Annual report 2017

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About the cover picture
Tereza Gluron maintaining the carnations belonging to flower-grower Ernesto Arroyo. Ernesto is a client of Centro de Investigación y Desarrollo Regional (Cidre), a Bolivian microfinance institution providing loans to farmers and entrepreneurs. Through Cidre he obtained the capital he needed to invest in greenhouses, seeds and irrigation systems.

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From the managing director

This year marks 50 years since the idea of an ethical investment vehicle for churches was first shared at the 1968 meeting of the World Council of Churches in Uppsala, Sweden. As a result, Oikocredit was founded in 1975 with the goal of promoting social justice by providing funding to productive enterprises run by or for people on low incomes around the world.

This goal has not changed over the past decades, and we can be proud of what we have achieved since our beginnings. We have supported 1,873 partners and provided funding of € 3.3 billion. What has changed over these past 43 years, however, is the world around us.

We increasingly see external trends impacting the work we do. For years, Oikocredit was a niche player; now, social impact investing has become mainstream. While this allows some of our partners to choose from different funding options, it has at the same time created competitive pressure in the markets in which we operate. Another factor is the prevailing low interest rate environment, which puts our financial results under pressure because our earnings mainly derive from interest rates charged.

These developments compelled us to dedicate time and energy in 2017 to self-examination and reflection, but also to planning our future course. The cooperative has looked at where it can focus more in its current strategy by enhancing social and environmental impact while ensuring financial sustainability.

Oikocredit now has an updated high-level strategic framework based on focusing our efforts, reducing complexity, improving efficiency, strengthening our own capabilities and evolving our value proposition as a catalyst for social impact. In 2018 we will start implementing our adapted strategy to address the challenges we have identified and to ensure that Oikocredit remains successful in the future.

We are confident that with our updated strategy we are well equipped to continue to deliver on the vision of our founders and our promises to investors, staff and – most importantly – our partners and the people they serve.

As a relative newcomer, I have been greatly inspired by the degree to which people care about and are committed to the organisation. I would like to thank our members, investors and support associations, staff around the world, our valued partners and our supervisory board – for their continued support to Oikocredit. It is because of them that our cooperative is strong. Together we are a movement and together we will build on what began as an idea 50 years ago. We will continue to deliver on our mission of sustainably improving the quality of life of low-income people and communities.

Thos Gieskes
Managing director

Five-year **Oikocredit key figures**

Figures from the consolidated financial statements	2017	2016	2015	2014	2013	Reference
Members	567	575	581	589	596	
Investors (approximate number)	56,000	54,000	51,000	53,000	52,000	
Countries with regional and country offices [1]	31	31	33	34	36	
National support offices and support associations	35	36	37	36	36	
Staff members in full-time equivalents (FTE) [2]	290	269	258	253	254	Note 26
Partners in portfolio [3]	747	801	809	805	815	
€ millions						
Total consolidated assets	1,220.0	1,209.3	1,026.3	907.1	779.2	Consolidated Balance sheet
Member capital	1,012.4	913.0	806.3	711.1	634.8	Consolidated Balance sheet
Other lendable funds [4]	140.5	105.5	93.2	96.4	83.2	Consolidated Balance sheet
Total lendable funds	1,152.9	1,018.5	899.5	807.5	718.0	
Development financing activities						
New disbursements	380.2	438.7	419.0	337.9	306.1	Note 8
Increase % disbursements	*-13.3%*	*4.7%*	*24.0%*	*10.4%*	*40.3%*	
Cumulative disbursements	3,350.6	2,970.4	2,531.7	2,112.8	1,774.9	
Total cumulative payments (capital, interest and dividends) by partners	2,839.9	2,422.1	2,052.2	1,714.7	1,432.9	
Total development financing outstanding	981.7	1,047.2	900.2	734.6	590.5	Note 8
As % of lendable funds (beginning of year)	*96.4%*	*116.4%*	*111.5%*	*102.3%*	*93.4%*	
Portfolio at risk 90 days	4.6%	4.5%	5.3%	5.1%	6.5%	
Loan loss provisions on capital and interest and impairment of equity [5]	74.0	81.7	68.6	59.6	52.4	Notes 8 and 11
Loan loss provisions and impairment of equity as % of development financing outstanding	*7.5%*	*7.8%*	*7.6%*	*8.1%*	*8.9%*	
Write-offs capital charged to loss provisions	4.6	11.4	6.8	6.1	7.5	Note 8
As % of development financing outstanding	*0.5%*	*1.1%*	*0.8%*	*0.8%*	*1.3%*	
Term investments	149.9	112.8	120.2	154.6	146.3	Consolidated Balance sheet
Total financial income [6]	90.1	101.9	75.3	65.3	56.7	Consolidated Income Statement
General and administrative expenses [7]	37.6	34.0	31.4	28.7	26.3	Consolidated Income Statement
As % of total assets	*3.1%*	*2.8%*	*3.1%*	*3.2%*	*3.4%*	
General and administrative expenses excluding grant-based expenses [8]	36.6	33.5	29.7	27.3	24.0	
As % of total assets	*3.0%*	*2.8%*	*2.9%*	*3.0%*	*3.1%*	
Impairments and additions to loss provisions	8.8	26.9	17.0	12.5	6.4	Consolidated Income Statement
As % of development financing outstanding	*0.9%*	*2.6%*	*1.9%*	*1.7%*	*1.1%*	
Net income (available for distribution) [9]	18.4	29.0	15.4	20.5	12.6	Society Income Statement
Proposed dividend	9.6	17.1	15.0	13.2	11.6	Other information

1 Countries with legal entities that no longer carry out operational activities are not included in this number.
2 Including staff employed by regional offices and national support offices.
3 Partners in portfolio includes development financing outstanding as well as partners currently in the process of disbursement, and excludes partner funding that has been repaid, written off or cancelled.
4 Other lendable funds are general reserves (2017: € 82.0 million) and non-current liabilities (2017: € 56.9 million) excluding hedge contracts (2017: € 0 million).
5 Provisions and impairments on capital (2017: € 69.3 million) and provision on interest (2017: € 4.6 million).
6 Consists of interest on development financing portfolio (2017: € 80.7 million), interest on term investments (2017: € 2.5 million) and income from equity investments (2017: € 6.9 million).
7 Including expenses covered by grants (for example capacity building expenses).
8 Excluding expenses covered by grants (for example capacity building expenses).
9 Refer to Society Income Statement.

We are pleased to present the annual report and consolidated financial statements of the Society for 2017. This report highlights the most important developments during the year.

Managing board report

Updating our strategy

After recent years of strong growth in terms of assets, countries of operation, types of transactions and portfolio size, 2017 was a year of consolidation for Oikocredit.

In 2017 Oikocredit remained committed to its mission of empowering people on low incomes by providing financing and capacity building support to partner organisations active in inclusive finance, agriculture and renewable energy. We saw strong support from our investor community for this work and are grateful for their loyalty. Our client satisfaction survey showed that partners appreciate our support.

2017 also saw Oikocredit addressing a number of challenges. Some are largely beyond our control, while others are more amenable to be tackled. Because we receive our income mainly from interest rates, the low interest rate environment has continued to put our margins under pressure, as has been the case for several years. Competition in social impact investing is increasingly strong, and there is much liquidity in many markets, including from a wide range of investors seeking more socially directed opportunities.

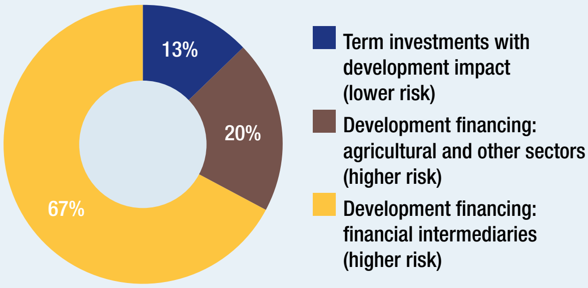
An extra effect we dealt with in 2017 was the strengthening of the euro. Much of our lending and income is denominated

Lilian Mercy Chacha (on the left) employs five workers for her wholesale knitwear and garment business, Lily Garments, in Nairobi, Kenya. Longstanding Oikocredit partner Jitegemea Credit Scheme, a microfinance institution providing loans, savings products and technical assistance to small enterprises across Kenya, gave Lilian her first loan in 2005.

2017 in graphs

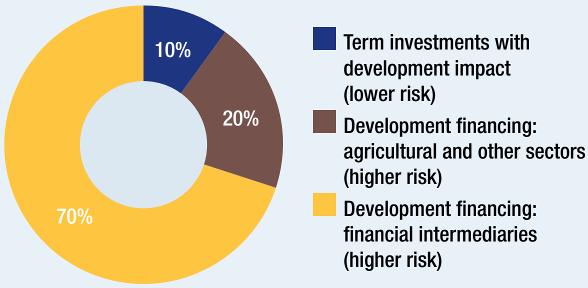
Investment mix Oikocredit invested funds 2017

As at 31 December 2017



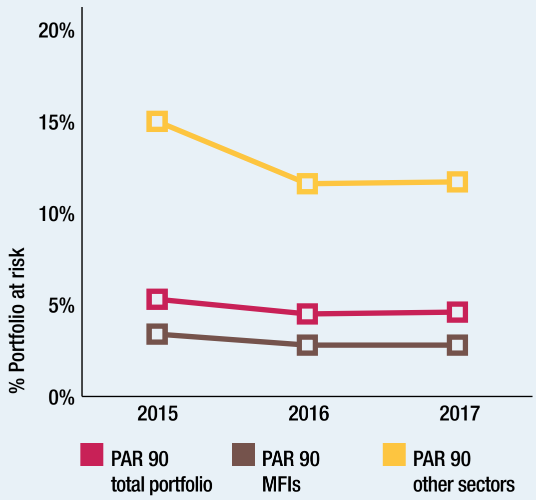
Investment mix Oikocredit invested funds 2016

As at 31 December 2016



Portfolio at risk

As percentage of total development financing
As at 31 December 2017



in US dollars or correlated currencies, while we receive capital and pay out dividends in euro. The cooperative's consolidated income after taxation showed a negative result for the first time in many years, in large part because of the appreciation of the euro against other currencies. Drawing on the local currency risk fund enabled us to generate positive income for the Society of € 18.4 million but heavily depleted the fund in the process.

While capital inflow from investors continued to increase in line with our planning, disbursements reduced. This reduction, together with negative exchange rate effects, resulted in a decrease in the outstanding portfolio.

Updated strategy and ambition

In response to these challenges, Oikocredit has updated its 2016–2020 strategy to focus more on specific strategic elements. Having undertaken a thorough review of the context in which we work, we have developed a high-level strategy for 2018–2022 which we will start to implement in 2018.

In the strategy process we have reaffirmed Oikocredit's ambition to serve low-income people and communities. We will do so in markets where need and opportunity are greatest and where we can maximise social impact, while safeguarding the environment and generating fair financial returns. We can build on our strengths, such as our worldwide network developed over the decades, our local presence, the strength of our partnerships and our cooperative member base. The goal is to grow our global member community and at the same time become the preferred social investor for our partners. Where once our cooperative was a pioneer,

Ami bin Sarim at work in her vegetable field. Ami is a client of the Indonesian microfinance institution Mitra Bisnis Keluarga (MBK). An Oikocredit partner since 2008, MBK offers group loans to women on low incomes in rural and peri-urban areas of Java.

Weighing sacks of cocoa beans at the Corporación Fortaleza del Valle factory. Corporación Fortaleza del Valle is an organisation that represents five cocoa growers' associations of around 675 smallholder cocoa growers in Ecuador's coastal province of Manabí. Oikocredit supports the organisation's focus on fair trade production and sustainable farming.

we now aim to act as a catalyst to bring together different actors and jointly achieve social change.

To begin, we will concentrate our efforts on core organisational priorities, reducing complexity and increasing efficiency through a review of our processes and operating model. Strengthening the capabilities of our organisation, its people and its systems will be key. We are confident about our plans to address the challenges mentioned above, our role and the way forward. The experience of our staff, our strong partner network and the support of our loyal investor base, who remain passionate about Oikocredit's mission, are among our many assets and achievements.

Financial results

Income statement 2017

The cooperative's overall results were substantially lower than in the previous year. Income after taxation was negative, with a loss of € 20.0 million (following a profit of € 42.1 million in 2016). This was mainly a result of the euro's strengthening and associated exchange rate differences, with the local currency result € 48.7 million negative. In line with the purpose of the local currency risk fund, we drew on it to counteract part of the negative result. The addition from the fund to Oikocredit's income was € 38.6 million.

Income after releases from funds was positive at € 18.4 million (€ 29.0 million in 2016) as a result of the drawdown from the local currency risk fund, while total operating income fell from € 104.9 million to € 27.9 million. Hedging costs increased from € 5.5 million to € 11.5 million. In contrast to the previous year, there were no exceptionally large gains from the sale of equity investments.

Loss provisions

Additions to loss provisions and impairments reduced from € 26.9 million to € 7.1 million due to a decrease in the development finance portfolio and as a result of the fact that far fewer additional specific provisions needed to be taken on projects.

Operational expenses

Operational expenditure was under budget but up from the previous year. Costs increased by € 3.6 million (10.6%), mainly as a result of investments in the strategy process, preparations for upcoming regulation and online investment tools. General and administrative expenses grew in absolute terms and in relation to total assets and portfolio size. By reducing the complexity of the organisation we expect to be able to reduce operational expenses from 2019 onwards.

Annual dividend

Each year the managing board recommends the year's investor dividend to Oikocredit's annual general meeting (AGM). In view of the financial results, and subject to the approval of the supervisory board, we expect to recommend the declaration of a 1% dividend for 2017.

Souleymane Dera, a tailor and client of L'Alliance de Crédit et d'Epargne pour la Production – Burkina Faso (ACEP Burkina Faso). ACEP Burkina Faso is a savings and credit company which aims to meet the needs of micro, small and medium-sized enterprises not served by the traditional financial sector.

Member capital classification

Oikocredit draws up its consolidated financial statements in accordance with Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP), under which the member shares, which shall be redeemed within five years of a redemption request, can be classified as equity through a permitted exemption. We are discussing with our members the characteristics of the member shares, the right level of equity and debt, and what options would work best for all parties.

Term investments (bond portfolio)

The term investment portfolio again performed well against targets, although bond yields remain modest. Interest payments totalled € 2.5 million (€ 3.5 million in 2016), while revaluations amounted to € 0.9 million negative (€ 1.1 million negative in 2016). In February 2017 we held an internal ethical investment conference in Vienna, where we invited members and experts to discuss and further develop our term investment policy. Members' recommendations were included in the new policy, which we are now in the process of implementing, with more explicit exclusionary and positive criteria than before.

Development financing

Oikocredit's goal is to promote sustainable development by providing loans, equity investments and capacity building support to partner organisations active in inclusive finance, agriculture and renewable energy projects in developing countries. Working closely with our partners and answering their needs are at the core of our work. Our 2017 partner satisfaction survey helped us understand how we add value and where we can improve. The results highlighted how highly partner organisations regard Oikocredit's support and were very helpful in clarifying our strengths and weaknesses.

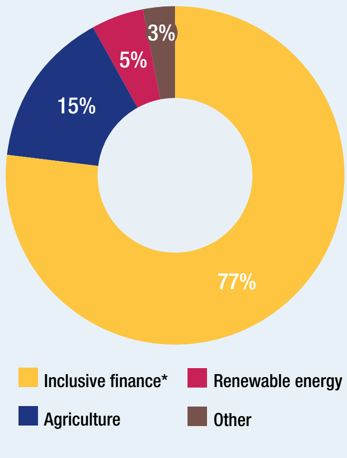
Key developments across sectors

Across the board, the macroeconomic environment remained challenging, with low interest rates, exceptional competition between lenders, and the euro's appreciation. For reasons noted above – particularly the foreign exchange effect and our focus on enhancing the balance of social impact, financial performance and risk in the portfolio – Oikocredit did not meet its 2017 objectives for outflow and portfolio enlargement, except in renewable energy.

In the inclusive finance sector we see markets maturing and increasing competition among lenders. With many new competing and disruptive initiatives involving fintech (financial technology), we are carefully monitoring

Development financing outstanding by sector

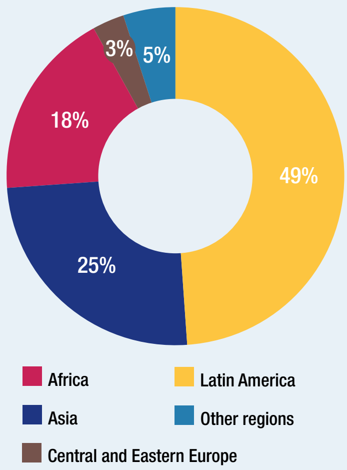
As at 31 December 2017



* including microfinance and SME finance

Development financing outstanding by region

As at 31 December 2017



microfinance partners' capacity to adapt and stay relevant. Fintech offers opportunities to reduce operational costs and improve efficiency and outreach. We have made an initial fintech loan in India and are defining our investment proposition and strategy for the benefit of partners and their clients. Regulatory pressure in financial services has continued to increase, including at local level. Inclusive finance will remain our key focus sector, and we are looking for ways to deepen our engagement with financial services providers, particularly microfinance institutions (MFIs).

Challenges in the agricultural and food sector have led many social investors, including Oikocredit, to review their strategy. With risks generally higher, and many partner organisations small and relatively fragile, investors often shy away from funding the agriculture sector. This lack of funding, together with the potentially high social impact of supporting small-scale farmers, cooperatives and agricultural businesses, means that we will continue to invest in the sector. Collaborating with peers, for example via the Council on Smallholder Agricultural Finance (CSAF), and exchanging best practices add value to our lending.

In renewable energy, new technologies, concepts and business models are emerging, with innovations leading to lower pricing that makes alternative energy solutions more affordable. We are increasingly focusing on off-grid businesses, where in addition to environmental benefits we see more direct social benefits.

Key developments across regions

After several years of rapid growth in Africa, our focus region, we have been consolidating to ensure sustainable progress and long-term portfolio viability and quality. In Kenya an economic slowdown following a lengthy election process has spilt over into neighbouring countries and affected our partners and their clients. The expectation is that business will pick up again.

The effects of demonetisation in India at the end of 2016 (removal of small denomination notes from circulation) disproportionately affected low-income people and subsequently MFIs, resulting in a need to focus more strongly on portfolio quality in 2017. Concern about client over-indebtedness in Cambodia's microfinance sector led Oikocredit and another lender to launch a follow-up study to their first client over-indebtedness research. We jointly developed practical recommendations for microfinance institutions, regulators and the investor community to address these challenges.

In Eastern Europe and Central Asia the economic situation stabilised following a turbulent period. Financial intermediaries increased demand for local currency loans with fixed interest rates. We were able to make loans to new clients and tested markets for agricultural loans in Ukraine and Serbia. Maintaining a presence in traditional agricultural markets such as Bulgaria has been challenging due to pricing levels; however, we managed to maintain our footprint.

Shweta Maheshwari, manager PR & communications (ONergy) holding a prototype of one of ONergy's solar products. ONergy is the brand name for products marketed by Oikocredit's Indian partner Punam Energy Private Limited (PEPL). PEPL provides energy solutions to underserved households and institutions with a range of solar products.

Workers at sugar processing plant La Avispa near Sandoná, Colombia process sugar cane fibres through a press. Loans from Oikocredit partner Contactar have enabled the plant owner, Pedro Raul Bastidas, to upgrade machinery at the farm, significantly improving incomes and working conditions. Contactar provides microfinance services mainly in rural areas of south-west Colombia.

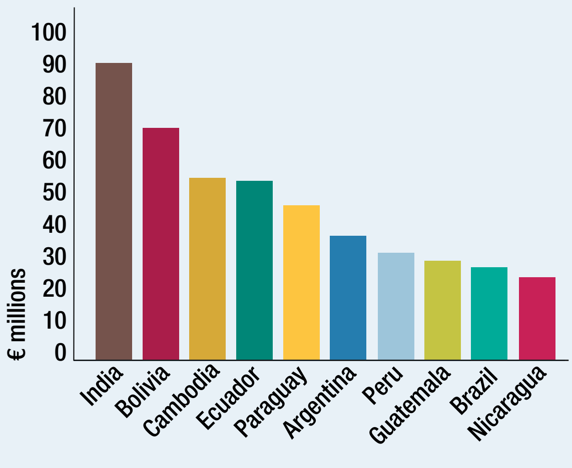
In South America, several countries experienced political instability, often fuelled by corruption scandals or elections, which led to an economic downturn with a knock-on effect on neighbouring countries. Other countries saw an economic revival, and further growth in the southern region of the continent is expected in 2018. In response to growing competition, our local offices have increased their efforts to provide funding. In Central America natural disasters and in some countries (Honduras and Guatemala) political turbulence affected the economy. Across the Latin American region, our portfolio slightly contracted, mainly as a consequence of exchange rate movements.

Development financing portfolio

Oikocredit's total development financing portfolio (loans and equity investments) decreased to € 981.7 million in 2017, from € 1,047.2 million, a reduction of 6.3%. Net loan and investment approvals totalled € 375.2 million, down by 2.1%

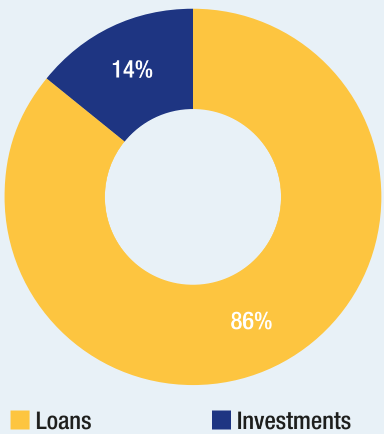
10 countries with highest capital outstanding

As at 31 December 2017



Funding by type of financing

As at 31 December 2017



from € 383.1 million in 2016. Disbursements fell by 13.3% to € 380.2 million from € 438.7 million. At year end we had 747 partners in 71 countries, down from 801 in 70 countries.

Portfolio contraction was largely due to foreign currency effects noted above. However, we have recognised the need to do even more to maintain the quality of the development finance portfolio. To an extent this has meant a stricter approval process with increased emphasis on the balancing of risk, social return and financial return.

Portfolio distribution

The outstanding portfolio in inclusive finance, including financing for MFIs and lending to banks that support small to medium enterprises (SMEs), decreased by 7.4% from € 814.7 million to € 754.8 million, with 512 partners. Approvals were € 293.8 million (2.2% less than in 2016) and disbursements € 283.0 million (11.4% less). Inclusive finance declined slightly from 77.8% to 76.9% as a proportion of total development financing.

In agriculture, loans and investments fell by 6.3% from € 157.3 million to € 147.4 million, with 184 partners. Approvals were down by 4.2% to € 54.6 million and disbursements were down by 6.2% to € 76.5 million. Agriculture's share of the portfolio was constant at 15.0%.

Renewable energy continued to grow, by 23.4% from € 39.8 million to € 49.1 million, with 24 partners. Approvals at € 24.2 million were up by 6.4% and disbursements at € 17.7 million down by 37.8%. Renewable energy now comprises 5.0% of the total development financing portfolio, a rise of 1.2%.

In our focus region, Africa, the portfolio shrank to € 174.1 million from € 188.7 million (a contraction of 7.7%) in line with our decision to consolidate our growth on the continent. Approvals were € 64.8 million (29.9% down from 2016) and disbursals € 72.1 million (16.4% down). We have 189 partners in Africa, and the continent represents 17.7% of the total portfolio, 0.3% less than in 2016. Other regions' portfolio shares are: Asia, 24.7% (22.3% in 2016); Central and Eastern Europe, 3.1% (4.3% in 2016); Latin America, 49.0% (49.7% in 2016); and other regions, 5.4% (5.7% in 2016).

Credit portfolio

The credit portfolio makes up the largest part (86.4%) of Oikocredit's development financing portfolio (equity comprises 13.6%). In 2017 the credit portfolio contracted by 9.1% to € 848.6 million (from € 933.4 million in 2016). As with development financing overall, this was largely due to foreign currency effects and the application of stricter criteria to disbursements.

The total number of credit partners fell to 712 from 767. We approved 212 new loans to the value of € 363.3 million (2016: 232 loans, € 362.9 million), while disbursements decreased from € 406.2 million to € 368.5 million.

Lending in inclusive finance reduced by 9.9% from € 752.3 million to € 677.9 million. Inclusive finance still comprises the largest part of the credit portfolio (79.9% at end-2017). Outstanding lending in agriculture, down by 9.0% from € 124.5 million to € 113.3 million, was 13.4% of total credit. Renewable energy grew by 25.7% from € 29.7 million to € 37.4 million and now constitutes 4.4% of the total. Regional shares of the credit portfolio are: Africa, 17.0%; Asia, 25.2%; Central and Eastern Europe, 3.5%; Latin America, 51.4%; and other regions, 2.9%.

Equity portfolio

Oikocredit's equity investments increased by 16.9% from € 113.8 million to € 133.1 million. The proportion of equity in the portfolio grew to 13.6% (from 10.9% in 2016) in line with the ambition to reach 15% by 2021. We now hold equity stakes in 64 partners in 34 countries.

Equity approvals fell by 47.3% to € 10.7 million (2016: € 20.3 million), while disbursements increased by 253.3% to € 11.8 million (2016: € 3.3 million). Holdings are distributed between financial services (€ 76.9 million, 58%), agriculture and food processing (€ 34.1 million, 26%) and other sub-sectors (€ 22.1 million, 17%). Africa accounts for 19.1% of the equity portfolio, Asia 21.8%, Central and Eastern Europe 0.7%, Latin America 33.4% and other regions 25.2%.

With effect from two years ago, we now make direct equity investments only and have ceased investing through third-party equity funds. As an active shareholder and through

Lourdes Fernández (on the right) assisting a client in her grocery store. Lourdes is a client of Fundación Sembrar Sartawi, a Bolivian microfinance institution which focuses on financing activities in rural areas. She has used her loans to buy a phone, fridge and steadily expand her store.

board representation we help partners enhance their social and financial performance and organisational sustainability.

Equity investing in agriculture involves particular challenges. The agricultural sector is less predictable than inclusive finance, for example, and exit scenarios can be more difficult to realise. It is crucial in equity to strike the right balance between risk and return.

In 2017 the cooperative invested in a micro-insurance provider in West Africa. We sold our shares in Peruvian microfinance partner Financiera Confianza, where we had invested since 2005 and helped the organisation strengthen its social mission and grow to almost 500,000 clients.

In line with our planned strategic growth in equity, we are building up the equity team and enhancing the decision-making process including the investment committee. The recently introduced 'deal team' approach involves interdepartmental teams co-creating each new investment. These teams are led by the equity officers and include representatives from our social performance and legal teams as well as agriculture and environment experts on a needs basis.

Portfolio quality

Portfolio quality has received increasing attention through active monitoring and the resolution of cases. The portfolio at risk (PAR 90 – the percentage of the credit portfolio with payments more than 90 days overdue) remained low: overall 4.6% (2016: 4.5%); in inclusive finance 2.8% (2016: 2.8%); for agriculture 12.1% (2016: 11.1%) and other sectors 10.8% (2016: 12.7%). Loan rescheduling totalled 1.4% (2016: 1.2%). Lower portfolio growth and better quality, with fewer write-offs (€ 4.6 million compared to € 10.5 million in 2016), resulted in fewer additions to loan loss provisions. In equity, impairments were lower in absolute terms (€ 8.9 million lower compared to 2016) and as a percentage of the portfolio (-0.2% compared to 7.6%).

Social performance

Monitoring the changes made possible by the contributions we make via our development financing or capacity building continues to be the focus of our social performance management. We align our social performance with the very best practices across the social impact investing sector. In 2017 this included adjusting Oikocredit's environmental, social and governance (ESG) scorecard for financial intermediaries and piloting an ESG scorecard for financial institutions supporting SMEs. In 2017 we saw an increase in the number of inclusive finance partners and production and services partners (including those in agriculture and renewable energy) with a 'strong' or 'excellent' ESG score.

Local currency loans and risk fund

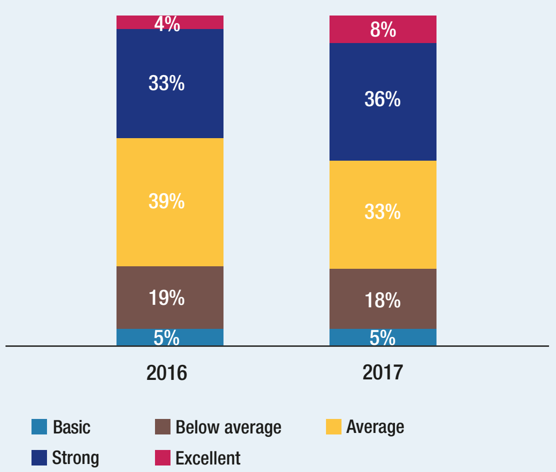
Oikocredit makes local currency loans within pre-determined risk limits to help protect partners from exchange rate fluctuations. In 2017, € 429.8 million (50.6%) of loans were in local currencies and € 418.8 million (49.4%) in hard currencies (2016: 51.4% and 48.6%). The strengthening of the euro heavily impacted our results because a major part of the local currencies in which Oikocredit conducts business is pegged, or strongly correlated to, the US dollar. We used the local currency risk fund to absorb these currency losses. With much of the existing fund now spent, we are actively seeking ways to help rebuild the fund, while also developing a new hedging policy in 2018.

Capacity building

In capacity building, Oikocredit's three global programmes continued to develop and innovate, aiming to strengthen agricultural cooperatives and associations and financial intermediaries for the benefit of farmer members and low-income borrowers. We invested € 845,500 in our three thematic programmes in 2017 (up 53% from 2016): agriculture, financial services and client outcomes. The largest area of investment was agriculture, with € 622,000, followed by financial services with € 176,000.

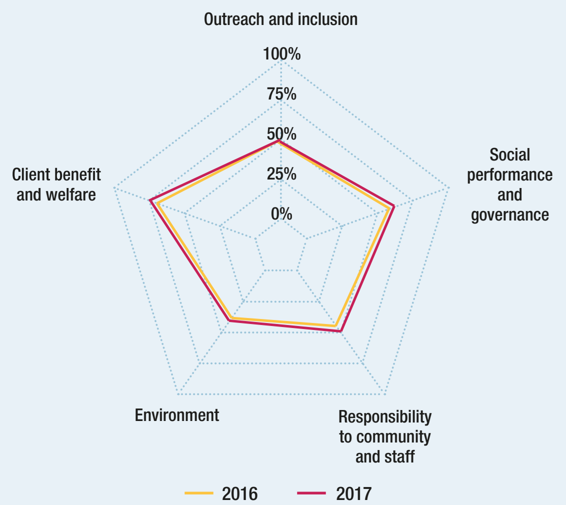
ESG score classification inclusive finance portfolio

As at 31 December 2017



ESG scores inclusive finance portfolio

As at 31 December 2017



Coffee farmer Juan Jesús Jimenez Montenegro (on the right) and his son Juan Cesar harvest coffee on their farm in Peru. Juan is a member of Cenfrocafe, a coffee producing and trading cooperative based in Jaén, in Peru's Cajamarca region. Cenfrocafe, an Oikocredit partner since 2010, combines production of high-quality coffee with high levels of social and environmental sustainability.

In total, 100 organisations were supported, more than twice as many as in 2016 (45).

Agriculture

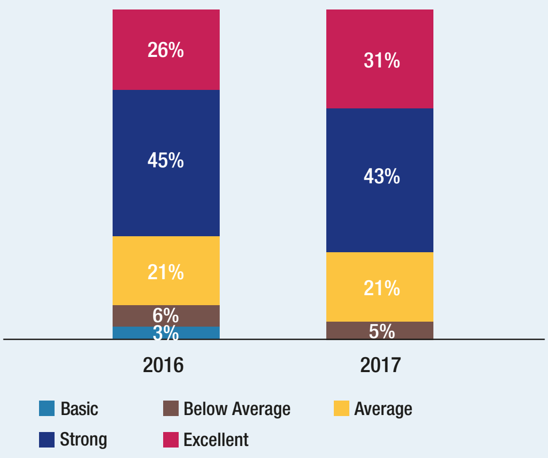
In capacity building for agriculture, we commenced a new price risk management project in Latin America with an innovative adult learning methodology for coffee farmers, providing initial training for 20 Honduran cooperatives. With Church of Sweden support we strengthened farmer-based organisations' capacity to benefit rural low-income earners. Ugandan farmers have improved production and productivity as a result of the knowledge and skills obtained through the project, although further strengthening is needed. We undertook several engagements with farmer cooperatives in other regions, as well as risk mitigation work in Africa, Asia, Eastern Europe, Central Asia and Latin America.

Financial services

In financial services, we worked with the SMART Campaign to strengthen partners' adherence to the Client Protection

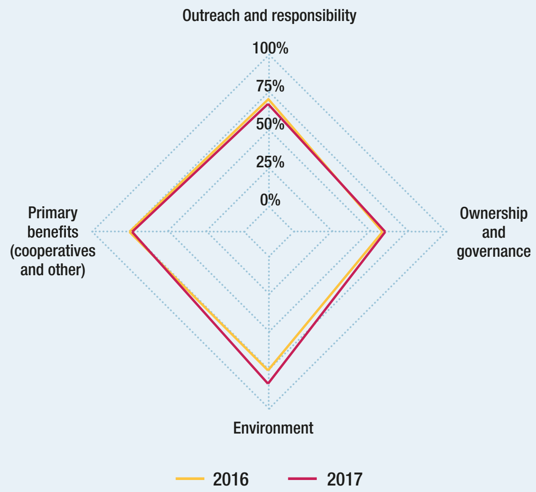
ESG score classification production and services portfolio

As at 31 December 2017



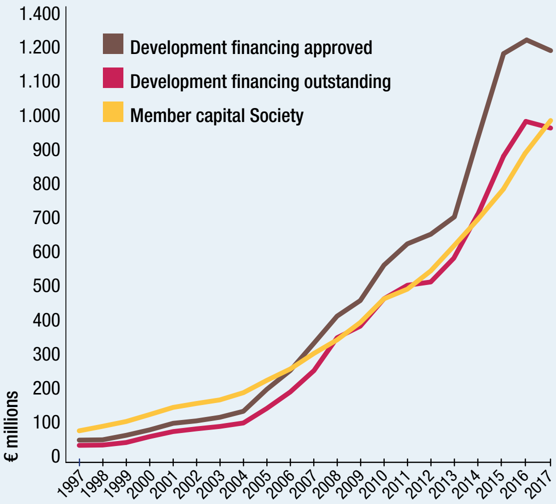
ESG scores production and services portfolio

As at 31 December 2017



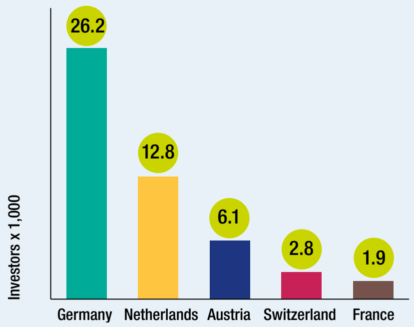
Member capital

As at 31 December 2017



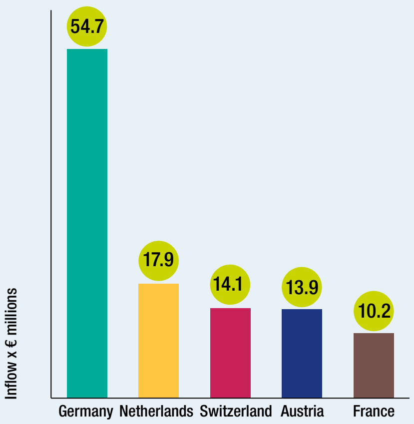
Number of investors

Top 5 countries as at 31 December 2017



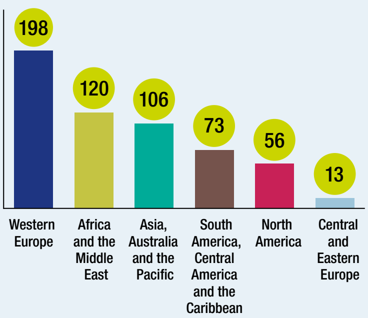
Net inflow

Top 5 countries as at 31 December 2017



Number of members per continent

As at 31 December 2017



Principles (CPPs) by training more of our staff to become certified CPP assessors. Four training workshops took place involving 69 colleagues from the regions and head office. Oikocredit's integrated approach to the CPPs is designed to ensure that financial services partnerships do no harm and ultimately improve clients' livelihood opportunities. Financial services capacity building in Africa, Asia and Latin America also covered risk mitigation and supported partners' CPP self-assessments.

Client outcomes

The client outcomes programme helps financial institutions use aggregated data and client insights to further strengthen their social mission. Mid-2017 saw the launch of a certification programme for trainers. This provides opportunities for our members to contribute to the work of Oikocredit other than by investing. We recognise that our network of investors provides a resource base of expertise that can be channelled to support projects. This also responds to investors' calls for strengthening the link between projects and the investor base. In total, Oikocredit held five client outcomes workshops for partners in Asia (including preparatory work for one new country, Indonesia) and Latin America.

Other highlights

Again with Church of Sweden support, Oikocredit began a pilot project in the Philippines to include a gender lens in partner MFIs' design of products and services and to improve their gender inclusion policy and practice. The approach empowers clients by developing 'champions' who receive initial training and then return to their groups and train others, rather than relying on MFI training staff.

We continue to build our institutional capacity to support the delivery of grant-funded work. This area includes a new three-year smallholder farmer resilience project in East Africa supported by German relief agency Bread for the World – Protestant Development Service, two capacity building programmes supported by the Evangelische Landeskirche (Evangelical-Lutheran Church) in Württemberg, south-west Germany, and in cooperation with Fair Trade USA and Catholic Relief Services the above-mentioned price risk management project in Latin America financed by the Inter-American Development Bank.

Investor relations

Investors' support to the cooperative remained strong in 2017. Oikocredit's support associations must take considerable credit for mobilising individual investors in their countries.

Inflow of new capital

Gross inflow of total lendable funds was € 143.9 million (€ 128.0 million in 2016), and net inflow (gross inflow minus redemptions) € 117.4 million (€ 94.3 million in 2016), slightly above target and a very satisfactory result. Total lendable funds grew by 12.2%.

Around 56,000 investors (50,000 individuals and 6,000 institutions) invested in Oikocredit in 2017. We welcomed two new members to the cooperative: Banca Popolare Etica

(Italy) and Zentrum für Mission und Ökumene (Centre for Mission and Ecumenism, Germany). The total number of members of the cooperative was 567 at year end.

This year's inflow benefited from macroeconomic stability in Europe and the low interest rates on Europe's savings accounts. The lead country for new net inflow was Germany, with the Netherlands, Switzerland, Austria and France also making important contributions. Partnerships with ethical banks such as Crédit Coopératif in France and Alternative Bank Schweiz (ABS) in Switzerland also contributed to our inflow result.

Market conditions

While Oikocredit's reputation for consistent performance in balancing social and financial return attracts investors, the social impact investment market presents challenges. New competing initiatives appear continuously. Regulatory changes demand careful attention from a compliance perspective, and rapid sector-wide digitisation makes good online services for investors a priority. We have explored a number of alternative products and investment channels for people to invest in Oikocredit. For the moment our current offering continues to be highly successful, but we need to be prepared for changing investor preferences.

Inflow network, support associations and volunteers

The cooperative's inflow network includes support associations, the Oikocredit International Share Foundation (OISF) and its national support offices as well as other members, all of them crucial to successfully raising capital. In Germany the national support office and support associations' 'good money' campaign will help increase brand recognition and public understanding of the role of money in social development. Outreach by the Dutch support association attracted more than 700 new investors. OISF Austria took over the administration of OISF investors from northern Italy. The Austrian national support office now looks after approximately 6,000 investors in total.

Hundreds of people volunteer their time with the 30 support associations as ambassadors for the cooperative. Volunteers participate in training events and exchange visits at the international office in Amersfoort, as well as webinars and masterclasses.

Our investors

The cooperative's inflow network has many individual investors who believe strongly in our mission. This core of committed investors, many of whom have invested with us for more than 10 years, is a pillar of strength and

Laurete Bittencourt baking cakes in her bakery. Laurete is a client of Oikocredit partner Banco da Família which provides financial services to micro and small-scale entrepreneurs in the states of Santa Catarina and Rio Grande do Sul in south-eastern Brazil. Banco da Família has been an Oikocredit partner since 2005.

Walter Elizondo, member and managing director of Cooperativa Agroindustrial y de Servicios Múltiples de San Antonio Pérez Zeledón (Coopeassa), in his pineapple fields. Coopeassa is a Costa Rican cooperative of small-scale coffee, banana and pineapple producers which disburses loans to members and provides technical advice on best agricultural practices.

stability. Our members – comprising institutional investors such as churches and church-related organisations and ethical banks – also play an important role, because their membership and investments are a strong endorsement that encourages others to trust us with their money. A members' council was established in 2016 and worked with the managing board in 2017 in securing greater participation and engagement from members.

Visits and tours

Annual road shows, which bring representatives of selected partners to Europe, raise public awareness about the enterprises supported by Oikocredit and how these help to improve the socioeconomic situation of people on low incomes. In 2017 we hosted two staff members of our Ecuadorian coffee cooperative partner FAPECAFES. With coffee tastings in Austria, France, Germany, the Netherlands and Spain, the road show was a great success.

Study tours and partner visits give members and investors direct insight into partners' work. The 2017 study tour took investors, volunteers and staff to the Philippines, where they learned more about financial inclusion, women's economic empowerment and natural disaster resilience. At the AGM in Ghana, members visited partner organisations working in microfinance, renewable energy and agriculture and attended our conference 'Inclusive finance – an African perspective' with speakers from Ghanaian partners. For the second year running, investors visited our Egyptian social enterprise partner SEKEM.

Internal and organisational developments

Leadership team

Thos Gieskes became managing director in April 2017, bringing a wealth of international experience from close to 30 years at the Netherlands-headquartered cooperative bank Rabobank. Oikocredit is very grateful to investor relations and social performance director Ging Ledesma for stepping in as interim managing director during the transition period.

Laura Pool joined the managing board as director of risk at the end of 2017. With a background in senior roles at Triodos Investment Management, NV Nationale Borg and ING Group, Laura heads the risk department.

In January 2018 we adapted the composition of the managing board to be better positioned to implement our strategy. We created the positions of director of human resources and director of IT & operations, having identified these areas as needing attention. We welcomed Petra Lens on to the managing board to fill the first of these positions and will soon make an appointment to the second one. Petra joined Oikocredit in August 2016 from her previous post as human resources director at Porticus, an international family-owned philanthropic organisation.

We have merged the departments for credit and equity, thereby creating one single managing board position of director of investments. Having one unified outflow department will help us reduce organisational complexity, serve our partner base more holistically and effectively, and become a better catalyst for social impact.

Equity director Bart van Eyk was appointed to the position of director of investments. He joined Oikocredit in August 2015 and previously led both credit and equity departments on an interim basis in 2016. With a background in microfinance, business innovation and structured finance in emerging markets, Bart has the necessary experience for the position.

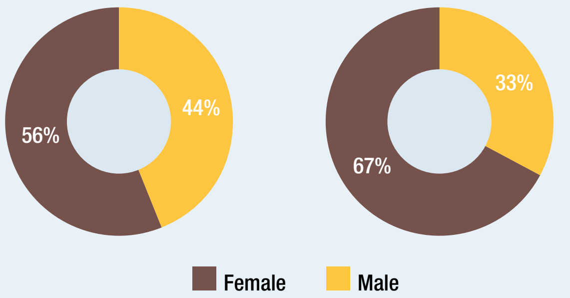
As a consequence of the departmental merger, credit director Hann Verheijen left Oikocredit at the end of January 2018. He joined Oikocredit International in October 2016 following four years as the director of the support association Oikocredit Nederland. We are very grateful to Hann for all his contributions and his dedication to Oikocredit.

A new deputy director for Africa was hired, and we welcomed Hans Perk in January 2018 to lead the organisation's engagement with our focus region. Hans previously worked for international development network Solidaridad and Triodos Bank.

Oikocredit staff overview

As at 31 December 2017

Division of staff by gender | **Division of managing board by gender**



Oikocredit employs staff from almost 50 countries worldwide.

Human resources

At the end of 2017 the cooperative employed a total of 290 full-time equivalent staff, up from 269 in 2016, of whom 175 worked outside the Netherlands. Earlier in the year, we undertook our first global employee engagement

Ghilic Liviu driving a digger to move the harvested grain. Ghilic is an employee of Agrohoria SRL, an agricultural company which provides farmers in south-eastern Romania with additional income by renting and farming their plots. Agrohoria has been an Oikocredit partner since 2014.

survey, which gave a very positive picture of our staff's commitment while indicating areas for improvement. In response, we began a 'global job structure' project, which serves as the cornerstone for clear job accountabilities, staff development and consistent, transparent market comparisons. We have also initiated a 'new way of working' project to update the physical office space in Amersfoort and how we co-create across the organisation in an increasingly digitised world.

Environment

Oikocredit further streamlined its environmental strategy in 2017. We undertook both internal and external training including a disaster relief management workshop with our partners in Ecuador. We also further integrated environmental considerations into our due diligence.

After several years of running our own carbon offsetting projects, we decided to work with the FairClimateFund to offset our CO_2 emissions. The FairClimateFund offers Gold Standard Fairtrade Carbon Credits, a new standard developed by Fairtrade International and Gold Standard. The funds provided by Oikocredit will be invested in clean cooking technologies for low-income communities in India.

Risk management

The cooperative is taking a more strategic approach to risk management and has elevated this to the highest level with the creation of a combined risk and compliance department. All major decisions are now viewed from a risk management perspective, which we see as a necessary step for an organisation like ours that is active in many different financial markets where an abundance of risks occurs. We have undertaken preparatory work for implementation of the European Union's revised data protection regulations (GDPR), which will come into effect in May 2018.

Tax

In 2017 the cooperative concluded conversations with the Dutch tax authority on its corporate income tax status in the Netherlands. It was mutually agreed that Oikocredit will be treated as a Dutch corporate income tax paying entity as from 1 January 2018. We expect this adjustment will not lead to a substantially higher tax burden for Oikocredit due to the application of the Dutch participation exemption and the crediting of some foreign withholding taxes on interest with Dutch corporate income tax.

Looking ahead

Oikocredit's overriding priority for 2018 will be to sharpen its focus and to implement its updated strategy. The key aims are to strengthen our position as a leading global development finance organisation, to recover stability in core income and to reduce the business model's complexity and cost, while remaining fully aligned with our long-standing values and mission. The updated strategy centres on the cooperative's role as a catalyst for social impact and on strengthening the capabilities of our people and organisation.

In the coming months we will translate the strategy into a balanced and clear implementation plan and undertake an operating model review to bring our organisation and processes into full alignment with the revised strategy, including efficiency gains. In the short term, we expect that the investments necessary to carry out the implementation, along with the continuing low interest environment, will have a negative effect on our results for the coming year.

However, we remain optimistic about the future. In making the necessary changes, Oikocredit will continue to deliver on its commitment to sustainably improve the quality of life of low-income people and communities through productive partnerships. Equally we will strive to deliver a fair financial return to investors and rewarding employment for our staff.

Moving forward we need our development finance portfolio, and hence disbursements, to keep pace with capital inflow. At the same time, competition between lenders increases the risk of client over-indebtedness in the financial inclusion sector, which is why we will continue to examine carefully where to invest our funds.

Our social performance, capacity building and environment work will continue to adjust to the changing needs of partners. We will seek new ways to apply social performance management effectively in an increasingly digitised world.

Anticipating that investors will in future increasingly favour the ease of online investing, Oikocredit is investigating how to best respond to this need. Together with the members' council, we will generate greater participation and engagement among members. We will update and improve our policies and procedures to meet increasing compliance requirements, and continue to work with our support associations to attract new, younger investors.

Conclusion

As the managing board we have immense faith in Oikocredit and its people. We are confident that, with the execution of our updated strategy, the organisation will be strongly positioned to continue to deliver on its mission. We need to respond to current financial realities so that, while we continue to use investors' and donors' funds optimally for the benefit of people and planet, we generate the consistent core financial returns needed to underpin the cooperative's long-term future. There are many successes to build on. With the support and commitment of members, investors, volunteers, staff colleagues and partners, Oikocredit will move forward to new accomplishments, maximise impact and remain adaptable and innovative.

Amersfoort, 7 March 2018

Thos Gieskes
Managing director

Ging Ledesma
Director of investor relations and social performance

Petra Lens
Director of human resources

Laura Pool
Director of risk

Bart van Eyk
Director of investments

Irene van Oostwaard
Director of finance

Supervisory board report

Guaranteeing Oikocredit's mission

The supervisory board is Oikocredit's deliberative, guiding and supervising non-executive body. Together with the managing board, it is responsible for keeping the cooperative true to its vision, mission and values.

The supervisory board has an advisory and supervision role towards the managing board and towards Oikocredit as a whole. It pays particular attention to strengthening the governance of the cooperative and to overseeing the effectiveness of internal risk management and control systems. It appoints the managing board, provides direction and advice, especially with regard to strategy and policy, and helps ensure that the organisation takes full account of its internal and external stakeholders in its decision-making. The board receives regular reports and updates from the managing board, including on the society's compliance with relevant laws and regulations, and it monitors finances, risk, and human resources structures and policies.

Key decisions and discussions

Leadership team

The supervisory board strengthened Oikocredit's leadership team by completing the process of appointing the new managing director, Thos Gieskes, and appointing Laura Pool to the managing board as director of risk. These appointments will help ensure that the managing board has the necessary capacity to meet its operational responsibilities. During this period of major transition the supervisory board actively supported the managing board, including guiding risk management until the new director of risk was in place.

In the context of the strategy update, the supervisory board agreed to adapt the composition of the managing board. The board appointed Bart van Eyk as director of investments and Petra Lens as director of human resources.

Organisational strategy

The board continued to discuss Oikocredit's strategy in depth, prioritising the need to protect the cooperative's triple bottom line – including social and environmental returns. Board members carefully considered proposals regarding the updated strategy and agreed next steps with the managing board.

Finances

Discussion of the past year's financial results and the current year's budget and financial performance was, as always, a core activity. The board's responsibility is to ensure that the organisation remains on a resilient financial path while remaining faithful to its vision and mission. Board members were very aware that the results were under pressure during

Cocoa planter Ngoran Kouakou harvesting cocoa pods. Ngoran is a client of the cocoa cooperative union Entreprise Coopérative Kimbe (Ecookim). Ecookim is a second-tier cooperative, with more than 13,000 members from rural communities across four regions of Côte d'Ivoire. Its members produce cocoa and coffee for export, sold exclusively to Ecookim.

the year, and much of their deliberation focused on ways to future-proof the finances, including through efficiency gains and strengthening of reserves. The board acknowledged the impact of foreign exchange rate fluctuations on the results and discussed the risk-bearing capacity of Oikocredit in relation to these exchange rates. Alignment of the dividend with the annual financial outturn and financial projections was, as always, also on the agenda.

Human resources policies

Updating of the cooperative's human resources policies and procedures on such matters as remuneration, recruitment, training and employee wellbeing is a particular interest of the supervisory board. The direction for a full review of the global job structure and remuneration structure was agreed.

Policy endorsement

Advised by its committees, the board endorsed proposals from the managing board for an updated 'know your customer' policy and a conflict of interest policy for its own and managing board members and executive committee members.

Members

Regular discussions with the cooperative's members are of great importance to the supervisory board. Board members met with representatives of member organisations and support associations during the support associations' meeting in February and the June AGM week in Ghana.

Member capital classification

The board received a briefing from the managing board concerning the classification of member capital and will continue to work with the managing board and members on this topic.

Board meetings and committees

The supervisory board met five times during the year: in January (partly in-person in Amersfoort and partly via teleconference); in late February/early March (in-person in Amersfoort); in June (in-person in Ghana); in September (teleconference); and in November (in-person in Amersfoort). The managing board participated during some parts of the meetings, mainly to discuss the strategy update and the financial results. Supervisory board meetings with the works council took place in March and November.

Committees

The supervisory board's committees, which help the board organise its work efficiently by preparing ahead of plenary meetings, currently comprise:

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

All the committees met at least three times in 2017 in the weeks when the board held face-to-face meetings, and held teleconferences and email exchanges between meetings.

The audit committee, which was incorporated into the supervisory board in 2016, held three in-person meetings and several teleconferences during 2017. Topics discussed included the financial statements, the internal audit reports and annual internal audit plan, risk management and financial planning. The committee includes one independent (non-board) member: Vincenz Gora.

One further Oikocredit committee is the nomination committee. This is separate from the supervisory board and responsible for overseeing nominations to the supervisory board. The nomination committee is elected by the annual general meeting (AGM) and includes the managing director and one supervisory board member as non-voting members.

Training

Board members participated in two self-development training sessions provided by Nyenrode Business Universiteit, coinciding with meetings in February and November, as part of their continuous education programme. Topics covered included financial audit, financial risk, the role and profile of the chair, chair succession, and agenda and priority setting to improve board impact and efficiency.

Board composition

Two board members completed their terms in 2017: we are grateful to Ayaan Adam (United States) and Richard Librock (Canada) for their service to our cooperative. We welcomed one new board member during the year: Joseph Patterson (Canada). One board position is currently vacant.

Remuneration of the supervisory board and managing board

Remuneration of board members is described in note 35 of the financial statements.

Looking ahead

The supervisory board looks forward to supporting the managing board in successfully implementing Oikocredit's updated strategy in 2018-2022. It will pay close attention to impacts on, and implications for, the cooperative's social and environmental mission, financial resilience, and capacity to manage risk and catalyse change, as well as any effects on Oikocredit's staff.

Amersfoort, 7 March 2018

Jacinta Hamann de Vivero
Chair

Karsten Löffler
Vice-chair

Annette Austin
Supervisory board member

Vincent De Waele
Supervisory board member

Daira Gómez Mora
Supervisory board member

Eduardo Jimenez
Supervisory board member

Joseph Patterson
Supervisory board member

Åsa Silfverberg
Supervisory board member

Carla Veldhuyzen van Zanten
Supervisory board member

Ruth Waweru
Supervisory board member

Consolidated financial statements

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/2017	31/12/2016
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
6	**INTANGIBLE FIXED ASSETS**	**1,132**	**1,024**
7	**TANGIBLE FIXED ASSETS**	**2,247**	**1,328**
	FINANCIAL ASSETS		
8	Development financing:		
	Total development financing outstanding	981,664	1,047,226
	Less: - loss provision and impairments	(69,329)	(77,513)
		912,335	**969,713**
	Consists of:		
	Loans (net of loss provision)	*795,016*	*873,676*
	Equity (net of impairments)	*117,319*	*96,037*
9	Term investments	149,851	112,807
10	Other financial assets	3,220	998
	Total	**1,065,406**	**1,083,518**
	Total non-current assets	**1,068,785**	**1,085,870**
	CURRENT ASSETS		
11	Receivables and other current assets	31,936	27,958
12	Cash and banks	119,324	95,447
	Total	**151,260**	**123,405**
	TOTAL	**1,220,045**	**1,209,275**

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

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/2017	31/12/2016
		€ ,000	**€ ,000**
	GROUP EQUITY AND FUNDS		
13/14	Member capital	1,012,421	912,968
14	General reserve	81,986	69,684
14	Restricted exchange fluctuation reserve	(7,383)	(3,108)
15	Local currency risk funds	12,813	51,300
16	Funds for subsidised activities and model costs	4,264	4,332
	Undistributed net income for the year	18,439	29,003
		1,122,540	**1,064,179**
17	**Third-party interests**	**2,703**	**4,959**
	Total group equity and funds	**1,125,243**	**1,069,138**
18	**PROVISIONS**	**1,582**	**-**
19	**NON-CURRENT LIABILITIES**	**56,934**	**39,877**
20	**CURRENT LIABILITIES**	**36,286**	**100,260**
	TOTAL	**1,220,045**	**1,209,275**

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

Consolidated **income statement**

Notes		2017	2016
		€ ,000	**€ ,000**
	INCOME		
	Interest and similar income		
22	Interest on development financing portfolio	80,726	77,216
22	Interest on term investments	2,548	3,466
9/22	Revaluation term investments	(858)	(1,088)
	Total interest and similar income	**82,416**	**79,594**
	Interest and similar expenses		
23	Interest expenses	(2,068)	(1,544)
	Total interest and similar expenses	**(2,068)**	**(1,544)**
	Income from equity investments		
24	Result from sale of equity investments	4,395	19,245
	Dividends	2,465	1,946
	Total income from equity investments	**6,860**	**21,191**
25	**Grant income**	**894**	**796**
	Other income and expenses		
26	Exchange rate differences	(48,699)	10,227
26	Hedge premiums and provisions	(11,489)	(5,456)
26	Other	19	54
	Total other income and expenses	**(60,169)**	**4,825**
	TOTAL OPERATING INCOME	**27,933**	**104,862**
	GENERAL AND ADMINISTRATIVE EXPENSES		
27	Personnel	(23,083)	(20,380)
	Travel	(1,116)	(1,286)
28	General and other expenses	(13,359)	(12,299)
	TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**(37,558)**	**(33,965)**
	ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS		
30	Additions to loss provisions	(7,354)	(18,250)
30	Impairments on equity investments	237	(8,697)
	TOTAL ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS	**(7,117)**	**(26,947)**
	INCOME BEFORE TAXATION	**(16,742)**	**43,950**
31	Taxes	(3,238)	(1,865)
	INCOME AFTER TAXATION	**(19,980)**	**42,085**
17	Third-party interests	(136)	(279)
32	Additions to (-) and releases (+) from funds	38,555	(12,803)
	INCOME FOR THE YEAR AFTER ADDITIONS TO FUNDS	**18,439**	**29,003**

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

Consolidated **cash flow statement**

Notes		2017	2016
		€ ,000	€ ,000
	INCOME BEFORE TAXATION	**(16,742)**	**43,950**
	Adjusted for non-cash items		
8/11	Value adjustments Loans, Equity and Receivables	(2,191)	24,159
9	Unrealised revaluation term investments	727	1,088
6/7	Depreciation (in)tangible fixed assets	1,091	581
10/11/ 20/29	Taxes	(3,249)	(1,774)
	Exchange adjustments	61,656	(30,125)
	Changes in		
8	Development financing (disbursements and repayments)	(41,453)	(128,788)
10	Other financial assets	287	(8)
11	Receivables and other current assets	3,589	(2,816)
18	Provisions	1,582	-
20	Current liabilities	(48,177)	38,289
	CASH FLOW FROM OPERATING ACTIVITIES	**(42,875)**	**(55,444)**
9	Term investments	(37,826)	6,187
6	Intangible assets	(325)	(91)
7	Tangible assets	(1,349)	(1,037)
	CASH FLOW FROM INVESTING ACTIVITIES	**(39,500)**	**5,059**
13/46	Member capital (Issue and redemptions) in euro and foreign currencies	99,453	106,691
34	Dividend paid on member capital in euro and foreign currencies	(16,706)	(15,005)
17	Third-party interests	2,392	-
19	Loans and notes	21,113	11,932
	CASH FLOW FROM FINANCING ACTIVITIES	**106,252**	**103,618**
	CHANGES IN CASH AND BANKS	**23,877**	**53,233**
12	Cash and banks beginning of the year	95,447	42,214
	Cash and banks end of the year	119,324	95,447
	CHANGES IN CASH AND BANKS	**23,877**	**53,233**

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

Notes to the **consolidated financial statements**

Year ended 31 December 2017

These financial statements are expressed in euro (€).
As at 31 December 2017, US$ 1 equalled € 0.83
(31 December 2016: US$ 1 equalled € 0.95).

1 General information

Description of the organisation

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 organisations, partner members and support associations established by individuals and local parishes. The Society has an undefined ending date.

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

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

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

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

Oikocredit has national support offices that coordinate and support efforts to attract investors in Austria, Canada, France, Germany and the United Kingdom.

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

LIC Loan Fund

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

Oikocredit International Support Foundation

The Support Foundation was established on 10 March 1995, in Amersfoort, the Netherlands, in accordance with the laws of the Kingdom of the Netherlands. The duration of the Support Foundation is unlimited. The main purpose of the Support Foundation is to mobilise grant funds to support various subsidised 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 subsidise part of the remaining costs (category B).

Category A costs are:

- 100% (2016: 100%) of external capacity building for partners

Category B costs are:

- Investor relations costs: besides the category A costs charged to the Support Foundation, the target is to raise subsidies and grants for another 15% of national support office costs and 15% of technical and organisational 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. Unrealised losses on inter-company transactions are also eliminated. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them with the prevailing group accounting policies. Group companies and other entities over which Oikocredit exercises control or whose central management it conducts are consolidated in full. Minority interests in group equity and group net income are disclosed separately.

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

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

As the income statement for 2017 of the Society is included in the consolidated financial statements, an abridged income statement has been disclosed in the Society financial statements in accordance with Section 402, Book 2, of the Netherlands Civil Code.

Related parties

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

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

The Oikocredit Provident Fund was a foundation situated in Amersfoort, the Netherlands, which managed the designated savings and contributions from Oikocredit Ecumenical Development Cooperative Society U.A. employees based in developing countries. The board of the foundation mainly consisted of Oikocredit employees. On 21 March 2017, the board of directors decided to liquidate the Provident Fund. Liquidation was finalised on 11 December 2017.

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 organisations and for individuals in countries where no support association exists or where support associations are not allowed to sell financial products themselves.

Members are also considered to be related parties.

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

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised 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 euro. 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 recognised at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes. These financial statements have been prepared under the going concern assumption.

Comparative figures

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

Foreign currencies

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

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

Translation differences on non-monetary assets held at cost are recognised 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.

Assets and liabilities
An asset or a liability is recognised in the balance sheet when the contractual rights or obligations in respect of that instrument arise. An asset or liability is no longer recognised in the balance sheet when there is a transaction that results in a transfer to a third party of all or substantially all of the rights to economic benefits and all or substantially all of the risks related to the position.

Fixed assets and depreciation
Fixed assets (both tangible and intangible) are stated at cost minus depreciation. Expenditure for additions, renewals and improvements are capitalised. 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 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 amortised cost.

Associates
Equity investments in companies in which Oikocredit has significant influence ('associates') are accounted for under the equity accounting method. Significant influence is normally evidenced when Oikocredit has from 20% to 50% of a company's voting rights. In addition, Oikocredit takes into consideration the factual circumstances, such as:

1. Oikocredit's involvement in the company's operational and/or strategic management by participation in its management, supervisory board or investments committee; and
2. The presence of material transactions between Oikocredit and the company; and
3. Oikocredit making essential technical assistance available.

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

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

Investments
Participating interests where no significant influence is exercised (<20%) are stated at the lower of cost or realisable value. In case the Society has the intention to sell, then the participating interest is stated at the lower expected sales value. If the Society transfers an asset or a liability to a participating interest that is measured at cost or current value, the gain or loss resulting from this transfer is recognised directly and in full in the profit and loss account, unless the gain is in substance not realised.

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 recognised in the income statement.

In practice, equity investments (including investments in Associates) are valued at cost less impairment. All equity investments are reviewed and analysed 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 recognised at fair

value as these are not held to maturity. Changes in the fair value are taken directly to the income statement.

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

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

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

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

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

The managing board opted to make use of the exemption in RJ 290.808 to classify its member capital in both euro and foreign currencies 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).

Provisions
The restructuring provision is a specific provision that consists of anticipated severance payments and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or constructive obligation to make the payment arises. No provision is formed for costs or future operating losses stemming from continuing operations.
The Society recognises severance payments if the Society has demonstrably committed itself, to:

- the termination of the employment contracts of current employees in accordance with an announced detailed formal plan without the option of the plan being withdrawn; or
- the payment of termination benefits as a result of an offer to encourage voluntary redundancy that cannot be withdrawn.

The onerous contract results from an unfavourable lease in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received or for which no benefits are expected to be received.

Pensions
The Society has pension plans to which the conditions of the Dutch Pension Act are applicable. The pension plan is a defined contribution plan. The Society pays premiums based on (legal) requirements, on a contractual or voluntary basis to insurance companies. Premiums are recognised as personnel costs when they are due. Prepaid contributions are recognised 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 recognised at fair value, with net transaction costs incurred. Borrowings are subsequently stated at amortised 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 (amortised) 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
Derivative financial instruments are stated at cost or lower market value. The company has applied cost price hedge accounting. The Society has documented the relationship between hedging instruments and hedged items. The company also tests its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Society has no derivative financial instruments embedded in contracts.

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

- If the hedged item is recognised 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 recognised directly in profit or loss.

3 Accounting policies for the income statement

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.

Income and expense recognition

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

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

Finance income and expenses

Interest paid and received is recognised 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 realised.

Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised 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 the insurance company Nationale Nederlanden, which administers these pensions. Contributions are recognised as expenses when incurred. Prepaid contributions are recognised as prepayments and accrued income to the extent that this will lead to a reduction in future payments or a cash refund.

The pension scheme is a conditionally indexed average-salary scheme. Entitlements and rights granted of inactive members are indexed (adjusted in line with increases in prices) based on the CPI-index. For active members, indexation is decided upon each year by the Society. In recent years the CAO loon index has been used as a reference.

The pension scheme is classified as a defined-contribution agreement under the Dutch Pensions Act. The top-up scheme (Excedentregeling) is classified as a defined contribution scheme under the Dutch Pension Act. The administration agreement with the pension provider runs until the end of 2019.

The main provisions of the agreement are:

- Indexation does not result in a change in contributions.
- There are no specific agreements relating to reduction or refund of contributions.
- The pension contribution for the employee is 5.25% of the pensionable salary. The pensionable salary is a maximum € 103,317 reduced by a franchise of € 13,123.
- The pensions are guaranteed by the pension provider (insurance). In the top-up scheme, the investment risk is borne by the employee.

Employees in foreign countries receive a monthly payment which they can use for their pensions.

Taxes

The tax authorities in the Netherlands have exempted the Society from corporate income tax up to the end of 2017 provided that the Society complies with certain conditions, all of which were complied with in 2017. No tax will have to be withheld on dividends distributed by the Society to its members.
The growth of the organisation has led us to thoroughly review Oikocredit's tax and legal structures in the countries where we have offices, to ensure that we have a structure in place to pay our fair share of taxes. We have included an amount in our current liabilities for possible tax payments relating to previous years.

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

Organisation

Three lines of defence
Within Oikocredit a Three Lines of Defence model is applied. This model ensures that all staff are aware of their role in managing risks. In this model, the business departments and offices, as the first line of defence, are responsible for executing the daily processes and internal controls and basically manage the risks of their operations on a daily basis.

The risk department, as the second line of defence, is responsible for the risk management framework and ensures that the relevant risks are properly identified and also monitors whether sufficient risk-mitigation procedures are in place within the first line of defence to manage such risks.

Internal audit, as the third line of defence, provides independent and objective assurance on the governance processes, internal controls and risk management framework, including the effectiveness of the internal controls within the first and second lines of defence.

Risk organisation
With the growth of Oikocredit, the risk and compliance functions have professionalised, resulting in a more independent and formal second line function. A further step was taken in December 2017 with a chief risk officer appointed by the supervisory board and being part of the managing board. The director of risk will help to further mould a high-achieving, well-controlled organisation that can safely reach its impact and growth targets.

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

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

In 2017 the managing board also established an asset and liability committee (ALCO), consisting of the director of finance (chair), the managing director, acting as director of risk ad interim, the corporate treasurer, the financial risk manager and the financial risk analyst. The purpose of this committee is to assist the managing board in monitoring and steering the financial risk profile of the Society and ensuring that treasury and lending operations are conducted within the parameters of the treasury and financial risk policies.

In its operating environment and daily activities, Oikocredit encounters risks. Therefore, Oikocredit has an enterprise risk management system to identify the most important risks that may threaten its operations and continuity. The structure of the risk organisation covers all relevant risks for Oikocredit grouped into the following risk categories: financial risks, non-financial risks and strategic risks - depicted as follows:

Enterprise risk categories
Financial risk
Credit risk
Equity risk
Liquidity risk
Foreign currency risk
Interest rate risk
Non-financial risk
Operational risk
Compliance risk
Reputational risk
Strategic risk

Financial risk
The following financial risks have been identified:
- credit risk
- equity risk
- liquidity risk
- foreign currency risk
- interest rate risk.

Credit risk
Credit risk is defined as the risk that a change in the credit quality of a counterparty (to which Oikocredit has granted loans) will affect the value of Oikocredit's position. Changes in credit quality can, for example, occur due to specific counterparty risks, risks relating to the country in which the counterparty conducts its business, and sector risks.

Management of credit risk is part of Oikocredit's core business.

Credit risk in development financing portfolio
To mitigate credit risk, all individual loan proposals are assessed by our local management and staff in the developing countries in which we work, as well as by analysts in the international office in Amersfoort, the Netherlands. In assessing the financing proposals, predefined criteria should be met. Strengths, weaknesses, opportunities and threats (SWOT) analyses are made and management, financial, legal and social performance analyses take place. Risks are evaluated through a risk score card; environmental,

social and governance aspects are rated using an ESG scorecard. Where appropriate, credit enhancement is available in the form of collateral and/or third-party guarantees.

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

To mitigate the concentration risk, as part of credit risk, the Society has 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 in which Oikocredit operates).
- Amounts outstanding per partner. Amounts over € 10 million need approval from the supervisory board.
- Amounts outstanding to a group of companies. A group is defined as two or more counterparties that are interrelated in such a way that they can be considered a single risk.

The observance of these limits is monitored on a periodic basis.

2017 Credit					
As at 31 December	**Financial Services**	**Agriculture**	**Renewable Energy**	**Other**	**Total**
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**
Africa	155,361	32,137	3,437	3,538	194,473
Asia	259,390	7,203	12,797	1,365	280,755
Central America and the Caribbean	117,174	36,208	18,210	2,800	174,392
Central and Eastern Europe	26,958	8,915	72	6	35,951
South America	241,031	72,095	16,906	11,590	341,622
Other	40,505	500	-	2,323	43,328
Grand Total	**840,419**	**157,058**	**51,422**	**21,622**	**1,070,521**

2016 Credit					
As at 31 December	**Financial Services**	**Agriculture**	**Renewable Energy**	**Other**	**Total**
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**
Africa	184,858	27,893	762	6,624	220,138
Asia	264,290	7,918	8,105	2,591	282,905
Central America and the Caribbean	133,599	34,296	21,431	4,045	193,371
Central and Eastern Europe	34,000	12,659	1,967	6	48,632
South America	240,998	82,769	7,340	15,192	346,299
Other	60,453	1,426	-	-	61,879
Grand Total	**918,198**	**166,961**	**39,605**	**28,459**	**1,153,224**

These tables include committed not yet disbursed amounts.

Loans overdue - portfolio at risk
As part of managing credit risk, Oikocredit closely monitors the Portfolio at risk (PAR) of each individual counterparty that has been financed. The PAR 90 ratio, for loans overdue for more than 90 days, is a key indicator of the credit risk included in the development financing portfolio. PAR 90 is currently 4.5% (2016: 4.6%).

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 external rating of the country where Oikocredit operates.

During 2017 an amount of € 5.4 million was added to the loan loss provision (2016 € 15.4 million).

Overview of bad debts and overdue receivables

	31/12/2017		31/12/2016	
	€ ,000	**%**	**€ ,000**	**%**
On time	775,470	91.4%	854,277	91.5%
Overdue	21,176	2.5%	22,419	2.4%
PAR 30	7,734	0.9%	8,654	0.9%
PAR 60	5,274	0.6%	5,717	0.6%
PAR 90	3,682	0.4%	11,686	1.3%
PAR 180	8,657	1.0%	2,365	0.3%
PAR 360	26,572	3.1%	28,297	3.0%
	848,565	**100.0%**	**933,415**	**100.0%**

Details regarding the method of provisioning for possible losses on development financing can be found in the accounting policies for the balance sheet.

Country risk and concentration
Country risk arises from country-specific events that have an impact on the exposure in a specific country, such as those of a political or macroeconomic nature. All investments involve country risk.

To limit the country risk, Oikocredit has developed a set of country limits depending on a risk assessment of the countries. The assessment of country risk is, among others, based on a benchmark of external rating agencies and other internal and external information.

The country risks are mitigated through diversification of the geographical distribution of the portfolio across a large number of countries.

Gross exposure distributed by country rating

Indicative country rating	2017		2016	
	€ ,000	**%**	**€ ,000**	**%**
Very low risk (0 - <15)	0	0.0%	36,888	2.9%
Low risk (15 - <25)	250	0.0%	49,676	3.9%
Moderately low risk (25 - <35)	208,397	17.1%	119,866	9.3%
Moderate risk (35 - <45)	295,660	24.2%	383,597	29.9%
Moderately high risk (45 - <55)	555,573	45.5%	566,678	44.0%
High risk (55 - <65)	52,517	4.3%	113,466	8.8%
Very high risk (65 - 100)	13,818	1.1%	18,313	1.4%
Multinational*	94,228	7.7%		
Total	**1,220,443**	**100.0%**	**1,288,485**	**100.0%**

* Multinational allocation started in 2017

This table includes both loans and equity investments as well as the committed not yet disbursed amounts.

Transfer and conversion risk
Part of the credit risk relates to transfer risk, which is defined as the risk that a local currency cannot be converted into the currency that a debt is denominated in. Transfer risk, also known as conversion risk, may arise due to a currency not being widely traded, or from capital controls that prevent a lender, investor or business from freely moving currency in or out of a country.

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

Credit quality of term investments				
As at 31 December	**2017**		**2016**	
	€ ,000	**%**	**€ ,000**	**%**
AAA - prime investment grade	1,881	1.4%	493	0.5%
AA - high quality investment grade	18,593	14.1%	10,629	10.1%
A - upper medium investment grade	38,023	28.7%	35,934	34.2%
BBB - lower medium investment grade	68,254	51.6%	53,690	51.1%
NR - not rated	5,581	4.2%	4,418	4.2%
Total	**132,332**	**100.0%**	**105,164**	**100.0%**

This table only shows the bonds being part of the AXA Buy and Maintain ESG Credit portfolio, as included in the term investment portfolio.

Credit risk counterparty banks
Oikocredit has exposure to credit risk from banks. This exposure consists of the cash balances plus the mark-to-market value of derivative contracts concluded with the bank. The credit risk resulting from derivative contracts relates to contracts to cover the foreign currency risk exposure; these derivative contracts are both forward contracts as well as cross-currency swap contracts.

Depending on the creditworthiness, assessed with credit rating of external rating agencies and the Credit Default Swap (CDS) rates, a sort of insurance premium for a possible credit default, Oikocredit has set limits per bank. Counterparties have at least a BBB rating. These ratings and limits are monitored regularly.

Equity risk
Equity risk can be described as the financial risk involved in holding a particular equity stake. The equity risk includes the risk that a change in the credit quality of a counterparty will affect the value of the Society's equity position.

Equity investments have different risk characteristics when compared with loans: there is a longer lock-up period of capital and no steady cashflow through instalments and interest payments.

To mitigate equity risk, all individual investment proposals (equity and equity-related products) are assessed by our specialised equity team members in the developing countries in which we work, as well as by the equity department in the international office in Amersfoort, the Netherlands. The assessment involves an extensive due diligence process.

In assessing the investment proposals, predefined criteria should be met. Strengths, weaknesses, opportunities and threats (SWOT) analyses are made and management, financial, legal and social performance analyses take place.

The Society's investment committee (consisting of the managing director, the director of risk, the director of investments as well as an independent external advisor) decide on all equity investments. Investment proposals are first processed by the equity department and require initial approval from the equity investment committee. At least three investment committee members are present in the meeting to constitute a valid quorum.

The risk of equity investment stake-changes influencing the value of the portfolio (for example due to finding a buyer and realising a responsible exit, specific business and market risks, sector risks, reputational risks and country and currency risks) is reduced by the following:

- A specialised global equity department operates within Oikocredit. This department is responsible for actively managing and monitoring equity investments. While Oikocredit has been making equity investments for more than 15 years, for approximately the last seven years this has been done by a department dedicated to this role.
- For all equity investments, Oikocredit aims to be entitled to a board seat.

2017 Equity

As at 31 December	Financial Services	Agriculture	Renewable Energy	Other	Total
Region	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Africa	7,569	20,697	-	3,777	32,043
Asia	16,165	7,991	-	-	24,156
Central America and the Caribbean	9,166	5,366	-	-	14,532
Central and Eastern Europe	910	-	-	-	910
South America	21,973	922	4,237	-	27,131
Other	24,841	3,474	13,719	9,118	51,151
Grand Total	**80,624**	**38,450**	**17,956**	**12,895**	**149,923**

2016 Equity

As at 31 December	Financial Services	Agriculture	Renewable Energy	Other	Total
Region	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Africa	10,018	17,543	-	4,395	31,957
Asia	16,271	7,996	9,259	-	33,525
Central America and the Caribbean	6,392	5,385	-	1,736	13,513
Central and Eastern Europe	2,181	-	-	-	2,181
South America	22,848	922	4,237	-	28,006
Other	10,883	3,639	5,000	6,557	26,079
Grand Total	**68,593**	**35,485**	**18,495**	**12,688**	**135,261**

These tables include committed not yet disbursed amounts.

In practice, equity investments are valued at cost less impairment since not enough reliable information is available to determine the fair value. An equity investment is considered impaired when the carrying amount exceeds the recoverable amount of the investment. The recoverable amount is calculated as part of the impairment assessment, taking into account suitable valuation methods such as price-earnings ratio and recent sales prices of similar investments as far as these are available.

Liquidity risk

Liquidity risk refers to the risk that Oikocredit will encounter difficulty in raising funds and as such is unable to meet its commitments to its investors, partners and other counterparties.

Based on an asset and liability study it was decided 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.

Liquidity				
As at 31 December	2017		2016	
	€ ,000	%	€ ,000	%
Term investments	149,851	12.3%	112,807	9.3%
Cash and banks	119,324	9.8%	95,447	7.9%
	269,175	**22.1%**	**208,254**	**17.2%**
Total assets	**1,220,045**	**100.0%**	**1,209,275**	**100.0%**

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 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. Even though the Society has the right to delay redemptions for five years, to date, it has never delayed redemptions.

In addition, the Society is exposed to liquidity risk on break clauses included in financial derivative contracts. These break clauses, which are not unusual, give parties the right and sometimes the obligation to terminate the contract at certain times. The Society may have to pay the market value of the derivative financial instrument in the event a break clause results in termination of the contract. Break clauses only lead to a liquidity risk for the Society when the market value of the financial instrument is negative upon termination date. At balance sheet date, the Society has derivative contracts with a notional amount of € 380.6 million with a positive market value of € 10.6 million involving break clauses.

Foreign currency risk

Currency risk is defined as the risk that the value of Oikocredit's currency positions will fluctuate due to changes in foreign currency exchange rates.

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

Declining exchange rates of e.g. the US dollar or domestic currencies versus the euro may negatively impact the financial results and the reserves. The net currency position as at 31 December 2017, translated to euro at the exchange rates prevailing at the balance sheet date, is presented below – currency exposures from equity investments included in the development financing portfolio are not taken into account since these investments are valued at cost less impairment:

Currency exposure					
As at 31 December 2017	Assets	Liabilities + Loan Loss Provision	Hedging	Net exposure	
	€ ,000	€ ,000	€ ,000	€ ,000	%
USD	389,547	41,626	299,537	48,384	12.97%
INR	69,325	26,908	6,374	36,043	9.66%
BOB	35,010	1,652	-	33,358	8.94%
XOF	37,647	2,367	-	35,280	9.45%
BRL	25,614	1,006	-	24,608	6.59%
MXN	19,308	626	7,874	10,808	2.90%
KES	19,617	1,360	23,841	(5,584)	-1.50%
PEN	17,207	175	-	17,032	4.56%
COP	16,227	317	-	15,910	4.26%
GTQ	14,443	425	7,349	6,669	1.79%
ZAR	13,317	382	3,682	9,253	2.48%
PYG	7,794	623	5,146	2,025	0.54%
EUR	28,374	1,771	-	26,603	7.13%
Other	155,135	15,505	26,843	112,787	30.22%
Total	**848,565**	**94,743**	**380,646**	**373,176**	**100.0%**

Currency exposure					
As at 31 December 2016	Assets	Liabilities + Loan Loss Provision	Hedging	Net exposure	
	€ ,000	€ ,000	€ ,000	€ ,000	%
USD	409,964	43,524	304,585	61,855	13.86%
BOB	33,998	1,454	-	32,544	7.29%
XOF	34,524	2,762	-	31,762	7.12%
BRL	24,671	1,102	-	23,569	5.28%
KHR	24,908	990	1,030	22,888	5.13%
COP	19,319	391	1,975	16,953	3.80%
PEN	16,202	191	1,052	14,959	3.35%
KES	27,257	1,713	11,312	14,232	3.19%
RON	14,328	475	-	13,853	3.10%
IDR	13,815	212	-	13,603	3.05%
DOP	13,597	173	-	13,424	3.01%
HNL	11,451	1,252	-	10,199	2.28%
EUR	33,636	2,489	-	31,147	6.98%
Other	255,745	46,311	64,057	145,377	32.57%
Total	**933,415**	**103,039**	**384,011**	**446,365**	**100.0%**

These tables include the foreign currency exposures included in the net development financing portfolio (loans including loss provisioning), as well as hedging contracts. Equity investments, term investments and cash in foreign currencies are not included.

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 euro. Taking into account the considerations in the above-mentioned paragraphs, it was decided that Oikocredit hedges at least 50% and up to 75% of its exposure in US dollars (currently hedged for 80.9%) with a view to maintaining the value of its member capital. Derivatives are used for this purpose.

Part of the domestic currency exposures is hedged. For the unhedged part of the domestic currency exposures, Oikocredit has obtained funds (local currency risk funds via the Oikocredit International Support Foundation) to absorb these losses, or part of these losses, should they occur. The Society has set limits to the use of the local currency risk funds for domestic currency lending; any domestic currency lending above these limits should be hedged with external counterparties.

Oikocredit also uses a value-at-risk based currency risk estimation model, to be able to monitor and manage the foreign currency risk developments.

During 2017, Oikocredit was negatively impacted by the decline of the US dollar from 1.0517 per euro to 1.2000 per euro and accordingly several domestic currencies that are highly correlated with the US dollar. This largely contributed to the currency exchange loss of € 48.7 million. Of this total amount, € 38.6 million was absorbed by the local currency risk funds via the Oikocredit International Support Foundation.

Sensitivity of group equity to main foreign currency		
Change of value to the euro	31/12/2017 Sensitivity of group equity € ,000	31/12/2016 Sensitivity of group equity € ,000
USD value increase of 1.0%	2,116	2,488
USD value decrease of 1.0%	(2,116)	(2,488)

Interest rate risk
Interest rate risk is defined as the risk that changes in market interest rates will cause fluctuations in the value of Oikocredit's development financing or term investment portfolio.

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

In 2017 a new interest rate model was developed which is currently being piloted.

The interest rates on loans denominated in US dollars and euro 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 twenty years. Each year, a proportion of the loan portfolio matures and is repaid. Oikocredit replaces the loans with new loans to new or existing partners. The new loan agreements we enter into are spread over the year.

The risk of market interest rate changes influencing the market value of the portfolio is reduced, as each year new loans are added to the portfolio with fixed interest rates (usually in hard currency) prevailing at the moment we enter into a new loan agreement. The interest rates on loans denominated in the domestic currencies of the countries in which we work granted to our partners are usually variable and repriced quarterly or semi-annually. Therefore, market interest rate developments influence the value of our loan portfolio stated in domestic currencies in a limited way.

The main focus of the Society in concluding derivatives is currency hedging and not interest rate hedging.

Interest rate risk in term investments
The average effective duration of the term investment portfolio is a measure of the sensitivity of the fair value of the fixed-interest securities to changes in market interest rates. The management of the term investment portfolio aims for a 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.

Sensitivity of interest rate changes on value of term investments		
	31/12/2017	31/12/2016
	€ ,000	€ ,000
Increase of 100 basis points (Euro Swaps)	(5,380)	(3,948)
Decrease of 100 basis points (Euro Swaps)	5,380	3,948

Interest rate risk in 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.

Non-financial risk
The following non-financial risks have been identified:
- operational risk,
- compliance risk,
- reputational risk.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems or from external events. Oikocredit's objective is to minimise overall operational losses and avoid material losses, as well as to maintain its reputation vis-à-vis investors and partners as an effective and reliable organisation. To this end, Oikocredit utilises a cost-benefit approach to putting in place policies, procedures and systems that are capable of mitigating the impact and/or probability of occurrence of the operational risks inherent in its activities.

In 2017 Oikocredit emphasised the streamlining of operations and optimisation of controls in the areas of development financing, treasury, investor relations, information security and business continuity. No incidents with a material impact on Oikocredit's financial condition took place in 2017.

Compliance risk
Compliance risk is the risk related to the failure to comply with laws/regulations, internal rules/policies, and good business practices. Such failures may lead to regulatory sanctions, financial losses, and reputational damage; hence Oikocredit has a very low tolerance for them. Therefore, internal policies, procedures, and staff training are in place to ensure that a culture of compliance is embedded in all business operations.

In 2017 Oikocredit placed emphasis on optimising processes and providing staff training to ensure continued compliance with know your customer obligations (including anti-money laundering, anti-terrorist financing, the Foreign Account Tax Compliance Act and the Common Reporting Standard); capital raising regulations; and personal data protection. Organisational transparency and integrity in staff relations was further promoted through the enhancement of the policies for whistleblowing, personal grievances, and the prevention and management of conflicts of interest. In 2017 no significant incidents occurred.

Reputational risk
Reputational risk is the risk that Oikocredit's market position deteriorates due to a negative perception by investors, partners, counterparties, regulatory authorities or society as a whole. Typically, reputational risk arises from the failure to manage compliance or operational risk. Therefore, Oikocredit safeguards its reputation by focusing on a robust management of compliance and operational risk. Furthermore, Oikocredit's exposure to reputational risk is reduced when staff act consciously in line with the organisation's mission, vision and values, and by extension, with the expectations of investors. To this end, in its recruitment process, Oikocredit seeks to ensure staff commitment to its mission, vision and values. Moreover, Oikocredit's investor relations department organises frequent interaction between staff and investors in order to promote transparency and increase understanding of expectations.

Strategic risk
Strategic risk can be defined as the risk of losses caused by a failure to respond well to changes in the business environment or implementation of strategy and can potentially have a major impact on Oikocredit's financial situation and ability to meet its strategic objectives. In 2017, with the help of external consultants, a full reassessment of the strategy and business model (products, markets) was conducted.

Strategic issues which had an impact in 2017, and are expected to have an impact on the organisation in future years, are the global low interest rate environment and accordingly a need for improved operational efficiency, the increased volatility in the currency markets and the potential effect this has on our ability to do transactions as well as an increase in regulations globally with which we need to comply. These are all taken into account in the general strategy review.

6 Intangible fixed assets

Changes in intangible fixed assets in 2017 and in the costs of acquisition and accumulated depreciation as at 31 December 2017 can be specified as follows:		
	2017	**2016**
	€ ,000	**€ ,000**
Historical cost price as at 1 January	1,273	1,182
Accumulated depreciation as at 1 January	(249)	-
Balance as at 31 December	1,024	1,182
Investments [1]	769	91
Disposals	-	-
Depreciation	(661)	(249)
Movements in the year	**108**	**(158)**
Historical cost price as at 31 December	2,042	1,273
Accumulated depreciation as at 31 December	(910)	(249)
Balance as at 31 December	**1,132**	**1,024**

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

[1] This includes an amount of € 479,000 for the first phase of the development of the online portal for investors, which took place in 2015 and 2016. Initially this amount was expensed in prior years. The adjustment in 2017 results in an increase of the general reserve.

7 Tangible fixed assets

Changes in tangible fixed assets in 2017 and in the costs of acquisition and accumulated depreciation as at 31 December 2017 can be specified as follows:

	IT equipment	Furniture	Installation Solar assets	Total 2017	Total 2016
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Historical cost price as at 1 January	1,872	1,405	718	3,995	2,958
Accumulated depreciation as at 1 January	(1,525)	(1,096)	(46)	(2,667)	(2,335)
Balance as at 1 January	347	309	672	1,328	623
Investments	171	33	1,153	1,357	1,052
Disposals	-	(1)	(7)	(8)	(15)
Depreciation	(227)	(98)	(105)	(430)	(332)
Movements in the year	**(56)**	**(66)**	**1,041**	**919**	**705**
Historical cost price as at 31 December	2,043	1,437	1,864	5,344	3,995
Accumulated depreciation as at 31 December	(1,752)	(1,194)	(151)	(3,097)	(2,667)
Balance as at 31 December	**291**	**243**	**1,713**	**2,247**	**1,328**

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

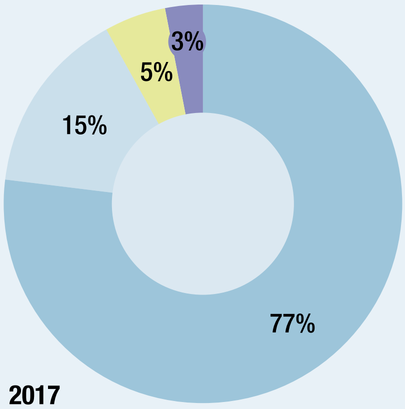
8 Development financing

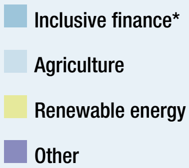
Changes in development financing outstanding

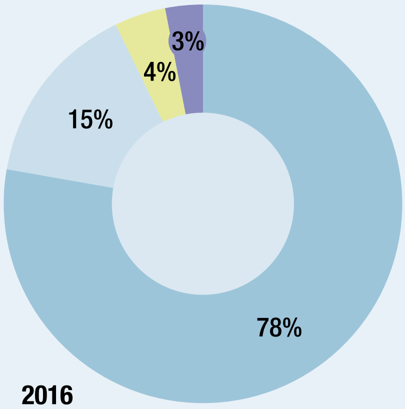
Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Outstanding as at 1 January	1,047,226	900,153
Disbursements	380,212	438,653
Capitalized interest and dividends	48	27
Less: - repayments	(338,759)	(309,865)
- write-offs	(4,640)	(11,465)
Equity divestments	(3,336)	-
Exchange adjustments	(99,087)	29,723
Outstanding as at 31 December	**981,664**	**1,047,226**

Breakdown of development financing outstanding

Development financing outstanding by sector as at 31 December

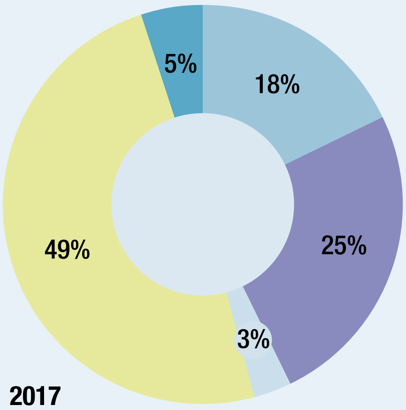


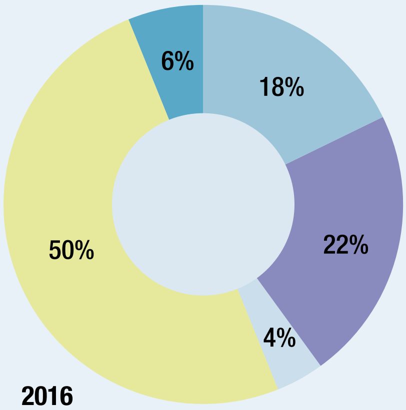




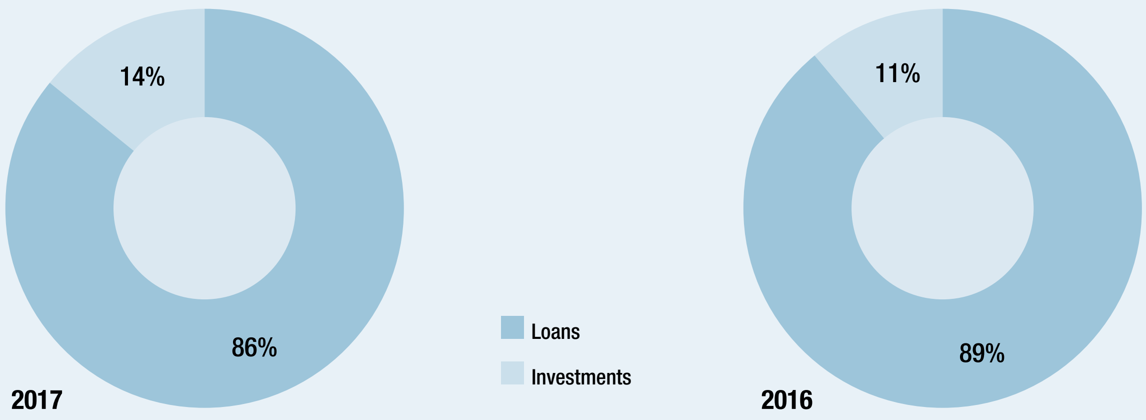
* including microfinance and SME finance

Development financing outstanding by region as at 31 December

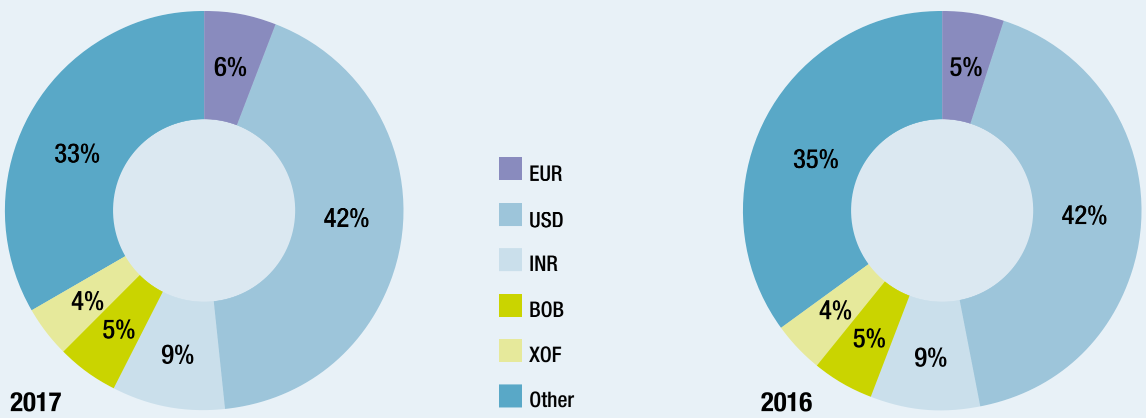




Development financing outstanding by type of financing (loans and equity investments) as at 31 December



Development financing outstanding by type of currency as at 31 December



Maturity of development financing outstanding		
Can be specified as follows:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Instalments maturing < 1 year	312,411	313,833
Instalments maturing > 1 < 5 years	483,700	535,562
Instalments maturing > 5 years	52,454	84,020
Equity investments	133,099	113,811
Balance as at 31 December	**981,664**	**1,047,226**

Movement schedule loans		
Can be specified as follows:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Balance as at 1 January	933,415	822,892
Disbursements	357,636	397,320
Repayments	(338,759)	(305,055)
Write-offs	(4,640)	(11,465)
Exchange adjustments	(99,087)	29,723
Balance as at 31 December	**848,565**	**933,415**

Movement schedule equity investments		
Can be specified as follows:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Balance as at 1 January	113,811	77,261
Additions	22,624	41,360
Write-offs	(1,757)	-
Disposals	(1,579)	(4,810)
Balance as at 31 December	**133,099**	**113,811**

Movement schedule equity investments				
Can be specified as follows:	**< 20%**	**> 20%**	**Total 2017**	**Total 2016**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost value	123,253	9,846	133,099	113,811
Impairments	(11,670)	(4,110)	(15,780)	(17,774)
Net value as at 31 December	**111,583**	**5,736**	**117,319**	**96,037**

Equity investments above 20% participation				
Of the equity investments, the share participation of the following investments as at 31 December 2017 was more than 20%	**Participation**	**Participation**	**Net equity [1] (latest available)**	**Result [1] (latest available)**
	2017	**2016**	**€ ,000**	**€ ,000**
Outgrower SPV	44.2%			
Tujijenge Tanzania Limited, Tanzania	37.5%	37.5%		
Guaguazu S.A., Bolivia	35.3%	42.6%	434	(38)
Gebana Brazil Cataratas do Iguaçu Produtos Orgânicos Ltd., Brazil	33.4%	33.4%	902	(135)
Andean Power Generation SAC, Peru	29.2%	29.2%	7,781	(7,218)
Cafedirect Plc	27.8%		3,209	(1,134)
Barefoot Power Pty Ltd., Australia	27.6%	27.6%		
Banco Pyme de la Comunidad S.A., Bolivia	25.4%	25.4%	8,884	(1,833)
Vehículos Líquidos Financieros	25.1%			
Anatrans	25.0%			
Equip Plus S.A., Senegal	24.6%	24.6%		
Les Saveurs du Sud S.A., Senegal	22.2%	22.2%	12	-

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

The presented net equity value and result are based on local accounting standards from unaudited financial statements not adjusted to reflect Oikocredit's share in the respective net equity value and result. Financial reporting may not always be comparable to the quality under part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. As such all the equity investments above 20% participation are valued at cost less impairment as at 31 December 2017.

Total loan loss provision and impairments equity	**2017**	**2016**
	€ ,000	**€ ,000**
Loan loss provision	(53,549)	(59,739)
Impairments equity	(15,780)	(17,774)
Balance as at 31 December	**(69,329)**	**(77,513)**

Provision for possible losses		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	(59,739)	(55,401)
Additions	(5,381)	(15,415)
Exchange adjustments	7,011	(372)
	(58,109)	(71,188)
Less: - write-offs	4,560	11,449
Balance as at 31 December	**(53,549)**	**(59,739)**

Impairments equity investments		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	(17,774)	(9,077)
Additions	(2,084)	(8,697)
Reversals	2,321	-
	(17,537)	(17,774)
Less: - write-offs	1,757	-
Balance as at 31 December	**(15,780)**	**(17,774)**

Fair value of development financing loan portfolio

- The development financing portfolio consists of local currency loans and hard currency loans usually with semi-annual or annual instalments that have to be repaid equally over the loan period.
- The interest rates charged to our partners on local currency loans consist of base rates (local interbank or other appropriate base rates) plus an additional margin for risk and costs and are usually comparable to local market rates. The majority of Oikocredit's local currency loans are repriced quarterly or semi-annually.
- The interest rates charged to our partners on hard currency loans are usually fixed interest rates for the full loan period and consist of base rates plus an additional margin for risks and costs. Oikocredit uses the applicable base rates in the currencies in which Oikocredit works (Euribor, Libor, swap rates and similar rates) plus surcharges for risks, costs and dividends we expect to pay.
- The loans have an average maturity of approximately 4 years (2016: 4 years).
- An analysis of the recoverability of the loans is performed quarterly and a provision for possible losses on the development financing loan portfolio is formed.

The fair value of the development financing loan portfolio at least equals the book value, which is estimated at € 795.0 million (2016: € 873.7 million).

Fair value of development financing equity portfolio

- Equity investments are valued at the lower of cost or realisable value.
- 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.

It is estimated that the fair value of the equity portfolio at least equals the book value, which is estimated at € 116.8 million (2016: € 96.0 million).

9 Term investments

Changes in term investments can be specified as follows:	2017	2016
	€ ,000	€ ,000
Balance as at 1 January	112,807	120,188
Investments during the year at cost	37,964	3,850
Disinvestments/redemptions during the year	(8)	(10,037)
Revaluation to market value as at 31 December	(858)	(1,088)
Exchange adjustments	(54)	(106)
Balance as at 31 December	**149,851**	**112,807**

	2017	2016
	€ ,000	€ ,000
Buy and Maintain ESG Credit Portfolio [1]	135,131	108,276
Portfolio managed by Alternative Bank Schweiz [2]	9,950	-
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)
GLS Gemeinschaftsbank, Germany	500	300
Banca Popolare Etica, Italia	100	-
Ekobanken, Sweden	10	11
Other	613	673
Total term investments	**149,851**	**112,807**

[1] 'Buy and Maintain environmental social governance (ESG) Credit Portfolio' is the name of the bond portfolio managed by AXA.
[2] In August 2017 we purchased a number of company bonds held by ABS.

Fair value of term investments

With the exception of our share in The Currency Exchange Fund N.V. (TCX) the fair value equals the carrying amount. The fair value of the investment in TCX as at 31 December 2017 amounted to $ 5.9 million (€ 4.9 million) (2016: $ 5.1 million, €4.0 million).

Part of the term investments serves as collateral for the credit facilities with banks – reference is made to notes 12 and 19.

Maturity of term investments		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Maturity < 1 year	8	8
Maturity > 1 < 5 years	-	8
Maturity > 5 years	149,843	112,791
Total	**149,851**	**112,807**

Most of the term investments in bonds have been rated 'investment grade' by either Moody's, S&P and/or Fitch.

10 Other financial assets

Summary of other financial assets:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Hedge contracts financial institutions [1]	2,745	494
Staff loans [2]	217	504
Tax asset Maanaveeya [3]	258	-
Total	**3,220**	**998**

[1] The fair value of these hedge contracts and other details are disclosed in note 33.

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

[3] The tax asset at Maanaveeya reflects prior years' compensatable losses which were first recognised in 2017 in accordance with current and expected profit levels.

Hedge contracts financial institutions		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	494	528
Movements	2,251	(34)
Balance as at 31 December	**2,745**	**494**

Staff loans		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	504	496
Movements	(287)	8
Balance as at 31 December	**217**	**504**

Maanaveeya Tax Asset		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	-	-
Movements	258	-
Balance as at 31 December	**258**	**-**

11 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		**2017**		**2016**
		€ ,000		**€ ,000**
Accrued interest on development financing net of allowance		10,895		14,387
Hedging receivable		2,260		2,809
Interest receivable		1,577		2,406
- face value	6,186		6,570	
- less: allowance for uncollectability	(4,609)		(4,164)	
Amounts prepaid		523		2,300
Value added tax and wage taxes		1,887		2,155
Receivables Share Foundation		4,582		1,203
Advances leasing agreements [1]		1,190		-
Collateral hedging		-		961
Hedging contracts (refer to note 33)		8,377		636
Receivable OUSA		-		247
Staff loans [2]		131		200
Accrued interest bank accounts and deposits		3		36
Sundry receivables		511		618
Balance as at 31 December		**31,936**		**27,958**

Changes in the allowance for uncollectability are specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	(4,164)	(4,106)
Additions charged to income	(1,973)	(2,835)
Write-offs from allowance	1,165	2,742
Exchange adjustment	363	35
Balance as at 31 December	**(4,609)**	**(4,164)**

[1] Our group company Maanaveeya has leased out Solar Power Panels to a third party.

[2] 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:	31/12/2017	31/12/2016
	€ ,000	€ ,000
Cash and banks including time deposits maturing within one year	119,324	95,447
Balance as at 31 December	**119,324**	**95,447**

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 2017 all mature in 2018.

The Society has credit facility agreements with Dutch banks amounting to € 5.0 million. These facilities, which were not used in 2017, are subject to the following conditions:
- Audited financial statements should be provided within six months after year-end.
- The solvency ratio of the Society should be at least 70%.
- The Society should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amounts of the credit lines of the Dutch institutions (€ 6.3 million).
- Without the written permission of the credit institution, Oikocredit is not allowed to sell or securitise 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 euro, 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). As at 31 December 2017, the net asset value per share amounted to € 217.91. There were no repayment obligations to members as at 31 December 2017.

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

Can be specified as follows:		2017	2016
		€ ,000	€ ,000
Member capital			
Balance as of 1 January		912,968	806,277
New euro shares issued		102,299	107,654
New shares in other currencies issued		9,834	9,617
Redemption of euro shares		(11,673)	(7,974)
Redemption of shares in other currencies		(2,289)	(2,406)
Exchange adjustments		1,282	(200)
Balance as at 31 December		**1,012,421**	**912,968**
Of which	- euro shares	927,875	837,248
	- shares in other currencies	84,546	75,720

14 General reserve

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Balance as of 1 January	69,684	69,318
Appropriation of the prior-year results	12,302	366
Balance as at 31 December	**81,986**	**69,684**

For the restricted exchange fluctuation reserve please refer to 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 in which Oikocredit operates, rather than issuing loans in US dollars or euro in those countries. The funds originate from grants and subsidies from members and third parties and from the allocation of profits.

	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 2017 [2]	Total 2016
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	3,554	803	33,549	5,573	4,590	3,937	(706)	51,300	37,888
Addition to/released from fund	2,801	421	(5,090)	1,313	45	1,786	(39,763)	(38,487)	13,412
Balance as at 31 December	**6,355**	**1,224**	**28,459**	**6,886**	**4,635**	**5,723**	**(40,469)**	**12,813**	**51,300**

[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 euro (if these loans had been granted in euro) are added or charged to this account. Exchange rate differences on local currency loans when translated to euro are charged or added to this account as well. If losses or profits are realised when the loans in local currency mature, the cumulative profits or losses will be taken out of this cumulative exchange rate difference account and charged or added to the specified local currency risk funds mentioned above. For the addition to and releases from these funds, we refer to note 31.

[2] This overview does not include Capacity Building and Guarantee Funds as mentioned in note 32.

16 Funds for subsidised 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 subsidised activities and model costs, capacity building and guarantee funds		
Can be specified as follows:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Funds for subsidised activities and model costs	1,212	1,271
Capacity building and guarantee funds	3,053	3,061
Balance as at 31 December	**4,265**	**4,332**

Funds for subsidised activities and model costs	Donated investments [1]	Funds for subsidised activities and model costs [2]	Total 2017	Total 2016
	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	476	795	1,271	1,220
Addition to/released from fund	2	(61)	(59)	51
Balance as at 31 December	**478**	**734**	**1,212**	**1,271**

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

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

Capacity building and guarantee funds	Capacity building Africa, South and East Asia [1]	Capacity building fund [2]	Capacity building ELK Client Outcom	Capacity building BftW2 [2]	Capacity building IDB3 [3]	Geographic programmes fund [6]	General guarantee fund [3]	Guarantee fund for Africa [3]	Total 2017	Total 2016
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	(1)	1,089	-	-	-	(57)	125	1,905	3,061	3,721
Transfer to local currency risk funds	-	-	-	-	-	-	-	-	-	-
Addition to/released from fund [7]	1	-	-	-	-	(7)	(55)	53	(8)	(660)
Balance as at 31 December	**-**	**1,089**	**-**	**-**	**-**	**(64)**	**70**	**1,958**	**3,053**	**3,061**

[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. The 2017 activities derive from the 2014-2016 cooperation agreement, which was extended by one year.

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

[3] The Client Outcome fund originates from the Evangelical Lutheran Church of Württemberg and was set up for research and analysis training of microfinance institutions in Latin America and Asia as well as an agricultural project in East Africa.

[4] In 2017 a three-year capacity building (CB) programme Building Resilience of Smallholder Farmers Businesses started, financed by the Brot für die Welt Protestant Development Service.

[5] The Multilateral Investment Fund – member of the Inter-American Development Bank Group – supports the three-year CB programme Price Risk Management For Coffee Cooperatives In Latin America which started in 2017.

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

[7] 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.

[8] For the additions to and releases from these funds, we refer to note 32.

17 Third-party interests

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

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Balance as at 1 January	4,959	4,680
Capital payment [1]	(2,392)	-
Results	136	279
Balance as at 31 December	**2,703**	**4,959**

[1] In relation to the decreasing investments under management of the 'Low Income Countries Loan Fund' it was decided to make a capital payment of € 2,392,000 to both shareholders FMO and Oikocredit.

18 Provisions

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Restructuring provision [1]	1,205	-
Provision for onerous contract [2]	377	-
Total provisions	**1,582**	**-**

[1] This provision reflects the costs associated with the implementation of the new strategic plan.
[2] As a consequence of our New Way Of Working project implementation, part of the current lease contract for our office premises will be dissolved. The provision reflects the costs associated with the unused office space for the remaining period of the lease rental contract.

19 Non-current liabilities

Can be specified as follows:	31/12/17	Remaining term > 1 year	Remaining term > 5 years	31/12/16
	€ ,000	€ ,000	€ ,000	€ ,000
Bank loans [1]	56,613	51,587	5,026	29,254
Loan Calvert Foundation [2]	-	-	-	6,180
Hedge contracts (refer to note 32)	-	-	-	4,056
Loans for investment in development financing	321	321	-	387
Total other non-current liabilities	**56,934**	**51,908**	**5,026**	**39,877**

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

[1] Consists of the following loans:

- Loans with a total principal amount of INR 1.8 billion from financial institutions in India maturing in 2018 for INR 812.3 million (included under current liabilities) in 2019 for INR 628.4 million and for 2020 INR 184.8 million. The loans carry an average interest rate of 10.2%.
- A loan granted by a German bank amounting to € 23.0 million (2016: € 22.9 million), which matures on 30 January 2021 for € 18 million and the remaining part (€ 5.0 million) matures on 30 January 2023. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2017: 0%) plus an agreed margin (as at 31 December 2017: 0.65%). The loan is unsecured for the first € 4 million. From an outstanding amount of € 4 million up to € 24 million, the loan is guaranteed by KfW, Germany.
- A loan granted by a Swedish bank amounting to € 1.9 million (2016: € 1.9 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2017: 0%) plus an agreed margin (as at 31 December 2017: 0.57%). The loan is secured by a pledge on the Oikocredit bond portfolio for a maximum of € 6.3 million.
- A loan granted by a French bank amounting to €10.0 million (2016: € 3.0 million). The loan is for a maximum term of five years. The loan carries an interest rate equal to the base rate of the financial institution plus an agreed margin (as at 31 December 2017: 0.9%). The first € 3 million of the loan is not guaranteed. Above € 3 million, the loan is secured by a pledge on the Oikocredit bond portfolio at the bank for an amount of € 14 million.
- A loan granted by a Swiss bank for an amount of € 8.5 million. (2016: 0.0 million) The loan is for an indefinite period. The loan carries an interest rate of 0.4% for the first CHF 8 million and 1.25% for the remaining CHF 2 million. The loan is secured by a pledge on the Oikocredit bond portfolio at the bank for an amount of CHF 9.2 million.

[2] Loans managed by Oikocredit on behalf of funders which have 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. Loans for investment in development financing have been invested in the Oikocredit development financing portfolio for risk and account of the funders.

20 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Long-term loans expired or expiring within one year [1]	21,529	69,288
Hedge contracts (refer to note 31)	2,226	18,355
Other taxes payable [2]	6,444	4,900
Provident fund premiums payable	-	3,232
Accrued expenses, sundry liabilities	3,530	1,929
Accrued personnel expenses	1,146	1,439
Accounts payable	869	679
Hedge premiums payable	542	359
Loans for investment in development financing	-	79
Balance as at 31 December	**36,286**	**100,260**

[1] Consists of amounts maturing within one year from loans taken from an Italian bank for € 5 million, from loans taken from financial institutions in India for € 10.6 million, from a loan taken from a US organisation for € 5.4 million, from a loan taken from a Swiss organisation for € 0.4 million and from loans managed by Oikocredit on behalf of funders for € 0.1 million.

[2] The growth of the organisation 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 € 4.4 million for possible tax payments from the past and € 1.5 million for possible tax payments for 2017.

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.

21 Commitments and contingencies not included in the balance sheet

In July 2017 the Society renewed its rental agreement for the office building, which will end on 31 December 2024. The yearly rent payments amount to € 336,950 and are indexed. The agreement contains a break clause to cease renting part of the office space with effect from 31 December 2022. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Standard Chartered Bank and TCX, The Currency Exchange Fund N.V. contain an obligation to post eligible collateral under a credit support annex. In the contract with Standard Chartered Bank, the threshold for Oikocredit is set at US$ 3,000,000 and for Standard Chartered Bank at US$ 50,000,000. In the contract with TCX, the threshold is set at US$ 3,000,000 for both Oikocredit and TCX. As at 31 December 2017 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 2.1 million positive. As at 31 December 2017 the mark to market value of the hedge contracts with TCX was US$ 5.5 million positive. For posted cash collateral, please refer to note 11.

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

The Society pledged in total € 28.2 million of its bond portfolio to guarantee loans from financial institutions.

Maanaveeya Development & Finance Private Limited in India filed appeals to the Commissioner of Income Tax/the Income-tax Appellate Tribunal challenging demand notices totalling INR 90.6 million (€ 1.1 million).

22 Interest and similar income

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Interest on development financing portfolio	**80,726**	**77,216**
Interest on term investments:		
- Interest unrealised	2,586	3,853
- Interest realised	(37)	(387)
Total interest on term investments	**2,548**	**3,466**
Revaluation term investments	**(858)**	**(1,088)**
Total interest and similar income	**82,416**	**79,594**

23 Interest and similar expenses

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Interest payable on long-term loans, current accounts and other short-term liabilities	(2,068)	(1,544)
Total	**(2,068)**	**(1,544)**

24 Income from equity investments

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Result from sale of equity investments		
Sale Hattha Kaksekar Limited (HKL)	1,018	19,110
Financiera Confianza	3,377	-
Sale Inversiones para el Desarrollo (Indes)	-	135
Total result from sale of equity investments	**4,395**	**19,245**

25 Grant income

Grants		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Grants received from Church of Sweden	287	344
Grants received from Evangelical Lutheran Church Germany	300	-
Grants received from Bread for the World Germany	94	-
Grants received from Rabobank Foundation	75	-
Other grants received	138	452
Total grants	**894**	**796**

Grant income consists of payments received, deriving from contractual agreements with partners or from other parties such as donations from dividends or legacies. The presented grant income from partners means that they were spent during the calendar year. Unspent grants are accounted for under the header current liabilities. Other grant income is recognised in the year received.

From the Church of Sweden we received SEK 900,000 in 2017 for general capacity building activities and SEK 1,500,000 for specific geographic programmes. The Evangelical Lutheran Church of Württemberg transferred € 100,000 in 2017 for an agricultural project in East Africa. The Rabobank Foundation donated € 75,000 in supporting the training of agricultural social enterprises in the Philippines.

Two new programmes were launched in 2017. The Inter-American Development Bank disbursed US$ 235,300 for the Price Risk Model programme in Central and South America, implemented in cooperation with Fair Trade USA and Catholic Relief Services. From Brot für die Welt (Bread for the World) we received € 94,000 supporting an agricultural project in East Africa.

26 Other income and expenses

Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Exchange rate differences	(48,699)	10,227
Hedge premiums	(11,601)	(5,374)
Hedge provision	112	(82)
Management fees	19	54
Total	**(60,169)**	**4,825**

Exchange rate differences		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Local currency exchange rate differences (covered by local currency risk funds)	(37,590)	7,353
Hard currency exchange rate differences (unhedged)	(11,109)	2,874
Total	**(48,699)**	**10,227**

27 Personnel

The number of employees who were directly or indirectly employed by the Society and group companies at the end of 2017 on the basis of full-time equivalents (FTE) amounted to 290 (2016: 269). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2017: 173 FTE, 2016: 168 FTE). Of the total FTEs (290), 55.9% were female and 44.1% male. Of the total managing board FTEs (6), 66.7% were female and 33.3% male.

Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Salaries	(13,930)	(12,886)
Social security charges	(2,001)	(1,680)
Expenses temporary staff	(1,797)	(1,873)
Other allowances (13th month, holiday allowance)	(1,295)	(1,116)
Pension charges	(964)	(890)
Settlements	(1,364)	(383)
Provident fund charges	(217)	(549)
All other personnel costs	(1,515)	(1,003)
Total personnel expenses	**(23,083)**	**(20,380)**

28 General and other expenses

Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Contribution to support associations and Share Foundation	(4,085)	(3,595)
Office expenses	(2,835)	(2,351)
Consultancy expenses including audit fees (refer to note 29)	(1,746)	(1,131)
Legal expenses	(693)	(1,685)
Marketing expenses	(951)	(1,589)
IT-related expenses	(1,200)	(756)
Capacity building expenses	(951)	(695)
Expenses AGM and board	(349)	(365)
All other general expenses	(549)	(132)
Total general and other expenses	**(13,359)**	**(12,299)**

29 Auditor’s fees

The following auditor’s fees were charged by KPMG Accountants N.V. to the Society, as referred to in Article 2:382a (1) and (2) of the Netherlands Civil Code, and expensed in the income statement in the reporting period:	**2017**	**2016**
	€ ,000	**€ ,000**
Audit of financial statements	(133)	(118)
Assurance services	(23)	(85)
Consulting services	(117)	(100)
Total audit fees	**(271)**	**(303)**

30 Additions to loss provisions and impairments

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Additions to provisions against losses and equity impairments		
- equity impairments	237	(8,697)
- on principal projects	(5,381)	(15,415)
- on interest	(1,973)	(2,835)
Total	**(7,117)**	**(26,947)**

31 Taxes

The effective tax rate of the Society is 0.0%. The corporate income tax in the Netherlands was nil as the tax authorities in the Netherlands have exempted the Society from corporate income tax up to the end of 2017 provided that the Society complies with certain conditions, all of which were complied with in 2017.
The effective tax rate of the Oikocredit group is cannot be calculated (2016: 4.2%).

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Taxes regional and country offices	(1,746)	(1,009)
Taxes Maanaveeya Development & Finance Private Limited	(1,483)	(828)
Taxes Financial Company Oikocredit Ukraine	(9)	(28)
Total taxes	**(3,238)**	**(1,865)**

32 Additions to and releases from funds

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Local currency risk fund the Philippines		
Exchange rate differences on invested funds	(20)	21
Exchange rate differences local currency loans repaid	(2,760)	(738)
Interest added	(21)	(32)
Addition to/released from fund	(2,801)	(749)
Local currency risk fund Indonesia		
Exchange rate differences on invested funds	(5)	5
Exchange rate differences local currency loans repaid	(412)	(272)
Interest added	(4)	(7)
Addition to/released from fund	(421)	(274)
Local currency risk fund general		
Grants received	(149)	(90)
Exchange rate differences on invested funds	(188)	261
Exchange rate differences local currency loans repaid	5,577	1,036
Interest added	(150)	(337)
Addition to/released from fund	5,090	870
Local currency risk fund Africa		
Exchange rate differences on invested funds	(31)	33
Exchange rate differences local currency loans repaid	(1,256)	(1,175)
Interest added	(26)	(49)
Addition to/released from fund	(1,313)	(1,191)
Local currency risk fund South and East Asia		
Exchange rate differences on invested funds	(26)	34
Interest added	(19)	(45)
Addition to/released from fund	(45)	(11)
Local currency risk fund Mexico, Central America and the Caribbean		
Exchange rate differences on invested funds	(22)	22
Exchange rate differences local currency loans repaid	(1,744)	(1,093)
Interest added	(20)	(34)
Addition to/released from fund	(1,786)	(1,105)
Local currency loans cumulative exchange rate differences		
Addition exchange rate differences local currency loans repaid	594	2,241
Addition exchange rate differences and premiums	39,169	(13,193)
Addition to/released from fund	39,763	(10,952)
Subtotal local currency risk funds	**38,487**	**(13,412)**
Donated investments		
Grants received	(2)	(104)
Addition to/released from fund	(2)	(104)
Subsidised activities and model costs		
Interest received (paid) allocated to fund	(3)	(8)
Other costs; office expenses	64	61
Addition to/released from fund	61	53

	2017	2016
	€ ,000	€ ,000
Capacity building Africa and South and East Asia		
Grants received	(102)	(207)
Non-allocated grants	31	48
Other costs	70	159
Addition to/released from fund	(1)	-
Capacity building funds		
Grants received	(262)	(239)
Non-allocated grants	21	(17)
Interest added (paid)	(4)	(10)
Other costs	245	60
Addition to/released from fund	-	(206)
Capacity building ELK Client Outcome		
Grants received	(100)	(50)
Non-allocated grants	39	(50)
Other costs	61	-
Addition to/released from fund	-	-
Capacity building BftW		
Grants received	(94)	(50)
Non-allocated grants	34	50
Other costs	60	-
Addition to/released from fund	-	-
Capacity building IDB		
Grants received*	(206)	-
Non-allocated grants	65	-
Other costs	141	-
Addition to/released from fund	-	-
Capacity building CoS Geographic programmes		
Grants received	(185)	(154)
Non-allocated grants	16	(32)
Other costs	177	243
Addition to/released from fund	8	57
General guarantee funds		
Guarantee calls	10	600
Transfer between funds	45	-
Interest added (paid)	-	(4)
Addition to/released from fund	55	596
Guarantee fund for Africa		
Guarantee calls	-	206
Transfer between funds	(45)	-
Interest added (paid)	(8)	(20)
Addition to/released from fund	(53)	186
Schokland capacity building fund		
Other costs	-	27
Addition to/released from fund	-	27
Subtotal capacity building and guarantee funds	**68**	**609**
Total addition to/released from funds	**38,555**	**(12,803)**

33 Use of financial instruments

Balance sheet item	Product	31/12/2017 Notional €,000	31/12/2017 Carrying amount €,000	31/12/2016 Carrying amount €,000
Oikocredit has entered into the following derivatives to cover its exposure:				
Non-current assets				
FX derivatives	Under hedge accounting	-	-	-
Cross currency swaps	Under hedge accounting	41,878	2,745	494
	Total		**2,745**	**494**
Current assets				
FX derivatives	Under hedge accounting	245,885	5,814	53
Cross currency swaps	Under hedge accounting	21,908	2,563	583
	Total		**8,377**	**636**
Non-current liabilities				
FX derivatives	Under hedge accounting	-	-	(3,225)
Cross currency swaps	Under hedge accounting	-	-	(831)
	Total		**-**	**(4,056)**
Current liabilities				
FX derivatives	Under hedge accounting	64,513	(2,042)	(10,294)
Cross currency swaps	Under hedge accounting	6,462	(184)	(8,061)
	Total		**(2,226)**	**(18,355)**

The total book value of the hedge contracts as at 31 December 2017 was € 8.9 million positive (2016: € 21.3 million negative), while the market value was € 10.5 million positive (2016: € 17.7 million negative). The hedge-effectiveness test established that some hedge contracts were ineffective during 2017, for which a provision was formed for € 0.1 million (2016: € 0.2 million) which is recorded in the income statement under Hedge premiums (refer to note 26).

34 Overview total result

Movement in group equity and funds can be specified as follows:	2017	2016
	€ ,000	€ ,000
Equity and funds as at 1 January	**1,064,179**	**930,322**
Income after taxation	(19,980)	42,085
Exchange rate differences on investments in group companies	(4,270)	365
Third-party interest	(136)	(279)
Total direct changes in equity and funds	(4,406)	86
Total result group excluding third-party interests	**(24,386)**	**42,171**
Net addition member capital (new shares minus redemptions)	99,453	106,691
Dividends paid to members	(16,706)	(15,005)
	82,747	**91,686**
Equity and funds as at 31 December	**1,122,540**	**1,064,179**

35 Remuneration policies

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

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

The total compensation/remuneration in 2017 amounted to € 62,773 (2016: € 72,250).

Remuneration managing board

The remuneration can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Former managing director (until 31 May 2016):		
G.D. Woods gross salary, holiday, year-end allowance and performance reward	-	68
G.D. Woods expense allowance and 30%-facility [1]	-	31
G.D. Woods pension contributions	-	13
Interim Managing director (from 1 June 2016 until 1 April 2017)		
M.L. Hilado Ledesma gross salary, holiday, year-end allowance and performance reward	79	73
M.L. Hilado Ledesma expense allowance and 30%-facility [1]	5	1
M.L. Hilado Ledesma pension contributions	5	12
Managing director (from 1 April 2017):		
T.L.J.M. Gieskes gross salary, holiday, year-end allowance	147	-
T.L.J.M. Gieskes expense allowance	8	-
T.L.J.M. Gieskes pension contributions	24	-
Other managing board members:		
Gross salary, holiday, year-end allowance and performance reward	531	396
Expense allowances and 30%-facilities	21	34
Pension contributions	58	52
Total	**878**	**680**

[1] An employer may grant a foreign employee a free (untaxed) reimbursement for the extra costs that the employee potentially incurs as a result of coming to work in the Netherlands (the so-called extraterritorial costs). An employer may also provide a foreign employee with 30% of his/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 available or is only barely available in the Dutch employment market.

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

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

Performance reward
A performance reward was awarded to all staff members with a permanent contract and working for the organisation longer than one year (as an acknowledgement for good results based on specific social and financial objectives agreed with the supervisory board) for 2016 (paid in 2017) as well as 2015 (paid in 2016).
The performance reward is awarded in cash, subject to taxation. This amount is accounted for under personnel expenses.

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

Society financial statements

Society **balance sheet**

(before appropriation of net income)

Notes		31/12/2017	31/12/2016
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
37	**Intangible fixed assets**	**1,132**	**1,024**
38	**Tangible fixed assets**	**521**	**641**
	Financial assets		
39	Development financing		
	Total development financing outstanding	918,323	989,582
	Less: - loss provision and impairments	(67,533)	(75,634)
		850,790	**913,948**
	Consists of:		
	Loans (net of loss provision)	*722,968*	*819,680*
	Equity (net of impairments)	*127,822*	*94,268*
40	Investments in group companies	41,745	45,434
41	Term investments	117,231	80,540
42	Other financial assets	43,432	7,285
	Total financial assets	**202,408**	**133,259**
	Total non-current assets	**1,054,851**	**1,048,872**
	CURRENT ASSETS		
43	Receivables and other current assets	30,514	29,048
44	Cash and banks	117,166	85,790
	Total current assets	**147,680**	**114,838**
	TOTAL	**1,202,531**	**1,163,710**

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

Society **balance sheet**

(before appropriation of net income)

Notes		31/12/2017	31/12/2016
		€ ,000	€ ,000
	MEMBER CAPITAL AND RESERVES		
45	Member capital in euro	1,012,421	912,968
46	General reserve	81,984	69,682
46	Restricted exchange fluctuation reserve	(7,383)	(3,108)
	Undistributed net income for the year	18,439	29,003
		1,105,461	**1,008,545**
48	**PROVISIONS**	**1,582**	**-**
49	**NON-CURRENT LIABILITIES**	**43,803**	**25,374**
50	**CURRENT LIABILITIES**	**51,685**	**129,791**
	TOTAL	**1,202,531**	**1,163,710**

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

Society **income statement**

Notes		2017	2016
		€ ,000	**€ ,000**
	RESULTS		
40	Results participation in group companies after taxes	3,692	5,193
	Other results	16,493	24,819
	INCOME BEFORE TAXATION	**20,185**	**30,012**
	Taxes	(1,746)	(1,009)
	INCOME AFTER TAXATION	**18,439**	**29,003**

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

Notes to the **Society financial statements**

36 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.

37 Intangible fixed assets

Changes in intangible fixed assets in 2017 and in the costs of acquisition and accumulated depreciation as at 31 December 2017 can be specified as follows:

	Total 2017	**Total 2016**
	€ ,000	**€ ,000**
Historical cost price as at 1 January	1,273	1,182
Accumulated depreciation as at 1 January	(249)	-
Balance as at 1 January	1,024	1,182
Investments	769	91
Disposals	-	-
Depreciation [1]	(661)	(249)
Movements in the year	**108**	**(158)**
Historical cost price as at 31 December	2,042	1,273
Accumulated depreciation as at 31 December	(910)	(249)
Balance as at 31 December	**1,132**	**1,024**

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

[1] This includes an amount of € 479,000 for the first phase of the development of the online portal for investors, which took place in 2015 and 2016. Initially, this amount was expensed in prior years. The adjustment in 2017 results in an increase of the general reserve.

38 Tangible fixed assets

Changes in tangible fixed assets in 2017 and in the costs of acquisition and accumulated depreciation as at 31 December 2017 can be specified as follows:

	IT equipment	Furniture	Total 2017	Total 2016
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost price as at 1 January	1,842	1,386	3,228	2,913
Accumulated depreciation as at 1 January	(1,500)	(1,087)	(2,587)	(2,305)
Balance as at 1 January	342	299	641	608
Investments	168	32	200	330
Disposals	-	(1)	(1)	(15)
Depreciation	(224)	(95)	(319)	(282)
Movements in the year	**(56)**	**(64)**	**(120)**	**33**
Historical cost price as at 31 December	2,010	1,417	3,427	3,228
Accumulated depreciation as at 31 December	(1,724)	(1,182)	(2,906)	(2,587)
Balance as at 31 December	**286**	**235**	**521**	**641**

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

39 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Outstanding as at 1 January	989,582	838,001
Disbursements	335,452	406,013
Capitalised interest and dividends	48	27
Less: - repayments	(304,567)	(275,650)
- write-offs	(4,194)	(8,320)
Equity divestments	(3,336)	-
Exchange adjustments	(94,662)	29,511
Outstanding as at 31 December	**918,323**	**989,582**

Equity investments above 20% participation				
Of the equity investments, stated in note 6, the share participation of the following investments as at 31 December 2017 was more than 20%	**Participation**	**Participation**	**Net equity [1] (latest available)**	**Result [1] (latest available)**
	2017	**2016**	**€ ,000**	**€ ,000**
Tujijenge Tanzania Limited, Tanzania [2]	37.5%	37.5%		
Guaguazu S.A., Bolivia	35.3%	42.6%	434	(38)
Gebana Brazil Cataratas do Iguaçu Produtos Orgânicos Ltd., Brazil	33.4%	33.4%	902	(135)
Cafedirect Plc	27.8%		3,209	(1,134)
Barefoot Power Pty Ltd., Australia [2]	27.6%	21.6%		
Banco Pyme de la Comunidad S.A., Bolivia	25.4%	25.4%	8,884	(1,833)
Equip Plus S.A., Senegal [2]	24.6%	24.6%		
Les Saveurs du Sud S.A., Senegal [2]	22.2%	22.2%	12	-
Andean Power Generation SAC, Peru		29.2%	7,781	(7,218)

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

The presented net equity value and result are based on local accounting standards from unaudited financial statements not adjusted to reflect Oikocredit's share in the respective net equity value and result. Financial reporting may not always be comparable to the quality under part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. As such, all the equity investments above 20% participation are valued at cost less impairment as at 31 December 2017.

Total loan loss provision and impairments equity	**2017**	**2016**
	€ ,000	**€ ,000**
Loan loss provision	(51,753)	(57,860)
Impairments equity	(15,780)	(17,774)
Balance as at 31 December	**(67,533)**	**(75,634)**

Provision for possible losses		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	(57,860)	(50,991)
Additions	(4,291)	(14,710)
Exchange adjustments	6,204	(463)
	(55,947)	(66,164)
Less: - write-offs	4,194	8,304
Balance as at 31 December	**(51,753)**	**(57,860)**

Impairments equity investments		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	(17,774)	(9,077)
Additions	(2,084)	(8,697)
Reversals	(2,321)	-
	(17,537)	(17,774)
Less: - write-offs	1,757	-
Balance as at 31 December	**(15,780)**	**(17,774)**

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

40 Group companies

Net asset value investments in group companies		
	31/12/2017	**31/12/2016**
	€ ,000	**€ ,000**
Maanaveeya Development & Finance Private Limited, Hyderabad, India [1]	38,308	39,350
Financial Company Oikocredit Ukraine, Lviv, Ukraine	734	1,125
Low Income Countries Loan Fund, Amersfoort, the Netherlands [2]	2,703	4,959
Balance as at 31 December	**41,745**	**45,434**

[1] The Net equity and Result in the table are the equity and result of the whole organisation and not only the equity stake of Oikocredit.

[2] For these equity investments we make use of the exemption of art. 379.2 under part 9, Book 2 of the Netherlands Civil Code. These equity investments are not obliged to publish their net equity and result according to local law.

Maanaveeya Development & Finance Private Limited		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	39,350	35,312
Result for the year	3,560	4,763
Interest paid to Oikocredit on compulsory convertible debentures	(555)	(1,199)
Exchange adjustments	(4,047)	474
Balance as at 31 December	**38,308**	**39,350**

Financial Company Oikocredit Ukraine		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	1,125	1,084
Dividend payments	(164)	-
Net result for the year	(4)	151
Exchange adjustments	(223)	(110)
Balance as at 31 December	**734**	**1,125**

Low Income Countries Loan Fund		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	4,959	4,680
Investments	-	-
Capital payments [1]	(2,392)	-
Result for the year	136	279
Balance as at 31 December	**2,703**	**4,959**

[1] In relation to the decreasing investments under management of the 'Low Income Countries Loan Fund' it was decided to make a capital payment of € 2,392,000 to both shareholders FMO and Oikocredit.

41 Term investments

Can be specified as follows:	2017	2016
	€ ,000	€ ,000
Balance as at 1 January	80,540	88,599
Investments during the year at cost	37,345	2,725
Disinvestments/redemptions during the year	(8)	(10,037)
Revaluation to market value as at 31 December	(644)	(732)
Exchange adjustments	(2)	(15)
Balance as at 31 December	**117,231**	**80,540**

Summary of term investments:	31/12/2017	31/12/2016
	€ ,000	€ ,000
Bonds [1]		
Buy and Maintain ESG Credit Portfolio	106,565	80,114
Portfolio managed by Alternative Bank Schweiz [2]	9,950	-
Subtotal bonds	116,515	80,114
Other term investments		
GLS Bank, Germany	500	300
Other	216	126
Subtotal other term investments	716	426
Balance as at 31 December	**117,231**	**80,540**

[1] 'Buy and Maintain environmental social governance (ESG) Credit Portfolio' is the name of the bond portfolio managed by AXA.
[2] In August 2017 we purchased a number of company bonds held by ABS.

Fair value of term investments

The fair value equals the carrying amount. Part of the term investments serves as collateral for the credit facilities with banks – reference is made to notes 43 and 47. Most term investments in bonds have been rated 'investment grade' by either Moody's, S&P and/or Fitch.

42 Other financial assets

Summary of other financial assets:	31/12/2017	31/12/2016
	€ ,000	€ ,000
Loans to group companies	-	5,581
Hedge contracts related parties (Oikocredit International Support Foundation)	40,470	706
Staff loans [1]	217	504
Hedge contracts financial institutions	2,745	494
Balance as at 31 December	**43,432**	**7,285**

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

43 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		2017		2016
		€ ,000		€ ,000
Accrued interest on development financing net of allowance		12,731		13,845
Hedging receivable		2,260		2,809
Loans to group companies expiring within 1 year		10		4,185
Interest receivable:		1,284		2,165
- face value	5,748		6,150	
- less: allowance for uncollectability	(4,464)		(3,985)	
Amounts prepaid		513		2,300
Value added tax and wage taxes		309		204
Receivable Share Foundation		4,582		1,203
Collateral hedging		-		961
Hedging contracts (refer to note 32)		8,377		636
Receivable OUSA		-		247
Staff loans [1]		131		200
Accrued interest on bank accounts and deposits		3		36
Sundry receivables		314		257
Balance as at 31 December		**30,514**		**29,048**

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

44 Cash and banks

The Society maintains its funds in banking institutions in Europe, Asia, Latin America, Africa and the United States of America. The time deposits included in cash and banks as at 31 December 2017 all mature in 2018.

The Society has credit facility agreements with Dutch banks amounting to € 5.0 million. These facilities, which were not used in 2017, are subject to the following conditions:

- Audited financial statements should be provided within six months after year-end.
- The solvency ratio of the Society should be at least 70%.
- The Society should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amounts of the credit line of the Dutch institutions (€ 6.3 million).
- Without the written permission of the credit institution, the Society is not allowed to sell or securitise 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.

45 Member capital

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

46 General and other reserves

General reserves [1]		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	69,682	69,316
Appropriation of prior-year results	11,858	366
Adjustment prior years (Online portal for investors)	444	
Balance as at 31 December	**81,984**	**69,682**

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

Restricted exchange fluctuation reserve [1]		
Can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Balance as at 1 January	(3,108)	(3,473)
Exchange rate differences	(4,275)	365
Balance as at 31 December	**(7,383)**	**(3,108)**

[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.

47 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:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Equity according to society financial statements	**1,105,461**	**1,008,545**
Reserves Oikocredit International Support Foundation	-	2
Local currency risk funds Support Foundation	12,813	51,300
Revolving fund Support Foundation	-	-
Funds for subsidised activities and model costs Support Foundation	4,264	4,332
Third-party interests	2,703	4,959
Group Equity and Funds according to consolidated financial statements	**1,125,241**	**1,069,138**

48 Provisions

Can be specified as follows:	31/12/2017	31/12/2016
	€ ,000	€ ,000
Restructuring provision [1]	1,205	-
Provision for onerous contract [2]	377	-
Total provisions	**1,582**	**-**

[1] This provision reflects the costs associated with the implementation of the new strategic plan.

[1] As a consequence of our New Way Of Working project implementation, part of the current lease contract for our office premises will be dissolved. The provision reflects the costs associated with the unused office space for the remaining period of the lease rental contract.

49 Non-current liabilities

Can be specified as follows:	31/12/2017	Remaining term > 1 year < 5 years	Remaining term > 5 years	31/12/2016
	€ ,000	€ ,000	€ ,000	€ ,000
Bank loans [1]	43,482	43,482	-	14,751
US note loans [2]	-	-	-	6,180
Hedge contracts (refer to note 29, consolidated financial statements)	-	-	-	4,056
Loans for investment in development financing	321	321	-	387
Total non-current liabilities	**43,803**	**43,803**	**-**	**25,374**

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

[1] Consists of the following loans:

- Loans with a total principal amount of INR 1.8 billion from financial institutions in India maturing in 2018 for INR 812.3 million (included under current liabilities) in 2019 for INR 628.4 million and for 2020 INR 184.8 million. The loans carry an average interest rate of 10.2%.
- A loan granted by a German bank amounting to € 23.0 million (2016: € 22.9 million), which matures on 30 January 2021 for € 18 million and the remaining part (€ 5.0 million) matures on 30 January 2023. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2017: 0%) plus an agreed margin (as at 31 December 2017: 0.65%). The loan is unsecured for the first € 4 million. From an outstanding amount of € 4 million up to € 24 million, the loan is guaranteed by KfW, Germany.
- A loan granted by a Swedish bank amounting to € 1.9 million (2016: € 1.9 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2017: 0%) plus an agreed margin (as at 31 December 2017: 0.57%). The loan is secured by a pledge on the Oikocredit bond portfolio for a maximum of € 6.3 million.
- A loan granted by a French bank amounting to €10.0 million (2016: € 3.0 million). The loan is for a maximum term of five years. The loan carries an interest rate equal to the base rate of the financial institution plus an agreed margin (as at 31 December 2017: 0.9%). The loan is unsecured.
- A loan granted by a Swiss bank for an amount of € 8.5 million. (2016: € 0.0 million) The loan is for an indefinite period. The loan carries an interest rate of 0.4% for the first CHF 8 million and 1.25% for the remaining CHF 2 million. The loan is secured by a pledge on the Oikocredit bond portfolio at the bank for an amount of CHF 9.2 million.

[2] Loans managed by Oikocredit on behalf of funders which have 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. Loans for investment in development financing have been invested in the Oikocredit development financing portfolio for risk and account of the funders.

50 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**31/12/2017**	**31/12/2016**
	€ ,000	**€ ,000**
Group companies (refer to note 52)	26,838	30,896
Long-term loans expired or expiring within one year [1]	10,896	68,514
Accrued expenses, sundry liabilities	4,740	3,535
Hedge contracts	2,226	18,355
Other taxes payable [2]	6,444	4,900
Funds under management	-	-
Provident fund premiums payable	-	3,232
Hedging premiums payable	541	359
Balance as at 31 December	**51,685**	**129,791**

[1] Consists of amounts maturing within one year from loans taken from an Italian bank for € 5 million, from a loan taken from a US organisation for € 5.4 million, from a loan taken from a Swiss organisation for € 0.4 million and from loans managed by Oikocredit on behalf of funders for € 0.1 million.
[2] The growth of the organisation 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 € 4.4 million for possible tax payments from the past and € 1.5 million for possible tax payments for 2017.

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.

51 Commitments not included in the balance sheet

In July 2017 the Society renewed its rental agreement for the office building, which will end on 31 December 2024. The yearly rent payments amount to € 336,950 and are indexed. The agreement contains a break clause to cease renting part of the office space with effect from 31 December 2022. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Standard Chartered Bank and TCX, The Currency Exchange Fund N.V. contain an obligation to post eligible collateral under a credit support annex. In the contract with Standard Chartered Bank, the threshold for Oikocredit is set at US$ 3,000,000 and for Standard Chartered Bank at US$ 50,000,000. In the contract with TCX, the threshold is set at US$ 3,000,000 for both Oikocredit and TCX. As at 31 December 2017 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 2.1 million positive. As at 31 December 2017 the mark to market value of the hedge contracts with TCX was US$ 5.5 million positive. For posted cash collateral, please refer to note 43.

The Society issued a corporate guarantee for a maximum of INR 1.2 billion to Rabobank, the Netherlands for loans issued by Rabo India Finance Limited to Maanaveeya Development & Finance Private Limited in India. The Society issued a corporate guarantee for a maximum of INR 450 million to ING Vysya Bank for loans issued by this bank to Maanaveeya Development & Finance Private Limited in India.

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

The Society pledged in total € 28.2 million of its bond portfolio to guarantee loans from financial institutions.

52 Related party transactions

For transactions with the managing board and supervisory board, please refer to note 35 of the consolidated financial statements.

Transactions with Oikocredit Support Foundations during the year
Oikocredit added unrealised cumulated exchange rate differences on local currency loans to the fund for local currency loans cumulative exchange rate differences amounting to € 37.6 million (2016: charge € 7.4 million).

Transactions with the Oikocredit International Share Foundation
In addition to the investments and redemptions of shares of the Society, Oikocredit granted a contribution for costs to the International Share Foundation during 2017 for € 452,000 (2016: € 264,000).

Transactions with Maanaveeya Development and Finance Private Limited
Oikocredit charged interest to Maanaveeya on non-convertible debentures totalling € 0.6 million (2016: € 1.2 million).

Transactions with Low Income Countries Loan Fund
Transactions with Low Income Countries Loan Fund during 2017 or 2016 consisted of repayments and disbursements of the loan portfolio and settlements of exchange rate differences € 213,189 (2016: € 80,309) and premiums € 10,867 (2016: € 144,408) on local currency loans. The current account will bear interest at the average of the market interest rate on the savings account of 0.05% (2016: 0.25%). The total amount of interest calculated in 2017 amounts to € 3,000 (2016: € 16,000).

Transactions with Provident Fund
Oikocredit contributed € 29,744 (2016: € 93,165) and US$ 152,522 (2016: US$ 567,332) to the Provident Fund in 2017.

Transactions with Support Associations and members
Oikocredit granted a contribution for costs to the support associations during 2017 for € 3,633,000 (2016: € 3,331,000). There are no outstanding balances with the support associations.

Oikocredit received loans during 2017 from GLS Bank Germany for € 131,000 (2016: € 2.7 million) and Ekobanken Sweden for SEK 1 million (2016: SEK 4.8 million).

Oikocredit Support Foundation received grants during 2017 from Church of Sweden for € 242,000 (2016: € 310,000).

Amounts owed by and to Oikocredit foundations and other group companies [1]		
	2017	**2016**
	€ ,000	**€ ,000**
Amounts owed to group companies		
Oikocredit International Support Foundation	24,989	24,524
Low Income Countries Loan Fund	1,849	6,372
Total owed to group companies (refer to note 48)	**26,838**	**30,896**
Amounts owed by group companies		
Oikocredit International Support Foundation cumulated exchange rate differences (refer to note 42)	40,470	706

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

Total funds available within the International Support Foundation to cover future category B costs, as well as guarantees and capacity building by Oikocredit, amounted to approximately € 4.3 million at year end (2016: € 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 approximately € 12.8 million (2016: € 51.3 million).

53 Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are prepared, are recognised in the financial statements.

Other information

Proposal for allocation of net income

With respect to the allocation of net income, the Society's Articles of Association determine the following (article 43):
'The net profits shall be allocated by the General Meeting after receiving the proposals of the Managing Board'.
The managing board will make the following proposal to the annual general meeting 2018 with regard to 2017 net income:

- To add the amount in excess of the net result needed to pay the dividend to the general reserve, of which:
  - € 14,295,000 to be withdrawn from the general reserve allocated as a reserve for unrealised exchange rate differences (with effect from 2017 we decided to no longer have a separate reserve for this item)
  - € 23,126,000 to be added to the general reserve
- To pay a dividend of 1/12th of 1% for every full calendar month of 2017 that the EUR, USD, CAD, CHF, SEK and GBP shares were registered.

Allocation of net income		
The management board proposes to appropriate the net income as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
General reserve		
Reserve for local currency loans	0	4,189
Reserve for tax and legal structure	0	(1,282)
Reserve for loans & investment systems	0	(1,286)
Capacity building for partners (additions less withdrawals)	0	2,500
Unrealised exchange differences (withdrawal)	(14,295)	3,260
Unrealised revaluation of term investments	0	(9,484)
Other	23,126	13,961
	8,831	**11,858**
Dividend distribution	**9,608**	**17,145**
Net income	**18,439**	**29,003**

Information on cumulative unrealised results and specific designated amounts in the general reserve		
The breakdown of the balance of the cumulative amounts of the unrealised results included in the general reserve can be specified as follows:	**2017**	**2016**
	€ ,000	**€ ,000**
Cumulative amount of unrealised exchange differences in results	0	14,295
Local currency loans	12,121	12,121
Capacity building for partners	2,500	2,500
Total unrealised results and designated amounts included in general reserve	**14,621**	**28,916**

KPMG

Independent auditor's report

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

Report on the accompanying consolidated financial statements

Our opinion

We have audited the consolidated financial statements 2017 of Oikocredit Ecumenical Development Cooperative Society U.A. ('the Society'), based in Amersfoort, the Netherlands.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of Oikocredit Ecumenical Development Cooperative Society U.A. as at 31 December 2017 and of its result for the year ended 31 December 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated and society balance sheet as at 31 December 2017;

2 the consolidated and society income statement for the year 2017;

3 the consolidated cash flow statement for the year 2017; and

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

Basis for our opinion

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

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

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

Report on the other information included in the annual report

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

— Managing Board Report;

— Report of the Managing Director;

— Supervisory Board Report; and

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

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

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

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

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

The Managing Board is responsible for the preparation of the other information, including the Managing Board Report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the consolidated financial statements

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

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

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

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

Our responsibilities for the audit of the consolidated financial statements

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

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

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

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

— identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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

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

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

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

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

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

Amstelveen, 7 March 2018

KPMG Accountants N.V.

M. Frikkee RA

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

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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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