building for seven years starting from 1 January 2015. The total yearly rent payments amount to € 301,800 per year and are indexed. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Standard Chartered Bank and TCX, The Currency Exchange Fund N.V. contain an obligation to post eligible collateral under a credit support annex. In the contract with Standard Chartered Bank, the threshold for Oikocredit is set at US$ 3,000,000 and for Standard Chartered Bank at US$ 50,000,000. In the contract with TCX, the threshold is set at US$ 3,000,000 for both Oikocredit and TCX. As at 31 December 2016 the mark to market value of the hedge contracts with TCX was US$ 0.9 million negative. As at 31 December 2016 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 3.2 million negative. For posted cash collateral, please refer to note 42.

The Society issued a corporate guarantee for a maximum of INR 600 million to Rabobank, the Netherlands for loans issued by Rabo India Finance Limited to Maanaveeya Development & Finance Private Limited in India. The Society issued a corporate guarantee for a maximum of INR 450 million to ING Vysya Bank for loans issued by this bank to Maanaveeya Development & Finance Private Limited in India.

The Society issued two guarantees for a total amount of € 0.1 million to an Ethiopian bank, covering loans issued by the bank to two partners in Ethiopia.

The Society pledged € 6.3 million of its bond portfolio to guarantee a loan from a financial institution.

50 Related party transactions

For transactions with the managing board and supervisory board, please refer to note 34 of the consolidated financial statements.

Transactions with Oikocredit Support Foundations during the year

Oikocredit added unrealized cumulated exchange rate differences on local currency loans to the fund for local currency loans cumulative exchange rate differences amounting to € 7.4 million (2015: addition of € 8.4 million).

Transactions with the Oikocredit International Share Foundation
There were no material transactions with the International Share Foundation during 2016 or 2015, other than investments and redemptions of shares of the Society.

Transactions with Maanaveeya Development and Finance Private Limited
Oikocredit charged interest to Maanaveeya on non-convertible debentures totalling € 1.2 million (2015: € 1.3 million).

Transactions with Low Income Countries Loan Fund
Transactions with Low Income Countries Loan Fund during 2016 or 2015 consisted of repayments and disbursements of the loan portfolio and settlements of exchange rate differences € 80,309 (2015: € 183,000) and premiums € 144,408 (2015: € 158,000) on local currency loans. The current account will bear interest at the average of the market interest rate on the savings account of 0.25% (2015: 0.6%). The total amount of interest calculated in 2016 amounts to € 16,000 (2015: € 18,200).

Transactions with Provident Fund
Oikocredit contributed € 93,165 (2015: € 69,592) and US$ 567,332 (2015: US$ 548,166) to the Provident Fund in 2016.

Transactions with Support Associations and members
Oikocredit granted a contribution for costs to the support associations during 2016 for € 3,595,000 (2015: € 3,442,000). Please refer to note 27. There are no outstanding balances with the support associations.

Oikocredit received loans during 2016 from GLS Bank Germany for € 2.7 million (2015: € 4.7 million) and Ekobanken Sweden for € 0.5 million (2015: € 1.4 million).
Oikocredit Support Foundation received grants during 2016 from Church of Sweden for € 310,000 (2015: € 553,000).

Amounts owed by and to Oikocredit foundations and other group companies [1]		
	2016	**2015**
	€ ,000	**€ ,000**
Amounts owed to group companies		
Oikocredit International Support Foundation	24,524	23,521
Low Income Countries Loan Fund	6,372	4,263
Total owed to group companies (refer to note 48)	**30,896**	**27,784**
Amounts owed by group companies		
Oikocredit International Support Foundation cumulated exchange rate differences (refer to note 41)	706	11,658

[1] Market interest rates are charged on these amounts.

Funds available within the Oikocredit International Support Foundation
Total funds available within the Support Foundation to cover future category A and B costs, as well as guarantees and capacity building by Oikocredit, amounted to € 4.3 million at year-end (2015: € 4.9 million).

At year-end, the available local currency risk funds within the Support Foundation, to cover future currency losses on local currency loans, amounted to € 51.3 million (2015: € 37.9 million).

Other information

Proposal for allocation of net income
With respect to the allocation of net income, the Society's Articles of Association determine the following (article 43): 'The net profits shall be allocated by the General Meeting after receiving the proposals of the managing board'.

In its allocation of net income, Oikocredit strives to balance social impact, the Society's healthy financial position and fair investor returns. In order to prevent the Society from distributing unrealized exchange rate differences as dividend, this amount is added to the general reserve. This amount is separated within the general reserve and is designated for unrealized losses in future years. The remaining net income is available for reserves to ensure future social impact, general reserves and dividend distribution.

The managing board will make the following proposal to the annual general meeting 2017 with regard to 2016 net income:

- To add the amount in excess of the net result needed to pay the dividend to the general reserve, of which:
  a. € 4,189,000 to be added to the reserve for local currency loans
  b. € 3,260,000 to be added to the general reserve to cover for currency differences related to unhedged currency positions
  c. € 2,500,000 to be added to capacity building for partners
  d. € 1,286,000 to be withdrawn from the general reserve allocated as a reserve for the loans and investment systems (with effect from 2016 we decided to no longer have a separate reserve for this item)
  e. € 9,484,000 to be withdrawn from the general reserve in respect of revaluations of term investments (with effect from 2016 we decided to no longer have a separate reserve for this item)
  f. € 1,282,000 to be withdrawn from the general reserve allocated as a reserve for tax and legal structure (with effect from 2016 we decided to no longer have a separate reserve for this item)
  g. € 13,961,000 remaining to be added to the general reserve
- To pay a dividend of 1/12th of 2% for every full calendar month of 2016 that the EUR, USD, CAD, CHF, SEK and GBP shares were registered.

Allocation of net income		
The management team proposes to appropriate the net income as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
General reserve		
Reserve for local currency loans	4,189	-
Unrealized exchange differences (addition)	3,260	3,532
Capacity building for partners (addition less withdrawals)	2,500	(309)
Unrealized revaluation of term investments	(9,484)	(2,385)
Reserve for loans and investment system	(1,286)	(461)
Reserve for tax and legal structure	(1,282)	(483)
Reserve for business plan	-	(1,000)
Other	13,961	1,472
	11,858	**366**
Dividend distribution	**17,145**	**15,005**
Net income	**29,003**	**15,371**

Information on cumulative unrealized results and specific designated amounts in general reserve		
The breakdown of the balance of the cumulative amounts of the unrealized results included in the general reserve can be specified as follows:	**2016**	**2015**
	€ ,000	**€ ,000**
Cumulative amount of unrealized exchange differences in results	14,295	11,035
Local currency loans	12,121	7,932
Capacity building for partners	2,500	-
Cumulative amount of unrealized revaluation of term investments	-	9,484
Cumulative amount of reserve set aside for new loans and investment system	-	1,286
Cumulative amount of reserve set aside for tax and legal structure	-	1,282
Total unrealized results and designated amounts included in general reserve	**28,916**	**31,019**

KPMG

Independent auditor's report

To: the General Meeting of Members of Oikocredit Ecumenical Development Cooperative Society U.A.

Report on the accompanying consolidated financial statements

Our opinion

We have audited the consolidated financial statements 2016 of Oikocredit Ecumenical Development Cooperative Society U.A (the 'Society'), based in Amsersfoort.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the Society as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements comprise:

1 the consolidated and society balance sheet as at 31 December 2016;

2 the consolidated and society income statement for 2016; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Report on the other information included in the annual report

In addition to the consolidated financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— managing board report (including credit report, equity and business development report, social performance management report and investor relations report);

— supervisory board report; and

— other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the consolidated financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the consolidated financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the consolidated financial statements.

The Managing Board is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Description of the responsibilities for the consolidated financial statements

Responsibilities of the Managing Board and the Supervisory Board for the consolidated financial statements

The Managing Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the consolidated financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the consolidated financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the consolidated financial statements

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

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

— identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to errors or fraud, 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control;

— evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by The Managing Board;

— concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society'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 consolidated 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. However, future events or conditions may cause the company ceasing to continue as a going concern;

— evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and

— evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

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

Amstelveen, 1 March 2017

KPMG Accountants N.V.

M. Frikkee RA

Office information

International office

Management board

- Ms Ging Ledesma
  Interim managing director;
  investor relations and
  social performance director

- Mr Bart van Eyk
  Equity and business development
  director

- Ms Irene van Oostwaard
  Chief financial officer/
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- Mr Hann Verheijen
  Credit director

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  Singapore, South Africa, Tunisia,
  United Kingdom, Zambia

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Non-focus countries are in italics.

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Oikocredit terminology

Capacity building
In addition to providing financial services, Oikocredit offers its partners capacity building programmes to help them develop expertise and management skills in areas such as finance, risk management and social performance.

Country office
Oikocredit office working directly with partners and beneficiaries in national or regional markets.

Focus country
Country of special interest where Oikocredit believes there is significant need for financial services and where it can have a high impact.

National support office
Oikocredit office coordinating and supporting efforts to attract investors, working closely with local support associations.

Non-convertible debentures in India
A loan-linked instrument to raise long-term capital which cannot be converted into equity.

Non-focus country
A country where Oikocredit offers funding, but generally does not have an office.

Oikocredit international office
Oikocredit's headquarters in the Netherlands that coordinates and supports its activities worldwide.

Oikocredit International Share Foundation
The Share Foundation facilitates investments in Oikocredit for banks, development organizations and individuals.

Oikocredit International Support Foundation
The Support Foundation mobilizes grant funds to cover costs of Oikocredit's capacity building activities and certain types of operational costs.

Portfolio at risk - PAR 90
Percentage of our portfolio with a delay in payment of 90 days or more.

Regional office
Oikocredit office coordinating our development finance activities in a particular region.

Subsidized activities and model costs
Services such as capacity building support that Oikocredit provides to clients in addition to its core business of providing financial services.

Support association
Local organization engaged in raising awareness about Oikocredit.

Term investments
Oikocredit's investments in bonds.

Strategic **partners** and relevant **networks**

www.africanguaranteefund.com

www.agriprofocus.com

African Private Equity and Venture Capital Association

www.avca-africa.org

www.avpn.asia

www.svenskakyrkan.se

www.ica.coop

www.crs.org

www.csaf.net

www.eclof.org

www.e-mfp.eu

www.elk-wue.de

www.fairtradeusa.org

www.cmef.com

www.thegiin.org

www.gabv.org

www.iadb.org

www.inaise.org

www.themix.org

www.inclusivefinanceplatform.nl

www.unpri.org

www.riacanada.ca

www.smartcampaign.org

www.sptf.info

www.usaid.gov

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Oikocredit's vision is a global, just society in which resources are shared sustainably and all people are empowered with the choices they need to create a life of dignity.

OIKO CREDIT
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