OIKO CREDIT
investing in people

Annual report 2015

Contents
Annual report 2015

Cover

Jitegemea Credit Scheme (JCS) client Mrs Teresia Kiaithira Muiruri from Kiambu in Kenya, runs Kanunga Steel Hardware, a small business producing school boxes for boarding school students. She buys metal sheets and pays local craftsmen to turn them into school boxes. When she started selling metal sheets in 2003 she only had one employee – now with her latest loan from JCS for KES 700,000 (€ 6,150) she employs a team of three workers and can pay for her son and daughter to attend university. Mrs Muiruri is a widow with four children and the family's sole breadwinner.

JCS provides financial services to promote and empower micro and small enterprises across Kenya. Its services include loans, savings products and technical assistance. JCS has been an Oikocredit partner since 2004, maintaining its focus on clients' needs, despite its rapid growth. Oikocredit's financing has enabled JCS to disburse loans from various rural branches. This in turn is expected to lead to the expansion of thousands of micro and small enterprises, creating employment opportunities – especially in rural areas where access to credit remains a challenge.

Letter
from the chair

Dear friends,

Oikocredit passed two remarkable milestones in 2015. One was our 40th anniversary. The other was € 1 billion in total consolidated assets. Neither achievement would have been possible without the dedication and professionalism that are so evident throughout our development finance cooperative, as we strive together to build a world of justice, peace, sustainability and dignity for all.

Quality is as important as quantity. We can take pride in our commitment to marrying effective social performance with financial performance in our strategic areas of inclusive finance, agriculture, renewable energy and Africa. Examples of this include our comprehensive approach to capacity building and our increasing number of equity holdings in partner companies.

We saw no extraordinary results in 2015, such as major equity sales or currency revaluation. The year's 'normal' result illustrates how our margins are being compressed as market interest rates remain low, and more like-minded institutions join us each year in providing social finance solutions.

Changes in the financial inclusion field, such as in India where major microfinance institutions (MFIs) have received banking licences, are having an impact on our work. Government initiatives to provide financial services for people at the 'base of the pyramid' give us pause for thought. What is our role as pioneering social investors? Where can we still add value and where should we move on to new areas? This has driven our increasing emphasis on non-financial sectors and on business development.

Investing in people and systems is essential to keep Oikocredit well positioned to address today's challenges. Staff training, development and recruitment, and several systems-related projects, have kept us busy this year.

For our 40th anniversary we held memorable events including a major gathering in Berlin in June and tree planting in Amersfoort, Hyderabad and Nairobi on 4 November, our actual anniversary date.

With our new 2016-2020 strategy in place, we can look forward to the next five years with confidence. Our goals remain steady growth and a measurable social impact through 'development finance plus' – financial and non-financial support to partners in response to need. Let us continue to aim for triple bottom line returns, as transparently and accountably as possible, keeping in mind the importance of women's participation.

It is once again my privilege to thank those who, as always, make Oikocredit more of a movement than just an organization: our investors, members and support associations for continuing support and capital inflow; Oikocredit staff in all the countries in which we operate; our many partner organizations around the world; and my fellow supervisory board members.

Jacinta Hamann de Vivero
Chair of the supervisory board

Five-year **Oikocredit key figures**

Figures from the consolidated financial statements	2015	2014	2013	2012	2011	Reference
Members	581	589	596	598	595	
Investors (approximate number)	51,000	53,000	52,000	48,000	45,000	
Countries with regional and country offices	33	34	36	37	36	
National support offices and support associations	37	36	36	35	36	
Staff members in full-time equivalents (FTE) [1]	258	253	254	250	222	Note 25
Partners in portfolio [2]	809	805	815	854	896	
€ millions						
Total consolidated assets	1,026.3	907.1	779.2	723.3	671.9	Consolidated Balance sheet
Member capital [3]	806.3	711.1	634.8	558.5	514.2	Consolidated Balance sheet
Other lendable funds [4]	93.2	96.4	83.2	73.8	80.1	Consolidated Balance sheet
Total lendable funds	899.5	807.5	718.0	632.3	594.3	
Development financing activities						
New disbursements	419.0	337.9	306.1	218.2	196.1	Note 8
Increase % disbursements	*24.0%*	*10.4%*	*40.3%*	*11.3%*	*(4.9%)*	
Cumulative disbursements	2,531.7	2,112.8	1,774.9	1,468.8	1,250.6	
Total cumulative payments (capital, interest and dividends) by partners	2,052.2	1,714.7	1,432.9	1,180.2	953.3	
Total development financing outstanding	900.2	734.6	590.5	530.5	520.5	Note 8
As % of lendable funds (beginning of year)	*111.5%*	*102.3%*	*93.4%*	*89.3%*	*93.1%*	
Portfolio at risk 90 days	5.3%	5.1%	6.5%	7.0%	9.2%	
Loan loss provisions on capital and interest and impairment of equity [5]	68.6	59.6	52.4	60.5	64.0	Notes 8 and 11
Loan loss provisions and impairment of equity as % of development financing outstanding (financed by own funds) [6]	*7.6%*	*8.1%*	*8.9%*	*11.4%*	*12.3%*	
Write-offs capital charged to loss provisions [7]	6.8	6.1	7.5	13.1	4.1	Note 8
As % of development financing outstanding	*0.8%*	*0.8%*	*1.3%*	*2.5%*	*0.8%*	
Term investments	120.2	154.6	146.3	147.3	138.5	Consolidated Balance sheet
Total financial income [8]	75.3	65.4	56.7	63.4	55.1	Consolidated Income Statement
General and administrative expenses [9]	31.4	28.7	26.3	23.9	21.3	Consolidated Income Statement
As % of total assets	*3.1%*	*3.2%*	*3.4%*	*3.3%*	*3.2%*	
General and administrative expenses excluding grant-based expenses [10]	29.7	27.3	24.0	21.2	19.0	
As % of total assets	*2.9%*	*3.0%*	*3.1%*	*2.9%*	*2.8%*	
Impairments and additions to loss provisions	17.0	12.5	6.4	15.6	15.0	Consolidated Income Statement
As % of development financing outstanding	*1.9%*	*1.7%*	*1.1%*	*2.9%*	*2.9%*	
Net income (available for distribution) [11]	15.4	20.5	12.6	22.9	15.9	Society Income Statement
Proposed dividend	15.0	13.2	11.6	10.5	9.7	Other information

[1] Including staff employed by regional offices and national support offices.
[2] 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.
[3] The amounts for previous years have been adjusted, please refer to page 35 under Restatement.
[4] Other lendable funds are general reserves (2015: € 69.3 million) and non-current liabilities (2015: € 34.1 million) excluding hedge contracts (2015: € 10.2 million).
[5] Provisions and impairments on capital (2015: € 64.5 million) and provision on interest (2015: € 4.1 million).
[6] Some of our partners are financed by third parties (2015: € 0.3 million).
[7] Write-offs from portfolio amount to € 6.9 million, while write-offs charged to the loan loss provision amount to € 6.8 million as € 0.1 million relates to write-off from funds of third parties.
[8] Consists of interest on development financing portfolio (2015: € 68.6 million), interest on term investments (2015: € 3.4 million) and income from equity investments (2015: € 3.3 million).
[9] Including expenses covered by grants (for example capacity building expenses) and investments in a new common administration system.
[10] Excluding expenses covered by grants (for example capacity building expenses).
[11] Refer to Society Income Statement.

We are pleased to present the annual report and consolidated financial statements of the Society for 2015. This report highlights the most important developments during the year.

Management team report

Oikocredit in 2015: Growth and change

Oikocredit's 40th anniversary year was eventful. We would never have expected in 1975 to have surpassed € 1 billion in total assets 40 years later. Also in 2015 we achieved record levels of incoming investments and disbursements, addressed diverse challenges in our operating environment, invested in our organization and people, and sharpened our client-centred approach to social performance.

In 2015 our portfolio grew faster than expected, with a surge of incoming funds that we matched with record disbursements. We met our strategic targets in inclusive finance, agriculture, renewable energy and Africa. In equities our performance was solid as we began planned expansion. Interest income remained low because of the low interest-rate environment, and margins continued to be under pressure, not only for Oikocredit, but for all financial institutions.

The microfinance sector is changing as governments promote financial inclusion and domestic banks increasingly engage with microfinance in developing countries. This has led us to reflect on Oikocredit's role and to redouble our attention to business development. We continue to invest in our own organizational development – people, systems and processes – to meet the challenges ahead.

We celebrated our 40th anniversary year with several events. At a high-profile gathering in Berlin we reflected with our guests on the growth of our social cooperative and the changes the last four decades have brought in development finance.

Supervisory board and management team changes

This was Oikocredit's first full year with its dual structure of a supervisory board and a management board (which we continue to call the management team). Supervisory board members have worked with the Nyenrode Business Universiteit programme to enhance their corporate governance skills.

Our risk, compliance and IT director Albert Hofsink retired in 2015. Managing director David Woods assumed responsibility for treasury, risk and compliance. Irene van Oostwaard took on human resources, IT and facilities, and was subsequently designated chief financial officer/chief operating officer. Investor relations director Ylse van der Schoot also left Oikocredit, with responsibility for investor relations passing to Ging Ledesma who is now investor relations and social performance director. We thank Albert and Ylse for their valuable contributions over many years and offer them our sincere good wishes.

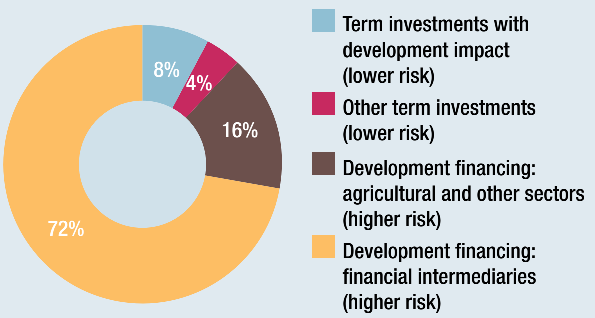
Bart van Eyk joined us as equity and business development director, an appointment that underscores the importance of equity investments and the need to respond to changes in the microfinance sector and to identify new opportunities.

Ms Alhaja Bola Malik, client of AB Microfinance Bank in Nigeria, runs a fabric store in Oshodi Market in Lagos.

2015 in graphs

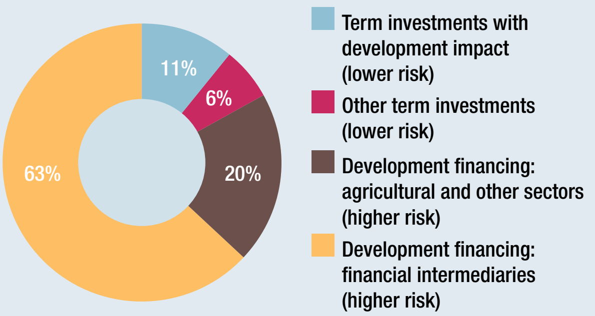
Investment mix Oikocredit invested funds 2015

As at 31 December 2015



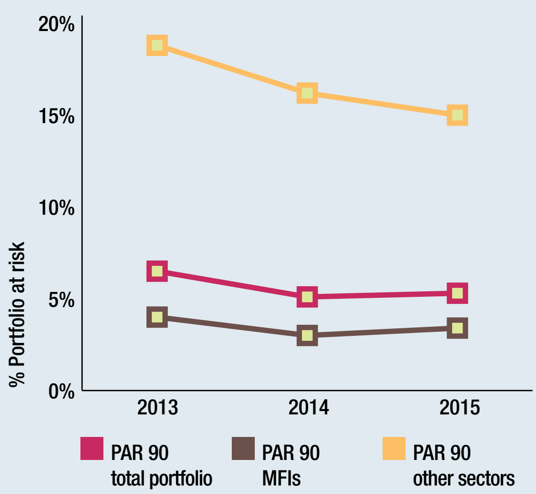
Investment mix Oikocredit invested funds 2014

As at 31 December 2014



Portfolio at risk

As percentage of total development financing
As at 31 December 2015



Strategic priorities

Oikocredit's development financing portfolio (loans and investments) grew to € 900.2 million in 2015, from € 734.6 million in 2014, a rise of 23%. Our strategic focus areas remained inclusive financial services (including microfinance), agriculture, renewable energy and Africa.

As a percentage of our total portfolio, financial services declined slightly from 84% to 82% due to diversification and faster growth in other sectors. An increasing element (8%) of our financial services portfolio comprises lending to banks that support small to medium enterprises (SMEs).

Development portfolio outstanding (credit and equity) in agriculture rose from € 81.6 million to € 113.3 million, more than anticipated, and our agricultural partners grew in number from 175 to 187. Agriculture represents 13% of our total outstanding development portfolio. Approvals and disbursements in agriculture increased by more than 70% and growth was dynamic, particularly in East Africa and southern South America. Our agricultural unit has driven our progress in this sector.

Our renewable energy portfolio grew to € 15.9 million, rising from virtually zero to 2% of the total development portfolio. Approvals and disbursements for this sector of € 21.0 million and € 8.1 million respectively were lower than planned, but it takes time to analyze and fund renewable energy partnerships and we are developing a good pipeline of projects. Health, education, construction, real estate, manufacturing, trade and other miscellaneous sectors comprised the remaining 3% portfolio share.

In Africa, our priority region, the development portfolio grew in absolute terms, and relative to our total portfolio, from € 104.1 million to € 158.1 million. We approved financing of € 117.0 million (2014: € 80.3 million), disbursed € 95.3 million (2014: € 48.1 million) and now have 207 partners in Africa.

Development financing

Approvals and disbursements

We approved a record € 497.8 million in loans and investments, a rise of 30% on € 383.8 million in 2014. Disbursements too reached record levels: € 419.0 million, up by 24% from € 337.9 million in 2014. Approvals in our equity investment portfolio grew well, following the appointment of our new director of equity.

Partner numbers increased slightly to 809, with the average loan size per partner also increasing. In 2015 we provided financing to partners in 69 countries.

Portfolio distribution

Africa's proportion of our loans and investments increased in 2015 to 18% from 14%, a good performance in a region where achieving growth can prove difficult. Asia's portfolio share fell to 27% from 31%. Latin America accounted for 45% of our portfolio, up from 43%. Eastern Europe and Central Asia (5%) and all other regions (5%) comprised the remainder.

Local currency loans and risk fund

To help protect partners from exchange rate fluctuations, we make loans in local currency where possible within acceptable risk limits. With demand rising, in 2015 we made local currency loans and investments of € 470.1 million (2014: € 412.3 million), representing 52% of the total portfolio (2014: 56%).

Our local currency risk fund has reached its limit. To maintain a stable level of local currency risk, and to enable us to continue making a high percentage of loans in local currency, we need to hedge more of our currency risks with external parties and source more donations. We thank members and support associations that have come forward with funding.

Portfolio quality

Our portfolio quality remained sound, with a stable level of write-offs. Portfolio at risk (PAR) – the percentage of the portfolio with payments more than 90 days overdue – increased slightly from 5.1% to 5.3%. We have paid greater attention to PAR in recent years and monitor for early signals of difficulties so that we can help partners sooner. We aim to balance working with smaller, higher-risk partners and larger, lower-risk ones and expect PAR to stay within acceptable levels.

Term investments (bond portfolio)

Oikocredit's fixed-income term investments performed as expected, with a total result of € 0.2 million on interest and revaluation (2014: € 9.0 million). The value of the bond portfolio deteriorated in December due to the easing of the monetary policy by the European Central Bank. We sold part of the portfolio earlier in the year to fund a part of our disbursements and to realize gains made in previous years.

We hold term investments for liquidity and risk management purposes, mainly in development banks and developing country government bonds, or bonds issued by corporations that operate in emerging markets and meet our ESG criteria. We originally set up and self-managed this portfolio, which is called the 4F Fund (Fund for Fair Future), but it is now externally managed. With the expiry of our current portfolio management contract in 2015, we sought new tenders and selected a new external manager in early 2016.

Member capital

Classification

In 2015, the management team opted to make use of an exemption in the Dutch Generally Accepted Accounting Principles (GAAP) to classify all member capital (shares in euros and foreign currency) under equity in the consolidated financial statements. In previous years only the euro shares were classified as equity under this exemption. The management team believes this provides better insight into the capital structure of the Oikocredit group. We refer to page 35 of the consolidated financial statements for the details of this change as well as the impact on equity and results.

Inflow of new capital

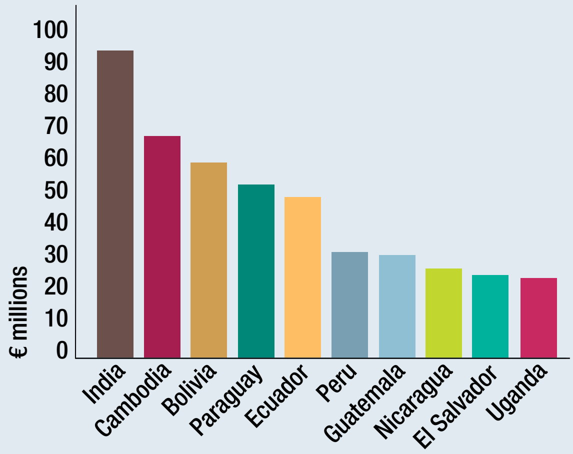
Gross inflow of total lendable funds was € 120.6 million (2014: € 89.7 million). Net inflow (gross inflow minus redemptions) increased to € 102.0 million (2014: € 81.5 million).

In 2015, after some years of attracting US investments through Oikocredit USA (OUSA), a registered charity, the OUSA board decided to wind down the organization, because the debt capital it was raising was costly relative to alternative sources of funds. We will maintain a strong presence in the US by setting up a new US entity, which will

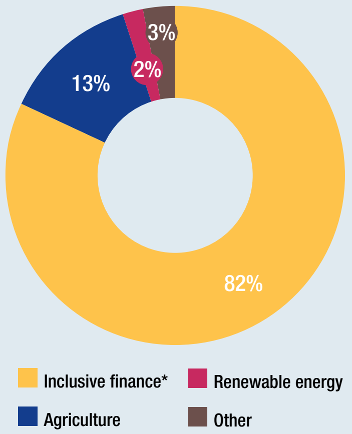
Ms Aminas Fin, a fruit vendor, is a client of Cambodian microfinance institution AMK.

2015 in graphs

10 countries with highest capital outstanding
As at 31 December 2015

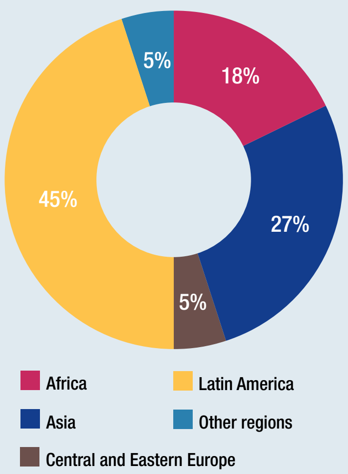


Development financing outstanding by sector
As at 31 December 2015



* including microfinance, SME finance and leasing

Development financing outstanding by region
As at 31 December 2015



manage relationships with co-funding partners and work on developing a banking product.

Social performance
We continue to embed social performance management (SPM) in all our activities and to develop more objective ways to measure social performance outcomes. Our client outcomes programme, which we have introduced in Cambodia, India, the Philippines and Tajikistan, builds partners' capacity to track, interpret and report changes in clients' lives over time.

Key areas of our capacity building support for partners include risk management (including in particular price risk management work with our coffee-farming partners), agriculture value chain development, improving SPM practices, product development, market coverage analysis and strategic positioning. We have begun to seek new funding for capacity building, which has in the past been financed by the Church of Sweden and ICCO – to whom we are immensely grateful – as well as with our own funds.

As an established leader in SPM, we participate in seminars and conferences to raise awareness and improve SPM practice among partners and peers. We are also devoting more staff time to environmental performance.

Infrastructure projects
Our new loans and investment information system, eFront, has been a major undertaking. Despite a few growing pains, we are happy with the new system, which we will run in parallel with our old systems until early 2016 and then complete the switch to eFront.

Our tax and legal restructuring project known internally as PLANET, due for completion in 2016, comprises a review of tax and legal compliance issues affecting Oikocredit offices around the world. The aim is to fully align our tax and legal status with our mission and fair taxation policy and to develop a more homogeneous approach to compliance and taxation requirements.

The new compliance officer position in Amersfoort has responsibility for legal and regulatory compliance across our inflow and outflow activities. We continue to respond to tightening anti-money laundering and other regulations in the EU and the US, as well as in the countries in which we operate with our outflow partners.

Income statement 2015
Financial income
In 2015 we achieved a solid financial result with an income after addition to funds of € 15.4 million. Oikocredit's total operating income in 2015 declined from € 80.7 million to € 64.0 million. The decline was mainly due to the lower term investment income of € 0.2 million (2014: € 9.0 million), a negative exchange rate result of € 4.7 million (2014: € 13.7 million positive) and higher hedge premiums of € 5.6 million (2014: € 2.9 million). There were no significant sales of equity investments. A major part of the exchange rate results is still covered by our local currency risk fund. The interest on our

development financing portfolio increased to € 68.6 million (2014: € 56.3 million) due to the growth of our portfolio.

Yield on our underlying portfolio, which comprises our operating income, continued to decline because of prevailing low interest rates. Our grant income was € 1.6 million higher, mainly due to a grant from the Swiss Agency for Development and Cooperation, in addition to funding from our traditional donors ICCO and the Church of Sweden as well as donations from our members.

Loss provisions

Additions to loss provisions increased from € 10.6 million to € 15.3 million as a result of portfolio growth.

Operational expenses

Operational expenditure was below budget and our cost ratio went down slightly to 3.1%. As Oikocredit develops we continue to invest in our people, as noted below, and our organization. Important investments in the future of our organization are the development of our new eFront system and the PLANET project.

Annual dividend

The management team had anticipated our decline in net income in 2015 as a result of our investing in the organization, and we set aside part of the good results in earlier years to be able to pay out a dividend in 2015. So even though the results are relatively lower than in previous years, we expect to recommend a 2% dividend to the supervisory board, which will make a recommendation to our 2016 annual general meeting (AGM).

Cash and currency management

Cash position

Oikocredit ended 2015 with a low cash total and a reduction in liquidity from 23% to 16% of total assets, close to the bottom of our intended range of 15% to 25%. Because our inflow and outflow both lack predictability, which makes cash and currency forward management challenging, liquidity provides an important buffer.

Financing of Maanaveeya

During 2015, our Indian subsidiary Maanaveeya attracted INR 300 million in new short and long-term loans from local banks to finance the growth of the portfolio.

Other developments

Audit committee

The audit committee met three times in 2015, and a new member was elected at the AGM in June. Graham Wright of MicroSave succeeded Andreas Neukirch of GLS Bank, to whom we are very grateful for serving two committee terms. Committee chair, Ruth Waweru, was elected to the supervisory board. The committee, our auditors and senior management held productive discussions about control issues, the business operating climate, the financial statements, risk management and our internal audit working programme.

Human resources

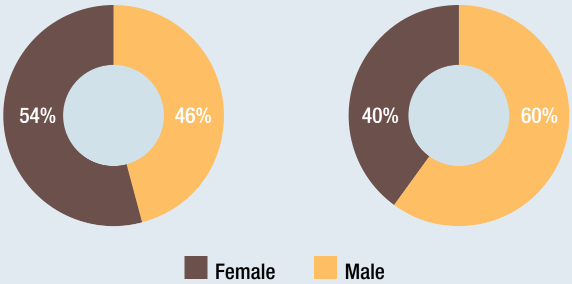
Our new staff training programme, Oikocredit Academy, got off to an excellent start with training in social and financial due diligence and in leadership. We believe firmly in the value

Fair trade cocoa beans ready for distribution at Cooperativa Norandino's processing plant in Peru.

Oikocredit staff overview

As at 31 December 2015

Division of staff by gender | **Division of management team by gender**



Oikocredit employs staff from almost 50 countries worldwide.

of staff learning from each other, and arrange staff exchanges between countries, regions and the Netherlands.

Our commitment to staff training and development has paid off well in the high proportion of vacancies that we fill with internal candidates. It has, however, proved challenging to fill some long-term staff vacancies in Eastern Europe. At the end of the year we had a total of 258 full-time equivalent staff, 170 of whom work outside the Netherlands, up from 253 in 2014.

Our human resources manager has moved to the new position of operations manager, and we have filled the vacancy left by this move on an interim basis while we seek a permanent successor.

Risk management

We have established an enterprise risk management unit under the new post of head of risk who reports to the managing director. The unit is leading a review of procedures and further professionalizing our risk management.

New 2016-2020 strategy

In 2015 we adopted a new strategy for 2016-2020 in which we have set a cumulative portfolio growth target of 50% by 2020, similar to the rate we have achieved over the past five years. The strategy divides our development portfolio into two. Segment I represents core loans and investments for partners with strong social performance and impact. If we have sufficient funds to invest beyond this core portfolio, we will support additional partners that fulfil minimum social and environmental standards (segment II) up to a maximum of 25% of the total portfolio. This helps us deploy our capital while seeking more beneficial investing opportunities.

Looking forward

We expect 2016 to be another exciting and challenging year. Oikocredit has long been a frontrunner in social investment, and we want to maintain this innovative role in new sectors. As the pace of change in microfinance accelerates, we expect to increase engagement with agriculture and renewable energy. We see major opportunities to make an impact in equity, as some of our partners grow beyond needing our support in lending.

We will continue to focus on sectors we know well or where we are rapidly developing expertise. Africa remains our priority region. In agriculture, which can be a difficult sector, working with like-minded organizations offers good prospects of making a difference. We will nevertheless stay open to new areas consistent with our mission.

The 31 Oikocredit support associations, their staff and volunteers continue to bring our mission alive by challenging people to share their resources through investing in Oikocredit. We will work closely with the support associations, not only in ensuring sustainable capital inflow but also in bringing in new investors.

We expect inflow levels to remain high, making management of larger sums of money with well-judged loans and investments crucial. Low interest rates will remain a key challenge for our margins, as will responding to changes in the financial services sector and ensuring that our products match what our partners and their clients need.

Being pioneers requires us to keep processes and structures under review, and continue to invest in our people, to ensure that we remain fully fit for a changing future.

We will move our accounting basis from Dutch GAAP to the International Financial Reporting Standards (IFRS) during the 2017 financial year. In anticipation of the implementation of the IFRS, we are analyzing all the effects on our reporting, and if necessary we will put forward proposals for changes to articles, reporting, policies and procedures.

Conclusion

We can be satisfied with Oikocredit's growth and development over the past year but cannot be complacent. We thank our indispensable investors and the many others who have worked with and supported us in diverse ways with talent and dedication during 2015, and we look forward to renewing our joint endeavours in the months to come.

We must never forget our sustaining vision of a just and empowered global society, and our guiding mission of using loans and investments to improve the quality of life of low-income people and communities sustainably around the world.

Amersfoort, 16 March 2016

David Woods
Managing director

Bart van Eyk
Equity and business development director

Florian Grohs
Credit director

Ging Ledesma
Investor relations and social performance director

Irene van Oostwaard
Chief financial officer/ chief operating officer

Supervisory board report

Implementing the new governance model

In 2015 Oikocredit completed its first full year of operations under the two-tier governance model that the Society adopted in 2014. Composed of two separate bodies – a supervisory board and a managing board (still referred to as the management team) – the new structure ensures a strict distinction between management and supervision.

The key responsibilities of the supervisory board are supervising the activities of the management team and supporting management by providing advice. The key responsibilities of the management team are realizing the strategy of the cooperative by managing operations on a daily basis. The management team reports to the supervisory board and provides it with information so that the supervisory board can carry out its responsibilities.

Although the two bodies are distinct and have separate tasks, they also have a shared responsibility in realizing the goals of the cooperative. Board effectiveness is defined as the extent to which the performance of both bodies together contributes to the achievement of the organization's goals.

The new two-tier model provides more clarity on the executive and non-executive roles than a one-tier model, where both roles are executed from within the same body. It also improves alignment between the two bodies and creates a strong supervisory force within Oikocredit's governance structure.

The annual general meeting (AGM) appoints the supervisory board. The supervisory board in turn appoints the members of the management team.

During 2015 the supervisory board adapted to its new role and began working on rules for itself and the management team, defining the duties and powers of each governing body.

Composition of the supervisory board

The following people were members of the supervisory board as at 31 December 2015:

- Ms Jacinta Hamann de Vivero (Peru) – Chair
- Mr Richard Librock (Canada) – Vice-chair
- Ms Ayaan Adam (United States of America)
- Ms Annette Austin (Australia)
- Ms Daira Gómez Mora (Costa Rica)
- Mr Karsten Löffler (Germany)
- Mr Karen Nazaryan (Armenia)
- Ms Åsa Silfverberg (Sweden)
- Ms Martina Straub (Switzerland)
- Ms Carla Veldhuyzen van Zanten (the Netherlands)
- Ms Ruth Waweru (Kenya)
  (joined the board during the year)

Secretary to the supervisory board:
Ms Juliette de Voogd (the Netherlands)

Supervisory board committees and working groups

The supervisory board has established new committees and working groups to improve its efficiency. Committee and working group members are elected from among, and by, supervisory board members.
The committees and working groups are:

- Personnel committee
- Risk committee
- Credit committee
- Stakeholder relations committee
- Governance working group
- Strategy working group

Other committees

Nomination committee

The nomination committee is elected by the members of the Society and has the task of collecting and organizing the nominations for candidates for membership of the supervisory board, the audit committee and the nomination committee itself.

Members of the nomination committee:
- Ms Annette Herrmann-Winter (Germany) – Chair
- Ms Kristina Herngren (Sweden)
- Mr Richard Librock (Canada) – Member supervisory board
- Mr David Mesenbring (United States of America)
- Mr David Woods (Ireland) – Managing director

Audit committee
The AGM has set terms of reference for the audit committee, which consists of three people elected by the AGM for a three-year term. The audit committee held three meetings during 2015 (two physical meetings and one by telephone). Together with our auditors and senior management, the committee reviewed such items as control issues, the business operating climate, the financial statements, risk management and our internal audit working programme.

Members of the audit committee:
- Ms Ruth Waweru (Kenya) – Chair
- Mr Andreas Neukirch (Germany) (left the committee during the year)
- Ms Ilse Roeleveld-Schmidt (Germany)
- Mr Graham Wright (United Kingdom) (joined the committee during the year)

Meetings of the supervisory board
The supervisory board held two meetings in 2015, in June and November. Subjects discussed included current business and recent developments, the strategy for 2016-2020, the relationship with the support associations, progress with the tax-legal project, control issues, rules for the supervisory board and management team, management team composition, the proposed members' council, the continuing education programme for supervisory board members, and the budget.

The November supervisory board meeting began with one day's training provided by Nyenrode Business Universiteit as part of the board's continuous education programme.

Remuneration of the supervisory board and management team
The remuneration policies of the supervisory board and the management team are described in note 33 of the financial statements.

Amersfoort, 16 March 2016

Jacinta Hamann de Vivero
Chair

Richard Librock
Vice-chair

Ayaan Adam
Supervisory board member

Annette Austin
Supervisory board member

Daira Gómez Mora
Supervisory board member

Karsten Löffler
Supervisory board member

Karen Nazaryan
Supervisory board member

Åsa Silfverberg
Supervisory board member

Martina Straub
Supervisory board member

Carla Veldhuyzen van Zanten
Supervisory board member

Ruth Waweru
Supervisory board member

In June 2015, close to 300 people from more than 30 countries came together to celebrate Oikocredit's 40th anniversary at Saint Elisabeth's Church in Berlin.

Credit

Strong strategic growth

In 2015 Oikocredit achieved record approvals and disbursements. We responded to changing market conditions, focused on our strategic priorities and maintained our distinctive combination of lending with capacity support for partners.

Total Oikocredit lending rose by 21% to € 822.9 million from € 677.8 million in 2014. The average loan size continued to grow, benefitting our cost-efficiency. The number of loan partners slightly increased to 776 from 774 in 2014, with some partners having both a loan and an equity investment.

Our credit strategy prioritizes financing socially oriented microfinance institutions (MFIs) that promote financial inclusion among low-income earners; agricultural enterprises working with small-scale farmers; partners active in renewable energy and energy inclusion; and partners in Africa. Capacity building remains a cornerstone of our investing ('finance plus'), especially in agriculture.

We disbursed loans for the first time in Sri Lanka and Zambia. We closed our country office in Tanzania but will stay active there via our East African regional office in Kenya.

We are developing our lending to commercial banks that finance small to medium enterprises (SMEs), especially in Africa. SMEs help create employment and strengthen local economies. While not a priority target, this form of lending helps channel our increasing inflow of funds.

Approvals and disbursements

We approved 251 new loans, slightly fewer than in 2014, with the value of approvals rising by 31% to € 460.9 million from € 350.6 million. Disbursements increased by 22% to € 395.3 million from € 322.8 million in 2014.

Portfolio growth was strong in all regions. We are reaching our exposure limit in Latin America, where, to keep our investments diversified regionally, future growth cannot exceed overall portfolio growth. We expect to invest more in agriculture and renewables in Latin America, and less in microfinance.

Agriculture

We met all our agriculture targets apart from a smaller improvement than projected in portfolio at risk (PAR). Out of the total agricultural portfolio (credit and equity) 85% (€ 96.2 million) was in loans. New loan products were introduced such as short-term finance for options to better manage price risk in coffee markets. Our agricultural unit is professionalizing and building internal capacity.

We support smallholder farmers through financing actors all along the value chain including input suppliers, agricultural cooperatives, traders and agro-processing enterprises that buy, process and export their produce. We also aim to engage with large companies to help make commodity supply chains more sustainable and deliver better returns to small producers. New agricultural partners include two coffee processing and exporting enterprises in Rwanda working with smallholder growers; Chetna Organic in India, which works with small fair trade organic cotton producers; and in Argentina fair trade wine cooperative La Riojana. All our agricultural projects share the aim of benefitting the lives of small producers and increasing food security.

Oikocredit has strengthened its collaboration with other like-minded investors to promote responsible lending and to share learning through our work in the Council on Smallholder Agricultural Finance.

Renewable energy

Our renewables strategy aims to meet our triple bottom line commitment to environmental protection; to assist the transition from high-carbon fossil fuel energy to renewable power; and to provide affordable off-grid energy to low-income households. The renewable energy team has developed well, with two more staff at our international office in Amersfoort, a coordinator in Central America and another in southern South America.

We are keen to finance both grid-connected renewable energy infrastructure projects and small innovative renewables ventures, such as our partnership in Kenya with

UK-based BBOXX. The company provides solar panels, lamps and chargers to energy-excluded households, which pay for the products in instalments. This is the first securitization of off-grid solar home systems in Africa; loan contracts are pooled, and we buy the resulting cash flows as notes. Securitization is a good option for young companies that lack capital to access external finance.

We also work with renewable energy service companies such as Fourth Partner Energy in India. This company installs rooftop solar panels for rural colleges, schools, warehouses and factories, helping them to reduce energy costs and better manage power cuts. With the International Finance Corporation (IFC) and Triodos Bank we are co-financing the sizeable COHESSA photovoltaic park in Honduras.

Out of the total renewable energy portfolio (credit and equity), 52% (€ 8.3 million) was in loans. For 2016 we have a strong pipeline of potential solar, wind and run-of-river hydro projects both as sole lender and in collaboration with Triodos, IFC, the Inter-American Development Bank (IDB) and the Dutch development bank FMO.

Africa

We grew significantly in Africa. Out of the total Africa portfolio (credit and equity) 87% (€ 137.9 million) was in loans. We are refining our social criteria for lending to African banks that finance SMEs, which is important to our regional growth strategy because of the small risks involved and the local economic benefits. To ensure a good portfolio mix between MFIs and banks in the future, we have limited the total exposure to commercial banks.

We celebrated Oikocredit's 40th anniversary and our Kenyan regional office's 20th anniversary with a conference in Nairobi on 'Finance Plus'. Partners, staff and others from across East Africa shared experiences and networked. Several of our partners concluded that integrating social performance into their business processes not only benefits clients but makes good business sense for the institution itself.

Portfolio at risk

Portfolio quality remained stable, especially in microfinance. Portfolio at risk (PAR) – the percentage of our loan portfolio with payments more than 90 days overdue – increased slightly overall to 5.3% in 2015 from 5.1% in 2014. PAR in agriculture, affected by low coffee prices, decreased less than expected, from 15.7% to 14.0%, but still in line with our plans. PAR in renewables is low at 0%, while the fall in PAR in Africa from 11.1% to 7.4% was a particularly welcome development.

Syndicated loans

In 2015 we made several loans in partnership with development finance institutions. A syndicated loan with FMO financed SA Taxi Development Finance, a provider of vehicle finance and insurance to small minibus taxi operators in South Africa, where there is a need for safe and reliable transport. With FMO and others we made a joint loan to Commercial Leasing & Finance in Sri Lanka, which provides

BBOXX technicians installing solar panels in Rwanda.
In late 2015, Oikocredit invested in BBOXX DEARS Kenya LLP.

Mrs Rosalia Alicia Sanchez Valecia grows fruit, vegetables and flowers with her husband. Mrs Valecia is a client of CONCRESES, a credit union supporting micro, small and medium enterprises in Mexico.

financial services to micro enterprises and SMEs. We approved co-financing with the IDB for the socially oriented Peruvian MFI Confianza.

Macroeconomic and market trends

As the microfinance sector matures and MFIs become larger, more investors are providing finance, including commercial banks, and fewer new MFIs are starting up. Client over-indebtedness remains a concern, and we welcome more regulation for client protection. Margins continue to be under pressure because of low interest rates, particularly in Eastern Europe and India. These developments challenge Oikocredit as a social investor. We will continue to innovate, while maintaining support to current partners.

Where a country's or region's economy improves, the need for our engagement tends to diminish as more lenders support microfinance. In India the government has licensed 10 MFIs to become banks, of which eight are partners with whom we expect our enabling role to lessen. We are developing new strategic areas in India instead, such as further support for renewable energy, co-lending with others to SMEs and subordinate lending to MFIs via longer-term quasi-equity.

Where economic problems mount, demand for our investments usually rises. Our loyalty to partners helps in difficult times. With Brazil entering recession, the declining availability of mainstream finance has led MFIs to turn to us for support, and the trend is similar in Argentina, where we have financed more agricultural cooperatives.

Organizational developments

Oikocredit has introduced eFront, an improved management information system for administering loans and investments. We have run the new software and our older system together for a limited period and will cease using the latter in early 2016.

Our new training programme for staff, called Oikocredit Academy, began providing social and financial due diligence training for regional project staff in Africa, which we will extend to Asia, Eastern Europe and Latin America. We trained regional agriculture staff in Kenya and Peru on cash flow and price risk management. Senior managers from all regions, the central departments, the equity department and the renewable energy and agriculture units received leadership training.

Looking forward

We see good opportunities to grow in sectors such as agriculture and renewable energy. At the 2015 Paris climate change talks many governments committed to reduce carbon emissions, so we expect renewable energy to strengthen as an investment growth sector, especially in developing countries. We are evolving innovative structures to lend to companies providing off-grid affordable solar power in Africa and India. We also expect increasingly larger loans to MFI partners as the sector matures.

Despite impressive growth in 2015, Oikocredit's credit operation faces challenges, including competitive pressure on interest margins and political instability in some countries.

Africa Good results in our priority region

We continue to perform well in Africa, where low commodity prices have weakened gross domestic product (GDP) growth in many countries. We are developing our agricultural lending and support commercial banks that finance small to medium enterprises (SMEs), helping to generate jobs and local economic growth.

We coordinate our work in Africa through the East African regional development centre in Nairobi, Kenya, the West African regional office in Abidjan, Côte d'Ivoire, and the developing markets team at the international office in Amersfoort, which supports our activities in other African countries.

In East Africa we had a successful year despite our lending coming under pressure following depreciation of local currencies. In 2015 our total outstanding portfolio rose to € 53.8 million, mainly driven by loans and fixed deposit placements with MFIs and banks lending to SMEs. Agriculture approvals at € 7.0 million were well above target. We held 'Finance Plus' conferences in Uganda (April) and Kenya (December). In Rwanda we officially launched our country office.

In most West African countries GDP growth remained above 5%. Cocoa producer prices rose in Côte d'Ivoire and Ghana on the back of favourable international market trends. Cashew prices also increased while other agricultural commodity prices remained low. Our total portfolio stands at € 38.6 million (compared with € 23.5 million in 2014) invested with 67 partners active in agriculture and financial services. We approved loans to leading MFIs in Benin and Senegal that had been out of our portfolio for some years. Opportunities for funding and capacity building are expected to remain strong.

Elsewhere in Africa we support partners in Cameroon, Ethiopia, Madagascar, Malawi, Morocco, Mozambique, Nigeria, South Africa, Tunisia and Zambia, with the total portfolio in these countries rising strongly to € 67.8 million. We are developing a portfolio of financial institutions supporting SMEs with a strong focus on employment creation. Further, we extended our footprint in Zambia with the provision of two loans to financial institutions. We will continue to support financial institutions and strengthen our position in Cameroon, Ethiopia, Mozambique, Nigeria and South Africa.

Kenya Women Microfinance Bank

Kenya Women Microfinance Bank (KWFT) is a microfinance bank founded in 1981 by a small group of women who used their own savings as capital to start the business. Their vision was to set up a female-run financial institution solely devoted to addressing the financial needs of women. KWFT has grown to become the largest and only microfinance institution catering exclusively to women in Kenya.

The MFI bank was built on the assertion that access to finance can transform women's lives. KWFT now provides various financial services and products to more than 600,000 women across Kenya to start or build up income-generating enterprises. Of KWFT's clients, 99% are female borrowers, most of whom are entrepreneurs, salaried employees or smallholder farmers.

KWFT employs over 2,800 staff across Kenya. It is regulated by the Central Bank of Kenya and has a network of over 220 branches and offices across the country. In addition, the bank uses mobile banking and ATMs to increase its outreach, particularly in rural areas. KWFT partnered with Oikocredit in 2010, receiving its latest loan in 2015 to increase its lending to female entrepreneurs.

Asia Another productive year

While 2015 was challenging in Asia on several fronts, we continued to innovate, diversify and enlarge our portfolio. We are helping partners in Southeast Asia prepare for natural disasters and the effects of climate change.

India was economically stable, with inflation under check. India's government launched an initiative encouraging every adult to have a bank account. We approved a total of 36 loans and investments in South Asia with a value of € 57.4 million, including our first two partners in Sri Lanka. Oikocredit's Indian subsidiary Maanaveeya has ventured into financing solar renewable energy by investing in solar SMEs and piloting a new business model of acquisition and leasing of solar assets. We successfully launched sub-debt and other quasi-equity products in the region. The Reserve Bank of India's decision to approve several MFIs including our partners to become small finance banks has far-reaching implications and may limit our opportunities to partner with them. Maanaveeya is considering new openings to work with non-MFI financial institutions and with more agricultural value chain and renewable energy partners.

In Southeast Asia overall GDP growth was 4.5% and political environments generally stable. Our portfolio increased by 31% to € 95.2 million. We successfully diversified geographically, reflected by the share of our portfolio invested in non-focus countries. This included a return to Indonesia with responsible, well-performing new MFIs and developing partnerships with MFIs in Vietnam. We reached our country limit in Cambodia, were held back by low interest rates in the Philippines, and encountered challenges stemming from restrictive regulatory conditions in Vietnam.

Climate change is increasing the frequency of natural disasters in Southeast Asia, one of the world's most disaster-prone regions, with heavy impacts on the agriculture sector. Our disaster risk reduction and management capacity building programme aims to improve partners' resilience through disaster preparedness and business continuity planning. We continued for a second year with training including mentoring/coaching workshops in the Philippines for partners from Cambodia, Indonesia, the Philippines and Vietnam. Several partners on the Philippine island of Luzon successfully drew on their disaster plans during typhoon Koppu in October.

Thrive Solar

Thrive Solar Energy Pvt. Ltd is an Indian social enterprise that designs, develops and manufactures low-cost solar-powered products. Thrive Solar was initially established in 2001 by an Indian entrepreneur who identified lighting as an essential part of his country's ongoing development.

In India, many off-grid homes and workplaces rely on expensive and unsafe methods of lighting such as candles, diesel generators and kerosene lamps. Kerosene lamps in particular emit toxic fumes and have a reputation for causing accidental fires, resulting in severe burns and even deaths. Thrive Solar's social mission is to bring safe and affordable lighting into off-grid households and workplaces, with a focus on study lamps for schoolchildren under its 'One Child One Light' programme.

Thrive Solar manufactures small portable LED lamps in its factories in India and Kenya. In addition to lamps and home lighting systems, Thrive Solar produces photovoltaic panel systems and solar LED street lights. The company employs more than 300 people, 70% of whom are women. Oikocredit disbursed its first loan to Thrive Solar in 2015 to fund home lighting systems and other solar products.

Latin America

Record approvals, continuing diversification

In 2015 we maintained good progress in Latin America, approaching our upper portfolio limit in several countries. We were active in partner capacity building and continued to diversify.

In Mexico, Central America and the Caribbean economies performed well, apart from Mexico's devaluation. We saw record approvals and our loan portfolio grew by 18% to € 131.4 million. We continue to diversify, with the majority of our loans funding microfinance institutions and financial intermediaries which provide finance for housing, education and SMEs. Our agriculture portfolio decreased slightly in relative terms due to falling coffee prices and lower demand. We also financed partners active in forestry, recycling/packaging and health. We developed contacts and knowledge in renewable energy and undertook capacity building to strengthen our partner organizations. We expect strong development in renewables and steady growth in agriculture. In financial services, diversification towards savings and loans cooperatives continues.

Our northern South American portfolio (Colombia, Ecuador and Peru) grew by 37% to € 85.4 million, mainly in microfinance and in Ecuador. We approved 27 new projects worth € 47.9 million. At year-end, 90% of the regional portfolio was in financial services (46 partners) and 10% in agriculture (30 partners). Capacity building focused on agriculture value chains, governance, price risk management and organic farming. Regional GDP growth is expected to decline in 2016. Our main challenges are to maintain growth and portfolio quality while diversifying into new agricultural products.

The portfolio in southern South America (Argentina, Bolivia, Brazil, Paraguay and Uruguay) increased by 27% to € 161.8 million, which makes it Oikocredit's largest regional portfolio. Approvals reached a record of € 67.1 million. We approved 14 new capacity building interventions, including in organic certification and integrated pest management for coffee production. We recruited a new Brazil country manager and project officer. Argentina is adopting more orthodox economic policies, while Brazil is struggling with its fiscal deficit. Low commodity prices may affect portfolio development.

Red Ecolsierra

Red de Productores Ecológicos de la Sierra Nevada de Santa Marta (Red Ecolsierra) is an association of organic and fair trade coffee and honey producers located in the department of Magdalena, in the northern Caribbean coast of Colombia. Red Ecolsierra was established in 1997 with 71 small producers and has since grown to include 350 smallholder farmers.

Red Ecolsierra has made it its mission to promote the ecological farming of coffee while improving the quality of life for its farmers and their families. The association encourages its producers to innovate through beekeeping, providing additional incomes for the farmers. Red Ecolsierra also provides support for the introduction of sustainable agricultural practices including fair trade and organic certification.

Oikocredit originally partnered with Red Ecolsierra in 2010 because the association combines its production of organic products with fair prices and a cooperative spirit. Oikocredit supported Red Ecolsierra's growth and provided financing to the cooperative to build its own warehouse. The latest loan to Red Ecolsierra was disbursed in 2015 for the procurement of coffee from its producers.

Eastern Europe and Central Asia
Holding steady

Eastern Europe and Central Asia present a mixed operating environment, with better prospects in some countries than in others. We continue to invest, innovate and build partners' capacity in line with our mission and strategy.

For Oikocredit, Eastern Europe and Central Asia is a complex region with a diverse portfolio of agricultural, renewable energy, microfinance and fair trade partners in 16 countries. Earlier solid portfolio growth in our lending to MFIs in several countries has given way to a focus on portfolio quality and managing open currency positions. Lower demand for loans from MFI clients has resulted from a fall in remittances, high local currency volatility and higher local currency interest rates.

Major microfinance markets in the Caucasus and Central Asia became vulnerable due to sanctions against Russia and falling oil prices. We have not pursued development plans in Russia or Moldova. Economic stability in Bulgaria and Romania led to increased liquidity of local markets and lower interest rates, despite which we achieved good results for approved loans in both countries. We continue to serve long-standing partners in the Balkans and have restarted lending in Ukraine following the earlier slowdown caused by the armed conflict in the eastern part of the country.

Based on our new SME lending product we approved loans for two SME banks, in Romania and Ukraine, both of which focus on supporting micro enterprises and SMEs. We participated in a syndicated loan for an agricultural project in Bulgaria and another for a microfinance bank in Kyrgyzstan.

We have completed several social performance and capacity building projects. Partners in Kosovo and Moldova achieved Client Protection Principles certification. In Romania and Tajikistan we worked with partners on new product development and social performance management respectively.

Management and staff composition of the regional office changed in 2015, and the new team should be completed in 2016. Although the region does not appear set for rapid GDP growth, we anticipate results consistent with our five-year growth strategy.

Maritza Invest

Maritza Invest Cooperative is a Bulgarian agricultural credit cooperative providing loans to its members, the majority of whom are small to medium-sized agricultural producers and entrepreneurs living in rural areas. It was founded in 1996 by 100 farmers who each paid a share to establish the cooperative.

Maritza Invest has since grown to 730 members, 560 of whom are active borrowers from the cooperative. In rural Bulgaria, many farmers and small entrepreneurs struggle to gain access to capital. Maritza Invest is the only financial provider for farmers and entrepreneurs in the region surrounding Bulgaria's second-largest city, Plovdiv. The cooperative therefore plays a crucial role in the local community, providing farmers with much-needed capital to purchase seeds, fertilizers and farm machinery to grow their businesses.

Oikocredit originally partnered with Maritza Invest in 2006 to provide tailored credit to meet the needs of its members. In 2015, Oikocredit disbursed its sixth loan to the cooperative, which will be used to lend to its own members.

Investing for the longer term

Equity investing and business development increasingly matter to us as our operating environment continues to change. We aim to grow our equity portfolio significantly and to develop innovative new business ideas.

Oikocredit makes equity investments in selected partners that need strategic risk capital. We offer patient, long-term capital for partners that meet our financial, social and environmental criteria. We take minority stakes and support partners by offering guidance on governance issues and key strategic decisions through active board participation. In many cases we also add value by leveraging on Oikocredit's international network and by bringing in prospective co-investors. In our equity holdings we strive to achieve a sound balance between the social and financial impact and to earn a reasonable return.

Portfolio growth and distribution

The equity portfolio grew by 36% to € 77.3 million in 2015, from € 56.8 million in 2014, and comprised 55 direct equity stakes and specialized funds. We processed approvals of € 37.0 million and disbursed € 23.6 million (compared with € 33.2 million and € 15.1 million respectively in 2014). We sold one small equity stake and acquired six new investments.

Geographically our equity stakes are distributed between Africa (26% of our portfolio share), Asia (14%), Eastern Europe (3%), Latin America (33%), and other regions (24%). Of the portfolio's holdings, 61% are in financial services, 22% in agriculture and food processing and 10% in renewable energy. 14 investments (22%) are in managed funds. The majority of the funds we invest in finance small and medium enterprises (SMEs).

Our equity strategy

Oikocredit invests in partners' equity as one of a range of financial solutions that we offer. When SMEs and other partners start up and grow, they particularly need equity, which helps them strengthen their capital base and attract loans to grow their business. With our direct investments we take a board seat, enabling us to provide guidance and support as the enterprise grows, including on social performance management (SPM) and environmental policies, as part of our 'finance plus' approach to investing.

Our equity strategy envisages direct investments of between € 2 million and € 10 million in an increasing number of partners, each comprising 15% to 35% of the investee company's equity. In selecting equity partners we prioritize inclusive finance (which encompasses microfinance institutions but also other institutions from the financial sector, such as regulated banks and companies providing factoring and leasing services to SMEs), agriculture (comprising agricultural producers and agro-processing companies with a view to benefitting smallholder farmers) and sub-Saharan Africa.

Oikocredit is unique in having offices in more than 30 countries and staff close to partners. Credit partners, who value our loyalty and long-term relationships, often ask us to invest in their equity and thus constitute a natural potential pipeline for future holdings.

Developments and challenges

Microfinance is maturing and consolidating – a case in point being India, where some of our microfinance institution (MFI) partners are in the process of converting into licensed banks. We need to carefully monitor our equity holdings in microfinance, and decide whether we are still making a difference or whether we should move into new areas.

We are diversifying our equities into agriculture because of the importance of food security. Our in-house agricultural unit helps us assess, monitor and support portfolio companies. In 2015 we approved new equity investments in agriculture and food processing in Central America and West Africa which will benefit small farmers.

Also in 2015 we hired a director for equity and business development which brought the equity unit to the level of a department with representation on the management team. We added one staff member, bringing our equity staff numbers to 13: nine in Amersfoort and four in the regions – Costa Rica, Côte d'Ivoire (two posts) and Uruguay.

We made internal management changes, professionalized our organizational structure, processes and strategy, and set in place internal checks and balances to underpin future growth.

We are building a pool of external experts with the necessary financial, sector and governance expertise to take on our board seats.

Business development

Business development has gained in focus at Oikocredit. We were one of the first social investors to invest in microfinance, which has since become mainstream, and want to continue to break new ground. The aim is to seek new markets, sectors and products and to select interesting ideas based on clear criteria: social impact, scale or volume, margins (for financial sustainability) and innovation.

We have established a business development unit, initially comprising the equity and business development director plus two other team members. One has considerable Oikocredit experience; the other comes from a business development background with relevant experience in Africa and Eastern Europe.

Business development starts with blue sky thinking. We then select and shortlist ideas that merit further investigation, and assess these with a quick scan or mini-business plan based on business development criteria. Ideas that pass this stage will go to the management team for consideration and, if approved, undergo further development. The most potentially viable ideas will then be piloted in cooperation with regional staff. Successful pilots will be extended and replicated in other regions.

Looking forward

Good opportunities lie ahead from an equity and business development perspective. Oikocredit's partners need equity investments; we want to grow the portfolio and be impactful; and there is strong commitment at management team and supervisory board level.

We hope to achieve € 100 million in equity holdings in 2016 and to develop the portfolio to more than € 200 million over the next five years, while increasing equity's share of the total portfolio. Much growth is likely to come in the agriculture and food processing sector. Financial and environmental, social and governance (ESG) screening will need to remain rigorous. In 2016 we hope to recruit more equity staff in the regions. In the years to come, we plan to grow the unit to a total of 25 staff.

In business development we will investigate how to continue making smaller-sized investments and loans in a more cost-efficient way by the use of fintech solutions. Smaller investments in start-up and early-stage enterprises are much needed, and we want to fill this gap.

Also under consideration is the idea of working in partnership with larger organizations in areas such as healthcare, insurance, education, agriculture, clean water and sanitation for people on low incomes in developing markets. Here we see opportunities to influence supply chain and service delivery sustainability at scale and to promote social and economic inclusion at the 'base of the pyramid'. We will apply stringent ESG criteria before entering into any such partnerships.

Mrs Victoria Yucra paints figures for the table football sets that her husband Felix manufactures. Her husband is a client of Banco Pyme de la Comunidad in Bolivia.

Two of our equity partners

Fusion Microfinance

Fusion Microfinance Pvt Ltd. is a non-banking financial corporation providing micro loans to women in the rural areas of northern and central India. Fusion was established in 2010 by two entrepreneurs with a vision to build a sustainable and scalable MFI that would also be socially responsible.

The Delhi-based MFI has since grown to become a leading medium-sized microfinance institution with more than 350,000 clients across five states. Fusion primarily offers group loans to women in rural areas with limited access to financial services. The MFI also provides other social services to its clients, such as financial literacy workshops and hygiene and nutrition information sessions. Fusion partnered with Oikocredit shortly after its inception and has since received a total of four loans through Oikocredit's Indian subsidiary, Maanaveeya.

In 2015, Oikocredit's equity team invested in Fusion as part of its strategy to build a quality portfolio of well-managed, medium-sized MFIs in India. By investing in these MFIs, Oikocredit is able to play an active role in the evolving Indian microfinance industry. MFIs like Fusion are growing in India, allowing them to provide additional services that benefit borrowers such as agriculture and education loans and even mortgages.

Oikocredit and Maanaveeya have been working closely with Fusion to further improve its social performance capacities, providing guidance on the better use of the client data and assessing clients' needs.

Cafetalera Nicafrance

Cafetalera Nicafrance is an agro-forestry company specialized in producing high-quality certified coffee and timber in Nicaragua's Matagalpa department. Founded in 1992, the company has grown to become one of the biggest coffee farms in Central America, supplying large international roasters and leading coffee brands.

Nicafrance has a significant impact on the local community and economy which is largely dependent on the coffee industry. In addition to creating up to 6,000 permanent and seasonal jobs, it provides healthcare, transportation, housing and education to its workers and their families. The company also sources coffee from smallholder farms in the area.

Nicafrance has provided vital support to small-scale coffee farmers since the coffee rust outbreak in 2012 which crippled production and threatened the livelihoods of the area's low-income earners. Nicafrance has been developing an out-grower programme which provides capital and technical assistance to support the rehabilitation of coffee farms in the surrounding area.

The programme intends to build a coffee cluster to produce around 5,000 tonnes of specialty coffee per year for high-end roasters, fetching a premium which will contribute to the company's social initiatives. The company will continue to invest in sustainable forestry in line with its Rainforest Alliance certification.

Nicafrance became an equity partner of Oikocredit in late 2015, giving Oikocredit a seat on its board. Oikocredit provides Nicafrance with strategic guidance, governance experience and an opportunity to leverage from Oikocredit's global network of agricultural partners.

Social performance management

Building a better world with 'finance plus'

Helping disadvantaged people achieve lives of dignity requires both sound investment and close attention to organizational practice and quality of outcomes. As we strive to build a better world together with our partners, we need to remain innovative and rigorous in our work.

Social performance management (SPM) is central to Oikocredit's mission of empowering low-income people sustainably. We use our environmental, social and governance (ESG) scorecards for social due diligence in selecting microfinance institutions (MFIs) and social enterprises as partners. Once selected, we support partners in implementing their social mission, and we carefully monitor, assess and report outcomes to ensure our joint efforts are on track.

Our triple bottom line commitment to social, environmental and financial results means that SPM includes environmental issues. We provide on-the-ground support, training and collaboration to help partners build capacity to serve clients better. We share our learning with, and seek to influence, social investor peers. In our fast-changing operating environment there are always lessons to learn and adjustments to make.

Capacity building programmes

Oikocredit's social mission involves a holistic approach to responsible financing where social, financial and environmental returns are truly integrated. Supporting our partners to achieve their social missions and sustainability goals is an integral part of our activities and the focus of our capacity building programmes.

In 2015, with much appreciated support from donors, including the Church of Sweden and ICCO, and using our own funds, we spent € 1.7 million on 140 capacity building engagements: € 670,000 in Latin America, € 581,000 in Africa, € 307,000 in Asia, and € 152,000 on global, inter-regional initiatives as well as work in Eastern Europe and Central Asia. Our largest areas of capacity building are risk management (€ 564,000), support for agriculture value chain development (€ 510,000) and improvement of SPM practices (€ 395,000).

ICCO and Oikocredit have a long history of working together and in 2015 completed five years of collaboration on capacity building. Now seeking new donors for this work, we have much appreciated funding from several member organizations, particularly emerging support from Oikocredit support associations.

A new structure for capacity building (CB) is being implemented in 2016. The new approach, which builds on work we have developed over the years, has capacity building structured around three global programmes: CB in agriculture; CB in financial services; and CB in client outcomes. The aim of the global programmes is to continue providing meaningful support to our partners and their clients.

Strengthening capacities

Many MFIs need support in risk management. Our risk management capacity building explores key risks, enabling partners to draw up risk scorecards and identify steps to mitigate risk. We have provided this form of support in Africa, Eastern Europe, Mexico, Central America and the Caribbean, and Southeast Asia.

Most of the world's poor still live in rural areas of low agricultural productivity or with limited market access. Oikocredit has been working with agricultural cooperatives, associations and organizations across the globe to improve business management and farmer welfare and to strengthen farmers' capacity to improve their environmental practices.

We encourage and support partners' adoption of relevant approaches to improve their financial services and practices. The Progress out of Poverty Index (PPI) assists with client targeting. Adherence to the Client Protection Principles (CPPs) enhances and ensures client protection. Our SPM mentoring programme provides guidance to MFIs on how to improve strategies and operations for the benefit of low-income clients. We also build partners' capacity in planning and positioning, for example with a strategic reorientation, and help MFI partners develop products and services better suited to their clients' needs.

Capacity building: field examples

In 2015 we helped three Rwandan coffee-producer partners progress towards, and apply for, Rainforest Alliance certification through expert assessments and implementation of actions needed to qualify for certification. One partner has been audited and awaits certification, and the other two are due for auditing soon. In Bolivia we assisted a quinoa farmers' cooperative in achieving organic certification, in conducting a geo-referencing study of farm plots and production levels, in applying innovative technology to expand organic cultivation in arid highland areas, and in improving yields.

We supported MFI partners in Guatemala and Nicaragua in setting up computer software for comprehensive social and portfolio information management. The new system integrates PPI measurement, CPP self-assessment, food security and customer satisfaction surveys and provides timely social indicator reports that help partners monitor progress towards their social goals.

In India we supported an MFI in improving value chain positioning for small-scale women cashew processors through training and upgrading equipment for cutting, drying and packaging. We helped a Vietnamese partner provide train-the-trainer courses for 510 community leaders and financial literacy classes for more than 20,600 low-income female clients. Also in Asia, we continued to provide capacity building in disaster management for MFIs from several countries in Southeast Asia.

Client outcomes programme

Many MFIs collect client data but do not consistently analyze it or make decisions based on the findings. Oikocredit's client outcomes programme develops partners' capacity to track, interpret and report changes in clients' lives over time and includes quantitative poverty analysis. We have introduced the programme in Cambodia, India, the Philippines and Tajikistan and have started selecting partners in Central America. During a training week, we support partners in data collection, analysis and usage and help them build dynamic dashboards to track poverty and employment data over time for clients in their portfolio.

By December 2015 through this programme we had collected almost 2 million client records with 11 partners. Highlighting the value of evidence-based learning for MFI managers is a key focus. After training, managers often decide to modify the way their MFI works to provide better services to clients.

Environmental focus

All six principles of Oikocredit's environmental policy received attention in 2015, including an evaluation of our disaster risk management capacity building in the Philippines and a survey on regional experiences with our environmental assessment guidelines for projects. In 2016 we will update the guidelines with clearer references to the International Finance Corporation's performance standards on environmental and social sustainability.

The principles of Oikocredit's environmental policy

1. **Environmental management:** we safeguard natural resources and climate in respect of our internal operations and reduce our ecological footprint.
2. **Environmental impact assessment:** in our financing, we take into consideration the assessment of environmental impacts following our standards and plans set up to avoid, mitigate and compensate these impacts.
3. **'Green' projects:** we encourage and support our partners in developing projects which support activities that promote and improve the protection of natural resources and climate and increase Oikocredit's positive environmental impact.
4. **Natural disaster management:** we contribute to an increased level of disaster preparedness of our partners to meet recent and future challenges as a consequence of climate change.
5. **Raising awareness:** we actively promote raising awareness on environmental issues, climate change and sustainable use of natural resources among staff and partners and promote Oikocredit as a socially and environmentally responsible organization.
6. **Continual improvement:** we continuously improve our culture in environmental and climate protection.

For 2015 we expect a slight increase in our carbon footprint similar to our 2014 results which showed a slight increase of 4% due to our growth. Our Indian, Costa Rican and Philippines offices offset their carbon footprints locally.

We disbursed € 20,000 from our CO_2 compensation fund to provide solar lights to 100 handloom weavers and 750 people living in slums in Hyderabad, India, reducing carbon emissions and fire risk from kerosene lamps, and increasing the weavers' productivity. We made another investment from our CO_2 compensation fund of € 40,000 in the Green Belt Movement's Greening Urban Schools programme in Kenya. The Movement will plant 15,000 trees at different schools in the coming two years, with schoolchildren adopting and caring for the trees.

We have concluded an impact evaluation study of our Egyptian partner SEKEM, an award-winning agricultural and social enterprise with a business model focused on economic, social, cultural and ecological value. The company has reclaimed desert and enabled more than 700 farmers to adopt biodynamic farming methods. It cultivates, sources and sells organic foodstuffs, textiles and plant-based pharmaceuticals on national and international markets. Our study, undertaken with the Centre for Development Innovation at Wageningen University in the Netherlands, found that farmers benefit from SEKEM through improved work opportunities, better access to markets and higher incomes.

Employees of SEKEM harvest dates in Egypt. SEKEM is an agricultural social enterprise which adheres to biodynamic and fair trade principles.

Mentoring programme

Oikocredit's mentoring programme for financial services supports MFIs in delivering client benefits such as better incomes, reduced risk, women's empowerment, enhanced access to services and improved management of repayment difficulties. Mentors help partners clarify goals, identify strengths and opportunities, build organizational commitment, and draw up and implement action plans.

In 2015, five years into the programme, we published *Mentoring Social Performance Management*, in collaboration with microfinance knowledge exchange network CERISE, Terrafina Microfinance and the Social Performance Task Force. This hands-on guide explains how mentors can support financial institutions in understanding and implementing a truly client-centric approach.

We continued in 2015 with mentoring expanding further in Latin America (Ecuador, Paraguay and Peru). An additional benefit sought is that the programme builds local consultants' independent capacity to provide support and coaching.

Consolidating sector standards

As an established leader in SPM, we participate actively in sector seminars and conferences to raise awareness and improve progress among peers, partners and others towards a robust and consistent approach to SPM practice. We have adjusted our ESG scorecard for financial services for consistency with SPI4, a social performance assessment and reporting tool aligned to the Universal Standards for Social Performance Management. A member of our social performance team has qualified as an SPI4 assessor and has conducted several SPI4 partner assessments.

Looking forward

Oikocredit's 2016-2020 strategy aims to enhance our positon as a leading SPM practitioner. We intend to scale up our three global capacity building programmes to achieve greater positive impact for low-income people. We will hire a fundraiser to increase our funding for the programmes.

We plan to continue directing our partners' attention to social outcomes at client level and to using data to improve their products and services. We will, as always, strive to share our learning across the regions and with industry peers.

Following the 2015 Paris climate talks, we will continue working to reduce and offset our carbon footprint, and we will develop environmental indicators beyond our current ESG criteria.

Oikocredit is often asked by academic researchers to join forces on in-depth studies, especially on client outcomes. We are keen to develop more such collaborations, whose practical value to our partners and their clients is clear.

Investor relations

Attracting the funds that sustain our work

Our incoming funds surpassed expectations, fuelled by interest in impact investing and the current market environment. Our investors are indispensable, and we appreciate them enormously. We are developing strategies to enhance our inflow's sustainability and predictability.

In 2015 Oikocredit received € 102.0 million in net lendable funds (gross inflow minus redemptions) from members and other investors, compared with € 81.5 million in 2014. Our main countries in terms of capital and number of investors were Germany, the Netherlands, Austria, Switzerland and France.

Despite the fact that the number of people supporting us via the Oikocredit support associations increased by 500, we saw a decrease in individual investors from 47,000 to 45,000. This decrease comes from the closure of the US-based MicroPlace investment platform via which over 2,500 people had invested in Oikocredit. The number of institutional investors remained stable at 6,000, bringing the total number of individual and institutional investors to 51,000.

Support associations and volunteers

The volunteers and staff of the 31 support associations commit time and energy to promote our vision of a global just society. In various fora and events, they encourage people to reflect on their values, behaviour and action and challenge them to invest responsibly. The associations build public awareness through development education that highlights issues such as women's empowerment, fair trade, rural development challenges, climate change, the Sustainable Development Goals and the contribution we can all make towards meeting the goals.

Of the support associations which have started reporting on their development education work, 11 reported organizing over 500 events between them, mobilizing almost 500 volunteers and involving over 25,000 participants. In the city of Ulm alone in south-western Germany, volunteers organized 25 events showcasing Oikocredit's work. In cooperation with Triodos, GLS Bank and Evangelische Bank, the support association in Germany's Hessen-Pfalz area organized a Fair Finance Week in November, parallel to the traditional bankers' Euro Finance Week in Frankfurt.

The Netherlands support association began a new targeted communication campaign in October. Results have been encouraging, with brand awareness rising and more than 800 new investors joining in the first few months. Television advertising commenced in December, and we expect to welcome more new Dutch investors in 2016.

Support associations, national support offices and our team at Oikocredit International are co-creating Oikocredit's inflow strategy, intended to align with our overall 2016-2020 strategy. We have held English, German, Dutch, Spanish and French language-based workshops and conference calls to analyze the strengths and weaknesses of our inflow work, the opportunities and threats we face, how best to sustain our capital inflow and how to enhance the impact of our social movement. We aim to present the strategy at the summer meeting of support associations in June 2016.

Organizational changes

We face increasing compliance requirements for the sale of financial products and protection of small investors. Oikocredit staff and support associations continue to monitor regulatory changes.

In Austria, the Oikocredit International Share Foundation (OISF) took over the sale and administration of investments from the support association. Most support association employees moved to the new Austrian national support office representing OISF. The support association continues with its own staff and volunteer board, undertaking development education and profile-raising activities. The collaboration between the national support office and the support association remains strong, thanks to a joint coordinating committee.

In Canada, members of the support associations Canada West and Canada Central transferred their investments to OISF and to our banking partner Mennonite Savings & Credit Union.

The board of Oikocredit USA (OUSA) decided to wind down the organization. Discussions are ongoing with US investors on the handling of their current investments, while Oikocredit establishes a new US office to build strategic partnerships in support of our lending and investing. OUSA staff have been offered positions with the new office. We will work with our two US support associations (Oikocredit Northwest and Oikocredit Western Pennsylvania) in developing their new roles.

In Sweden, our partnership with Ekobanken assures us of a continued presence and channel for people wishing to invest in Oikocredit, despite the closure of the Swedish national support office due to the relatively high costs in relation to market potential.

We have further improved our investment administration system, TITAN, and made good progress with adapting our websites for use with mobile devices. Development of MyOikocredit, a web-based service for investors, has started after delays due to other digital priority projects; we aim to pilot MyOikocredit in 2016.

Banking partners

Oikocredit works in partnership with ethical banks such as Mennonite Savings & Credit Union in Canada, Crédit Coopératif in France, GLS Bank in Germany and Ekobanken in Sweden to offer savings products. We have formed a second banking partnership in Canada, with the Vancouver City Savings Credit Union (Vancity). Crédit Coopératif, Ekobanken, GLS Bank and Vancity are members of the Global Alliance for Banking on Values. Ekobanken and Mennonite Savings & Credit Union became members of the Oikocredit cooperative in 2015.

Anniversary events

We marked Oikocredit's 40th anniversary in 2015 with several events. Celebrations began in February with a reception for partners at the BIOFACH organic food trade fair in Nuremberg, Germany. We held our main event in June in Berlin, where the World Council of Churches first endorsed the establishment of an international sustainable development cooperative financed by private investors. Close to 300 people from more than 30 countries came together to celebrate four decades of innovative investing in the empowerment of low-income people. A congratulatory video message was relayed from the United Nations Special Advocate for Inclusive Finance for Development, Queen Máxima of the Netherlands.

Oikocredit commemorated its anniversary date of 4 November with a tree-planting ceremony in Amersfoort attended by the city mayor. Simultaneous events were held in Hyderabad, India, and in Nairobi, Kenya, where we financed the planting of trees at different schools as part of our CO_2 compensation programme. Other events took place in several Central American countries.

Swiss, German and Austrian support associations also celebrated the 40th anniversary, which coincided with the Austrian association's 25th birthday. Our German national support office and support associations ran a joint year-long anniversary campaign, with events, monthly online quizzes, a birthday-cake box with ingredients from partners, and interviews with long-time volunteers.

Study tours and roadshows

The 2015 study tour took members, support association volunteers and staff from six countries to India, where they

During Oikocredit's study tour to India, participants were shown how to weave and dye fabrics. The weaver's family received a solar home system from Oikocredit partner Thrive Solar.

visited women's self-help groups financed by microfinance partners. Participants also visited partners that participated in the water, sanitation and renewable energy project that our Indian subsidiary Maanaveeya has completed with nine microfinance institutions (MFIs). The project enabled families to build toilets, access water and purchase solar products and benefitted 230,000 people. Other Oikocredit-supported projects visited included a rural school providing affordable quality education and our new partner Thrive Solar, which provides low-income households with safe, reliable and affordable solar energy products.

Support association volunteers and staff from Germany took part in a joint study visit with GLS Bank to our Egyptian partner SEKEM. SEKEM is an acclaimed agricultural social enterprise following biodynamic and fair trade principles.

We organized several roadshows to cities in Germany and Switzerland. Deputy regional director for East Africa Robert Wanjohi from Kenya and country manager Daniel Muhimuzi from Rwanda showcased our work in East Africa, particularly our support for Rwandan coffee cooperatives. Nicaise Tossou, country manager for Benin and Togo, spoke about our work with agricultural enterprises and rural MFIs that finance small farmers, traders and entrepreneurs. Regional director for Southeast Asia Tes Pilapil presented our disaster management training for partners in the Philippines in response to extreme weather events.

Members' council

Oikocredit was founded by churches and church organizations, which globally comprise the majority of our cooperative society's members. Many member churches, such as the Church of Sweden, have a strong development agenda that can help inform our strategy and activities. After consulting on how best to serve members' needs, together with our members we have developed plans for a members' council as a consultative and discussion body. The goal is to improve communication between members, and between members and management. A full proposal with elections will be presented to the AGM 2016 to create a members' council that will reflect our diverse membership and attract more members from the global South.

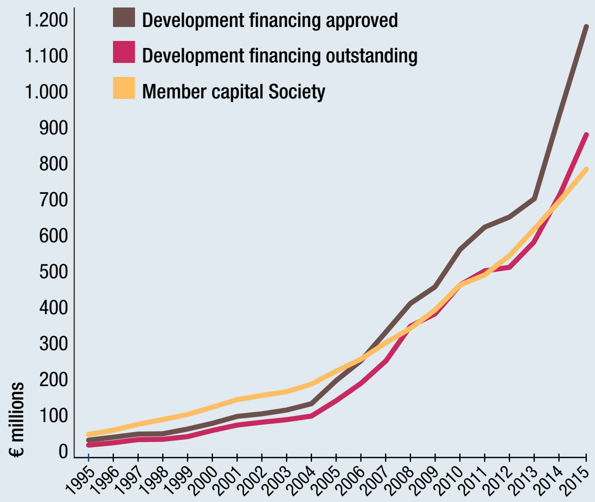
Looking forward

Implementing Oikocredit's 2016-2020 strategy will be important for investor relations. We look forward to working with support associations on our joint inflow strategy and seeing the results in terms of a strong and more predictable inflow. Attracting new and younger investors is essential to our future sustainability, as is keeping pace with technological and social developments.

We will need to keep our products, services and processes under review. Where appropriate, we will revise our value proposition, outreach and investor services to ensure that they are fully fit for purpose. Balancing our growing capital inflow with well-managed and impactful financing of partners will be a central task. Our third-party banking partnerships will develop further as a second stream to attract and manage the level of incoming funds.

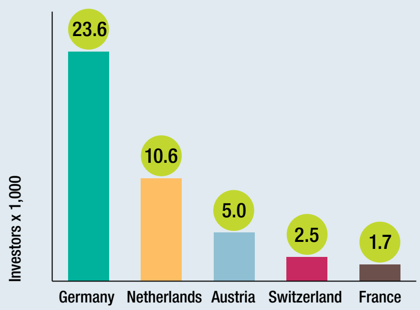
Member capital

As at 31 December 2015



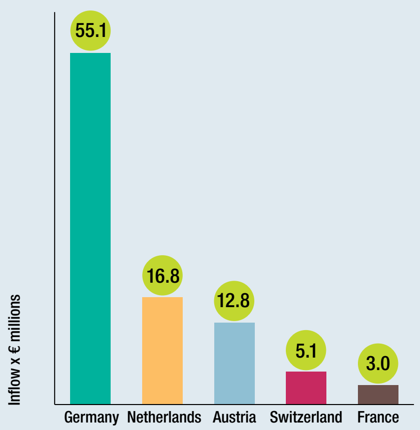
Number of investors

Top 5 countries as at 31 December 2015



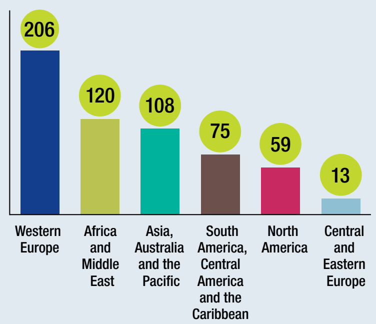
Net inflow

Top 5 countries as at 31 December 2015



Number of members per continent

As at 31 December 2015



Consolidated financial statements

Consolidated **balance sheet**

(before appropriation of net income)

Notes		**31/12/15**	**31/12/14 restated**
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
6	**Intangible fixed assets**	**1,182**	**717**
7	**Tangible fixed assets**	**623**	**529**
	Financial assets		
8	Development financing:		
	Total development financing outstanding	900,153	734,606
	Less: - loss provision and impairments	(64,478)	(54,776)
		835,675	**679,830**
	Consists of:		
	Loans (net of loss provision)	*767,491*	*631,587*
	Equity (net of impairments)	*68,184*	*48,243*
9	Term investments	120,188	154,587
10	Other financial assets	1,024	1,137
	Total	**956,887**	**835,554**
	Total non-current assets	**958,692**	**836,800**
	CURRENT ASSETS		
11	Receivables and other current assets	25,442	18,815
12	Cash and banks	42,214	51,513
	Total	**67,656**	**70,328**
	TOTAL	**1,026,348**	**907,128**

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

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/15	31/12/14 restated
		€ ,000	€ ,000
	GROUP EQUITY AND FUNDS		
13	Member capital	806,277	711,112
14	General reserve	69,318	62,235
14	Restricted exchange fluctuation reserve	(3,473)	(6,062)
15	Local currency risk funds	37,888	40,012
16	Funds for subsidized activities and model costs	4,941	4,345
	Undistributed net income for the year	15,371	20,466
		930,322	**832,108**
17	**Third-party interests**	**4,680**	**2,900**
	Total group equity and funds	**935,002**	**835,008**
18	**NON-CURRENT LIABILITIES**	**34,090**	**42,262**
19	**CURRENT LIABILITIES**	**57,256**	**29,858**
	TOTAL	**1,026,348**	**907,128**

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

Consolidated **income statement**

Notes		2015	2014
			restated
		€ ,000	€ ,000
	INCOME		
	Interest and similar income		
21	Interest on development financing portfolio	68,572	56,335
21	Interest on term investments	3,377	4,919
9/21	Revaluation of term investments	(3,094)	4,121
	Total interest and similar income	**68,855**	**65,375**
	Interest and similar expenses		
22	Interest expenses	(1,381)	(1,242)
	Total interest and similar expenses	**(1,381)**	**(1,242)**
	Income from equity investments		
	Result from sale of equity investments	442	2,157
	Dividends	2,836	1,783
	Total income from equity investments	**3,278**	**3,940**
23	**Grant income**	**3,436**	**1,862**
	Other income and expenses		
24	Exchange rate differences	(4,672)	13,655
24	Hedge premiums	(5,565)	(2,941)
24	Other	47	70
	Total other income and expenses	**(10,190)**	**10,784**
	Total operating income	**63,998**	**80,719**
	GENERAL AND ADMINISTRATIVE EXPENSES		
25	Personnel	(17,391)	(16,385)
	Travel	(1,180)	(1,226)
26	General and other expenses	(12,793)	(11,104)
	Total general and administrative expenses	**(31,364)**	**(28,715)**
	ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS		
28	Additions to loss provisions	(15,273)	(10,640)
28	Impairments on equity investments	(1,711)	(1,814)
	Total additions to loss provisions and impairments	**(16,984)**	**(12,454)**
	INCOME BEFORE TAXATION	**15,650**	**39,550**
29	Taxes	(1,779)	(4,437)
	INCOME AFTER TAXATION	**13,871**	**35,113**
17	Third-party interests	(28)	366
30	Additions to (-) and releases (+) from funds	1,528	(15,013)
	INCOME FOR THE YEAR AFTER ADDITIONS TO FUNDS	**15,371**	**20,466**

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

Consolidated **cash flow statement**

Notes		2015	2014 restated
		€ ,000	€ ,000
	INCOME BEFORE TAXATION	**15,650**	**39,550**
	Adjusted for non-cash items		
8/11	Value adjustments loans, equity and receivables	13,737	9,473
9	Unrealized revaluation term investments	3,094	(4,121)
6/7	Depreciation (in)tangible fixed assets	271	241
10/11/ 19/29	Taxes	(1,809)	(3,389)
	Exchange adjustments	(12,219)	(13,504)
	Changes in:		
8	Development financing (disbursements and repayments)	(145,419)	(106,138)
10	Other financial assets	169	(51)
11	Receivables and other current assets	(5,525)	(4,149)
19	Current liabilities	18,891	2,324
	CASH FLOW FROM OPERATING ACTIVITIES	**(113,160)**	**(79,764)**
9	Term investments	31,789	(3,674)
6/7	(In)Tangible fixed assets	(830)	(660)
	CASH FLOW FROM INVESTING ACTIVITIES	**30,959**	**(4,334)**
43	Member capital (issue and redemptions)	95,165	76,304
32	Dividend paid on member capital	(13,383)	(11,786)
18	Loans and notes	(10,258)	7,221
17	Third-party interests	1,642	1,683
	CASH FLOW FROM FINANCING ACTIVITIES	**73,166**	**73,422**
	CHANGES IN CASH AND BANKS	**(9,035)**	**(10,676)**
	Cash and banks beginning of period	51,513	62,189
	De-consolidation Oikocredit International Share Foundation	(264)	-
	Cash and banks end of period	42,214	51,513
	CHANGES IN CASH AND BANKS	**(9,035)**	**(10,676)**

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

Notes to the **consolidated financial statements**

Year ended 31 December 2015

These financial statements are expressed in euros (€). As at 31 December 2015, US$ 1 equalled € 0.920726 (31 December 2014: US$ 1 equalled € 0.826173).

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; Oikocredit International Share Foundation (Share Foundation) in Amersfoort (up to 31 December 2014), the Netherlands; Maanaveeya Development & Finance Private Limited in Hyderabad, India; Financial Company Oikocredit Ukraine in Lviv, Ukraine; Oikocredit Seed Capital Fund (OSCap), Amersfoort, the Netherlands (up to 21 August 2014) 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 or 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, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Ghana, Guatemala, Honduras, Kyrgyzstan, Mali, Mexico, Moldova, Mozambique, Nicaragua, Nigeria, Romania, Paraguay, Russian Federation, Rwanda, Senegal, Slovakia, South Africa, Tanzania, Uganda and Ukraine. The offices in Chile, Colombia, Moldova, Mozambique, Russian Federation, 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 offices in Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Ghana, Guatemala, Honduras, Kenya, Mozambique, Nicaragua, Nigeria, the Philippines, Rwanda, South Africa, Tanzania and Uruguay 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.

OSCap and LIC Loan Fund

The Society has developed OSCap, which invested in exceptionally risky projects with a social impact in developing countries, and LIC Loan Fund, which invests in projects in low-income countries. These funds have been created as restricted, tax transparent investment funds (beleggingsfondsen) with an open end. The funds are not incorporated legal entities, but unincorporated contracts of their own nature. The funds and the participations will not be listed on any stock exchange.

The OSCap fund participants were bought out at the end of 2013 and the fund was liquidated on 21 August 2014. All assets and liabilities were transferred to the Society.

Oikocredit International Share Foundation

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. Due to changes in the composition of the board of the Share Foundation during 2015, the Society no longer controls the Share Foundation. As such the Share Foundation is no longer part of the consolidated financial statements.

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% (2014: 100%) of external capacity building for partners
- 0% (2014: 5%) of technical and organizational assistance to support associations

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 consolidated companies (consolidated for 100%) are listed below:

- Oikocredit Ecumenical Development Cooperative Society U.A., Amersfoort, the Netherlands
- Oikocredit International Support Foundation, Amersfoort, the Netherlands
- Oikocredit International Share Foundation, Amersfoort, the Netherlands (up to 31 December 2014)
- Maanaveeya Development & Finance Private Limited, Hyderabad, India
- Financial Company Oikocredit Ukraine, Lviv, Ukraine
- Oikocredit Seed Capital Fund, Amersfoort, the Netherlands (up to 21 August 2014)
- Low Income Countries Loan Fund, Amersfoort, the Netherlands

As the income statement for 2015 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 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 consists of employees of Oikocredit. 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.

Restatement

The management team opted to make use of the exemption in Dutch Generally Accepted Accounting Principles (GAAP) to classify member capital (shares in euros and foreign currency) as equity (RJ 290.808) in the consolidated financial statements. In previous years only the euro shares were classified as equity under this exemption. Given the identical subordination and features in the event of dissolution of the Society, the management team believes that the presentation of all member capital as equity reflects the nature of these instruments. The comparative balance sheet and income statement have been restated to reflect this change.

The effect as at 31 December 2014 of this change on the total group equity and funds is an increase of € 58.3 million, with a corresponding decrease of the non-current liabilities with the same amount. The 2014 net result increased by € 3.4 million due to this change. The effects on the consolidated member capital, general reserve and income statement 2014 are detailed below:

Member capital	**€ ,000**
As at 31 December 2014	651,154
Member capital in foreign currency reclassified from non-current liabilities	58,342
Exchange rate differences foreign currency shares previous years	4,180
Exchange rate differences foreign currency shares current year	(2,564)
As at 31 December 2014 restated	**711,112**
General reserve	**€ ,000**
As at 31 December 2014	67,203
Exchange rate differences foreign currency shares previous years	(4,180)
Interest on member capital in foreign currency	(788)
As at 31 December 2014 restated	**62,235**
Undistributed net income for the year 2014	**€ ,000**
Result previously reported	17,114
Exchange rate differences foreign currency shares current year	2,564
Interest on member capital in foreign currency	788
Result for the year restated	**20,466**

Comparative figures
The accounting policies have been consistently applied to all the years presented. Certain comparatives in the balance sheet, income statement and cash flow statement have been restated to reflect the aforementioned changes.

In the 2014 figures the Society reclassified its capitalized software expenses (€ 0.7 million) from tangible fixed assets to intangible fixed assets. This reclassification did not impact the Society's equity or income statement for that period.

Change in accounting estimate
The calculation of the loss provision comprises three layers, see principles of Provision for possible losses on development financing below.

The method for calculating the actual country rating layer was changed with effect from 1 January 2015 to the risk rating by the Economist Intelligence Unit (EIU) instead of the rating by Moody's. The frequency of updates enables Oikocredit to capture changes in country risk at an early stage.

The impact was calculated and amounts to € 0.2 million. This amount was recognized as an additional loss in the income statement for 2015. The comparative figures will not be adjusted since the adjustments relate to a change of estimate.

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 below 20% participation are valued at cost less impairment. Equity investments in which Oikocredit has 20% participation or more are valued at net asset value. 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 investments above 20% on net asset value 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.

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.

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 management team 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 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

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.

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.

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 2015. No tax will have to be withheld on dividends distributed by the Society to its members.

Taxes paid by subsidiaries and local offices comply with local tax regulations.

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 defences) 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 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 the 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 e.g. 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 we work in, 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 and his deputy, equity and business development director, CFO/COO, finance manager, investor relations and social performance director, social performance manager, portfolio risk manager and the programs manager, with input from a member of the legal team, approve all credit partners.

The Society's investment committee, consisting of the members of the management team, approves all equity investments. Investment proposals are processed by the equity department and require initial approval from the equity investment committee.

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 (usually € 3 million, and a maximum of € 10 million, if a partner meets the conditions Oikocredit set for these so-called 'premium loans'; 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 5.3% (2014: 5.1%).

Term investments

The term investments in bonds included in the 4F Fund have all been rated 'investment grade' by Moody's Investor Services, with at least 80% in AAA to A3 and up to the maximum of 20% in Baa1 to Baa3. Moreover, in the Baa1 to Baa3 category, it is the 4F Fund manager's policy that no more than 2% of the portfolio should be invested in a single debtor. The 4F Fund manager constantly monitors the performance of the fund, and appropriate action is taken 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 and has received long-term loans in US and Canadian dollars and other currencies 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 approximately 90%) with a view to maintaining the value of its member capital. Derivatives are used for this purpose.

The majority of foreign currency exposures 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.

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 and costs. 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 we work in 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.

Interest rate risk – term investments

The average effective duration of the 4F Fund's portfolio is a measure of the sensitivity of the fair value of the 4F Fund's fixed-interest securities to changes in market interest rates. The management of the 4F Fund 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 e.g. due to finding a buyer, specific business risks, land sectorial risks and country risks, is reduced by the following:

- A separate equity department operates within Oikocredit. This department is responsible for actively managing and monitoring equity investments.
- For all major equity investment stakes Oikocredit has invested in, Oikocredit has a board seat.

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.

6 Intangible fixed assets

Changes in intangible fixed assets in 2015 and in the costs of acquisition and accumulated depreciation as at 31 December 2015 can be specified as follows:

	Total 2015	Total 2014
	€ ,000	**€ ,000**
Historical cost price as at 1 January	717	263
Accumulated depreciation as at 1 January	-	-
Balance as at 31 December	717	263
Investments	465	454
Disposals	-	-
Depreciation	-	-
Movements in the year	**465**	**454**
Historical cost price as at 31 December	1,182	717
Accumulated depreciation as at 31 December	-	-
Balance as at 31 December	**1,182**	**717**

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

7 Tangible fixed assets

Changes in tangible fixed assets in 2015 and in the costs of acquisition and accumulated depreciation as at 31 December 2015 can be specified as follows:

			Total 2015	Total 2014
	IT equipment	**Furniture**	**€ ,000**	**€ ,000**
Historical cost price as at 1 January	1,417	1,176	2,593	2,387
Accumulated depreciation as at 1 January	(1,169)	(895)	(2,064)	(1,823)
Balance as at 1 January	248	281	529	564
Investments	245	120	365	264
Disposals	-	-	-	(58)
Depreciation	(167)	(104)	(271)	(241)
Movements in the year	**78**	**16**	**94**	**(35)**
Historical cost price as at 31 December	1,662	1,296	2,958	2,593
Accumulated depreciation as at 31 December	(1,336)	(999)	(2,335)	(2,064)
Balance as at 31 December	**326**	**297**	**623**	**529**

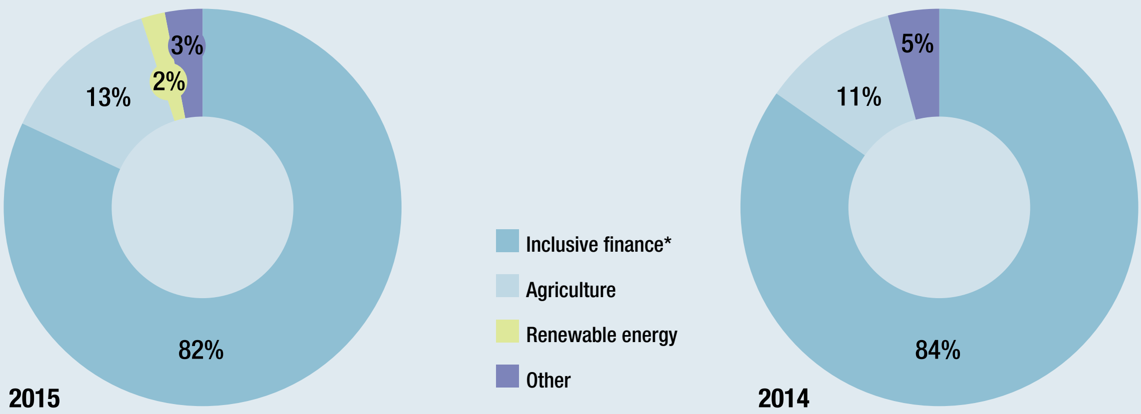
The useful life of the furniture is estimated at five years on average. Information technology (IT) equipment is depreciated in three years.

8 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Outstanding as at 1 January	734,606	590,540
Disbursements	418,960	337,907
Capitalized interest and dividends	469	499
Less: - repayments	(273,541)	(231,769)
- write-offs	(6,930)	(6,080)
Exchange adjustments	26,589	43,509
Outstanding as at 31 December	**900,153**	**734,606**
Approved in the year	497,835	383,811
Less: - commitments cancelled	(30,784)	(8,851)
Not yet disbursed 1 January	209,782	129,455
Credit lines (repayments, cancelled commitments)	36,333	26,885
Less: - disbursements	(418,960)	(337,907)
Exchange adjustments	4,919	16,389
Approved as at 31 December	**1,199,278**	**944,388**
Equity investments in process of finalization	40,634	31,425
Committed on credit lines, not yet taken up by partners	81,966	60,393
Loans committed < 6 months	156,113	88,889
Loans committed > 6 months	20,412	29,075
Commitments not yet disbursed as at 31 December	**299,125**	**209,782**
Outstanding as at 31 December	**900,153**	**734,606**

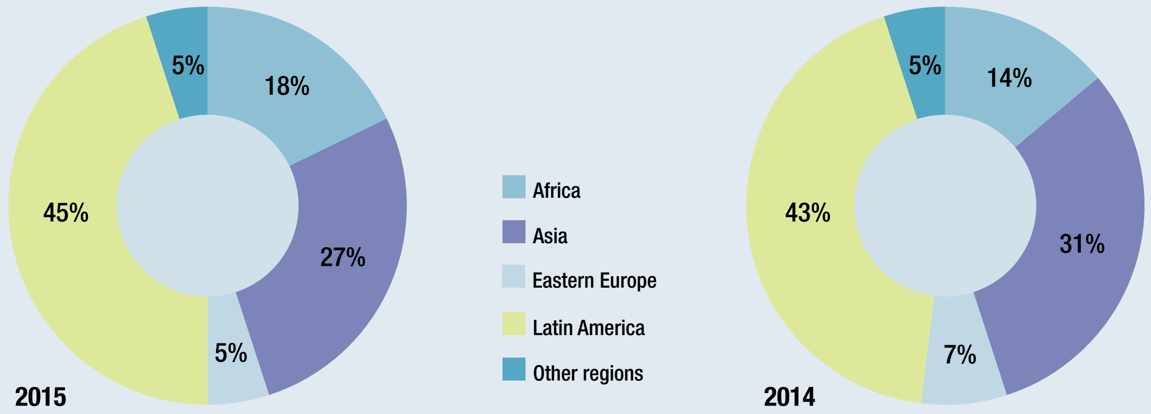
Breakdown of development financing outstanding

Development financing outstanding by sector as at 31 December

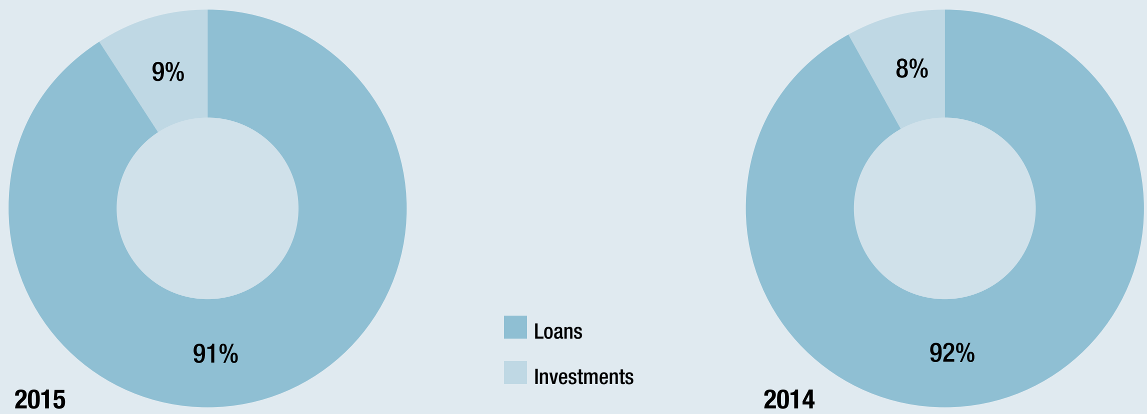


* including microfinance, SME finance and leasing

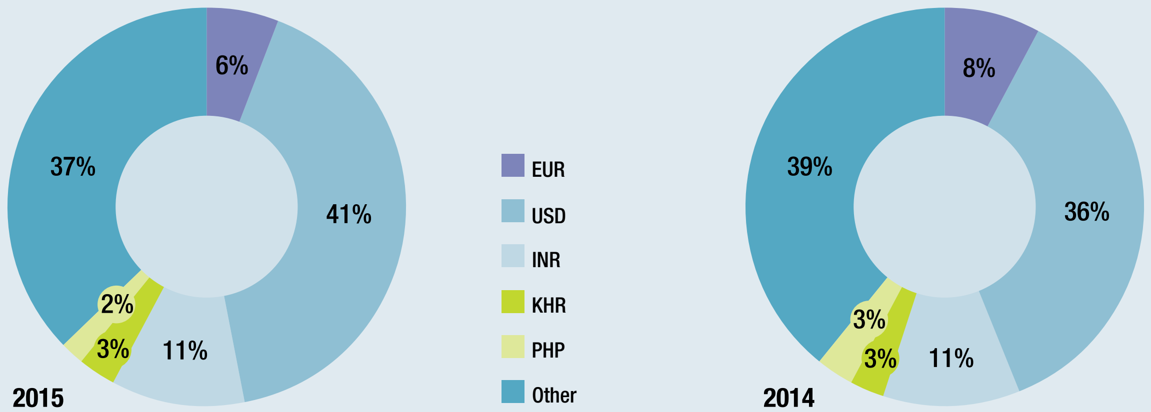
Development financing outstanding by region as at 31 December



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:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Instalments maturing < 1 year	329,422	259,539
Instalments maturing > 1 < 5 years	471,238	393,229
Instalments maturing > 5 years	22,232	25,048
Equity investments	77,261	56,790
	900,153	**734,606**

Movement schedule equity investments		
Can be specified as follows:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Balance as at 1 January	56,790	47,418
Additions	24,098	15,133
Write-offs	(1,181)	(333)
Disposals	(2,446)	(5,428)
Balance as at 31 December	**77,261**	**56,790**

Movement schedule equity investments				
Can be specified as follows:	**< 20%**	**> 20%**	**Total 2015**	**Total 2014**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost value	63,940	13,321	77,261	56,790
Impairments	(7,193)	(1,884)	(9,077)	(8,547)
Net value as at 31 December	**56,747**	**11,437**	**68,184**	**48,243**

Equity investments above 20% participation				
Of the equity investments in this note, the share participation of the following investments as at 31 December 2015 was more than 20%	**Participation**	**Participation**	**Net equity (latest available)**	**Result (latest available)**
	2015	**2014**	**€ ,000**	**€ ,000**
Guaguazu S.A., Bolivia	42.55%	42.55%	337	(38)
Tujijenge Tanzania Limited, Tanzania	37.53%	37.53%	1,099	25
Gebana Brazil Cataratas do Iguaçu Produtos Orgânicos Ltd., Brazil	33.35%	31.05%	266	(207)
Andean Power Generation SAC, Peru	29.15%	-	3,065	(6,717)
Banco Pyme de la Comunidad S.A., Bolivia	25.39%	25.39%	10,302	286
Equip Plus S.A., Senegal	24.60%	24.60%	3,334	-
Les Saveurs du Sud S.A., Senegal	22.16%	22.16%	12	-
Barefoot Power Pty Ltd., Australia	21.56%	21.93%	(1,408)	-

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 2015.

Provision for possible losses		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	(46,229)	(39,603)
Additions	(13,220)	(9,074)
Exchange adjustments and other	(1,544)	(3,299)
	(60,993)	(51,976)
Less: - write-offs	5,592	5,747
Balance as at 31 December	**(55,401)**	**(46,229)**

Impairments equity investments		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	(8,547)	(7,066)
Additions	(1,711)	(1,814)
	(10,258)	(8,880)
Less: - write-offs	1,181	333
Balance as at 31 December	**(9,077)**	**(8,547)**

Total loan loss provision and impairments equity	**2015**	**2014**
	€ ,000	**€ ,000**
Loan loss provision	(55,401)	(46,229)
Impairments equity	(9,077)	(8,547)
Balance as at 31 December	**(64,478)**	**(54,776)**

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 EUR/USD swap rates as base rates for the period the loan is agreed upon or, if higher, a minimum base rate of 3.5%; this minimum has been applicable for the last seven years.
- The loans have an average maturity of around 4.0 years (2014: 3.5 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 € 767.5 million (2014: € 631.6 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.
- The net asset value of the equity portfolio is substantially higher than the book value of the equity portfolio.

Considering the above, it is estimated that the fair value of the equity portfolio at least equals the book value, which is estimated at € 68.2 million (2014: € 48.2 million).

9 Term investments

Summary of term investments:	2015	2014
	€ ,000	€ ,000
Term investments in bonds issued by development banks and developing countries and by companies active in developing countries with particular beneficial impact in these countries	79,286	102,352
Other term investments	40,902	52,235
Balance as at 31 December	**120,188**	**154,587**
Changes in term investments can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	154,587	146,293
Investments during the year at cost	3,266	3,681
Disinvestments/redemptions during the year	(35,055)	(7)
Revaluation to market value as at 31 December	(3,094)	4,121
Exchange adjustments	484	499
Balance as at 31 December	**120,188**	**154,587**

	31/12/15	31/12/14
	€ ,000	€ ,000
Bonds issued by development banks and developing countries and by companies active in developing countries with particular beneficial impact in these countries [1]		
4F-Euro, Fund for Fair Future, the Netherlands [1]	72,904	95,299
4F-USD, Fund for Fair Future, the Netherlands [1]	2,270	2,980
	75,174	*98,279*
Other development-related term investments		
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	565	526
Subtotal other development-related term investments	*4,112*	*4,073*
Subtotal bonds and other term investments with development impact	**79,286**	**102,352**

Other term investments		
4F-Euro, Fund for Fair Future, the Netherlands [1]	38,570	51,089
4F-USD, Fund for Fair Future, the Netherlands [1]	2,021	846
GLS Bank, Germany	300	300
Ekobanken, Sweden	11	-
Subtotal other term investments	**40,902**	**52,235**
Total term investments	**120,188**	**154,587**

[1] For a specification of the bonds that were invested in through the 4F Fund, we refer to the annex of the annual report.

All investments in bonds in the 4F Fund comply with the following Ethibel Sustainability Index labels and sub-labels:

- Ethibel 'Excellence' label, including companies active in developing countries with particular beneficial impact in these countries.
- Ethibel label for bonds in developing countries and emerging markets.

Fair value of term investments

With the exception of the investment in TCX, The Currency Exchange Fund N.V., the fair value equals the carrying amount. The fair value of the investment in TCX as at 31 December amounts to € 4.3 million (2014: € 4.4 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:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Maturity < 1 year	7	7
Maturity > 1 < 5 years	16	23
Maturity > 5 years	120,165	154,557
Total	**120,188**	**154,587**

The average duration of the 4F Fund portfolio as at 31 December 2015 was 3.8 years (31 December 2014: 3.8 years). The target duration of the fund 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 4F Fund invests in investment grade bonds according to Moody's rating agency. None of the term investments are listed, but the 4F Fund invests solely in listed bonds.

10 Other financial fixed assets

Summary of other financial fixed assets:	31/12/15	31/12/14
	€ ,000	€ ,000
Hedge contracts financial institutions [1]	528	472
Staff loans [2]	496	665
Total	**1,024**	**1,137**

[1] The fair value of these hedge contracts and other details are disclosed in note 31.

[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:	2015	2014
	€ ,000	€ ,000
Balance as at 1 January	472	9,006
Movements	56	(8,534)
Balance as at 31 December	**528**	**472**

Staff loans

Can be specified as follows:	2015	2014
	€ ,000	€ ,000
Balance as at 1 January	665	614
Movements	(169)	51
Balance as at 31 December	**496**	**665**

11 Receivables and other current assets

Can be specified as follows:		**31/12/15**		**31/12/14**
		€ ,000		**€ ,000**
Accrued interest on development financing net of allowance		12,855		11,065
Collaterals hedging		2,818		-
Interest receivable		2,693		2,050
- face value	6,799		6,881	
- less: allowance for uncollectability	(4,106)		(4,831)	
Value added tax and wage taxes		2,288		2,012
Amounts prepaid		1,885		1,349
Hedge contracts (refer to note 31)		790		519
Receivables Share Foundation		725		-
Receivables OUSA		658		589
Staff loans [1]		223		211
Accrued interest bank accounts and deposits		153		434
Sundry receivables		354		586
Balance as at 31 December		**25,442**		**18,815**
Changes in the allowance for uncollectability are specified as follows:		**2015**		**2014**
		€ ,000		**€ ,000**
Balance as at 1 January		(4,831)		(5,747)
Additions charged to income		(2,053)		(1,566)
Write-offs from allowance		2,855		2,721
Exchange adjustment		(77)		(239)
Balance as at 31 December		**(4,106)**		**(4,831)**

[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:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Cash and banks including time deposits maturing within one year	42,214	51,513
Balance as at 31 December	**42,214**	**51,513**

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 2015 all mature in 2016.

The Society has credit facility agreements with Dutch banks amounting to € 5.75 million. These facilities, which were not used in 2015, 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 (€ 7.2 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).

The management team 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 35.

Can be specified as follows:		**2015**	**2014**
		€ ,000	**€ ,000**
Member capital			
Balance as of 1 January		711,112	634,808
New euro shares issued		98,111	75,229
New shares in other currencies issued		11,909	5,420
Redemption of euro shares		(11,696)	(2,651)
Redemption of shares in other currencies		(3,159)	(1,694)
Balance as at 31 December		**806,277**	**711,112**
Of which	- euro shares	737,569	651,154
	- shares in other currencies (at original exchange rate)	68,708	59,958

14 General reserves

General reserve		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as of 1 January	62,235	61,225
De-consolidation Oikocredit International Share Foundation	(287)	-
Appropriation of the prior-year results	7,370	1,010
Balance as at 31 December	**69,318**	**62,235**

Please refer to pages 35-36 for the restatement of the 2014 figures.

For the restricted exchange fluctuation reserve please refer to note 44 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	Local currency risk fund Africa	Local currency risk fund South and East Asia	Local currency risk fund Mexico, Central America and the Caribbean	Local currency loans cumulative exchange rate differences [1]	Total 2015	Total 2014
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	2,353	527	30,071	3,016	4,559	1,022	(1,536)	40,012	23,942
Transfers	-	-	-	-	-	-	-	-	1,022
Addition to/released from fund	452	2	4,348	1,366	20	1,810	(10,122)	(2,124)	15,048
Balance as at 31 December	**2,805**	**529**	**34,419**	**4,382**	**4,579**	**2,832**	**(11,658)**	**37,888**	**40,012**

[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 30.

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:	31/12/15	31/12/14
	€ ,000	€ ,000
Funds for subsidized activities and model costs	1,220	1,285
Capacity building and guarantee funds	3,721	3,060
Balance as at 31 December	**4,941**	**4,345**

Funds for subsidized activities and model costs	Donated investments [1]	Funds for subsidized activities and model costs [2]	Total 2015	Total 2014
	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	371	914	1,285	1,425
Addition to/released from fund	1	(66)	(65)	(140)
Balance as at 31 December	**372**	**848**	**1,220**	**1,285**

[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]	General guarantee fund [3]	Guarantee fund for Africa [3]	Schokland capacity building fund [4]	Schokland projects MCAC fund [5]	Geographic programmes fund [6]	Total 2015	Total 2014
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	(1)	102	1,311	1,508	140	-	-	3,060	3,977
Transfers	-	-	(584)	584	-	-	-	-	(1,022)
Addition to/released from fund [7]	-	762	(6)	(1)	(94)	-	-	661	105
Balance as at 31 December	**(1)**	**864**	**721**	**2,091**	**46**	**-**	**-**	**3,721**	**3,060**

[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 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.

[4] 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.

[5] The Schokland projects MCAC fund was set up to co-fund projects 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 30.

17 Third-party interests

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

Can be specified as follows:	2015	2014
	€ ,000	€ ,000
Balance as at 1 January	2,900	1,583
Net additions to third-party participation	1,642	1,683
Results	28	(366)
Other	110	-
Balance as at 31 December	**4,680**	**2,900**

18 Non-current liabilities

Can be specified as follows:	**31/12/15**	**Remaining term**	**Remaining term**	**31/12/14**
	€ ,000	**> 1 year**	**> 5 years**	**€ ,000**
Bank loans [1]	23,588	23,588	-	18,704
US note loans [2]	-	-	-	14,993
Hedge contracts (refer to note 31)	10,201	10,201	-	8,115
Loans for investment in development financing [3]	301	301	-	435
Other liabilities	-	-	-	15
Balance as at 31 December	**34,090**	**34,090**	**-**	**42,262**

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 484 million from financial institutions in India maturing in 2016 for INR 409 million (included under current liabilities) and in 2017 and 2018 for the remaining INR 75 million. The loans carry an average interest rate of 11.7%.
- A loan granted by a German bank amounting to € 20.2 million (2014: € 15.6 million). The loan matures on 18 May 2017 for € 13 million and the remaining part (maximum € 11 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 2015: 0%) plus an agreed margin (as at 31 December 2015: 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 € 1.4 million (2014: nil). 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 2015: 0.5%) plus an agreed margin (as at 31 December 2015: 0.568%). The loan is secured by a pledge on the Oikocredit 4F Fund participations for a maximum of € 1.5 million.
- A loan granted by a French bank amounting to € 0.9 million (2014: nil). 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 (as at 31 December 2015: 0.6%) plus an agreed margin (as at 31 December 2015: 0.9%). The loan is unsecured up to € 1.5 million.

[2] Loans taken from Oikocredit USA against their US notes issue. The average interest rate of the loans over 2015 was 1.8% (2014: 1.8%). The loans are planned to be fully repaid during 2016 and are therefore classified under current liabilities.

[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, € 0.3 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. The interest rates of the US notes are in line with the applicable market interest rates for similar loans. 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:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Long-term loans expired or expiring within one year [1]	34,710	15,025
Hedge contracts (refer to note 31)	13,643	5,214
Other taxes payable [2]	4,320	3,297
Accrued expenses, sundry liabilities	2,263	1,989
Accrued personnel expenses	1,216	1,694
Accounts payable	723	769
Hedge premiums payable	310	698
Loans for investment in development financing	71	1,172
Balance as at 31 December	**57,256**	**29,858**

[1] Consist of amounts maturing within one year from loans taken from Oikocredit USA for € 28.4 million, from loans taken from a financial institution in India for INR 409 million (€ 5.7 million), from loans managed by Oikocredit on behalf of funders for € 0.1 million and from a loan taken from a Swiss organization for € 0.5 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 € 2.9 million for possible tax payments from the past and € 0.8 million for possible tax payments for 2015.

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 seven years starting from 1 January 2015. The total yearly rent payments amount to € 300,000 per year and are indexed. For this agreement a bank guarantee was issued for € 100,000.

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 2015 the mark to market value of the hedge contracts with TCX was US$ 3.1 million negative. As at 31 December 2015 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 2.6 million negative. For posted cash collateral, please refer to note 11. In January 2016 all collateral was repaid as the negative mark to market value moved below the threshold.

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 € 0.6 million to an Ethiopian bank, covering loans issued by the bank to two partners in Ethiopia.

The Society pledged € 1.5 million of its participations in the 4F bond portfolio to guarantee a loan from a financial institution.

Maanaveeya Development & Finance Private Limited in India filed appeals to the Commissioner of Income Tax challenging two demand notices totalling INR 50.3 million (€ 0.7 million).

21 Interest and similar income

Can be specified as follows:	2015	2014
	€ ,000	€ ,000
Interest on development financing portfolio	**68,572**	**56,335**
Interest on term investments:		
- Interest unrealized	3,833	4,787
- Interest realized	(456)	132
Total interest on term investments	**3,377**	**4,919**
Revaluation term investments	**(3,094)**	**4,121**
Total interest and similar income	**68,855**	**65,375**

22 Interest and similar expenses

Can be specified as follows:	2015	2014
	€ ,000	€ ,000
Interest payable on long-term loans, current accounts and other short-term liabilities	(1,381)	(1,242)
Total	**(1,381)**	**(1,242)**

23 Grant income

Grants		
	2015	2014
	€ ,000	€ ,000
Grants recognized from Swiss Agency for Development Cooperation	1,421	-
Grants recognized from ICCO	1,138	920
Grants recognized from Church of Sweden	448	648
Other grants recognized	429	294
Total grants	**3,436**	**1,862**

Grants are received according to contractual agreements with partners or from other parties, such as donations from dividend or legacies. Grant income from partners means that they were spent during the year. Unused grants are accounted for under current liabilities. Other grant income is recognized in the year received. In May 2015 the Swiss Agency for Development and Cooperation converted its loan with Oikocredit EDCS U.A., along with the accumulated interest, into a grant to be utilized by the Oikocredit International Support Foundation. In 2015 we also received € 1,183,238 from ICCO as a consequence of the agreement 2011-2015. Grants are used, in accordance with the terms of the agreement, for capacity building, technical assistance to SMEs and SPM audit and follow-up. In 2015 we received SEK 2,000,000 from the Church of Sweden for general capacity building activities and another SEK 2,850,000 for specific geographic programmes. We also repaid SEK 40,629 to the Church of Sweden, being unused capacity building grants from 2014.

24 Other income and expenses

Can be specified as follows:	2015	2014
	€ ,000	€ ,000
Exchange rate differences	(4,672)	13,655
Hedge premiums	(5,442)	(2,941)
Provision for hedge ineffectiveness	(123)	-
Management fees	47	70
Total	**(10,190)**	**10,784**

Exchange rate differences		
Can be specified as follows:	2015	2014
	€ ,000	€ ,000
Local currency exchange rate differences (covered by local currency risk funds)	(8,421)	9,140
Hard currency exchange rate differences (unhedged)	3,749	4,515
Total	**(4,672)**	**13,655**

25 Personnel

The number of employees who were directly or indirectly employed by the Society and group companies at the end of 2015 on the basis of full-time equivalents (FTE) amounted to 258 (2014: 253). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2015: 170 FTE, 2014: 167 FTE). Of the total FTEs (258), 54% are female and 46% are male. Of the total management FTEs (5), 40% are female and 60% are male.

Personnel expenses		
	2015	2014
	€ ,000	€ ,000
Salaries	(11,334)	(10,624)
Social security charges	(1,670)	(1,436)
Expenses temporary staff	(1,197)	(912)
Other allowances (13th month, holiday allowance)	(998)	(891)
Pension charges	(826)	(757)
Provident fund charges	(496)	(457)
Settlements	(183)	(603)
All other personnel costs	(687)	(705)
Total personnel expenses	**(17,391)**	**(16,385)**

26 General and other expenses

General and other expenses		
	2015	**2014**
	€ ,000	**€ ,000**
Contribution to support associations	(3,442)	(2,901)
Office expenses	(2,146)	(2,008)
Capacity building expenses	(2,062)	(1,974)
Consultancy expenses including audit fees (for audit fees refer to note 27)	(1,628)	(653)
Marketing expenses	(1,280)	(1,085)
IT-related expenses (including development costs new software)	(905)	(625)
Legal expenses	(693)	(447)
Expenses AGM and board	(290)	(235)
Restructuring costs Terrafina	-	(405)
All other general expenses	(347)	(771)
Total general and other expenses	**(12,793)**	**(11,104)**

27 Audit fees

The following audit fees (of external auditor and other audit firms) were expensed in the income statement in the reporting period:	**2015**	**2014**
	€ ,000	**€ ,000**
Audit of financial statements	(92)	(97)
Other non-audit services	(34)	(13)
Other consulting services	(110)	(25)
Total audit fees	**(236)**	**(135)**

28 Additions to loss provisions and impairments

Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Additions to provisions against losses and equity impairments		
- equity impairments	(1,711)	(1,814)
- on principal projects	(13,220)	(9,074)
- on interest	(2,053)	(1,566)
Total	**(16,984)**	**(12,454)**

29 Taxes

	2015	2014
	€ ,000	€ ,000
Taxes regional and country offices	(1,050)	(3,086)
Taxes Maanaveeya Development & Finance Private Limited	(693)	(1,303)
Taxes Financial Company Oikocredit Ukraine	(36)	(48)
Total taxes	**(1,779)**	**(4,437)**

	2015	2014
	€ ,000	€ ,000
Taxes 2015	(1,779)	(2,346)
Taxes previous years	-	(2,091)
Total taxes	**(1,779)**	**(4,437)**

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 2015. The effective tax rate of the Oikocredit group is on average 11.4%.

30 Additions to and releases from funds

	2015	2014
	€ ,000	€ ,000
Local currency risk fund the Philippines		
Exchange rate differences on invested funds	12	(2)
Exchange rate differences local currency loans repaid	441	15
Interest added	(1)	75
Released from/addition to fund	452	88
Local currency risk fund Indonesia		
Exchange rate differences on invested funds	2	-
Exchange rate differences local currency loans repaid	-	83
Interest added	-	16
Released from/addition to fund	2	99
Local currency risk fund general		
Grants received	1,063	181
Exchange rate differences on invested funds	147	(19)
Exchange rate differences local currency loans repaid	3,156	2,220
Interest added	(18)	923
Released from/addition to fund	4,348	3,305
Local currency risk fund Africa		
Exchange rate differences on invested funds	15	(2)
Exchange rate differences local currency loans repaid	1,353	108
Interest added	(2)	95
Released from/addition to fund	1,366	201
Local currency risk fund South and East Asia		
Exchange rate differences on invested funds	23	(3)
Interest added	(3)	145
Released from/addition to fund	20	142
Local currency risk fund Mexico, Central America and the Caribbean		
Exchange rate differences on invested funds	5	-
Exchange rate differences local currency loans repaid	1,805	-
Released from/addition to fund	1,810	-
Local currency loans cumulative exchange rate differences		
Addition exchange rate differences local currency loans repaid	(6,757)	(2,425)
Addition exchange rate differences and premiums	(3,365)	13,638
Released from/addition to fund	(10,122)	11,213
Subtotal local currency risk funds	**(2,124)**	**15,048**
Donated investments		
Grants received	1	14
Released from/addition to fund	1	14
Subsidized activities and model costs		
Grants received	(4)	17
Interest received (paid) allocated to fund	(1)	33
Category A costs [1]	-	(147)
Other costs; office expenses	(61)	(57)
Released from/addition to fund	(66)	(154)

	2015	2014
	€ ,000	€ ,000
Capacity building Africa and South and East Asia		
Grants received	215	214
Non-allocated grants	(33)	5
Other costs	(182)	(219)
Released from/addition to fund	-	-
Capacity building funds		
Grants received	1,959	1,044
Non-allocated grants	(30)	(14)
Other costs	(1,167)	(972)
Released from/addition to fund	762	58
General guarantee funds		
Guarantees called	(5)	-
Interest added (paid)	(1)	42
Released from/addition to fund	(6)	42
Guarantee fund for Africa		
Grants received	-	242
Interest added (paid)	(1)	44
Released from/addition to fund	(1)	286
Schokland capacity building fund		
Other costs	(94)	(35)
Released from/addition to fund	(94)	(35)
Schokland projects Mexico, Central America and the Caribbean		
Other costs	-	(246)
Released from/addition to fund	-	(246)
Geographic programmes		
Grants received	308	306
Non-allocated grants	(42)	(147)
Other costs	(266)	(159)
Released from/addition to fund	-	-
Subtotal capacity building and guarantee funds	**596**	**(35)**
Total addition to funds	**(1,528)**	**15,013**

[1] Definitions of category A and category B costs are included in the summary of accounting policies under the note ‘description of the organization’.

31 Use of financial instruments

Balance sheet item	Product	31/12/15 Notional €,000	31/12/15 Carrying amount €,000	31/12/14 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	3,358	528	472
	Total		**528**	**472**
Current assets				
FX derivatives	Under hedge accounting	20,785	90	96
Cross currency swaps	Under hedge accounting	4,364	700	423
	Total		**790**	**519**
Non-current liabilities				
FX derivatives	Under hedge accounting	14,086	(3,500)	(4,001)
Cross currency swaps	Under hedge accounting	43,436	(6,701)	(4,114)
	Total		**(10,201)**	**(8,115)**
Current liabilities				
FX derivatives	Under hedge accounting	139,312	(8,395)	(4,222)
Cross currency swaps	Under hedge accounting	42,589	(5,248)	(992)
	Total		**(13,643)**	**(5,214)**

The total book value of the hedge contracts as at 31 December 2015 was € 22.5 million negative, while the market value was € 20.9 million negative. The hedge-effectiveness test established that some hedge contracts were ineffective during 2015, for which a provision was formed for € 123,000 which is recorded in the income statement under Hedge premiums.

32 Overview total result

Movement in group equity and funds can be specified as follows:	2015	2014
	€ ,000	€ ,000
Equity and funds as at 1 January	**832,108**	**728,183**
Income after taxation	13,871	35,113
Exchange rate differences on investments in group companies	2,589	3,928
Third-party interest	(28)	366
Total direct changes in equity and funds	2,561	4,294
Total result group excluding third-party interests	**16,432**	**39,407**
De-consolidation Oikocredit International Share Foundation	(287)	-
Net addition member capital (new shares minus redemptions)	95,165	76,304
Dividends paid to members	(13,096)	(11,786)
	81,782	**64,518**
Equity and funds as at 31 December	**930,322**	**832,108**

Overview operational results		
The operational result can be specified as follows:	2015	2014
	€ ,000	€ ,000
Income after taxation	**13,871**	**35,113**
Adjustments to operational result:		
Revaluation term investments (note 9)	3,094	(4,121)
Exchange rate differences (note 24)	4,672	(13,655)
Sale of equity participations	(442)	(2,157)
One-off tax payable (note 19)	-	2,919
Operational result	**21,195**	**18,099**

The income after taxation adjusted to operational result for 2015 shows an increase when compared to the operational result for 2014, mainly due to growth of the portfolio. Yield on the portfolio remained under pressure due to the low interest rate environment. Cost of hedging increased, not only due to portfolio growth, but also due to the fact that we had to hedge more externally. General and administrative expenses grew in absolute terms, but decreased from 3.2% to 3.1% of total assets.

33 Remuneration policies

Remuneration policy

On 20 June 2014 the AGM adopted a new policy on the remuneration of members of the board of directors (up to 14 July 2014)/supervisory board (as of 15 July 2014) to be implemented retroactively with effect from 1 January 2014. Oikocredit's remuneration of members of the board 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 President as chairperson of the board.
d) compensation for costs.

The total compensation/remuneration in 2015 amounted to € 59,500 (2014: € 63,100).

Remuneration of management team		
The remuneration can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Managing director:		
G.D. Woods gross salary, holiday and year-end allowance	146	114
G.D. Woods expense allowance and 30%-facility [1]	66	48
G.D. Woods pension contributions	6	-
Other management team members:		
Gross salary, holiday, year-end allowance and performance reward (a part was paid net in Oikocredit shares)	514	485
Expense allowances and 30%-facilities	45	75
Pension contributions	2	-
Total	**779**	**722**

[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 based in the Netherlands

The remuneration policy and employment conditions for staff working in the Netherlands are in principle (unless specific circumstances require a surcharge) based on similar employment conditions formulated by a Dutch development organization.

The Society has introduced a 'median wage' 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

Local staff members based in our regional and country offices outside the Netherlands, are paid in the currencies of the countries in which they reside and work. They are remunerated according to standards applicable to employees with similar responsibilities in those countries.

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 2014 (paid in 2015) as well as 2013 (paid in 2014). 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 management team holdings in Oikocredit share capital

Some supervisory board and management team 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		31/12/15	31/12/14
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
35	**Intangible fixed assets**	**1,182**	**717**
36	**Tangible fixed assets**	**608**	**515**
	Financial assets		
37	Development financing		
	Total development financing outstanding	838,001	680,213
	Less: - loss provision and impairments	(60,068)	(50,390)
		777,933	**629,823**
	Consists of:		
	Loans (net of loss provision)	*710,245*	*582,076*
	Equity (net of impairments)	*67,688*	*47,747*
38	Investments in group companies	41,076	36,329
39	Term investments	88,599	123,437
40	Other financial assets	22,387	9,206
	Total financial assets	**152,062**	**168,972**
	Total non-current assets	**931,785**	**800,027**
	CURRENT ASSETS		
41	Receivables and other current assets	26,497	24,073
42	Cash and banks	41,000	44,224
	Total current assets	**67,497**	**68,297**
	TOTAL	**999,282**	**868,324**

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

Society **balance sheet**

(before appropriation of net income)

Notes		31/12/15	31/12/14
		€ ,000	**€ ,000**
	MEMBER CAPITAL AND RESERVES		
43	Member capital	806,277	711,112
44	General reserves	69,316	61,990
44	Restricted exchange fluctuation reserve	(3,473)	(6,062)
	Undistributed net income for the year	15,371	20,526
		887,491	**787,566**
46	**NON-CURRENT LIABILITIES**	**33,050**	**39,126**
47	**CURRENT LIABILITIES**	**78,741**	**41,632**
	TOTAL	**999,282**	**868,324**

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

Society **income statement**

Notes		2015	2014
		€ ,000	**€ ,000**
	RESULTS		
38	Results participation in group companies after taxes	1,725	1,669
	Other results	14,696	21,943
	INCOME BEFORE TAXATION	**16,421**	**23,612**
	Taxes	(1,050)	(3,086)
	INCOME AFTER TAXATION	**15,371**	**20,526**

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

Notes to the **Society financial statements**

34 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.

35 Intangible fixed assets

Changes in intangible fixed assets in 2015 and in the costs of acquisition and accumulated depreciation as at 31 December 2015 can be specified as follows:

	Total 2015	Total 2014
	€ ,000	€ ,000
Historical cost price as at 1 January	717	263
Accumulated depreciation as at 1 January	-	-
Balance as at 1 January	717	263
Investments	465	454
Disposals	-	-
Depreciation	-	-
Movements in the year	**465**	**454**
Historical cost price as at 31 December	1,182	717
Accumulated depreciation as at 31 December	-	-
Balance as at 31 December	**1,182**	**717**

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

36 Tangible fixed assets

Changes in tangible fixed assets in 2015 and in the costs of acquisition and accumulated depreciation as at 31 December 2015 can be specified as follows:

	IT equipment	Furniture	Total 2015 € ,000	Total 2014 € ,000
Historical cost price as at 1 January	1,391	1,166	2,557	2,357
Accumulated depreciation as at 1 January	(1,150)	(892)	(2,042)	(1,806)
Balance as at 1 January	241	274	515	551
Investments	243	113	356	258
Disposals	-	-	-	(58)
Depreciation	(163)	(100)	(263)	(236)
Movements in the year	**80**	**13**	**93**	**(36)**
Historical cost price as at 31 December	1,634	1,279	2,913	2,557
Accumulated depreciation as at 31 December	(1,313)	(992)	(2,305)	(2,042)
Balance as at 31 December	**321**	**287**	**608**	**515**

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

37 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Outstanding as at 1 January	680,213	538,602
Disbursements	379,033	310,963
Transfer Oikocredit Seed Capital Fund	-	1,476
Capitalized interest and dividends	416	499
Less: - repayments	(242,504)	(206,661)
- write-offs	(3,100)	(4,355)
Exchange adjustments	23,943	39,689
Outstanding as at 31 December	**838,001**	**680,213**
Approved in the year	497,835	383,811
Less: - commitments cancelled	(30,784)	(8,851)
Not yet disbursed 1 January	209,783	129,455
Credit lines (repayments, cancelled commitments)	36,333	26,885
Less: - disbursements	(379,033)	(310,963)
- disbursements through subsidiary Maanaveeya	(36,737)	(21,366)
- disbursements through Low Income Countries Loan Fund	(3,190)	(5,155)
- disbursements through subsidiary Oikocredit Ukraine	-	(422)
Exchange adjustments	(10,259)	3,149
Approved as at 31 December	**1,121,949**	**876,756**
Equity investments in process of finalization	40,634	31,425
Committed to credit lines, not yet taken up by partners	81,689	59,872
Loans committed < 6 months	141,460	77,583
Loans committed > 6 months	20,165	27,663
Commitments not yet disbursed as at 31 December	**283,948**	**196,543**
Outstanding as at 31 December	**838,001**	**680,213**

Equity investments above 20% participation [1]				
Of the equity investments the share participation of the following investments as at 31 December 2015 was more than 20%	**Participation**	**Participation**	**Net equity (latest available)**	**Result (latest available)**
	2015	**2014**	**€ ,000**	**€ ,000**
Guaguazu S.A., Bolivia	42.55%	42.55%	337	(38)
Tujijenge Tanzania Limited, Tanzania	37.53%	37.53%	1,099	25
Gebana Brazil Cataratas do Iguaçu Produtos Orgânicos Ltd., Brazil	33.35%	31.05%	266	(207)
Andean Power Generation SAC, Peru	29.15%	-	3,065	(6,717)
Banco Pyme de la Comunidad S.A., Bolivia	25.39%	25.39%	10,302	286
Equip Plus S.A., Senegal	24.60%	24.60%	3,334	-
Les Saveurs du Sud S.A., Senegal	22.16%	22.16%	12	-
Barefoot Power Pty Ltd., Australia	21.56%	21.93%	(1,408)	-

[1] Oikocredit does not have any significant influence in these equity investments. Please also refer to note 8 of the consolidated financial statements.

Provision for possible losses		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	(42,306)	(36,288)
Transfer Oikocredit Seed Capital Fund	-	(50)
Additions	(9,380)	(6,887)
Exchange adjustments	(1,530)	(3,103)
	(53,216)	(46,328)
Less: - write-offs	2,225	4,022
Balance as at 31 December	**(50,991)**	**(42,306)**

Impairments equity investments		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	(8,084)	(6,518)
Transfer Oikocredit Seed Capital Fund	-	(85)
Additions	(1,711)	(1,814)
	(9,795)	(8,417)
Less: - write-offs	718	333
Balance as at 31 December	**(9,077)**	**(8,084)**

Total loan loss provision and impairments equity	**2015**	**2014**
	€ ,000	**€ ,000**
Loan loss provision	(50,991)	(42,306)
Impairments equity	(9,077)	(8,084)
Balance as at 31 December	**(60,068)**	**(50,390)**

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

38 Group companies

Net asset value investments in group companies		
	31/12/15	**31/12/14**
	€ ,000	**€ ,000**
Maanaveeya Development & Finance Private Limited, Hyderabad, India [1]	35,312	32,088
Financial Company Oikocredit Ukraine, Lviv, Ukraine [2]	1,084	1,341
Low Income Countries Loan Fund, Amersfoort, the Netherlands [3]	4,680	2,900
Oikocredit Seed Capital Fund, Amersfoort, the Netherlands	-	-
Balance as at 31 December	**41,076**	**36,329**

[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:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	32,088	26,618
Result for the year	1,505	1,805
Interest paid to Oikocredit on non-convertible debentures	(1,319)	(1,274)
Exchange adjustments	3,038	4,939
Balance as at 31 December	**35,312**	**32,088**

Financial Company Oikocredit Ukraine		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	1,341	2,122
Net result for the year	192	230
Exchange adjustments	(449)	(1,011)
Balance as at 31 December	**1,084**	**1,341**

Low Income Countries Loan Fund		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	2,900	1,583
Investments	1,642	1,683
Result for the year	28	(366)
Other	110	-
Balance as at 31 December	**4,680**	**2,900**

Oikocredit Seed Capital Fund		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	-	1,158
Result for the year [1]	-	(89)
Redemptions	-	(1,069)
Balance as at 31 December	**-**	**-**

[1] The result over 2014 is classified under other results in the income statement.

The participants of the Oikocredit Seed Capital Fund were bought out at the end of 2013 and the fund was liquidated on 21 August 2014. All assets and liabilities were transferred to the Society in 2014.

The Society has direct interests in the following entities:	**Share in equity 31/12/15 (%)**	**Share in equity 31/12/14 (%)**
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

39 Term investments

Can be specified as follows:	2015	2014
	€ ,000	€ ,000
Balance as at 1 January	123,437	116,950
Investments during the year at cost	2,548	3,065
Disinvestments / redemptions during the year	(35,055)	(7)
Revaluation to market value as at 31 December	(2,385)	3,373
Exchange adjustments	54	56
Balance as at 31 December	**88,599**	**123,437**

None of the term investments are listed, but the 4F Fund invests solely in listed bonds. For a breakdown of the individual titles in the 4F Fund (which cannot be reconciled to the above amounts), refer to the annex of the annual report.

Summary of term investments:	31/12/15	31/12/14
	€ ,000	€ ,000
Bonds [1]		
4F-Euro Fund for Fair Future, the Netherlands	87,653	122,552
4F-USD Fund for Fair Future, the Netherlands	512	457
Subtotal bonds	88,165	123,009
Other term investments		
GLS Bank, Germany	300	300
Other	134	128
Subtotal other term investments	434	428
Balance as at 31 December	**88,599**	**123,437**

[1] All investments in bonds in the 4F Fund comply with the following Ethibel Sustainability Index labels and sub-labels:
- Ethibel 'Excellence' label, including companies active in developing countries with particular beneficial impact in these countries.
- Ethibel label for bonds in developing countries and emerging markets.

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 42 and 46.

The average duration of the 4F Fund portfolio as at 31 December 2015 was 3.8 years (31 December 2014: 3.8 years). The target duration of the fund 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 4F Fund invests in investment grade bonds according to Moody's rating agency. None of the term investments are listed, but the 4F Fund invests solely in listed bonds.

40 Other financial assets

Summary of other financial assets:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Hedge contracts related parties (Oikocredit International Support Foundation)	11,658	1,536
Loans to group companies	9,705	6,533
Hedge contracts financial institutions	528	472
Staff loans	496	665
Balance as at 31 December	**22,387**	**9,206**

41 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		**31/12/15**		**31/12/14**
		€ ,000		**€ ,000**
Accrued interest on development financing net of allowance		12,217		10,626
Loans to group companies expiring within 1 year		4,160		6,533
Collateral hedging		2,818		-
Interest receivable:		2,231		2,538
- face value	6,100		6,998	
- less: allowance for uncollectability	(3,869)		(4,460)	
Amounts prepaid		1,885		1,349
Hedge contracts		790		449
Receivables from group companies (refer to note 49)		-		945
Receivable Share Foundation		725		-
Receivables OUSA		658		589
Value added tax and wage taxes		292		186
Staff loans [1]		223		211
Accrued interest on bank accounts and deposits		153		434
Sundry receivables		345		213
Balance as at 31 December		**26,497**		**24,073**

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

42 Cash and banks

The Society maintains its funds in banking institutions in Europe, Asia, Latin America and Africa. The time deposits included in cash and banks as at 31 December 2015 all mature in 2016.

The Society has credit facility agreements with Dutch banks amounting to € 5.75 million. These facilities, which were not used in 2015, 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 and guarantees given.
- 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.

43 Member capital

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

44 General and other reserves

General reserves [1]		
Can be specified as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	61,990	61,039
Appropriation of prior-year results	7,326	951
Balance as at 31 December	**69,316**	**61,990**

[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:	**2015**	**2014**
	€ ,000	**€ ,000**
Balance as at 1 January	(6,062)	(9,990)
Exchange rate differences	2,589	3,928
Balance as at 31 December	**(3,473)**	**(6,062)**

[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.

45 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:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Equity according to society financial statements	**887,491**	**787,566**
Reserves Oikocredit International Support Foundation	2	3
Reserves Oikocredit International Share Foundation (consolidated up to 31 December 2014)	-	242
Net result Oikocredit International Share Foundation	-	(130)
Local currency risk funds Support Foundation	37,888	40,012
Funds for subsidized activities and model costs Support Foundation	4,941	4,345
Revaluation result hedges share capital	-	70
Third-party interests	4,680	2,900
Group Equity and Funds according to consolidated financial statements	**935,002**	**835,008**

Difference in net income of society and consolidated financial statements		
	2015	2014
	€ ,000	€ ,000
Net income according to the society financial statements	**15,371**	**20,526**
Net result Oikocredit International Share Foundation	-	(130)
Revaluation result hedges share capital	-	70
Net income according to consolidated financial statements	**15,371**	**20,466**

46 Non-current liabilities

Can be specified as follows:	31/12/15	Remaining term > 1 year < 5 years	Remaining term > 5 years	31/12/14
	€ ,000	€ ,000	€ ,000	€ ,000
Bank loans [1]	22,548	22,548	-	15,568
Hedge contracts (refer to note 31, consolidated financial statements)	10,201	10,201	-	8,115
Loans for investment in development financing [2]	301	301	-	435
US note loans [3]	-	-	-	14,993
Other liabilities	-	-	-	15
Total non-current liabilities	**33,050**	**33,050**	**-**	**39,126**

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 € 20.2 million (2014: € 15.6 million). The loan matures on 18 May 2017 for € 13 million and the remaining part (maximum € 11 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 2015: 0%) plus an agreed margin (as at 31 December 2015: 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 € 1.4 million (2014: nil). 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 2015: 0.5%) plus an agreed margin (as at 31 December 2015: 0.568%). The loan is secured by a pledge on the Oikocredit 4F Fund participations for a maximum of € 1.5 million.
- A loan granted by a French bank amounting to € 0.9 million (2014: nil). 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 (as at 31 December 2015: 0.6%) plus an agreed margin (as at 31 December 2015: 0.9%). The loan is unsecured up to € 1.5 million.

[2] 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, € 0.3 million is classified under non-current liabilities and € 0.1 million under current liabilities.

[3] Loans taken from Oikocredit USA against their US notes issue. The average interest rate of the loans over 2015 was 1.8% (2014: 1.8%). The loans are planned to be fully repaid during 2016 and are therefore classified 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. The interest rates of the US notes and First Oikocredit Canada loans are in line with the applicable market interest rates for similar loans. Loans for investment in development financing have been invested in the Oikocredit development financing portfolio for risk and account of the funders.

47 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**31/12/15**	**31/12/14**
	€ ,000	**€ ,000**
Long-term loans expired or expiring within one year [1]	29,041	11,889
Group companies (refer to note 49)	27,784	15,323
Hedge contracts (refer to note 31, consolidated financial statements)	13,643	5,214
Other taxes payable [2]	4,320	3,297
Accrued expenses, sundry liabilities	3,572	4,039
Hedging premiums payable	310	698
Funds under management	71	1,172
Balance as at 31 December	**78,741**	**41,632**

[1] Consist of amounts maturing within one year from loans taken from Oikocredit USA for € 28.4 million, from loans managed by Oikocredit on behalf of funders for € 0.1 million and from a loan taken from a Swiss organization for € 0.5 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 € 4.3 million for possible tax payments from the past.

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.

48 Commitments not included in the balance sheet

The Society entered into a rental agreement for seven years starting from 1 January 2015. The total yearly rent payments (excluding VAT) amount to € 300,000 per year and are indexed. For this agreement, a bank guarantee was issued for € 100,000.

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 2015 the mark to market value of the hedge contracts with TCX was US$ 3.1 million negative. As at 31 December 2015 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 2.6 million negative. For posted cash collateral, please refer to note 41. In January 2016 all collateral was repaid as the negative mark to market value moved below the threshold.

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 € 0.6 million to an Ethiopian bank, covering loans issued by the bank to two partners in Ethiopia.

The Society pledged € 1.5 million of its participations in the 4F bond portfolio to guarantee a loan from a financial institution.

49 Related party transactions

For transactions with the management team and supervisory board, please refer to note 33 of the consolidated financial statements.

Transactions with Oikocredit Foundations during the year
Material transactions with the Oikocredit International Support Foundation: during 2015 Oikocredit did not charge any category A[1] costs to the Oikocredit International Support Foundation (2014: € 146,767).

Oikocredit charged unrealized cumulated exchange rate differences on local currency loans to the fund for local currency loans cumulative exchange rate differences amounting to € 8.4 million (2014: addition of € 9.1 million).

Transactions with the Oikocredit International Share Foundation
There were no material transactions with the International Share Foundation during 2015 or 2014, 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 € 1.3 million (2014: € 1.3 million).

Transactions with Low Income Countries Loan Fund
Transactions with Low Income Countries Loan Fund during 2015 or 2014 consisted of repayments and disbursements of the loan portfolio and settlements of exchange rate differences (€ 183,000) and premiums (€ 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 0.6% (2014: 1.2%). The total amount of interest calculated in 2015 amounts to € 18,200 (2014: € 4,600).

Transactions with Provident Fund
Oikocredit contributed € 69,592 (2014: € 107,460) and US$ 548,166 (2014: US$ 516,084) to the Provident Fund in 2014.

Transactions with members (Support Associations)
Oikocredit granted a contribution for costs to the support associations during 2015 for € 3,442,000 (2014: € 2,901,000). Please refer to note 26. There are no outstanding balances with the support associations.

[1] For a description of category A costs as well as local currency risk funds, please refer to the 'Description of Organization' included in the summary of accounting policies.

Amounts owed by and to Oikocredit foundations and other group companies [1]		
	31/12/15	**31/12/14**
	€ ,000	**€ ,000**
Amounts owed to group companies		
Oikocredit International Support Foundation	23,521	15,323
Low Income Countries Loan Fund	4,263	-
Total owed to group companies (refer to note 47)	**27,784**	**15,323**
Amounts owed by group companies		
Oikocredit International Support Foundation cumulated exchange rate differences (refer to note 40)	11,658	1,536
Low Income Countries Loan Fund	-	680
Oikocredit International Share Foundation	-	265
Total owed by group companies (refer to note 41)	**-**	**945**

[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 € 4.9 million at year-end (2014: € 4.3 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 € 37.9 million (2014: € 40.0 million).

50 Other information

Proposal for allocation of net income
Since 2008, unrealized gains and losses from term investments, as well as unrealized exchange differences on members' capital denominated in foreign currencies, have to be taken to the income statement of the Society. The annual changes in the market value of the term investments as well as exchange rate differences may cause material fluctuations in the net income.

In order to prevent the Society from distributing unrealized gains on the term investments and exchange rate differences as dividend, it was decided that these amounts should be added to the general reserve. These amounts will be separated within the general reserve and are designated for unrealized losses on term investments and exchange rate differences in future years. The remaining net income is available for dividend distribution.

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 Management Team'.

The management team will make the following proposal to the annual general meeting 2016 with regard to 2015 net income:
- To pay a dividend of 1/12th of 2% for every full calendar month of 2015 that the EUR, USD, CAD, CHF, SEK and GBP shares were registered.
- To add the amount in excess of the net result needed to pay the dividend to the general reserve, of which:
  a. € 3,532,000 to be added to the general reserve to cover for currency differences related to unhedged currency positions
  b. € 2,385,000 to be withdrawn from the general reserve in respect of revaluations of term investments
  c. € 483,000 to be withdrawn from the general reserve allocated as a reserve for tax and legal structure
  d. € 461,000 to be withdrawn from the general reserve allocated as a reserve for the loans and investment system
  e. € 1,000,000 to be withdrawn from the general reserve allocated as a reserve for the business plan
  f. € 309,000 of capacity building expenses incurred in 2015 to be withdrawn from the general reserve allocated for capacity building expenditure.
  g. € 1,472,000 remaining to be added to the general reserve

Allocation of net income		
The management team proposes to appropriate the net income as follows:	**2015**	**2014**
	€ ,000	**€ ,000**
Dividend distribution	**15,005**	**13,200**
General reserve		
Reserve for business plan	(1,000)	(1,000)
Reserve for development insurance activities	-	(1,000)
Reserve for tax and legal structure	(483)	1,765
Reserve for loans and investment system	(461)	(232)
Capacity building for partners (addition less withdrawals)	(309)	(231)
Unrealized exchange differences (addition)	3,532	4,522
Unrealized revaluation of term investments	(2,385)	3,373
Other	1,472	129
	366	**7,326**
Net income	**15,371**	**20,526**

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:	**2015**	**2014**
	€ ,000	**€ ,000**
Cumulative amount of unrealized exchange differences in results	11,035	7,503
Cumulative amount of unrealized revaluation of term investments	9,484	11,869
Local currency loans	7,932	7,932
Cumulative amount of reserve set aside for new loans and investment system	1,286	1,747
Cumulative amount of reserve set aside for tax and legal structure	1,282	1,765
Cumulative amount set aside for the business plan	-	1,000
Capacity building for partners	-	309
Total unrealized results and designated amounts included in general reserve	**31,019**	**32,125**

KPMG

Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2015 of Oikocredit Ecumenical Development Cooperative Society U.A., Amersfoort, which comprise the consolidated and society balance sheet as at 31 December 2015, the consolidated and society income statement, and the consolidated cash flow statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Management Team Report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Oikocredit Ecumenical Development Cooperative Society U.A. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Furthermore, we report that the Management Team Report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 1 of the Netherlands Civil Code.

Amstelveen, 16 March 2016

KPMG Accountants N.V.

M.J. Kooyman RA

Annex to the annual report

Overview of all 4F Fund bonds in which Oikocredit has invested through its participation in the 4F Fund.

	31/12/15	31/12/14
	€ ,000	**€ ,000**
Bonds issued by development banks, developing countries and by companies active in – and with particular beneficial impact in – developing countries		
Bonds issued by development banks:		
Kreditanstalt für Wiederaufbau, Germany	2,007	8,237
Agence Française de Développement, France	-	2,212
Inter-American Development Bank, United States of America	-	993
Financieringsmaatschappij voor Ontwikkelingslanden, the Netherlands	-	662
Bonds issued by developing countries:		
Republic of the Philippines	129	-
Bonds issued by companies active in and with particular beneficial impact in developing countries:		
Linde Finance B.V., the Netherlands	5,610	7,118
Schneider, France	5,542	6,434
Atlas Copco, Sweden	5,473	6,623
Aegon N.V., the Netherlands	5,339	4,177
BASF SE, Germany	5,235	-
Telia Sonera, Sweden	5,231	5,309
Legrand SA, France	5,229	6,579
Koninklijke DSM, the Netherlands	5,123	6,355
Air Liquide, France	5,076	6,415
Suez Environnement, France	4,999	7,307
Orange, France	3,972	2,697
Telefónica SA, Spain	2,213	2,714
Danone, France	2,163	7,317
Compass Group International B.V., the Netherlands	2,160	-
Elsevier Finance S.A., Switzerland	2,146	-
British Telecom, UK	2,145	2,269
Gas Natural Fenosa, the Netherlands	2,130	-
Akzo Nobel, the Netherlands	2,101	2,031
Wolters Kluwer, the Netherlands	2,040	2,616
Red Eléctrica Corporacion, Spain	1,750	-
Medtronic Inc., United States of America	343	-
Intel, United States of America	327	186
Australia & New Zealand Banking Group Ltd., Australia	-	7,067
Subtotal bonds with development impact	*78,483*	*95,318*
Other term investments		
Sovereign bonds		
Republic of Poland	5,563	7,881
Republic of Lithuania	5,484	2,829
Czech Republic	5,156	7,460
Republic of Slovakia	348	6,901
Corporate bonds		
ABB Finance, Switzerland	5,666	7,278
Unibail-Rodamco SE, France	5,369	-
Nestlé Finance International Ltd, Luxembourg	4,342	-
Telstra, Australia	5,286	7,211
ASML Holding, the Netherlands	2,046	2,469
Bank Nederlandse Gemeenten, the Netherlands	610	560
Société Nationale des Chemins de Fer Français (SNCF), France	-	7,262
Sanofi, France	-	6,695
Subtotal other bonds	*39,870*	*56,546*
Total	**118,353**	**151,864**

Office information

International office

Management team

- Mr David Woods
  Managing director

- Mr Bart van Eyk
  Equity and business development director

- Mr Florian Grohs
  Credit director

- Ms Ging Ledesma
  Investor relations and social performance director

- Ms Irene van Oostwaard
  Chief financial officer/
  chief operating officer

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United States of America

- Mr Frank Rubio
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International office

- Cameroon, Mozambique, Nigeria, *Australia, Egypt, Ethiopia, Gabon, Luxembourg, Madagascar, Malawi, Morocco, Mauritius, the Netherlands, Niger, Panama, Spain, South Africa, Tunisia, United Kingdom, Zambia*

Oikocredit has nine regional offices and offers funding in almost 70 countries.
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-financial sector
Financial services Oikocredit provides to entities other than microfinance institutions (MFIs). The largest category of non-financial services consists of loans to agricultural enterprises and fair trade organizations.

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 promoting Oikocredit.

Term investments
Oikocredit's investments in bonds.

Strategic partners

www.cerise-microfinance.org

www.svenskakyrkan.se

www.grameenfoundation.org

www.icco.nl

Relevant networks

www.agriprofocus.com

www.ica.coop

www.csaf.net

www.eclof.org

www.e-mfp.eu

www.eurosif.org

www.cmef.com

www.inaise.org

www.themix.org

www.inclusivefinanceplatform.nl

www.unpri.org

www.riacanada.ca

www.smartcampaign.org

www.sptf.info

Text and production
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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.

investing in people

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