



**Developing
sustainable
agriculture**

Contents

Annual report 2013

Cover

Celoso Jallasa Choque is a client of Instituto para el Desarrollo de la Pequeña Unidad Productiva (IDEPRO), a non-profit microfinance organization and Oikocredit partner in Bolivia. Don Celoso farms quinoa, a grain that is commonly referred to as a 'superfood' which has been grown in the Andes region for the past 3,000 years. Don Celoso is one of more than 500 quinoa farmers who uses microfinance facilities offered by IDEPRO. As quinoa farmers face many challenges including a harsh climate, gaining access to agricultural insurance and investment capital from microfinance providers like IDEPRO is very important.

IDEPRO has offices in eight out of nine departments in Bolivia, with its head office in La Paz. The remote town of Challapata, where IDEPRO has a rural agency, is known as the 'capital of quinoa' in Bolivia. IDEPRO offers specialized financing to all segments of the quinoa value chain, including producers, processors and trade companies. IDEPRO also offers specialized entrepreneurial financial services which enhance quinoa and other value chains, such as tourism, sustainable forestry and alpaca farming, to help generate inclusive businesses and promote environmental responsibility. IDEPRO has been a partner of Oikocredit since 1998, with its latest loan disbursed in 2012 for BOB 13,720,000 (approximately € 1.5 million). This loan will be used to increase its microfinance services and strategic financing of production chains.

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Letter from the president



Dear friends,

Oikocredit's broad range of activities in developing opportunities to support the empowerment of poor people, and the dedication and skill with which our organization undertakes its work, never cease to impress me. This annual report shows the many initiatives we are undertaking, and the numerous opportunities we seize, in Africa, Asia, Latin America and Eastern Europe in serving our mission of building a better world through financial inclusion and other forms of practical solidarity.

In 2013, we once again achieved good financial results while complementing our investments and loans with capacity building to enhance our partners' ability to empower clients socially as well as financially. We combined healthy growth in our inflow of funds, investor numbers and development financing portfolio with carefully targeted social performance training and mentoring and other forms of partner support, most notably for organizations working in agricultural value chains.

Our focus on rural livelihoods, agricultural enterprises, cooperatives, fair trade and grassroots economies in Africa and other regions gives Oikocredit its distinctive place in microfinance and social investment. This is something we can be proud of, alongside our commitment to client protection, clients' progress out of poverty and long-term partnership building based on mutual respect, transparency and promoting best practice.

Oikocredit seeks to respond where need is greatest by providing finance in harder-to-reach situations. Women and rural communities, especially in Africa and Asia, are among the world's most disadvantaged people. Hence our continuing focus on women's empowerment, rural lending, Africa, agricultural value chains with potential to provide secure livelihoods for low-income earners and, more recently, renewable technologies promoting energy inclusion.

At Oikocredit's annual general meeting in June 2013, we introduced into the articles of association an explicit commitment to finance partners that meet our sustainability criteria.

We made other changes this past year. These include adopting a new strategic plan for Africa, establishing new specialist units to lead our work and develop our expertise in agriculture and renewable energy, enhancing our risk management, adopting a precautionary approach to partners' use of genetically modified organisms (GMOs) and strengthening our focus on organizational and human resources development.

The world has changed enormously during Oikocredit's lifetime. But with hundreds of millions of women, children and men still experiencing severe disadvantage, our work remains as important as ever. Oikocredit owes a debt of gratitude to its partner and member organizations, investors, board members, international office, regional staff and volunteers, all of whom have once again been indispensable to our efforts on behalf of the end-clients for whom we work together to achieve sustainable, positive economic and social impacts.

A handwritten signature in blue ink, which appears to read 'Salome Sengani'. The signature is fluid and cursive, with a large initial 'S'.

Salome Sengani

President of the board of directors

Five-year Oikocredit key figures

<i>Figures from the consolidated financial statements ¹</i>					
	2013	2012	2011	2010	2009
Members	596	598	595	595	604
Investors	52,000	48,000	45,000	43,000	36,000
Regional and country offices	36	37	36	36	33
National support offices and support associations	36	35	36	36	36
Staff members in full-time equivalents (FTE) ²	254	250	222	210	183
Partners in portfolio ³	815	854	896	863	790
€ millions					
Total consolidated assets	779.2	723.3	671.9	639.8	537.5
Euro member capital	578.6	511.8	471.9	436.0	377.5
Member capital in foreign currencies	52.0	43.9	39.0	37.4	28.8
Other lendable funds ⁴	86.8	73.8	78.5	83.1	62.0
Total lendable funds	717.4	629.5	589.4	556.5	468.3
Development financing activities					
New disbursements	306.1	218.2	196.1	206.3	141.7
Increase % disbursements	40.3%	11.3%	(4.9%)	45.6%	(21.8%)
Cumulative disbursements	1,774.9	1,468.8	1,250.6	1,054.5	848.2
Total cumulative payments (capital, interest and dividends) by partners	1,432.9	1,180.2	953.3	758.8	580.2
Total development financing outstanding	590.5	530.5	520.5	481.2	393.8
As % of lendable funds (beginning of year)	93.8%	90.0%	93.1%	103.1%	98.7%
Loss provisions as % of development financing outstanding (financed by own funds) ⁵	8.9%	11.4%	12.5%	12.2%	12.1%
Portfolio at risk 90 days	6.5%	7.0%	9.2%	7.6%	6.2%
Write-offs capital and interest charged to loss provisions	11.8	18.4	7.7	3.8	0.9
As % of development financing outstanding	2.0%	3.5%	1.5%	0.8%	0.2%
Total financial income	56.7	63.4	55.1	46.5	40.6
Expenses ⁶	26.3	23.9	21.3	17.9	15.1
As % of total assets	3.4%	3.3%	3.2%	2.8%	2.8%
Impairments and additions to loss provisions	6.4	15.6	15.0	12.1	8.1
As % of development financing outstanding	1.1%	2.9%	2.9%	2.5%	2.1%
Net income (available for distribution) ⁷	12.6	22.9	15.9	16.1	19.3
Proposed dividend	11.6	10.5	9.7	8.7	7.4

¹ Figures up to 2010 include the consolidated 4F Funds. Figures from 2011 onwards exclude the consolidated 4F Funds.

² Including staff employed by regional offices and national support offices.

³ Partners in portfolio include 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 reserves (2013: € 64.8 million) and non-current liabilities (2013: € 22.5 million) excluding hedge contracts (2013: € 0.1 million) and other liabilities (2013: € 0.4 million).

⁵ Some of our partners are financed by third parties (2013: € 0.9 million). Write-offs include capital (2013: € 7.5 million) and interest (2013: € 4.3 million).

⁶ Including expenses covered by grants (for example capacity building expenses) and investments in a new common administration system (Titan).

⁷ Refer to Society Income Statement.

On behalf of the Oikocredit board of directors, we are pleased to present the annual report and consolidated financial statements of the Society for 2013. This report highlights the most important developments during the year.

Oikocredit in 2013: Serving low-income earners around the world

We achieved good results in 2013, substantially increasing our inflow of funds, overall portfolio size, approvals and disbursements, while improving portfolio quality. Effective delivery of our social mission was equally important, and we undertook a range of initiatives to help our partner organizations design and deliver better products and services to clients.

Overall, Oikocredit's consolidated financial results for 2013 were positive and above budget. Inflow of capital reached a new record, and at the same time we increased approvals and disbursements. This resulted in portfolio growth, and the

quality of our portfolio improved as a consequence of better monitoring. Increasing interest rates negatively impacted the value of our term investments and the strengthening of the euro against other currencies had a negative impact on the financial results. However, we can offset the unrealized losses in our term investment portfolio against the cumulative amount of unrealized revaluation of these investments (set aside in our general reserves in previous years). External hedging and internal mechanisms limited the effects of exchange rate differences.

After years of rapid global growth, the microfinance sector is slowing, and competition among investors is increasing. Despite the existence of large underserved markets, especially in rural areas, many urban and more mature markets are seeing rising investor competition. Expansion of alternative funding sources, including deposits and local funding from domestic lenders, has reduced microfinance's reliance on foreign investment. Oikocredit retains an important advantage as an investor in smaller, less developed institutions and a long-term lender to larger, social microfinance institutions (MFIs). While we occupy a unique position in microfinance investment, with a global footprint and depth of outreach that no competitor can match, in the coming years we will seek increased diversification in other development sectors such as agriculture and renewable energy. During 2013, we completed a new strategic plan for Africa and established a separate agricultural unit that became operational in January 2014.

In 2013, Oikocredit established a risk, compliance & IT department, distinct from the finance function, as recommended by the audit committee. Albert Hofsink has moved away from his finance role to head this new group and will use his extensive knowledge of the organization and the sector to further strengthen our risk management and compliance. Irene van Oostwaard, former internal auditor and deputy director finance, IT & risk, became finance director. We also separated our equity operations as well as our legal unit from the credit department.

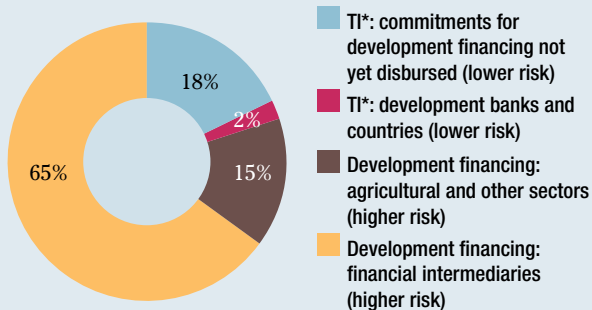


AFODENIC, Nicaragua

2013 in graphs

Investment mix Oikocredit invested funds 2013

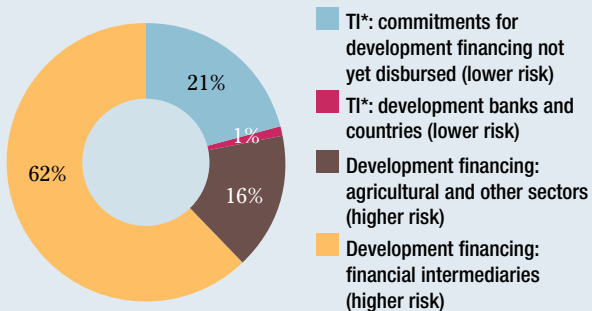
As at 31 December 2013



* TI = Term investments

Investment mix Oikocredit invested funds 2012

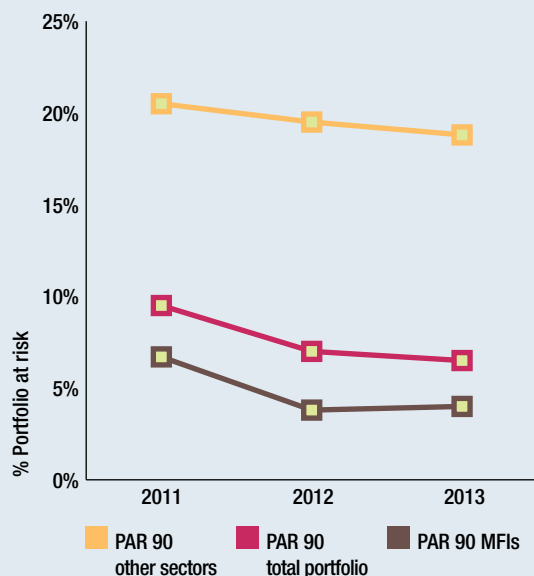
As at 31 December 2012



* TI = Term investments

Portfolio at risk

As percentage of total development financing
As at 31 December 2013



Social performance

As a social investor, Oikocredit pays special attention to social performance. Ultimately, we judge success by the extent to which our work, and that of our partners, enables low-income people and communities to improve their lives in lasting ways. We increasingly assess our impact in terms of the 'triple bottom line', which combines financial, social and environmental outcomes.

Our approach to social performance management (SPM) starts with careful due diligence in partner selection. It continues with extensive capacity building support to partners, close attention to our own organizational development, implementation of our environmental policy and active sharing of knowledge and best practices with partners and across the microfinance sector.

We have a dedicated capacity building fund, supported by donors and from our own income, that helps finance our work with partners. In 2013, we substantially expanded our capacity building for organizations working along the agricultural value chain in all regions. We also supported many partners around the world via our successful SPM mentoring programme and with training and capacity building in such areas as risk management, governance, market analysis and product development.

Application of our environmental, social and governance (ESG) scorecard continued to help us assess and support MFIs and non-microfinance enterprises in such areas as outreach to clients, interest rates and client empowerment. We remained actively engaged with the Social Performance Task Force, the European Microfinance Platform and other sector-wide initiatives.

The triple bottom line

At the Oikocredit annual general meeting (AGM) in June 2013, our articles of association were amended to include a specific reference to financing of partners that meet our sustainability (environmental) criteria. Oikocredit's investment guidelines now explicitly include a triple bottom line for selecting partners. With this addition to our investment criteria, we intend to review our vision and mission statement.

Development financing

Approvals and disbursements were high in 2013. Oikocredit approved € 297 million in investments and disbursed € 306 million. These figures represent increases of 27% and 40% respectively when compared to € 234 million and € 218 million in 2012.

Overall, our development financing portfolio grew during 2013 to € 591 million, increasing by 11% from € 531 million in 2012. This significant growth helped us achieve a satisfactory rebalancing of inflow and outflow of funds through higher disbursements, which resulted in lower liquidity levels than the previous year.

Local currency loans

Local currency loans represented 56% of Oikocredit's total portfolio in 2013, with the remaining 44% as hard currency loans, approximately the same proportions as in 2012.



Coopetarrazú, Costa Rica

By providing local currency loans, we protect partners from the risk of currency fluctuation by accepting more of the risk ourselves. With the expansion of our loan portfolio, our exposure to local currency risk increased.

We protect ourselves from local currency risks by using an internal fund within our Support Foundation and by hedging with external parties. Due to the growth of our development financing portfolio and the strengthening of the euro, this fund is reaching its limits. In future, we might need to hedge a larger portion of our local currency portfolio in case we cannot further develop our local currency risk fund. Therefore hedging costs may be expected to rise in the future.

Portfolio quality

Portfolio quality continued to improve in 2013. The portfolio at risk (PAR) ratio indicates the percentage of our portfolio with outstanding payments more than 90 days overdue. In 2013, PAR reduced overall to 6.5% (from 7% in 2012), resulting in a lower addition to our loan loss provision. We attribute these improvements mainly to the strengthening of our loan and credit monitoring and to the easing of the microfinance crisis in the Indian state of Andhra Pradesh. Write-offs, which were highly influenced by write-offs in our Andhra Pradesh portfolio in 2012, decreased substantially in 2013.

PAR among our MFI partners increased from 3.8% in 2012 to 4% in 2013, and PAR outside microfinance fell to 18.8% from 19.5% in 2012. PAR in agriculture remained high, and we will focus on reducing this in 2014 through the work of our new agricultural unit with its sector-specific expertise.

Risk management

Oikocredit enhanced its risk policies and procedures and expanded its risk management committee to include board members to oversee the entire organization. Our expanded portfolio risk management procedure includes drawing on additional information sources, enhanced due diligence in relation to future partners and more comprehensive monitoring of regional portfolio risks.

Among other steps, we improved our anti-money laundering and anti-terrorist financing procedures, which now include online training facilities for all staff. We also began using a risk management dashboard to provide information to the board and management team, which will be further enhanced in 2014.

Interest rates

In 2013, we continued to pay attention to the interest rates that our MFI partners charge clients, to ensure that interest rates and other client fees are not excessive in the country or regional context. We encouraged partners to improve efficiency and to use their profits to reduce rates for clients. The rates we charged partners during 2013 reflected the general downward trend in base rates and shrinking margins.

Equity investments

In recent years, our equity investments have made an important contribution to our financial results. We grew our equity portfolio in 2013 to € 47 million, from € 39 million in 2012, and expect continued growth as the percentage of our portfolio deployed in equity as against debt increases.



Belstar, India

The portfolio has a longer term horizon than typical loan maturities but is expected to generate regular income from sales of equity investments in the future.

Term investments (bond portfolio)

Parts of Oikocredit's assets were invested in term investments for liquidity and risk management purposes. These were mainly fixed income investments such as bonds issued by development banks and governments of low-income countries, or by corporations that meet our ethical criteria and operate with a beneficial impact in emerging markets. The negative result of € 4.4 million from the revaluation of our term investment portfolio was a consequence of rising interest rates, which reduced our term investments' value. This negative result is offset by the amounts set aside in the general reserves from positive results in our term investment portfolio in previous years.

Inflow of new capital

Inflow of funds in 2013 was excellent. Gross inflow of lendable funds increased by 28% to € 90 million. Net inflow of lendable funds grew by 74% to € 80 million. Net inflow (member capital received minus redemptions) was € 76 million, up by 72% (€ 44 million in 2012). Net inflow of other lendable funds, including savings via our collaboration with the ethical GLS Bank in Germany, amounted to € 4 million, compared with € 2 million in 2012. Total lendable funds grew with 14% from € 629.5 million in 2012 to € 717.4 million end 2013.

Income statement 2013

Financial income

Oikocredit's development financing income fell by 12% in 2013 from € 58 million to € 51 million. Our 2012 development financing income was positively influenced by the sale of two equity investments. In terms of income from loans only,

development finance income decreased by 2% compared with the previous year. Increasing competition led to lower margins on loans, a trend we expect will continue.

Loss provisions and hedging

In 2013, hedging costs fell slightly, mainly because of lower base rates of local currencies, but also as a consequence of internal caps on interest rates for local currency loans. Due to our improved PAR and portfolio quality, we made smaller additions to our loan loss provisions than in 2012 (€ 6 million in 2013 compared to € 16 million in 2012).

Operational expenses

Oikocredit's general and administrative operational expenses rose by about 10%, from € 24 million in 2012 to € 26 million in 2013, as budgeted for and as a result of planned organizational growth.

Annual dividend

During our 2014 AGM, we will once again propose an annual dividend of 2% for all currencies, except for Swiss franc shares which will be at the usual 1%. We will also propose to earmark part of our 2013 results for the costs of implementing the 2014-2015 business plan, as well as the allocation of a portion of our results to certain specific reserves.

Cash and currency management

Cash position

During 2013, the net inflow reached record levels. Nevertheless cash levels were lower due to the growth of our development finance portfolio.

Financing of Indian subsidiary Maanaveeya

In 2013, Oikocredit financed the growth of our subsidiary Maanaveeya through non-convertible debentures for

an amount of INR 1 billion (approximately € 12 million). Maanaveeya entered into an additional loan agreement with Rabo India Finance Limited (RIFL), in coordination with Rabobank Nederland, amounting to INR 600 million and with ING Vysya Bank for INR 350 million.

Covering and hedging local currency and US dollar exposures

Oikocredit's local currency exposure is mitigated by the local currency risk fund within our Support Foundation as stated earlier. We also hedge with financial institutions and with The Currency Exchange Fund N.V. (TCX). We maintained hedges of our US dollar exposure at around 90% of total exposure.

Other developments

Audit committee

The audit committee met twice in 2013. As in recent years, the committee, along with our auditors and senior management, reviewed our financial statements, the effect of accounting policy changes, our subsidiaries, internal audit plans and reports, and internal control structures. Reviews of risk management, risk indicators, compliance and business continuity remained recurring committee agenda items. The audit committee's recommendation that we separate risk from finance was implemented.

Environmental policy

In 2013, we took forward implementation of the environmental policy that our board approved in 2012. We applied the policy to both our own operations and partners. In accordance with the policy, we adopted a precautionary approach to partners' use of GMOs.

Human resources

Oikocredit again grew in staff numbers to 253.8 full time equivalent posts by the end of 2013 (2012: 250.4), an increase of 1.4%. We expect to continue to grow in 2014, with an anticipated additional 31.2 full time equivalent posts,

as we invest more in front office staff to strengthen our interaction with partners and our management of the outflow of funds. Among the new staff will be additional specialists in agriculture and renewable energy.

Throughout 2013 we sharpened our focus on human resources development. We now provide more career planning and have initiated exchanges between Oikocredit International office and regional staff to enhance understanding of various aspects of the organization.

In terms of gender, we achieved a full gender balance in the management team and are proud of our staff diversity, with 48 nationalities represented across the organization.

Looking ahead to 2014

We want to continue to provide support where it is most needed and will therefore increase our focus on Africa, Southeast Asia, agriculture, renewable energy and equity investments. As always, opportunities and challenges lie ahead, especially for our strategic focus areas in Africa, agriculture and renewable energy, and in expanding our equity portfolio and presence in Southeast Asia. A new agricultural unit will support the staff of our regional offices to expand lending to agriculture. Renewable energy will be concentrated in a separate organizational unit as of 2014. Financing of both agriculture and renewable energy requires specialist knowledge and experience. We will strengthen our equity unit to support future growth of our equity portfolio.

Work will begin in 2014 on a new SPM strategy, taking account of accomplishments during the past five years. We aim to professionalize Oikocredit further as an organization, including improving our investment processes and systems, our compliance and risk management and our human resources management. We are investing in a new credit and equity IT system that will help us manage information more effectively.

Conclusion

Oikocredit's success is based on staying true to our mission while responding proactively to changes in various sectors. As a worldwide cooperative and social investor, we will continue to support the microfinance sector, fair trade organizations, cooperatives and small to medium enterprises.

Our partners, members, investors, support associations, volunteers, board members and staff have all made valuable contributions to our achievements over the past year, and we thank them for their hard work and dedication.

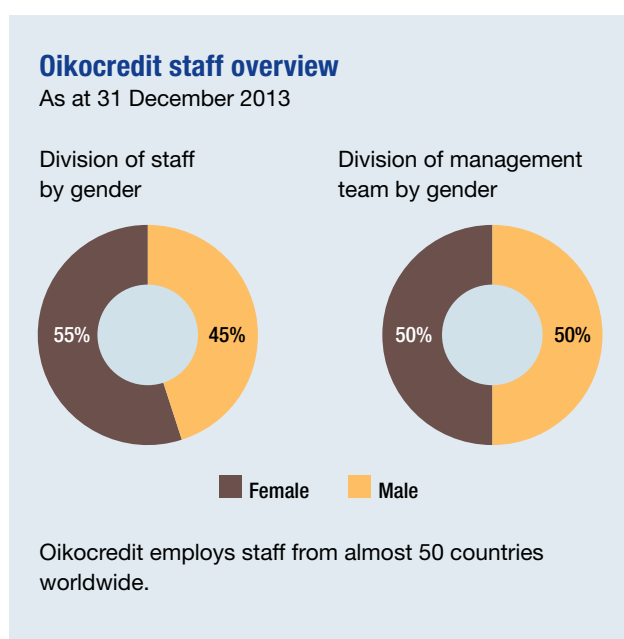
Amersfoort, 24 February 2014



Salome Sengani
President of the
board of directors



David Woods
Managing director



Credit and equity

Steady growth in credit and equity

Approvals and disbursements reached record levels in 2013, and demand for our loans and investments remained strong. We further improved our overall portfolio quality and continued to develop new approaches to challenges in Africa and agriculture.

While microfinance is the main sector in which Oikocredit operates, we have focused our credit operations on Africa and agriculture. Africa has great potential but faces many challenges and risks, and helping to meet the needs of its many low-income earners is central to our mission. Worldwide about 2.6 billion people survive on less than \$ 2 a day, most of them living in rural areas and depending on farming for their livelihoods. Investing in agriculture therefore both helps address rural poverty and contributes to the world's growing demand for food as population numbers rise.

In 2013, our credit operations saw strong growth in microfinance relative to the sector, with record approvals and disbursements. Agriculture stabilized after three years of growth, and our renewable energy portfolio, though small, increased slightly. We supported 815 partners during the year, with 566 in the microfinance sector. Regionally our largest concentration of partners is in Latin America, with 336, followed by 192 in Africa, 177 in Asia, 93 in Central and Eastern Europe and 17 partners in other regions.

Approvals and disbursements

Approvals and disbursements (loans and equity) exceeded levels achieved in previous years. Our portfolio increased by 11% to € 591 million, from € 531 million in 2012. Approvals grew by 27% to € 297 million, from € 234 million in 2012, and disbursements by 40% to € 306 million, from € 218 million in 2012. These excellent outcomes resulted from a high demand for credit on the part of our microfinance institution (MFI) partners, particularly for local currency loans. To meet market demand, we approved loans of up to € 10 million in specific markets where the sector had grown and the partner could absorb larger loans and meet our social standards.

Building on our decision in 2012, we delegated more responsibility for loan approvals to our regional offices in 2013. This has proved to be an effective way of speeding up the approval process while maintaining a quality portfolio.

Portfolio mix

As part of our outstanding portfolio, financial services increased to 82% in 2013 (up from 79% in 2012), mainly because of our MFI partners' capacity to absorb larger loans. Agriculture saw its portfolio share decrease slightly to 11% in 2013 but grew substantially in terms of approved loans (5.6%). Our lending to other sectors, including health, education, trade and manufacturing, remained stable. We saw a slight increase in our recently launched renewable energy portfolio.

Interest rates, portfolio quality and portfolio at risk

In 2013, as a result of developed countries' macroeconomic policies, the liquidity in markets increased, which resulted in falling interest rates. Because of this, Oikocredit reduced the rates it charges its partners. On another level, we also monitor the rates our MFI partners charge to clients to help us establish benchmarks of fair lending. We also use the MFTransparency website as a key information source on interest rates in the sector.

The quality of our portfolio improved in 2013. Overall portfolio at risk (PAR) – which is the percentage of our portfolio with payments more than 90 days overdue – fell to 6.5% from 7.0% in 2012. We wrote off fewer bad debts than in 2012 and restructured fewer loans. These improvements resulted from the global economic recovery, from our practice of supporting partners as early as possible when problems occur, and from the work of our special collections unit in restructuring and recovering loans when partners face difficulties.

Agriculture

Levels of lending to agricultural producers dropped slightly in 2013, following a three-year period in which agriculture had grown from 9% to 12% of our portfolio (€ 64 million outstanding). The number of agricultural partners has risen to 153 at the end of 2013. Lending to agricultural producers

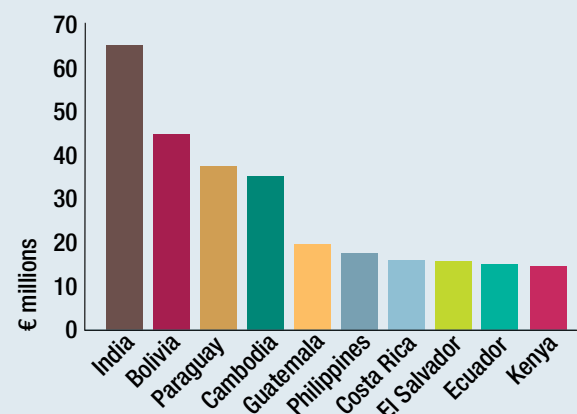
involves challenges arising from climate issues, geographical remoteness and the need for timely financing. Agricultural sector partners tend to be smaller farmer-run organizations for which effective financial management and securing all important access to markets and export opportunities are not straightforward. In Africa many agricultural producers in post-crisis countries are in recovery mode. Our PAR in agriculture remains relatively high.

Oikocredit would like to provide the finance that so many small farmers need. The number of approvals for our agricultural partners increased by 24% in 2013, driven by Latin America and Africa and reflecting our efforts to increase outreach in this sector. Nearly a quarter of our partners' clients work in agriculture. We support MFIs that lend to individual farmers to buy seeds and other inputs, and to processing organizations, many of them cooperatives, that assist farmers in gaining market access. By partnering with fair trade organizations we help underpin guaranteed farmer prices and a fair trade premium for social and environmental investment. Our strategy is to finance selected farmer organizations and processing companies, such as the coffee value chain in Peru and maize and cocoa in West Africa.

We also provide our agricultural partners with support in financial management and other areas. Our new agricultural unit, based in Peru, will help address the challenges facing this sector in every region where we work. The four-person specialist team will develop our knowledge of the agricultural sector, enable us to structure our loans more effectively, and support regional staff and partners through information sharing, training, coaching and capacity building.

10 countries with highest capital outstanding

As at 31 December 2013



Guarantees and partnerships

Oikocredit has continued to work with USAID, ICCO and the Church of Sweden and is very pleased to have established a new collaboration with the Africa Guarantee Fund, particularly for risk sharing in Africa. The Church of Sweden supports our agricultural capacity building, including placing an agriculture finance specialist for several months in West Africa and providing development support in agricultural finance to our regional staff through workshops in Côte d'Ivoire and India.



Imon International, Tajikistan

New initiatives in Africa and Southeast Asia

We brought our three regional managers for Africa to Amersfoort, the Netherlands, in 2013 to discuss how to develop our work in Africa. The outcome is a new three-year strategy for regional growth, improved efficiency, agricultural value chain development, staff recruitment and training, and capacity building support to partners. We continue to lend to African agricultural processing companies and plan to finance local banks that lend to small to medium enterprises (SMEs) helping to generate employment.

In Southeast Asia we made our first loans in Laos. In Indonesia we provided credit to two larger regulated MFIs after previously phasing out lending when it became legally difficult to work with Indonesia's rural banks. We also began to explore possibilities of new operations in Myanmar.

“Support for agricultural value chains”



Wages, Togo

Equity investments

Oikocredit's equity portfolio continued to grow in 2013, with almost € 7 million in approved transactions and nearly € 11 million disbursed during the year. This resulted in a diversified outstanding portfolio of € 47 million invested in 51 companies and funds across the globe.

Highlights from 2013 include:

- Completion of our € 2.7 million investment in Darjeeling Organic Tea Estates in India, an inspiring example of the positive social and environmental value of organic agriculture.
- Complex capital increases for HKL in Cambodia, UFT in Uganda and Tujjienge in Tanzania – all MFIs attracting new shareholders and responding to regulatory changes.

- A US\$ 5 million commitment to the international Leapfrog Fund, specializing in micro-insurance.
- Integration of all our equity investments and staff into a single equity unit at Oikocredit International, enhancing coherence, standards and efficiency.

We continue to emphasize effective governance at all our investee companies, through our participation on the boards, collaboration with co-investors and management support. Combined with our initial evaluation and investment with partners that share common values, this ensures that we meet both our investment and our social objectives.

Looking ahead to 2014

Oikocredit anticipates continuing strong demand next year for microfinance and for lending to agricultural producers and processing organizations. We will continue to prioritize renewable energy, with an emphasis on energy inclusion for low-income people, as a contribution to our 'triple bottom line' of financial sustainability, positive social impact and safeguarding the environment.

We aim to maintain steady portfolio growth, to stabilize our PAR and to further diversify through support for agricultural value chains and renewable energy. Africa will continue to be a priority as we take forward our new strategy there. We are pursuing further growth in our equity portfolio and developing a healthy 'deal pipeline' ranging from attractive MFIs in Africa and India to agri-businesses.

Integrating our capacity building with our credit and equity operations in a more effective manner is an important aim. We will develop a more structural and programmatic approach to specific sectors and ensure that our capacity support meets partners' needs comprehensively. Social performance remains at the heart of our work, and we will maintain our careful attention to partners' social performance management (SPM) and delivery of lasting benefits to clients.

Institutional rating: good

Specialized microfinance rating agency, Planet Rating, conducted an institutional assessment of Oikocredit in 2013. The assessment provided ratings on governance, information, risk management, asset quality, funding, liquidity, efficiency, profitability and protection of investees. The agency concluded that "Oikocredit occupies a unique position in the microfinance investment sector, with a global footprint and depth of outreach that no competitor can match. Its organizational structure, from the board of directors to its many country offices, backed by a broad network of socially-motivated investors, is exceptionally well aligned to pursuing its mission of delivering social performance while maintaining a moderate, but consistent financial return for its investors."

Africa **Positive outlook**

In 2013, our Africa portfolio grew by 9%, with approvals, disbursements and partner numbers all significantly higher than the previous year, although the region's share of our total portfolio remained the same. We anticipate growth, including in agricultural value chains.

In East Africa, Oikocredit implemented its new deposit product by placing three deposits with microfinance banks and deposit-taking MFIs in Kenya and Uganda. This ensured that we would earn a favourable return on the funds and respond to the deposit needs of partners to continue on-lending to clients at favourable rates. Managers from Oikocredit East Africa joined our West African colleagues for our first training seminar on financing African agricultural producers and processors along the value chain, held in Abidjan, Côte d'Ivoire.

The outlook for West Africa has remained encouraging, with four countries among the five fastest growing economies in sub-Saharan Africa. A stable macroeconomic environment was helped by Mali's political crisis easing, a peaceful resolution of Ghana's presidential election appeal and low inflation in West African CFA franc countries. Our microfinance portfolio grew less than expected due to repayments from major partners not being rolled over. In agriculture, we achieved solid growth in financial and non-financial activities, including collaborating with other social lenders to provide a syndicated loan to fair trade cocoa cooperative Kuapa Kokoo in Ghana.

Our microfinance Africa unit (MicAf) at Oikocredit International manages portfolios in six countries. In 2013, MicAf met its main targets, gained six new partners and grew its portfolio by 37%. In agriculture we concentrated on developing our expertise and identifying potential partners who meet our criteria.



ALIDé

ALIDé is an MFI which has operated in Benin since 14 January 2006. It grants small loans to low-income women and micro entrepreneurs in Cotonou and the surrounding areas. Its mission is to offer sustainable access to finance and training to families excluded from traditional banking facilities. Its main objectives are to support associations and women's groups, train women in entrepreneurship and small business management, safeguard the social and economic welfare of women, facilitate women's access to finance and provide social support to low-income women. Having at first targeted periurban areas, since 2010, ALIDé has extended its activities to rural agricultural areas. Although not a large MFI, ALIDé possesses a comparative advantage which differentiates it from other MFIs in Benin. ALIDé's interest rate is lower than its competitors' and it has adapted products to suit the most economically excluded groups. For example, women can benefit from small unsecured loans (Alodo1) which amount to less than € 114. ALIDé has set up a support system for clients in underserved areas, which includes health centres. ALIDé advises its clients to save voluntarily during repayment of their loans. This is appreciated by clients who use these savings in a variety of ways, such as to meet the costs of medical expenses and the payment of school fees. Oikocredit's support of ALIDé allows it to expand its loan portfolio and to develop new microfinance products.

Following the first meeting of all three African regional offices in 2013, we are confident that our new three-year Africa strategy will help deliver Oikocredit's mission in Africa. With a 20-year presence, activities in 18 sub-Saharan African countries and over 10 offices, Oikocredit's work in Africa is well placed for strong development. We will apply a coherent continent-

wide approach, focusing on capacity building for partners, meeting partners' financial needs and agricultural value chain development in subsectors such as dairy, coffee, rice, cashews and cocoa. In microfinance we are highly experienced in Africa, support significant numbers of end-clients and are seen as a leader in both investment and social performance management.

Asia Stronger portfolio

We achieved strong portfolio growth in Asia alongside continued support for partners' social performance. With the microfinance sector's revival in India, and despite challenges in Cambodia and the Philippines, the regional outlook remains positive.

In India the Central Bank's supervisory role has helped ensure client protection and support the revival of the microfinance sector, and because of this our Indian portfolio grew in 2013. Oikocredit International financed our Indian subsidiary Maanaveeya and several stronger MFIs. Maanaveeya

supported agricultural value chains in partnership with the International Finance Corporation and Rabobank Foundation. Maanaveeya also pioneered safe drinking water and improved sanitation finance for around 90,000 families, built partner capacity in the client protection principles (CPPs), began to measure client impact in more detail and developed new products to meet MFI demand. In 2014, Maanaveeya will celebrate its 10th anniversary with a conference on social performance.

Southeast Asia has steadily recovered from the economic crisis of 2008 and made a valuable contribution to our overall portfolio. However, in 2013, the Philippines suffered natural disasters, including Typhoon Haiyan, that killed and displaced thousands of people, damaged the agricultural sector, homes, infrastructure and livelihoods and also affected some of our partners. We supported affected partners through small grants and by adapting the repayment schedules where necessary, and we will continue this support throughout 2014.

Project approvals for Southeast Asia surpassed our target by 31%, mainly facilitated by our policy to increase the lending limit to qualified partners. Most growth came from Cambodia, where demand for microfinance remained high. By contrast, strong competition from local loan providers in the Philippines agricultural sector constrained growth there. Among our non-focus countries, we approved new loans for MFIs in Indonesia.

Support for social performance included a new training and mentoring programme for agricultural partners in the Philippines and training in the CPPs and risk management for Cambodian MFIs. VisionFund Cambodia won our first Award for Outstanding Achievement in Social Performance in the region.

In 2014, we aim to reach new market segments in agriculture and will seek further opportunities among social enterprises in the Philippines and Cambodia. Growth in Vietnam, Laos and Indonesia is planned, as well as pilot activities in East Timor.



Bharathi Women Development Centre

Bharathi Women Development Centre (BWDC) is a voluntary, community based developmental agency, registered under the 'Societies Registration Act' in 1987. It serves communities in the South Indian state of Tamil Nadu. It is a not for profit organization, driven by the motto; 'uplifting rural women and their status'. It operates in over 540 villages in three districts and covers many rural communities with 12,500 active borrowers. BWDC's vision is to develop an empowered and vibrant community with women as the major focus. It has implemented major development programmes such as child and elderly care, education, water and environmental sanitation, health and hygiene, biodiversity and rehabilitation of the handicapped. Additionally, BWDC has provided services such as a retirement home for the homeless elderly, a multi-service centre for senior citizens, an integrated drug rehabilitation centre, a family counselling centre, a temporary home for destitute women, an integrated village development project, a child sponsorship programme and relief for tsunami affected areas. BWDC has also provided financial assistance to women to start their own businesses which enable them to generate regular incomes for their families. In 2008 Maanaveeya (Oikocredit's subsidiary in India) identified the need for safe drinking water and improved sanitation facilities in the areas where BWDC is operational. They have provided loans to 10,357 members for the implementation of the sanitation project. In addition, under Maanaveeya-IFC's programme, a small capacity building grant was provided to promote and build awareness among the members. These initiatives have significantly impacted the lives of end clients who now have access to improved sanitation facilities.

Latin America

Support for small farmers

Latin America provided a stable lending environment, enabling us to make good progress with our portfolio. However, Central American coffee producers were badly hit by coffee leaf rust.

Nearly 40% of Central American coffee fields have been affected by the coffee leaf rust virus, thought to be exacerbated by climate change and expected to spread throughout Latin America. Oikocredit worked with coffee chain stakeholders in the region to address the problem, co-sponsoring workshops on rust control. Affected farmers needed to replant with locally more resistant varieties, which called for long-term loans, because new coffee plants take three years to be ready for harvest. For selected partners, we provided long-term loans for replanting coffee plants affected by rust. An international study is under way to help growers combat the virus.

In northern South America we benefited from political and economic stability, with strong growth in Colombia, Ecuador and Peru. Three large micro-finance loans helped produce a record rise in approvals in 2013. Our agricultural portfolio in the region was almost 25% larger than in 2012, with diversification into mangoes, bananas and golden berries. Strong monitoring and follow-up ensured good PAR levels. We co-sponsored a well-attended event in Peru on financial inclusion, and we expect growth in agriculture and portfolio diversification to continue in 2014.

Southern South America experienced inflation and currency depreciation, with economic growth largely aligned with projections. Interest rates remained low for our partners. Bolivia's new banking law emphasizes rural people's access to credit. We recorded € 35 million in new approvals in the region, including slightly more than € 6 million for non-financial services, mainly agriculture, and disbursed € 40 million. Sizeable

repayments in Bolivia meant that our regional portfolio contracted slightly. A US \$ 5 million loan to Uruguayan dairy cooperative Cooperativa Agraria de Responsabilidad Ltda Carmelo renewed one of our long-standing partnerships, and the agricultural cooperative sector in Argentina showed great interest in collaborating with us.

Oikocredit will continue working to expand its agricultural portfolio in Latin America and to support financial services partners that can absorb larger loans with relatively low risk. The latter will help us reach a wider client base and provide a safety net for our financing of higher-risk and higher-impact partners in agriculture and smaller-scale financial services.



COOPECAN

COOPECAN is a cooperative of producers of alpaca and vicuña wool, located in four regions in the Peruvian highlands. Oikocredit partnered with COOPECAN to support this traditional farming sector and contribute to the social development of alpaca farmers. COOPECAN works with around 2,000 active alpaca farmers and their families, encouraging economic, social and environmental development. Alpaca farmers often live in remote areas of Peru, in harsh, cold climates. Those with smaller herds tend to have very low incomes, living in clay houses to be close to their herds, with no power. Membership of COOPECAN gives farmers access to fair prices for their wool, as well as services to help improve the quality of the wool and health of the alpacas. Oikocredit first provided a credit line to the cooperative as working capital to be used to improve its wool collection services and support its daily operations and social mission. At the end of October 2013, an additional loan was approved to COOPECAN for a seven-year term from the date of disbursement. The main purpose of this credit is for the purchase of machinery to process the alpaca fiber. With this new machinery, COOPECAN will have better control over production and can improve fulfilment of its orders.

Eastern Europe and Central Asia

Solid results

Despite challenging circumstances, Eastern Europe and Central Asia recorded excellent results in 2013. The region's microfinance sector developed strongly, with increasing demand for loans.

Our Eastern European and Central Asian portfolio performed very well in 2013, growing to € 103 million, from

€ 79 million in 2012. We achieved record loan approvals and growth in countries that have experienced several years of economic and political difficulty, and we continued to find new opportunities in agricultural lending, renewable energy and partnerships with like-minded financial institutions.

Russian foreign policy and economic developments, instability in Ukraine, and EU cooperation framework agreements

in other countries presented challenges. It remains uncertain whether, as indicated, Russia's central bank will begin regulating all financial institutions, including MFIs. Moldova and Mongolia saw high inflation and local currency depreciation. In Bulgaria and Romania interest rates fell, with banks more willing to lend to the agricultural sector. Central Asian microfinance has been consolidating in the face of new regulation.



OXUS

OXUS is a microfinance institution (MFI) which provides microcredit to small-scale entrepreneurs in Tajikistan. Most OXUS operations are concentrated in the rural areas of Sugd and Khatlon provinces. It is among the top five MFIs in Tajikistan with US\$ 21.9 million in total assets and more than 15,000 active borrowers, which represents 8% of the market. During eight years of operation OXUS Tajikistan has provided more than 90,000 loans. OXUS loans finances its clients mainly in agriculture, livestock, small trading, services, production and consumer goods. Oikocredit chose to invest in OXUS since they work to create local opportunities for economic development. Their aim is to create sustainable livelihoods for micro entrepreneurs, and so help alleviate hardship. OXUS offers different types of loans; primarily group loans to small-scale farmers, shopkeepers and small businesses, individual business loans and agri/livestock loans. This MFI provides financial as well as non-financial services to its clients. OXUS is dedicated to building teams of recognized professionals, creating and providing the most efficient microfinance services and improving the sustainable livelihoods of its customers.

We have combined strong support for effective MFIs with development of our agricultural portfolio. With detailed agricultural strategies now in place we anticipate steady growth in Ukraine, Moldova and Romania. We also supported land acquisition by cooperatives and private farms to protect farmers from local and international land speculation. In Bulgaria our agricultural portfolio flourished and we pioneered renewable energy with several solar energy and biomass/waste management partners amounting to € 6 million.

In Mongolia, Azerbaijan and Kyrgyzstan we approved loans of more than € 5 million with several MFIs that share our development and social objectives. Our support for smaller, locally based MFIs and credit cooperatives continued in Ukraine, Russia and Bulgaria. Tight control of portfolio quality and special attention to risk identification during loan due diligence and monitoring enabled us to keep the portfolio quality high. Our loan approval and disbursement processes improved in efficiency and in the way we communicated our decisions to partners.

We aim to extend support for agriculture in Eastern Europe and Central Asia in 2014, particularly in Ukraine, Moldova and Romania, as well as to expand financing for renewable energy. We will maintain a strong focus on microfinance in Central Asia, Russia and the Caucasus where demand remains high.

Social performance management

The people, planet and profit approach

Social performance is at the heart of Oikocredit's mission. In 2013, we actively supported our partners in empowering people to improve their lives. Our members and investors expect our work to achieve a positive triple bottom line: social, environmental and financial results.

For Oikocredit effective social performance management (SPM) means ensuring that our partnerships with microfinance institutions (MFIs) and social enterprises deliver real benefits to low-income people and their communities, helping them improve their lives and enhancing environmental protection. This 'triple bottom line', the people, planet and profit approach, requires organizational awareness, commitment and close attention to partner performance, client outcomes and environmental impacts.

Our social performance strategy

Oikocredit's social performance strategy has three main elements. First, we select our partner organizations carefully by identifying MFIs, producers and service organizations that share our values and mission. Second, we help partners develop capacity to achieve our joint objectives and to address any organizational or operational weaknesses. Third, we collaborate in a spirit of transparency, accountability, mutual learning and sharing of best practices.

Many of our partners manage their social performance effectively. However, the multiple dimensions of SPM mean that we all have room to improve. As a socially responsible investor, Oikocredit wishes to play an active role in encouraging social performance and responsible financing. For example, we help and encourage partners to implement systems to measure social results, such as the progress out of poverty index (PPI), and to comply with the client protection principles (CPPs).

Capacity building

We provide capacity building as an additional service to our partners to strengthen their ability to improve and secure their financial and social performance. Our capacity building

programme also aims to facilitate development of our portfolio by increasing partners' outreach to underserved groups. As a social investor, the primary focus of our capacity building initiatives is to complement our investments and loans in areas that eventually empower partners' clients not just financially but also socially.

During 2013, Oikocredit approved 130 capacity building applications, for which we provided € 3 million from our own and donors' funds, including € 0.6 million (21%) to partners in Africa. Agricultural producers and other agricultural enterprises received 43% of our capacity building funding; 28% went to enhancing partners' risk management capacity and 21% to improving SPM practices.

Risk management, governance and organizational development are key areas of our capacity building programme. Risk management focuses on addressing major risks for partners in areas such as credit, governance, markets, exchange rates, agricultural production and internal auditing. Our initiatives usually take the form of training. In 2013, we extended our risk management mentoring programme in Africa to Uganda, Tanzania, Ghana and other countries with a focus on reducing portfolio at risk (PAR) and



Chamroeun, Cambodia

strengthening client services. At the Kuapa Kokoo cocoa cooperative in Ghana, we provided capacity building finance training for non-finance managers and governance training for board directors.

Other initiatives in 2013 were risk management and governance training for MFIs in Bulgaria, Colombia and Russia; risk management support for Southeast Asian non-microfinance partners; micro-insurance product development in six Central American countries; market analysis and strategic positioning support for social housing in Senegal and for microfinance in Vietnam; and organizational development with coffee producers in Mexico, Central America and the Caribbean.

Organizational development is a new area for us, intended to improve partners' capabilities to meet strategic and tactical goals. Here we focus on enhancing individual, group and team performance within the organization.

Agricultural value chains were our main capacity building growth area in 2013, increasing from three initiatives in 2012 to 37 in 2013, with longer term and strategic programmes on agricultural value chain finance in all regions. We provided technical support to 120 small fruit farmers in Paraguay, undertook a study of risks affecting the tomato value chain in Senegal, and supported the training of trainers for a cooperative of small maize producers in Côte d'Ivoire. Oikocredit Southeast Asia also organized a course on risk management in agriculture in the Philippines, enabling

partners to prepare a value chain map of the commodity they produce and to chart major risks from sourcing of inputs, financing and crop production to processing and marketing.

Mentoring programme

SPM mentoring is a key element in Oikocredit's capacity building work. Our mentoring programme helps MFIs gain a clearer understanding of their clients' needs, the products and services they offer and the benefits and risks. Led by carefully selected and trained local mentors, the programme achieved very satisfactory results with Tanzanian and Ugandan partners in 2013.

Mentoring starts with questions such as 'Who are we reaching, who is being excluded and why?', 'What do we do to benefit and protect clients?' and 'What can we do better?' Partners worked with mentors to clarify goals, identify strengths and opportunities, build organizational commitment, and draw up and implement action plans. A focus on 'quick wins' enabled services to clients to be improved relatively easily.

The programme aims to deliver client benefits such as better incomes and financial planning, reduced risk, women's empowerment, enhanced access to services and improved management of client-repayment difficulties. The engagement of each MFI's board, management and staff is crucial to success, as is integration of the programme with the organization's day-to-day operations and forward planning.



AGUDESA, Guatemala

At the end of 2013 the mentoring programme was at various stages of implementation in East and West Africa, Southeast Asia, and northern and southern South America.

Applying the ESG scorecard

In 2013, we enhanced our two environmental, social and governance (ESG) scorecards to strengthen operational due diligence. One scorecard is for financial intermediaries – MFIs, credit unions, financial institutions and other credit providers. We continued to link this scorecard's use to monitoring the interest rates that financial partners charge to clients, in order to ensure that rates are fair and competitive. MFI partners are required by our loan contracts to implement the CPPs and endorse the Smart Campaign.

“Build a community of practice”

Our second ESG scorecard is for non-microfinance enterprises that directly address the needs of low-income earners through non-financial products and services, including providing employment opportunities. For these enterprises, a social and environmental mission is central, and profits are reinvested to sustain these goals. The ESG scorecard's objectives here are to highlight the importance of SPM through dialogue. This is done by identifying strengths and areas for improvement, ensuring that we select partners with goals and objectives fully consistent with our own, comparing partners' performance and recognizing those that lead in SPM.

Partner satisfaction survey

Oikocredit values long-term relationships based on mutual respect, and we regularly ask for feedback from our partner organizations. Early in 2013 we conducted a partner satisfaction survey and received responses from 257 of the 756 MFIs and social enterprises we invited to participate. Respondents said they were very satisfied with the service they receive and with our non-financial support such as capacity building. Many partners said they appreciate Oikocredit's focus on strengthening social performance.

Environmental policy and GMOs

In implementing our environmental policy we prefer to support organic farming among our partners. Given that the safety of genetically modified organisms (GMOs) as a technology has not been proven, and doubts remain about the social and economic benefits for small farmers, we adopted a precautionary approach.

We will promote organic and traditional agriculture as an alternative to GMOs wherever and whenever possible and collaborate to enhance its viability and profitability. We will not finance GMO-based production, or partners using GMOs, unless there is no viable alternative in the market where the partner operates, as with soya seeds in Argentina, or

where large low-income groups or communities derive their livelihood from GMO-related agriculture. Where we do finance partners that use GMOs, we will carry out a rigorous risk assessment before approval, monitor impacts diligently and seek ways to facilitate a transition to non-GMO alternatives.

Industry initiatives

Oikocredit maintains active engagement with major sector-wide initiatives such as the Social Performance Task Force and the European Microfinance Platform. In 2013, we endorsed and promoted the Universal Standards for Social Performance Management, the CPPs, MFTransparency and TrueLift (a recently established poverty-focused microfinance initiative). We bring to these initiatives a combination of aspiration and pragmatism, because grassroots MFIs sometimes feel bombarded by our sector's many standard-setting platforms and programmes.

Oikocredit also subscribes to the recommendations of NpM – the Dutch Platform for Inclusive Finance as set out in its paper *Paying Taxes to Assist the Poor?* Oikocredit's policy on paying taxes is stated on our website.

Looking ahead to 2014

We have reached the fifth and final year of our current SPM strategy and will complete the cycle by focusing on client outcomes achieved through our support for microfinance, production and service organizations. Attributing results to causes is never easy in social development, but we need to reflect on our impact as we begin to prepare a new strategy.

A key task in 2014 will be to embed our environmental policy in the work of our two new organizational units dedicated to agriculture and renewable energy. Equally important will be to establish new funding collaborations to underpin our ongoing capacity building support to partners.

Completion of our evaluation of the SPM mentoring programme in 2014 presents a good opportunity to share notable successes and what we have learned with our partners and peers, build a community of practice and raise our own profile as a thought and practice leader in the microfinance field.

Social rating: excellent

Specialized microfinance rating agency, Planet Rating, conducted a social assessment of Oikocredit in 2013. The assessment provided ratings on social performance management, social investment strategy, social responsibility and social change. The agency concluded that “the current strategy and actions of Oikocredit suggest that indeed it is positively contributing to the social change it aims for, and particularly to financial inclusion. Existing data indicates that Oikocredit's contribution to financial inclusion is deeper and larger than that of other MIVs. Moreover, it clearly operates in countries with a low level of socio-economic development and where financial services are under-developed.”

52,000
investors

Investor relations

Fulfilling investors' trust

Investors supported Oikocredit's work generously in 2013, confident that we would use their funds effectively in support of our mission. A good year did not make us complacent and we worked hard to build on our success.

In 2013, Oikocredit achieved its highest ever inflow of lendable funds. Net inflow totalled € 80 million, up from € 46 million in 2012. We attribute this significant increase to our trusted reputation, which led existing investors to add to their investments and also attracted a significant number of new investors. Public interest in ethical and responsible investment strengthened, and low interest rates in the wider economy led savers to move funds into Oikocredit, where our dividends have held steady.

Germany, Austria, the Netherlands, Switzerland, the UK and Ireland were our leading investor inflow countries in 2013, as in 2012. Inflow in Germany (by far our largest country source of funds) included savings via our collaboration with the ethical GLS Bank. The new strategy introduced by our Dutch support association helped bring about an increase in inflow in the Netherlands.

Changes in EU financial regulations to safeguard the interests of investors came into effect in 2013. This has prompted us to begin an early review of our investment products and structures with our national support offices and support associations.

Rising investor numbers

Investor numbers rose during the year to 46,000 individuals and 6,000 organizations (up from 42,000 and 6,000 respectively in 2012). Individuals investing directly with us represent the vast majority of our investor base and remained very important to us. We worked hard to reach out to 'retail' investors through study tours, road shows, academies and regular communications materials. Many individual investors

belong to our support associations, which organize events to attract and maintain investors' interest.

Germany is the country with our largest individual investor base, followed by the Netherlands, the USA, Austria and Switzerland. In Canada, which we believe offers good prospects for raising funds, we are still working on the creation of a suitably compliant investment product to market.

Investors value Oikocredit for its transparency in showing how their funds achieve meaningful and lasting benefit for low-income earners. In 2013, we enhanced and redesigned our website to provide clearer, more comprehensive and up-to-date information about our work and our partners.

Volunteers, supporters and churches

Oikocredit's several hundred volunteers generously gave their time, expertise and resources in 2013 and remain enormously valuable to our mission. Many volunteers help run our support associations, including as board members, and promote Oikocredit with enthusiasm and skill at public events. Volunteers have done much over the years to help us become better known and more effective. In 2013, we organized many face-to-face meetings involving volunteers, support associations and national support offices to enhance involvement in our work.

Churches were the founders of Oikocredit, comprise the majority of our cooperative's members and remain centrally important to us. We are keen to explore how we can serve our members better and how much more we can do together, including involving larger numbers of individual church members in our mission.

Introducing the triple bottom line

At the Oikocredit annual general meeting in June 2013, Oikocredit's articles of association were amended to include a specific reference to financing of partners that meet the sustainability (environmental) criteria.

The amendment ensures that Oikocredit invests in partners which comply not only with social and financial criteria, but also with environmental criteria. Oikocredit's investment guidelines now explicitly include a 'triple bottom line' for selecting partners that address the planet's dwindling natural resources through sustainable activities. Now that we have made this addition to our investment criteria, we intend to review our vision and mission statement.

Road show, study tour and media coverage

Our annual road show and study tour were key events in 2013. The main theme of the road show was Oikocredit's work in West Africa, particularly our support for agriculture, inclusive finance and women's empowerment, and our partnership with Cocovico in Côte d'Ivoire. The road show featured Mariam Dao, our representative in West Africa, from Côte d'Ivoire, who has worked with Oikocredit for 20 years, developing our West African microfinance and social enterprise portfolio.

The road show visited Switzerland, the USA, France, the Netherlands and Germany between late August and October. We held 29 presentations and panel

discussions and reached more than 1,400 people. Our support associations and national support offices greatly appreciate such opportunities to meet with visiting staff and to arrange public outreach events with them. While visiting Switzerland, Mariam Dao was guest of honour at the 30th anniversary celebrations of our Deutsche Schweiz support association, and in the USA she attended the first national Oikocredit USA summit 'Investing in People, Empowering Communities'.

Our 2013 study tour took 16 participants from Oikocredit support associations and national support offices in 10 countries to Senegal. With visits to six Senegalese partners – including MFIs, cooperatives and agricultural organizations – the tour achieved its objective of bringing our investors closer to the field and equipping them with first-hand experiences to promote Oikocredit on their return. Participants described the tour in numerous blogs in Germany, the Netherlands, the UK, Canada and the USA and in presentations, articles and photographs, achieving significant media and social media coverage. Journalists also showed increasing interest in Oikocredit's work.



Fernando Daquilema, Ecuador

Looking ahead to 2014

We have much to look forward to in 2014. We are excited about the launch of our new product for institutional savers in France in collaboration with our long-standing partner Crédit Coopératif. To further develop Oikocredit as a cooperative, we have created a new position of members manager.

Also in 2014 we expect recent discussions about our mission statement to reach fruition. Following our members' decision at the 2013 annual general meeting (AGM) to add a sustainability clause to our articles of association, we hope that 2014's AGM will support a reformulation of the mission statement that confirms sustainability and the triple bottom line as key aspects of Oikocredit's approach.

"Confirm the triple bottom line"

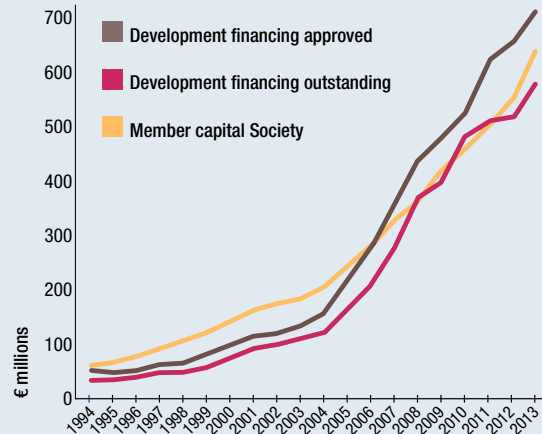
We look forward to opportunities to attract more investors. We anticipate steady growth in our top investor countries and will continue to work on the product we need in Canada. In the Netherlands the support association will maintain its targeting of younger investors through online and offline promotions, and in Germany our support associations will run a public campaign highlighting our investments in the agricultural sector.



Red Ecolsierra, Colombia

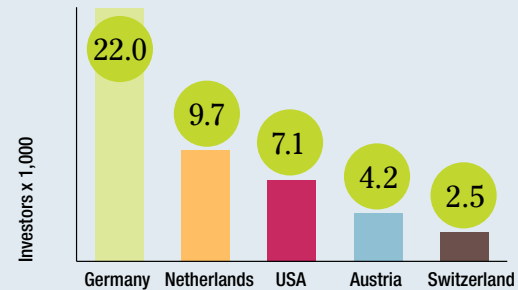
Member capital

As at 31 December 2013



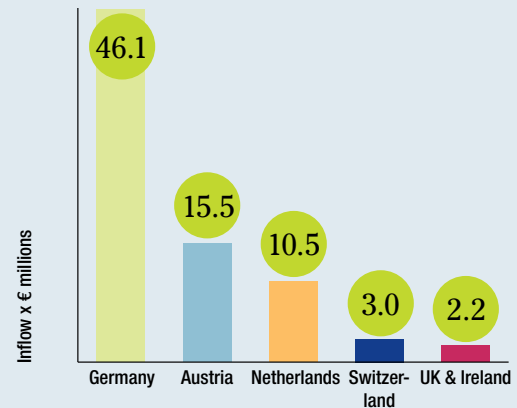
Number of investors

Top 5 countries as at 31 December 2013



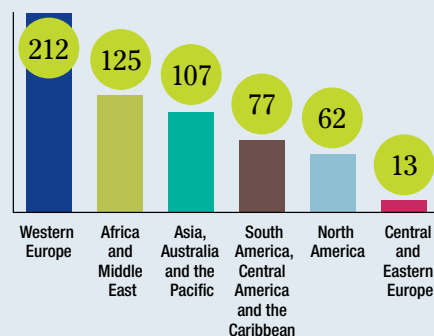
Net inflow 2013

Top 5 countries as at 31 December 2013



Number of members per continent

As at 31 December 2013



Consolidated financial statements



Consolidated balance sheet

(before appropriation of net income)

Notes	31/12/13 € ,000	31/12/12 € ,000
NON-CURRENT ASSETS		
FINANCIAL ASSETS		
5	Development financing:	
	Total outstanding project financing	590,540
	Less: - loss provision and impairments	(46,669)
		543,871
	<i>Consists of:</i>	
	<i>Loans (net of loss provision)</i>	503,519
	<i>Equity (net of impairments)</i>	40,352
6	Term investments	146,293
7	Other financial fixed assets	9,576
		699,740
8	TANGIBLE ASSETS	827
	Total non-current assets	700,567
CURRENT ASSETS		
9	Receivables and other current assets	16,468
10	Cash and banks	62,189
	Total	78,657
	TOTAL	779,224
		723,320

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

Consolidated balance sheet

(before appropriation of net income)

<i>Notes</i>	31/12/13	31/12/12
	€ ,000	€ ,000
GROUP EQUITY AND FUNDS		
11/12 Member capital in euros ¹	578,594	511,827
12 General reserve	64,833	52,804
12 Restricted exchange fluctuation reserve	(9,990)	(3,130)
13 Local currency risk funds	23,942	37,112
14 Funds for subsidized activities and model costs	5,402	4,226
Undistributed net income for the year	13,369	22,153
	676,150	624,992
15 Third party interests	1,583	1,106
Total group equity and funds	677,733	626,098
NON-CURRENT LIABILITIES		
Member capital in foreign currencies ¹	52,033	43,899
Other non-current liabilities	22,498	24,124
16 Total non-current liabilities	74,531	68,023
17 CURRENT LIABILITIES	26,960	29,199
TOTAL	779,224	723,320

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

¹ Besides their currency denomination, non-euro membership certificates have the same characteristics as euro-denominated membership certificates. However, they are accounted as a liability as opposed to equity, considering the stipulations of Dutch GAAP. For a detailed explanation refer to note 12 to the consolidated balance sheet.

Consolidated **income statement**

<i>Notes</i>	2013	2012	
	€ ,000	€ ,000	
INCOME			
Financial income			
19	Development financing income	51,488	58,181
19	Term investment income	5,205	5,185
	Total financial income	56,693	63,366
Financial expenses			
20	Additions to loss provisions	(6,382)	(15,581)
6	Revaluation term investments	(4,388)	5,252
21	Other financial expenses	(20,844)	(10,899)
	Total financial expenses	(31,614)	(21,228)
	TOTAL FINANCIAL INCOME LESS EXPENSES	25,079	42,138
22	GRANT INCOME	3,661	2,836
GENERAL AND ADMINISTRATIVE EXPENSES			
23	Personnel	(14,995)	(12,958)
	Travel	(1,107)	(975)
24	General and other expenses	(10,171)	(9,960)
	TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	(26,273)	(23,893)
	INCOME BEFORE TAXATION	2,467	21,081
26	Taxes	(1,137)	1,598
	INCOME AFTER TAXATION	1,330	22,679
15	Third party interests	45	87
27	Addition to and releases from funds	11,994	(613)
	INCOME FOR THE YEAR AFTER ADDITION TO FUNDS	13,369	22,153

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

Consolidated cash flow statement

<i>Notes</i>	2013	2012
	€ ,000	€ ,000
Income for the year after additions to funds	13,369	22,153
<i>Adjusted for non-cash items</i>		
5/9 Value adjustments loans, equity and receivables	1,907	9,195
6 Unrealised revaluation term investments	4,388	(5,252)
8 Depreciation tangible fixed assets	237	214
7/9/17 Taxes	1,714	(1,966)
15 Third party interests	477	33
27 Additions to and releases from funds (excluding LCRF)	1,176	(4)
Exchange adjustments	4,194	6,444
<i>Changes in:</i>		
5 Development financing (disbursements and repayments)	(100,200)	(31,937)
7/9 Receivables and other current assets (excluding LLP)	3,723	1,512
17 Current liabilities	3,019	7,876
Cash flow from operating activities	(65,996)	8,268
6 Term investments	(3,491)	(3,644)
8 Tangible assets	(434)	(230)
Cash flow from investing activities	(3,925)	(3,874)
16/40 Member capital (issue and redemptions)	74,901	44,758
Dividend paid on member capital	(10,124)	(9,193)
16 Loans and notes	(4,192)	(10,382)
Cash flow from financing activities	60,585	25,183
CHANGES IN CASH AND BANKS	(9,336)	29,577
Cash and banks beginning of period	71,525	41,948
Cash and banks end of period	62,189	71,525
CHANGES IN CASH AND BANKS	(9,336)	29,577

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

Notes to the consolidated financial statements

Year ended 31 December 2013

These financial statements are expressed in euros (€). As at 31 December 2013, US\$ 1 equalled € 0.726322 (31 December 2012: US\$ 1 equalled € 0.756486).

1 General information

Description of the organization

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

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

The Barefoot Power Trade Finance Fund, established in 2009 by Oikocredit, was liquidated during 2012 as it reached its contractual end date.

The main objective of Oikocredit is to mobilize resources from members as well as from third parties, mainly in developed countries, and to channel the proceeds thereof to development projects in order to raise standards of living in developing countries.

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 representative offices operating in addition to regional offices in Argentina, Benin, Bolivia, Brazil, Bulgaria, Cambodia, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Ghana, Guatemala, Honduras, Indonesia, Kyrgyzstan, Mali, Mexico, Moldova, Mozambique, Nicaragua, Nigeria, Romania, Russian Federation, Paraguay, Rwanda, Senegal, Slovakia, South Africa, Tanzania, Uganda and

Ukraine. The offices in Chile and South Africa no longer carry out operational activities.

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

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

OSCap and LIC Loan Fund

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

The OSCap fund participants were bought out at the end of 2013 and the fund will be liquidated at the beginning of 2014. All assets and liabilities will be transferred to the Society.

Oikocredit International Share Foundation

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

Oikocredit International Support Foundation

The Support Foundation was established on 10 March 1995, in Amersfoort, the Netherlands, in accordance with the laws of the Kingdom of the Netherlands. The duration of the Support Foundation is unlimited. The main purpose of the Support Foundation is to mobilize grant funds to support various subsidized activities such as technical assistance and 'model costs' of the Society. 'Model costs' are costs no financial institution of this size would incur, but which are an integral part of the Society's cooperative model. The board of

the Support Foundation has decided to allocate some of these costs to their account (category A) and to endeavour to raise funds to subsidize part of the remaining costs (category B).

Category A costs are:

- 100% of external capacity building for partners
- 10% (2012: 20%) of technical and organizational assistance to support associations

Category B costs are:

- Investor relations costs: besides the category A cost charged to the Support Foundation, the target is to raise subsidies and grants for another 15% of national support office costs and 15% of technical and organizational assistance to support associations.
- Incidental costs: to be decided on a case-by-case basis. The Support Foundation also manages local currency risk funds and guarantee funds. The local currency risk funds are available to offset the risk of currency losses on Oikocredit loans disbursed in local currencies, the guarantee funds are available to cover Oikocredit's partners which are deemed to be riskier.

Other related parties

- The 4F-Euro and USD-Fund developed a portfolio of socially responsible investments in investment-grade bonds. The portfolio consists of fixed income investments. The funds are managed by Institutional Management Services (IMS) in Amersfoort, the Netherlands.
- The support associations are separate organizations established to support the worldwide work of Oikocredit.
- The Oikocredit Provident Fund manages the designated provident fund savings and contributions from Oikocredit Ecumenical Development Cooperative Society U.A. employees.

Basis of consolidation

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

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

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

- Oikocredit Ecumenical Development Cooperative Society U.A., Amersfoort, the Netherlands
- Oikocredit International Support Foundation, Amersfoort, the Netherlands
- Oikocredit International Share Foundation, Amersfoort, the Netherlands
- Maanaveeya Development & Finance Private Limited, Hyderabad, India
- Financial Company Oikocredit Ukraine, Lviv, Ukraine
- Oikocredit Seed Capital Fund, Amersfoort, the Netherlands
- LIC Loan Fund, Amersfoort, the Netherlands

As the income statement for 2013 of Oikocredit 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 group companies mentioned above are considered to be related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information 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 are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities.

Estimates

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

2 Accounting policies for the balance sheet

General information

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in euros. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically

stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

Prior year comparison

The accounting policies have been consistently applied to all the years presented. Certain balance sheet, income statement and cash flow statement items have been reclassified. The comparative figures for 2012 have been adjusted accordingly. This change of presentation has no impact on equity and results.

Foreign currencies

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

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

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

Assets and liabilities of consolidated foreign associates 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.

Development financing

Receivables disclosed under development financing are valued at amortized cost. Equity investments are valued at cost less impairment.

Provision for possible losses on development financing

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

- A provision for 'country risks' calculated per country in which the partner is based.
- A specific provision per partner, based on the aging of payments overdue – only applied if this risk is higher than the provision for country risk in which that partner is based.
- A specific provision for non-performing partners and partners that are not overdue – only applied if higher than the provision for country risk in which that partner is based. This provision is calculated based on management's risk assessment of, and experience with, these kinds of partners.

This provision for development financing risks is deducted from loans and interest outstanding in the balance sheet. Write-offs are charged against this loss provision. Additions

to or withdrawals from the provision for loan losses are recognized in the income statement.

Equity investments are valued at cost less impairment. 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 price-earnings ratios and recent sale prices of similar investments.

Term investments

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

Term investments (only equity investments) which are not listed are stated at cost, which equals face value. The term investments stated at cost are annually tested 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.

Tangible fixed assets and depreciation

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and deposits held at call with maturities up to three years.

Equity

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

Pensions

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

Non-current liabilities

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

Financial instruments

Listed securities (part of the term investments) included in financial and current assets are stated at fair value. All other financial instruments are carried at (amortized) cost, which usually equals face value, unless stated otherwise.

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

Derivative financial instruments are stated at cost or lower market value. The company has applied cost price hedge accounting. The Society has documented the relationship between hedging instruments and hedged items. The company also tests its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

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

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

3 Other accounting policies

3.1 Accounting policies for the income statement

Income and expense recognition

Income from investments, expenses, outstanding project funding, management fees and time deposits are recognized

on an accrual basis. The Society does not accrue or invoice interest for partners that are considered 'non-performing'. Non-performing partners are partners that are in the process of foreclosure or being written off and where the value of collateral or a third party guarantee does not exceed the amounts due to the Society.

Finance income and expenses

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

Grant contributions

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

Exchange rate differences

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

Short-term employee benefits

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

Pensions

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

Taxes

The tax authorities in the Netherlands have exempted the Society from corporate income tax provided that the Society complies with certain conditions, all of which were complied with in 2013. No tax will have to be withheld on dividends distributed by the Society to its members.

3.2 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 loans.

4 Risk management

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

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

After the initial project was finalized, a systematic risk management system was embedded and implemented within Oikocredit. Identified risks are evaluated and reassessed every year during our management by objectives cycle by:

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

In 2013, risk management was separated from the finance function. Furthermore, the compliance and risk management framework was fully reviewed and the board has been included in the risk management committee.

Internal audit and the audit committee are also involved in risk management. Internal audit uses the outcome of risk management processes to prepare its internal audit plans after consulting the audit committee. The audit committee reviews the risk management process.

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

The following financial risks have been identified by Oikocredit: credit, market and liquidity risks.

Credit risk

The risk that a change in the credit quality of a counterparty (to which Oikocredit has granted loans or invested in an equity stake, or bonds or shares) will affect the value of Oikocredit's position. Changes in credit quality can occur

due to specific counterparty risk or risks relating to the country in which the counterparty conducts its business.

Development financing

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

The Society's credit committee, consisting of the managing director, credit director and his deputy, finance director, risk compliance & IT director, social performance & credit analysis director as well as a member of the legal team, the portfolio risk manager and the programs manager approve all partners above a predefined risk level and amount.

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

- Amounts outstanding per country and per region (depending on a risk assessment of the countries where Oikocredit operates).
- Amounts outstanding per partner (usually € 3 million, and a maximum of € 10 million, if a partner meets the conditions Oikocredit set for these so-called 'premium loans').
- Amounts outstanding to a group of companies. The observance of these limits is monitored on a periodic basis.

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

Term investments

The term investments in bonds included in the 4F Funds have all been rated 'investment grade' by Moody's Investor Services with at least 80% in AAA to A3 and 20% in Baa1 to Baa3. Moreover, in the Baa1 to Baa3 category, it is the 4F Fund manager's policy that not more than 2% of the portfolio should be invested in a single debtor. The 4F Fund manager constantly monitors rating downgrades, and appropriate action is taken when necessary. Despite this, a debtor can face sudden downgrades and/or price corrections. Such credit risk must always be taken into account when investing. A maximum of 10% of the total amount available for term investments can be invested in shares.

Market risk

Market risk is divided into three types:

- Currency risk – the risk that the value of Oikocredit currency positions will fluctuate due to changes in foreign currency exchange rates.
- Interest rate risk – the risk that changes in market interest rates will cause fluctuations in the value of Oikocredit's development financing or bond portfolio.
- Equity risk - the risk that the value of Oikocredit equity investments will fluctuate due to changes in the value of equity investments.

Currency risk

A significant part of Oikocredit's investments in development financing is outstanding in US dollar and in domestic currencies. The Society issues US dollar, British pound, Canadian dollar, Swiss franc and Swedish kronor denominated shares and has received long-term loans in US and Canadian dollars and other currencies which reduces this currency exposure. The objective of issuing shares and receiving loans other than in euros is to achieve a better match between assets and liabilities in the different currencies.

It is expected that Oikocredit's US dollar and domestic currency exposure will increase as a result of further growth in the development financing portfolio. This is because most newly issued member capital will be in euros. Taking into account the considerations in the above-mentioned paragraphs, the Oikocredit board of directors decided that Oikocredit should hedge at least 50% to 75% of its exposure in US dollars (currently hedged for approximately 90%), Canadian dollars, British pounds and Swedish kronor with a view to maintaining the value of its member capital. Derivatives are used for this purpose.

The majority of foreign currency exposures to domestic currencies are not hedged. Oikocredit has obtained funds (via the Oikocredit International Support Foundation) to absorb (part) of these losses, should they occur.

Interest rate risk - development financing

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

The interest rates on loans denominated in US dollars and euros granted to our partners are usually fixed. The loans have an average maturity of around four years. Individual loans can have maturities from one up to 10 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 prevailing at the moment we enter into a new loan agreement. The interest rates on loans denominated in the domestic currencies of the countries we work in granted to our partners are usually variable and repriced quarterly or semi-annually. Therefore, market interest rate developments influence the value of our loan portfolio stated in domestic currencies in a limited way.

The main focus of the Society in concluding derivatives is currency hedging.

Interest rate risk - term investments

The average effective duration of the 4F Fund's portfolio is a measure of the sensitivity of the fair value of the 4F Fund's fixed-interest securities to changes in market interest rates. The management of the 4F Fund aims for a duration of its bond portfolio of approximately five years (a lower or higher duration can be accepted) and does not normally actively manage interest rate risks related to its bond portfolio.

Interest rate risk - liabilities

The risk of market interest rate changes influencing the market value of the liabilities is reduced, as each year new long-term loans are added with fixed interest rates prevailing at the moment Oikocredit enters into a new loan agreement. To the extent that the assets are financed via liabilities, the interest profile of the liabilities (fixed versus floating plus the duration) matches the assets.

Equity risk - development financing

The risk of equity investment stake changes influencing the value of the portfolio is reduced by the following:

- A separate equity unit operates within Oikocredit. This unit is co-responsible, together with the local management in the countries we work in, for monitoring equity investments.
- For all major equity investment stakes Oikocredit has invested in, Oikocredit has a board seat.

Liquidity risk

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

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

Furthermore, the Society is primarily funded by member capital. The articles of association include provisions that shares shall be redeemed, if a member has ceased to be a member of the Society, no later than five years after the cessation of membership. Redemption (partial redemption) will be at the nominal value. To date, the Society has not used these provisions to delay redemptions of its member capital.

5 Development financing

Changes in outstanding funding

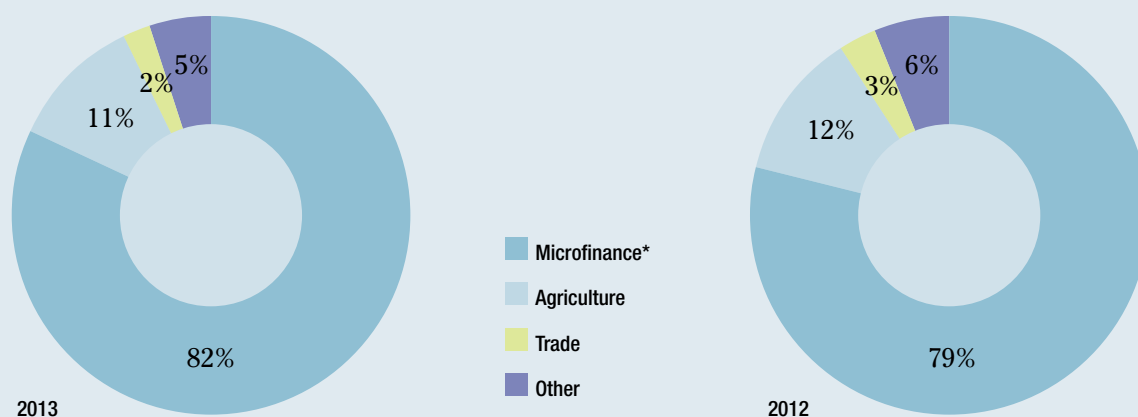
<i>Can be specified as follows:</i>			2013	2012
			€ ,000	€ ,000
Outstanding as at 1 January			530,543	520,453
Disbursements			306,073	218,196
Capitalized interest and dividends			212	1,109
Less:	- repayments		(205,873)	(186,259)
	- write-offs		(7,535)	(13,124)
Exchange adjustments			(32,880)	(9,832)
Outstanding as at 31 December			590,540	530,543
Approved in the year			297,319	234,258
Less:	- commitments cancelled		(12,894)	(15,657)
Not yet disbursed 1 January			140,388	122,485
Repayments on credit lines			33,002	19,178
Less:	- disbursements		(306,072)	(218,196)
Exchange adjustments			(22,288)	(1,680)
Approved as at 31 December			719,995	670,931

Funding committed not yet disbursed

<i>Can be specified as follows:</i>			31/12/13	31/12/12
			€ ,000	€ ,000
Equity investments in process of finalization			11,365	15,614
Committed on credit lines, not yet taken up by partners			25,613	30,917
Loans committed < 6 months			68,657	83,457
Loans committed > 6 months			23,820	10,400
Total			129,455	140,388

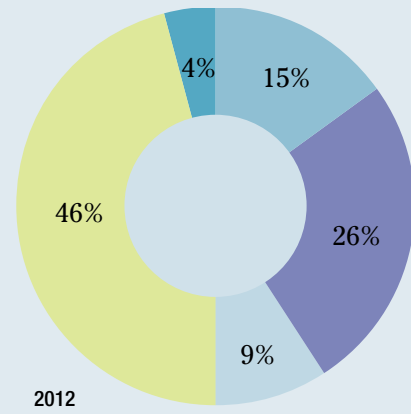
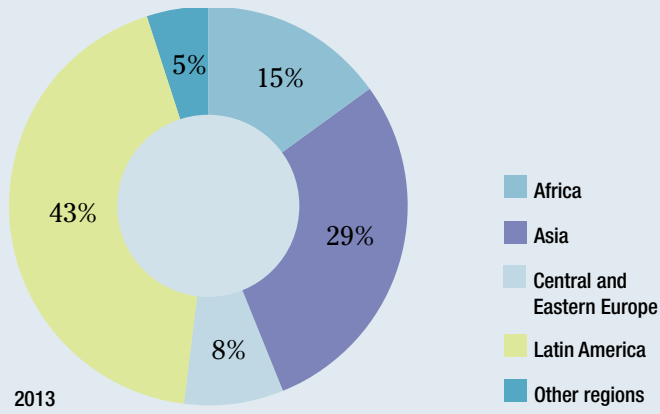
Breakdown of outstanding funding

Funding outstanding by sector as at 31 December 2013

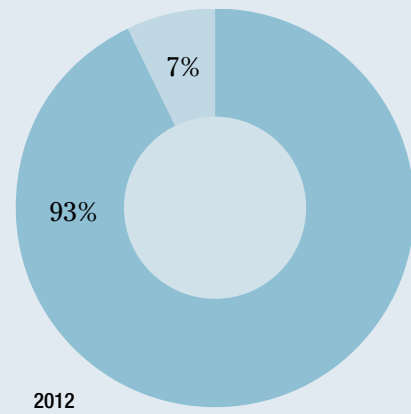
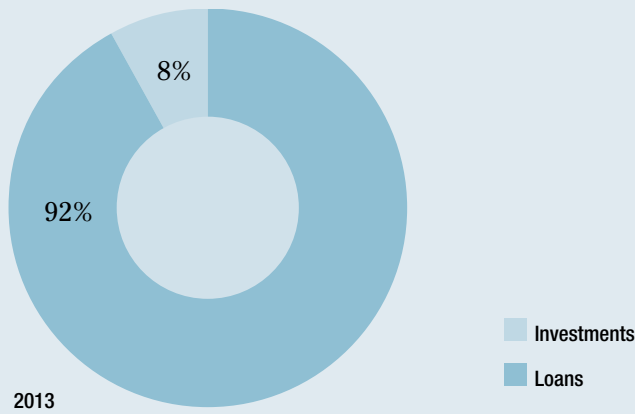


* including microcredit, SME finance and wholesale funding.

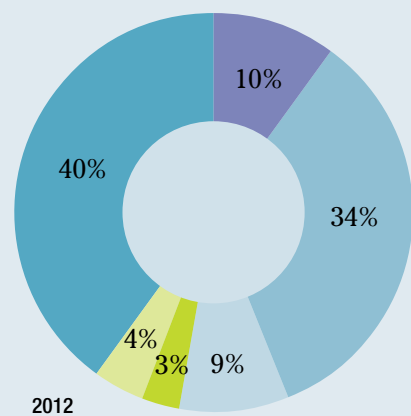
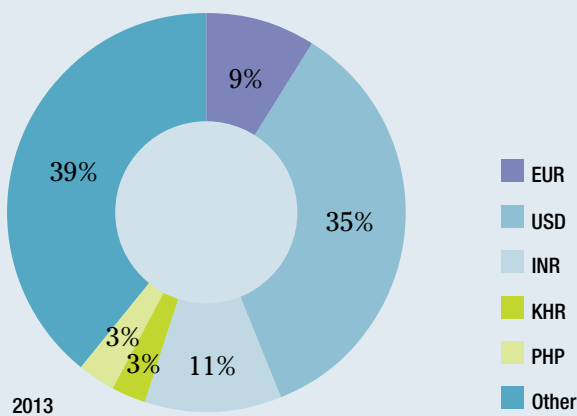
Funding outstanding by region as at 31 December 2013



Funding outstanding by type of financing (loans and equity investments) as at 31 December 2013



Funding outstanding by type of currency as at 31 December 2013



Maturity of outstanding funding		
<i>Can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Instalments maturing < 1 year	213,984	193,719
Instalments maturing >1 < 5 years	326,618	284,968
Instalments maturing > 5 years	2,520	13,346
Equity investments	47,418	38,510
	590,540	530,543

Equity investments included in funding		
<i>Cost of equity investments as at 31 December 2013 ¹</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Vision Banco S.A.E.C.A., Paraguay	5,960	2,960
AfricInvest Fund II, Mauritius	4,198	3,541
Darjeeling Organic Tea Estates Pvt, India	2,694	-
Banco FIE S.A., Bolivia	1,858	1,858
Balkan Financial Sector Equity Fund CV, the Netherlands	1,851	1,834
Banco de Desarrollo Rural S.A., Guatemala	1,746	1,746
Fondo de la Comunidad S.A., Bolivia	1,728	1,728
Hatha Kaksekar Limited, Cambodia	1,504	1,504
Cafédirect Plc, United Kingdom	1,403	1,403
JSC Bank Constanta, Georgia	1,340	1,133
Opportunity Microcredit Romania IFN S.A., Romania	1,271	1,271
Uganda Finance Trust Ltd., Uganda	1,222	475
Opportunity International Savings and Loans Limited, Ghana	1,219	1,219
Schulze Global Ethiopia Growth and Transformation Fund I, L.P, Ethiopia	1,218	-
Financiera Proempresa S.A., Peru	1,169	1,169
Fonds Cauris Croissance II Limited, Mauritius	1,061	559
Wizzit Payments (Pty) Ltd., South Africa	1,037	1,037
Fidelity Equity Fund II, Ghana	948	916
SC Microinvest SRL, Moldova	905	905
Banco Solidario S.A., Ecuador	896	896
Barefoot Power Pty Ltd., Australia	874	874
Divine Chocolate Inc., United States of America	821	685
Gebana Brazil Cataratas do Iguazu Produtos Orgânicos Ltd, Brazil	747	-
Divine Chocolate Ltd., United Kingdom	743	743
Opportunity Banka A.D., Serbia	739	739
Financiera Confianza S.A., Peru	723	723
Horizon Fund III Trust, South Africa	690	627
Equip Plus S.A., Senegal	686	686
People Tree Ltd., United Kingdom	673	673
Fonkoze S.A., Haiti	666	666
Ecoenterprises Partners II L.P., Costa Rica	524	422
ESAF Microfinance and Investments Ltd., India	496	496
COFAC, Uruguay	485	485
Shalom Microfinance Limited, India	462	462
Servicios Financieros Enlace S.A. de C.V., El Salvador	422	422
Banco Oportunidade SARL, Mozambique	389	389
Pymecapital Latin America Fund S.A., Nicaragua	371	371
AfricInvest limited, Mauritius	371	690
Women's Microcredit Network LLC, Russia	325	325
Wizzit Group (Pty) Ltd., South Africa	259	259

Fides Microfinance, Senegal	195	97
Guaguazu S.A., Bolivia	175	175
Tujijenge Tanzania Limited, Tanzania	173	173
Inversiones para el Desarrollo S.A., Chile	100	100
Trident Microfin Private Limited, India	-	316
Société de Financement de la Petite Entreprise S.A., Burkina Faso	-	733
Other	81	25
	47,418	38,510

¹ Excluding impairments for lower market value included in loss provisions. Some of the partners in which we have equity investments also received a loan. These loans are not included in the above-mentioned overview.

Equity investments above 20% participation ¹				
<i>Of the equity investments, stated in note 5, the share participation of the following investments as at 31 December 2013 is more than 20%</i>	Participation	Participation	Net equity (latest available)	Result (latest available)
	2013 %	2012 %	€ ,000	€ ,000
Guaguazu S.A., Bolivia	42.55%	42.55%	278	(65)
Gebana Brazil Cataratas do Iguazu Produtos Orgânicos Ltd, Brazil	30.86%	-	659	(125)
Fondo de la Comunidad S.A., Bolivia	25.13%	24.49%	7,620	625
Equip Plus S.A., Senegal	24.60%	24.60%	4,152	(377)
Divine Chocolate Inc., United States of America	23.68%	24.00%	368	(617)
Shalom Microfinance Limited, India	23.08%	23.08%	324	(526)
Les Saveurs du Sud S.A., Senegal	22.16%	45.83%	(51)	(78)
Women's Microcredit Network LLC, Russia	21.82%	21.82%	1,005	(153)
Tujijenge Tanzania Limited, Tanzania	20.92%	-	530	30
Uganda Finance Trust, Uganda	20.27%	26.40%	8,152	487
Hatha Kaksekar Limited, Cambodia	20.02%	20.02%	17,721	2,996

¹ Oikocredit does not have any significant influence in these equity Investments

Provision for possible losses		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	46,307	50,242
Additions	2,980	9,590
Exchange adjustments	(2,465)	(641)
	46,822	59,191
Less: - write-offs	(7,219)	(12,884)
Balance as at 31 December	39,603	46,307

Impairments equity investments		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	6,548	5,297
Additions	834	1,491
	<u>7,382</u>	<u>6,788</u>
Less: - write-offs	(316)	(240)
Balance as at 31 December	7,066	6,548

Total loan loss provision and impairments equity		
	2013	2012
	€ ,000	€ ,000
Loan loss provision	39,603	46,307
Impairments equity	7,066	6,548
Balance as at 31 December	46,669	52,855

Fair value of development financing loan portfolio

- The development financing portfolio consists of local-currency loans and hard-currency loans usually with semi-annual or annual instalments that have to be repaid equally over the loan period.
- The interest rates charged to our partners on local-currency loans consist of base rates (local interbank or other appropriate base rates) plus an additional margin for risk and costs and are usually comparable to local market rates. The majority of Oikocredit's local-currency loans are repriced quarterly or semi-annually.
- The interest rates charged to our partners on hard-currency loans are usually fixed interest rates for the full loan period and consist of base rates plus an additional margin for risks and costs. Oikocredit uses the applicable EUR/USD swap rates as base rates for the period the loan is agreed upon or, if higher, a minimum base rate of 3.5%; this minimum has been applicable for the last five to six years.
- The loans have an average maturity of around four years.
- An analysis of the recoverability of the loans is performed annually and a provision for possible losses on the development financing loan portfolio is formed.

Considering the above mentioned, the fair value of the development financing loan portfolio at least equals the book value, which is estimated at € 503.5 million.

Fair value of development financing equity portfolio

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

Considering the above mentioned, management estimates that the fair value of the equity portfolio at least equals the book value, which is estimated at € 40.3 million.

6 Term investments

<i>Summary of term investments:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Term investments in bonds issued by development banks and developing countries and by companies active in - and with particular beneficial impact in - developing countries	91,748	75,990
Other term investments	54,545	71,346
Balance as at 31 December	146,293	147,336
<i>Changes in term investments can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	147,336	138,515
Investments during the year at cost	3,836	3,650
Disinvestments/redemptions during the year	(345)	(6)
Revaluation to market value as at 31 December	(4,388)	5,252
Exchange adjustments	(146)	(75)
Balance as at 31 December	146,293	147,336

	31/12/13	31/12/12
	€ ,000	€ ,000
Bonds issued by development banks, developing countries and by companies active in – and with particular beneficial impact in – developing countries¹		
4F-Euro, Fund for Fair Future, the Netherlands ¹	85,171	69,757
4F-USD, Fund for Fair Future, the Netherlands ¹	2,547	2,230
	<u>87,718</u>	<u>71,987</u>
<i>Other development-related term investments</i>		
TCX, The Currency Exchange Fund N.V., the Netherlands	7,071	7,071
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Triple Jump, the Netherlands)	(1,708)	(1,708)
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Grameen Crédit Agricole Microfinance Foundation, Luxembourg)	(1,816)	(1,816)
Other	483	456
<i>Subtotal other development-related term investments</i>	<u>4,030</u>	<u>4,003</u>
Subtotal bonds and other term investments with development impact	91,748	75,990

Other term investments		
4F-Euro, Fund for Fair Future, the Netherlands ¹	53,544	69,479
4F-USD, Fund for Fair Future, the Netherlands ¹	701	1,227
Rabobank members certificates, the Netherlands	-	340
GLS Bank, Germany	300	300
Subtotal other term investments	54,545	71,346
Total term investments	146,293	147,336

¹ For a specification of the bonds that were invested in through the 4F Fund, we refer to page 75 of the annual report.

With the exception of the investment in TCX, The Currency Exchange Fund N.V., the fair value equals the carrying amount. The fair value of TCX, The Currency Exchange Fund N.V, at least equals the carrying amount.

The interest received on the US dollar bonds is sufficient to cover interest due on certain US note loans (US\$ 448,000).

Maturity of term investments		
<i>Can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Maturity < 1 year	7	6
Maturity > 1 < 5 years	30	29
Maturity > 5 years	146,256	147,301
Total	146,293	147,336

The average duration of the 4F Fund portfolio as at 31 December 2013 was 4.02 (31 December 2012: 3.81). The 4F Fund invests in investment grade bonds according to Moody's rating agency. The majority of term investments are listed securities.

Investments in entities above 20% participation				
<i>Of the investments, stated in note 6, the share participation of the following investments as at 31 December 2013 was 20% or more</i>	Participation	Participation	Net equity (latest available)	Result (latest available)
	2013 %	2012 %	€ ,000	€ ,000
4F-Euro, Fund for Fair Future, the Netherlands	98.47%	98.04%	140,859	(534)
4F-USD, Fund for Fair Future, the Netherlands	62.72%	61.40%	5,179	(117)

7 Other financial fixed assets

<i>Summary of other financial fixed assets:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Hedge contracts financial institutions ¹	9,006	7,340
Deferred tax asset	570	1,213
Total	9,576	8,553

¹ The fair values of these hedge contracts and other details are disclosed in note 28.

<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	8,553	8,492
Movements	1,023	61
Balance as at 31 December	9,576	8,553

8 Tangible fixed assets

<i>Changes in tangible fixed assets in 2013 and in the cost of acquisition and accumulated depreciation as at 31 December 2013 can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	630	614
Additions	434	230
Less: - depreciation over the year	(237)	(214)
Balance as at 31 December	827	630
Of which: - at original cost	2,708	2,259
- less: accumulated depreciation	(1,881)	(1,629)
Of which: - buildings	112	119
- other tangible fixed assets (including software developed, computer equipment and office furniture)	715	511
The useful life of the equipment is estimated at five years on average. Information Technology (IT) equipment is depreciated in three years. Buildings are depreciated in 25 years.		

9 Receivables and other current assets

<i>Can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Accrued interest on development financing net of allowance	7,812	8,147
Hedging contracts (refer to note 28)	2,125	402
Interest receivable	2,001	2,217
- face value	7,748	9,860
- less: allowance for uncollectability	(5,747)	(7,643)
Amounts prepaid	1,525	2,114
Receivable Sofipe	733	-
Staff loans ¹	830	773
Accrued interest bank accounts and deposits	490	421
Value added tax and other taxes	666	1,682
Collateral held by TCX, The Currency Exchange Fund N.V., the Netherlands	-	1,444
Sundry receivables	286	388
Balance as at 31 December	16,468	17,588
<i>Changes in the allowance for uncollectability are specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	7,643	8,415
Additions charged to income	2,568	4,500
Write-offs from allowance	(4,263)	(5,277)
Exchange adjustment	(201)	5
Balance as at 31 December	5,747	7,643

¹ All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans. The majority of the staff loans have maturities over one year.

10 Cash and banks

<i>Can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Cash and banks including time deposits maturing within one year	62,189	71,525
Balance as at 31 December	62,189	71,525

Part of the cash was deliberately invested in savings accounts, being considered part of the term investment portfolio. Income generated from these accounts was added to the term investment income.

The group maintains its funds in banking institutions in Europe, Asia, Latin America, Africa and in the United States of America.

The group has credit facility agreements with Dutch banks amounting to € 5.75 million and a guarantee of € 5 million given to a Dutch bank. These facilities, which were not used in 2013, are subject to the following conditions:

- Audited financial statements should be provided within six months after year-end.
- The solvency ratio should be at least 70%.
- Oikocredit should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amounts of the credit lines of the Dutch institutions (€ 7.2 million).

- Without the written permission of the credit institution, Oikocredit is not allowed to sell or securitize fixed assets or establish mortgages or other encumbrances on fixed assets (except for transactions taking place in the normal course of business) and to issue guarantees for liabilities of third parties.

The Society has a complete joint agreement with ING.

11 Group equity

For details regarding the issued capital, general reserves and restricted exchange fluctuation reserve, please refer to the notes for the Society financial statements.

12 Member capital and general reserves

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

The shares shall be redeemed if a member has ceased to be a member of the Society, no later than five years after the cessation of membership and is as such a liability (puttable shares). Redemption (partial redemption) will be at the nominal value. If the net asset value per share is lower than the nominal value, in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the shares shall not exceed the sum corresponding to the value of the shares according to that balance sheet (article 12 of the articles of association).

The board of directors opted to make use of the exemption in Dutch GAAP to classify part of this liability, member capital denominated in euro, as equity (RJ 290.808). Although member capital denominated in foreign currency has the same characteristics as member capital in euro, in respect of dividends, redemption and voting rights, nevertheless no use could be made of the exemption in Dutch GAAP to classify these puttable shares as equity in the consolidated financial statements. One of the requirements is that the puttable shares should have identical characteristics. The fair value in euros of the foreign currency denominated member capital changes as a result of changes in the exchange rates. These changes in euro do not reflect the changes in the fair value of the instruments and as such no use could be made of the exemption. For that reason, member capital denominated in foreign currency is classified as non-current liabilities in the consolidated financial statements only.

Member capital in foreign currency, translated at year-end exchange rates, amounts to € 52.0 million (31 December 2012: € 43.9 million). Reference is made to note 40.

General reserve		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as of 1 January	52,804	47,164
Appropriation of the prior-year results	12,417	6,258
Exchange rate effects and dividends on shares in foreign currency previous years	(1,192)	(1,382)
Dividends on shares in foreign currency current year	804	764
Balance as at 31 December	64,833	52,804

For the restricted exchange fluctuation reserve please refer to note 41 of the Society financial statements.

13 Local currency risk funds

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

Local currency risk funds							
	Philippines	Indonesia	General	Local currency risk fund Africa	Local currency risk fund South and East Asia	Local currency loans cumulative exchange rate differences ¹	TOTAL
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	1,278	155	20,558	2,705	4,447	7,969	37,112
Addition to/released from fund	987	273	6,208	110	(30)	(20,718)	(13,170)
Balance as at 31 December	2,265	428	26,766	2,815	4,417	(12,749)	23,942

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 matured yet. The difference in interest rates agreed with our partners for these local currency loans and interest rates in euro (if these loans would have 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 realized when the loans in local currency matured, 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.

14 Funds for subsidized activities and model costs

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

Funds for subsidized activities and model costs		
<i>Can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Funds for subsidized activities and model costs	1,425	1,592
Capacity building and guarantee funds	3,977	2,634
Balance as at 31 December	5,402	4,226

Funds for subsidized activities and model costs			
	Donated investments ¹	Funds for subsidized activities and model costs ²	TOTAL
	€ ,000	€ ,000	€ ,000
Balance as at 1 January	312	1,280	1,592
Addition to/released from fund	45	(212)	(167)
Balance as at 31 December	357	1,068	1,425

¹ This fund was established to account for donated shares.

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

Capacity building and guarantee funds							
	Capacity building Africa, South and East Asia ¹	Capacity building funds ²	General guarantee funds ³	Guarantee Fund for Africa ³	Schokland capacity building ⁴	Schokland projects MCAC ⁵	TOTAL
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	(103)	222	1,274	1,226	15	-	2,634
Addition to/released from fund	102	(178)	(5)	(4)	16	1,412	1,343
Balance as at 31 December	(1)	44	1,269	1,222	31	1,412	3,977

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

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

³ The two guarantee funds were established to enable institutional donors and individuals to participate in a fund that insures part of the credit risk (equity or loan and accumulated interest) of partners to be financed by Oikocredit. For the addition to these funds, we refer to note 27.

⁴ The Schokland capacity building fund was set up for capacity building of existing and potential partners and feasibility studies of potential partners in Central America and the Dominican Republic.

⁵ The Schokland Projects MCAC fund was set up to co-fund projects in Central America and the Dominican Republic.

15 Third party interests

Consists of third-party interests of participants in the LIC Loan Fund.

<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	1,106	1,073
Net additions to third-party participation	523	120
Results	(46)	(87)
Balance as at 31 December	1,583	1,106

16 Non-current liabilities

<i>Can be specified as follows:</i>	31/12/13	Remaining term	Remaining term	31/12/12
	€ ,000	> 1 year	> 5 years	€ ,000
Member capital in foreign currencies (refer to note 12)	52,033	-	52,033	43,899
Bank loans ¹	12,470	12,470	-	11,618
US note loans ²	7,851	7,851	-	7,364
Hedge contracts (refer to note 28)	74	74	-	1,939
First Oikocredit Canada ³	772	772	-	1,195
Loans for investment in development financing ⁴	909	909	-	799
Other liabilities	422	422	-	1,209
Total other non-current liabilities	22,498	22,498	-	24,124
Repayment obligations due within 12 months of the end of the financial year, as set out above, are included in current liabilities.				

¹ Consists of the following loans:

- Loan with a total principal amount of INR 90 million from a financial institution in India maturing in 2015. The loan carries an interest rate of 11.3%. Oikocredit has issued a corporate guarantee for this loan to the financial institution.
- A major part consists of a loan granted by a German bank amounting to € 11.4 million. The loan has a term of five years and carries an interest rate equal to the base rate of the financial institution plus an agreed margin (as per 31/12/2013 0.8%). This facility is subject to the condition that Oikocredit should keep its debt from external loans below 20% of total assets. The loan is unsecured for the first € 3 million. From an outstanding of € 3 million up to € 13 million, the loan is guaranteed by KfW, Germany.

² Loans taken from Oikocredit USA against their US notes issue. The average interest rate of the loans over 2013 was 1.7% (2012: 1.8%). Expenses related to the US notes issues have been recorded under prepaid expenses. The loans mature from 2014 until 2020.

³ Loans taken from First Oikocredit Canada against their Canadian notes issue repayable from 2014 until 2018. The average interest rate of the loans over 2013 was 1.75% (2012: 1.75%).

⁴ Loans managed by Oikocredit on behalf of funders which have been invested in Oikocredit's development financing. Oikocredit receives these loans under contract from various co-financing donors or development agencies, pension funds 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.

Fair value of long-term liabilities

The interest rates of the US notes and First Oikocredit Canada loans are in line with the applicable market interest-rates for similar loans. Funds under management have been invested in the Oikocredit development financing portfolio for risk and account of the funders. The majority of the bank loans are at variable interest rates. Therefore, the fair value of the long term liabilities approximates the book value.

17 Current liabilities

<i>All current liabilities mature within one year and can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Long-term loans expired or expiring within one year	19,528	23,959
Accrued expenses, sundry liabilities	3,011	963
Accrued personnel expenses	1,364	1,144
Pension premiums	897	445
Loans for investment in development financing	666	555
Accounts payable	665	149
Taxes payable	398	343
Hedging premiums payable	314	642
Hedge contracts (refer to note 28)	117	999
Balance as at 31 December	26,960	29,199

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.

18 Commitments and contingencies not included in the balance sheet

The Society entered into a rental agreement for seven years starting from 01/07/2007. The total yearly rent payments amount to € 326,000 per year and are indexed. For this agreement a bank guarantee was issued for € 100,000.

The hedging agreements with Standard Chartered Bank and TCX, The Currency Exchange Fund N.V. contain an obligation to post Eligible Collateral under a Credit Support Annex. In the contract with TCX, the threshold is set at US\$ 3,000,000 for both Oikocredit and TCX. 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.

As at 31 December 2013 the mark to market value of TCX was € 0.8 million positive. As at 31 December 2013 the mark to market value of Standard Chartered bank was € 3.5 million positive. Therefore, it was not necessary to post or receive collateral.

The Society issued two guarantees for a total amount of € 1,185,000 to an Ethiopian bank, covering loans issued to two partners in Ethiopia.

19 Financial income

<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Development financing		
- Interest	49,453	50,679
- Dividends and sale of equity participations	1,939	7,415
Management fees	96	87
Total development financing	51,488	58,181
Term investment income		
- Interest	4,885	3,862
- Realized results	320	1,323
Total term investment income	5,205	5,185
Total financial income	56,693	63,366

20 Additions to loss provisions and impairments

<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Additions to provisions against losses and equity impairments		
- equity impairments	834	1,491
- on principal projects	2,980	9,590
- on interest	2,568	4,500
Total	6,382	15,581

21 Other financial expenses

<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Interest payable on long-term loans, current accounts and other short-term liabilities	(2,336)	(2,929)
Interest allocated from term investments	335	333
Less interest expenses on:		
- US notes loans	(335)	(333)
Exchange rate differences (mainly local currency exposures covered by the local currency risk funds)	(15,810)	(4,500)
Hedging premiums including revaluation of derivatives	(2,698)	(3,470)
Total	(20,844)	(10,899)

22 Grant income

Grants	2013	2012
	€ ,000	€ ,000
Grants received from Dutch government	1,281	-
Grants received from ICCO	1,280	2,000
Other grants received	1,100	836
Total grants	3,661	2,836

23 Personnel

The number of employees who were directly or indirectly employed by the Society and group companies at the end of 2013 on the basis of full time equivalents (FTE) amounted to 254 (2012: 250). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2013: 175 FTE, 2012: 174 FTE). Of the total FTEs (254), 55% are female and 45% are male. Of the total management FTEs (6), 50% are female and 50% are male.

Personnel expenses	2013	2012
	€ ,000	€ ,000
Salaries	9,937	8,861
Social security charges	1,276	1,182
Other allowances (13th month, holiday allowance)	841	742
Consultancy expenses	792	528
Pension charges	759	621
Provident fund charges	443	380
All other personnel costs	947	644
Total personnel expenses	14,995	12,958
<i>Breakdown personnel expenses of staff based in the Netherlands:</i>		
Salaries for staff based in the Netherlands	4,905	4,368
Pension charges for staff based in the Netherlands	672	550
Social securities charges for staff based in the Netherlands	602	527

24 General and other expenses

	2013	2012
	€ ,000	€ ,000
Capacity building expenses	2,729	2,666
Office expenses	1,940	1,824
Contribution to support associations	1,544	1,704
Marketing expenses	1,067	1,072
Consultancy expenses including audit fees (refer to note 25)	1,007	928
IT-related expenses (including development costs new software)	660	841
Legal expenses	577	491
All other general expenses	647	434
Total general and other expenses	10,171	9,960

25 Audit fees

<i>The following audit fees were expensed in the income statement in the reporting period:</i>	2013	2012
	€ ,000	€ ,000
Audit of financial statements	102	93
Other non-audit services	4	4
Total audit fees	106	97

26 Taxes

	2013	2012
	€ ,000	€ ,000
Taxes Maanaveeya Development & Finance Private Limited	924	(1,818)
Taxes regional and country offices	213	220
Total taxes	1,137	(1,598)

The tax authorities in the Netherlands have exempted the Society from corporation tax provided that the Society complies with certain conditions, all of which were complied with in 2013.

The net income derived from the activities of our subsidiaries Maanaveeya Development & Finance Private Limited in India and Financial Company Oikocredit Ukraine in Ukraine is subject to local income tax. In some other countries where we operate, the local income is taxed on a cost-plus basis.

27 Additions to and releases from funds

	2013	2012
	€ ,000	€ ,000
Local currency risk fund the Philippines		
Exchange rate differences on invested funds	(4)	-
Exchange rate differences local currency loans repaid	997	800
Interest added	(6)	43
Released from/addition to fund	987	843
Local currency risk fund Indonesia		
Exchange rate differences on invested funds	(1)	-
Exchange rate differences local currency loans repaid	275	19
Interest added	(1)	7
Released from/addition to fund	273	26
Local currency risk fund general		
Grants received	122	-
Exchange rate differences on invested funds	(72)	(2)
Exchange rate differences local currency loans repaid	6,236	1,980
Interest added	(78)	965
Released from/addition to fund	6,208	2,943
Local currency risk fund Africa		
Exchange rate differences on invested funds	(9)	-
Exchange rate differences local currency loans repaid	128	53
Interest added	(9)	131
Released from/addition to fund	110	184
Local currency risk fund South East Asia		
Exchange rate differences on invested funds	(15)	(1)
Exchange rate differences local currency loans repaid	-	21
Interest added	(15)	219
Released from/addition to fund	(30)	239
Local currency loans cumulative exchange rate differences		
Addition exchange rate differences local currency loans repaid	(7,636)	(2,873)
Addition exchange rate differences and premiums	(13,082)	(745)
Released from/addition to fund	(20,718)	(3,618)
Donated investments		
Grants received	45	63
Released from/addition to fund	45	63
Subsidized activities and model costs		
Grants received	54	57
Interest received allocated to fund	(4)	71
Category A costs ¹	(151)	(233)
Other costs; office expenses	(111)	(160)
Released from/addition to fund	(212)	(265)
Capacity building Africa and South and East Asia		
Grants received	568	582
Non-allocated grants	(20)	-
Other costs	(446)	(685)
Released from/addition to fund	102	(103)

	2013	2012
	€ ,000	€ ,000
Capacity building funds		
Grants received	1,639	2,314
Non-allocated grants	(29)	-
Interest added	(1)	15
Other costs	(1,787)	(1,946)
Released from/addition to fund	(178)	383
General guarantee funds		
Interest added	(5)	63
Released from/addition to fund	(5)	63
Guarantee fund for Africa		
Interest added	(4)	61
Released from/addition to fund	(4)	61
Schokland capacity building fund		
Grants received	21	(180)
Interest added	-	6
Other costs	(5)	(32)
Released from/addition to fund	16	(206)
Schokland projects Mexico, Central America and the Caribbean		
Grants received	1,260	-
Interest added	(2)	-
Other costs	154	-
Released from/addition to fund	1,412	-
Total addition to funds	(11,994)	613

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

28 Use of financial instruments

Balance sheet item	Product	31/12/13 Notional €	31/12/13 Carrying amount € ,000	31/12/13 Fair value € ,000	31/12/12 Carrying amount € ,000	31/12/12 Fair value € ,000
<i>Oikocredit has entered into the following derivatives to cover its exposure:</i>						
Fixed assets						
FX derivatives	Under hedge accounting	28,734,503	2,507	2,555	1,439	1,535
Cross currency swaps	Under hedge accounting	98,620,522	6,499	5,580	5,901	4,937
	Total		9,006		7,340	
Current assets						
FX derivatives	Under hedge accounting	29,181,637	1,032	1,036	122	117
Cross currency swaps	Under hedge accounting	13,995,222	1,093	1,057	280	256
	Total		2,125		402	
Non-current liabilities						
FX derivatives	Under hedge accounting	-	-	-	(38)	3
Cross currency swaps	Under hedge accounting	2,014,627	(74)	(168)	(1,901)	(2,756)
	Total		(74)		(1,939)	
Current liabilities						
FX derivatives	Under hedge accounting	(1,275,544)	(117)	(120)	(247)	(251)
Cross currency swaps	Under hedge accounting	-	-	-	(752)	(796)
	Total		(117)		(999)	

29 Overview total result

<i>Movement in group equity and funds can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Equity and funds as at 1 January	624,992	574,424
Consolidated net income after addition to funds	13,369	22,153
Exchange rate differences on investments in group companies (net of hedge results/premium)	(6,860)	(2,885)
Addition to funds	(11,994)	613
Total direct changes in equity and funds	(18,854)	(2,272)
Total result group excluding third party interest	(5,485)	19,881
Net addition member capital (new shares minus redemptions)	66,767	39,880
Dividends paid to members	(10,124)	(9,193)
	56,643	30,687
Equity and funds as at 31 December	676,150	624,992

30 Remuneration policies

Remuneration of the board of directors

In general, no remuneration is paid to the board of directors. However, board members receive compensation in case of loss of income when attending Oikocredit board or committee meetings. The total remuneration for loss of income paid in 2013 amounted to € 47,900 (2012: € 43,300).

Remuneration of management team	2013	2012
<i>The remuneration can be specified as follows:</i>	€ ,000	€ ,000
<i>Managing directors:</i>		
David Woods gross salary, holiday and year-end allowance	111	-
David Woods expense and 30% allowances	48	-
Ben Simmes (9 months) and David Woods (2 months) gross salary, holiday and year-end allowance	-	118
Ben Simmes and David Woods expense and 30% allowances	-	10
<i>Other management team members:</i>		
Gross salary, holiday, year-end allowance and performance reward <small>(a part was paid net in Oikocredit shares)</small>	370	384
Expense and 30% allowances	70	48
Total (2013: as of November, six members; 2012: five members)	599	560
<i>Payments related to end of service management team members</i>	2013	2012
	€ ,000	€ ,000
Ben Simmes (holiday allowance, performance reward and leave)	16	0
Rosalind Copisarow settlement (gross amount)	-	260
Erik Heinen leave and bereavement payment	-	45
Total	16	305

Staff based in the Netherlands

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

The Society has introduced a 'median wage' pension system for its employees in the Netherlands, to which the employer and the employees each contribute part of the pension premiums. Pensions are indexed, based on the average salary increases during the year, which will be determined from year to year.

Staff based outside the Netherlands

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

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

Performance reward

A performance reward was awarded to all staff members with a permanent contract and working for the organization longer than one year (as an acknowledgement for good results based on specific social and financial objectives agreed with the board) for 2012 (paid in 2013) as well as 2011 (paid in 2012).

A part of the performance reward is awarded in Oikocredit shares (at nominal value) and a part in cash, both subject to taxation. This amount is accounted for under personnel expenses.

Board and management team holdings in share capital Oikocredit

The board and management team members have indirect holdings in Oikocredit shares. These holdings do not have any voting rights.

31 Information on the role of the board of directors and committees of the Society

Board of directors of the Society

The annual general meeting has appointed an international board of directors, which has the widest powers in regard to the management of the Society. It has the authority to decide on all matters, which are not specifically attributed and reserved to the general meeting of the Society: the board of directors has the power to delegate (a part of) its powers to the managing director who is responsible for the day-to-day management of the Society under the specific instructions of the board of directors on financial, economic and social policies. Further details can be found in article 30 to article 32 in the articles of association of the Society. The board held three meetings during 2013.

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

- Ms Salome Sengani – President (South Africa)
- Mr Matt Christensen – Vice President (United States of America)
- Dr Aris Alip (the Philippines)
- Ms Daria Gómez Mora (Costa Rica)
- Ms Jacinta Hamann de Vivero (Peru)
- Mr Richard Librock (Canada)
- Mr Karsten Löffler (Germany)
- Mr Karen Nazaryan (Armenia)
- Mr Amulike Ngeliama (Tanzania)
- Ms Martina Straub (Switzerland)
- Ms Carla Veldhuyzen van Zanten (the Netherlands)

Secretary to the board: Mr Eric van den Hout (the Netherlands)

The Management Team consisted of the following staff members as at 31 December:

- Mr David Woods – Managing director (Ireland)
- Mr Florian Grohs – Credit director (Germany)
- Mr Albert Hofsink – Risk, compliance & IT director (the Netherlands)
- Ms Ging Ledesma – Social performance & credit analysis director (the Philippines)
- Ms Irene van Oostwaard – Finance director (the Netherlands)
- Ms Ylse van der Schoot – Investor relations director (the Netherlands)

Audit committee

The annual general meeting has set terms of reference for the audit committee, which consists of three people elected by the annual general meeting for a three-year term. The audit committee held two meetings during 2013, reviewing items such as the financial statements, internal control structures, the risk management project, as well as legal and compliance issues.

Members of the audit committee

- Ms Ruth Waweru – Chair (Kenya)
- Mr Andreas Neukirch (Germany)
- Ms Ilse Roeleveld-Schmidt (the Netherlands)

Nomination committee

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

Members of the nomination committee

- Ms Kristina Hergren – Chair (Sweden)
- Ms Annette Herrmann-Winter (Germany)
- Mr Richard Librock – member board (Canada)
- Mr David Mesenbring (United States of America)
- Mr David Woods – Managing director (Ireland)

Society financial statements



Society **balance sheet**

(before appropriation of net income)

<i>Notes</i>	31/12/13	31/12/12
	€ ,000	€ ,000
NON-CURRENT ASSETS		
Financial assets		
33 Development financing		
Total outstanding project financing	538,602	479,300
Less: - loss provision and impairments	(42,806)	(47,113)
	495,796	432,187
<i>Consists of:</i>		
Loans (net of loss provision)	457,034	402,442
Equity (net of impairments)	38,762	29,745
34 Investments in group companies	31,481	37,909
35 Term investments	116,950	117,757
36 Other financial assets	33,258	6,975
Total financial assets	181,689	162,641
37 Tangible assets	814	615
Total non-current assets	678,299	595,443
CURRENT ASSETS		
38 Receivables and other current assets	19,244	15,826
39 Cash and banks	58,789	70,010
Total current assets	78,033	85,836
TOTAL	756,332	681,279

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

Society balance sheet

(before appropriation of net income)

Notes	31/12/13	31/12/12
	€ ,000	€ ,000
MEMBER CAPITAL AND RESERVES		
40 Member capital in euros	578,595	511,828
40 Member capital in foreign currencies	56,213	46,702
41 General reserves	61,039	48,703
41 Restricted exchange fluctuation reserve	(9,990)	(3,130)
Undistributed net income for the year	12,560	22,855
	698,417	626,958
43 NON-CURRENT LIABILITIES	21,440	26,783
44 CURRENT LIABILITIES	36,475	27,538
TOTAL	756,332	681,279

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

Society **income statement**

<i>Notes</i>	2013	2012
	€ ,000	€ ,000
RESULTS		
34 Results participation in group companies after taxes	2,205	(1,978)
Other results	10,355	24,833
NET INCOME	12,560	22,855

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

Notes to the **Society** financial statements

32 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.

33 Development financing

Changes in outstanding funding		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Outstanding as at 1 January	479,300	461,831
Disbursements	273,267	189,800
Capitalized interest and dividends	192	810
Less: - repayments	(184,069)	(161,313)
- write-offs	(3,994)	(3,785)
Exchange adjustments	(26,094)	(8,043)
Outstanding as at 31 December	538,602	479,300
Approved in the year	297,319	234,258
Less: - commitments cancelled	(12,894)	(15,657)
Not yet disbursed 1 January	140,388	112,103
Repayments on credit lines	33,002	19,178
Less: - disbursements	(273,267)	(189,800)
- disbursements through subsidiary Maanaveeya	(28,160)	(25,392)
- disbursements through LIC Loan Fund	(4,096)	(1,185)
- disbursements through subsidiary Oikocredit Ukraine	(449)	(1,146)
- disbursements through OSCap Fund	(100)	(602)
- disbursements through BTF Fund	-	(71)
Exchange adjustments	(30,169)	(7,468)
Approved as at 31 December	660,176	603,518

Provision for possible losses		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	40,802	43,299
Additions	1,404	1,741
Exchange adjustments	(1,924)	(693)
	40,282	44,347
Less: - write-offs	(3,994)	(3,545)
Balance as at 31 December	36,288	40,802

Impairments equity investments		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	6,311	5,297
Additions	207	1,254
	6,518	6,551
Less: - write-offs	-	(240)
Balance as at 31 December	6,518	6,311

We refer to note 5 of the consolidated financial statements for further detailed information on consolidated development financing.

34 Group companies

Net asset value investments in group companies		
	31/12/13	31/12/12
	€ ,000	€ ,000
Maanaveeya Development & Finance Private Limited, Hyderabad, India ¹	26,618	34,535
Financial Company Oikocredit Ukraine, Lviv, Ukraine ²	2,122	1,959
LIC Loan Fund ³	1,583	667
Oikocredit Seed Capital Fund ³	1,158	748
Balance as at 31 December	31,481	37,909

¹ The investment in Maanaveeya Development & Finance Private Limited, Hyderabad, India, consists of 100% of the ordinary shares amounting to INR 2.3 billion.

² The investment in Financial Company Oikocredit Ukraine in Lviv, Ukraine, consists of 100% of the ordinary shares, amounting to UAH 20 million.

³ This amount represents the Society's participation in the Oikocredit Seed Capital Fund (100%) and the LIC Loan Fund (50%). These funds were created as restricted, open-ended, tax transparent investment funds for members/shareholders. The funds are not incorporated legal entities, but unincorporated contracts of their own nature.

Maanaveeya Development & Finance Private Limited		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	34,535	41,085
Investments	-	-
Result for the year	2,057	(2,047)
Interest paid to Oikocredit on compulsory convertible debentures	(2,766)	(2,013)
Exchange adjustments	(7,208)	(2,490)
Balance as at 31 December	26,618	34,535

Financial Company Oikocredit Ukraine		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	1,959	1,459
Investments	-	373
Result for the year	309	184
Exchange adjustments	(146)	(57)
Balance as at 31 December	2,122	1,959

LIC Loan Fund		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	667	-
Investments	962	712
Result for the year	(46)	(45)
Balance as at 31 December	1,583	667

Oikocredit Seed Capital Fund		
<i>Can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	748	819
Investments	525	-
Result for the year	(115)	(71)
Balance as at 31 December	1,158	748

The participants of the OSCap fund were bought out at the end of 2013 and the fund will be liquidated at the beginning of 2014. All assets and liabilities will be transferred to the Society.

<i>The Society has direct interests in the following entities:</i>	Share in equity 31/12/13 (%)
Fully consolidated	
Maanaveeya Development & Finance Private Limited, Hyderabad, India	100
Financial Company Oikocredit Ukraine, Lviv, Ukraine	100
Oikocredit Seed Capital Fund, Amersfoort, the Netherlands	100
LIC Loan Fund, Amersfoort, the Netherlands	50

35 Term investments

<i>Can be specified as follows:</i>	2013 € ,000	2012 € ,000
Balance as at 1 January	117,757	110,492
Investments during the year at cost	3,125	2,995
Disinvestments / redemptions during the year	(345)	(6)
Revaluation to market value as at 31 December	(3,570)	4,285
Exchange adjustments	(17)	(9)
Balance as at 31 December	116,950	117,757

The majority of term investments are listed securities. For a breakdown of the individual titles in the 4F fund, refer to page 75 of the annual report.

<i>Summary of term investments:</i>	31/12/13 € ,000	31/12/12 € ,000
<i>Bonds¹</i>		
4F-Euro Fund for Fair Future, the Netherlands	116,128	116,564
4F-USD Fund for Fair Future, the Netherlands	388	413
Rabobank members certificates, the Netherlands	-	340
<i>Subtotal bonds</i>	116,516	117,317
<i>Other term investments</i>		
GLS Bank, Germany	300	300
Other	134	140
<i>Subtotal other term investments</i>	434	440
Balance as at 31 December	116,950	117,757

¹ All investments in bonds in the 4F Fund comply with the following Ethibel Sustainability Index labels and sub-labels:

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

Part of the term investments serves as collateral for the credit facilities with banks – reference is made to note 39.

Investments in entities above 20% participation				
<i>Of the investments, stated in note 35, the share participation of the following investments as at 31 December 2013 was 20% or more</i>	Participation	Participation	Net equity (latest available)	Result (latest available)
	2013 %	2012 %	€ ,000	€ ,000
4F-Euro, Fund for Fair Future, the Netherlands	82.44%	82.08%	140,859	(534)

36 Other financial assets

<i>Summary of other financial assets:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Hedge contracts related parties (Oikocredit International Support Foundation)	12,749	-
Loans to group companies	11,751	-
Hedge contracts financial institutions	8,758	6,975
Balance as at 31 December	33,258	6,975

37 Tangible fixed assets

<i>Changes in tangible fixed assets in 2013 and in the cost of acquisition and accumulated depreciation as at 31 December 2013 can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Balance as at 1 January	615	601
Additions	434	228
Less: - depreciation over the year	(235)	(214)
Balance as at 31 December	814	615
Of which: - at original cost	2,678	2,243
- less: accumulated depreciation	(1,864)	(1,628)
Of which: - buildings	112	119
- other tangible fixed assets (mainly computer equipment and office furniture)	702	496
The useful life of the equipment is estimated at five years on average. Information Technology (IT) equipment is depreciated in three years. Buildings are depreciated in 25 years.		

38 Receivables and other current assets

<i>The receivables maturing within one year can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Accrued interest on development financing net of allowance	7,726	7,521
Receivables from group companies (refer to note 46)	3,351	766
Hedge contracts	2,100	359
Interest receivable:	1,819	2,107
- face value	7,325	9,579
- less: allowance for uncollectability	(5,506)	(7,472)
Amounts prepaid	1,525	2,114
Staff loans ¹	830	773
Receivable Sofipe	733	-
Accrued interest on bank accounts and deposits	490	421
Value added tax	143	144
Collateral held by TCX, The Currency Exchange Fund N.V., the Netherlands	-	1,444
Sundry receivables	527	177
Balance as at 31 December	19,244	15,826

¹ All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans. The majority of the staff loans have maturities of over one year.

39 Cash and banks

The Society maintains its funds in banking institutions in Europe, Asia, Latin America, Africa and in the United States of America. The time deposits included in cash and banks as at 31 December 2013 all mature in 2014.

The Society has credit facility agreements with Dutch banks amounting to € 5.75 million and a guarantee of € 5 million given to a Dutch bank (we refer to note 10 of the consolidated financial statements). These facilities, which have not been used in 2013, are subject to the following conditions:

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

The Society has a compte joint agreement with ING.

40 Member capital

<i>Can be specified as follows:</i>		2013	2012
		€ ,000	€ ,000
Issued capital			
Balance as at 1 January		558,530	514,200
New shares issued		81,340	60,879
Redemption of shares		(5,062)	(16,549)
Balance as at 31 December		634,808	558,530
Of which	- euro shares	578,595	511,828
	- shares in other currencies (at original exchange rate)	56,213	46,702

The Society issues euro shares of € 200 each, British pound shares of £ 150 each, Canadian dollar shares of C\$ 200 each, Swedish kronor shares of kr 2,000 each, Swiss franc shares of CHF 250 each and US dollar-denominated shares of US\$ 200 each. The number of authorized shares of capital stock is unlimited. The member capital shall be redeemed if a member has ceased to be a member of the Society, no later than five years after the cessation of membership and is as such a liability (puttable shares). Redemption (partial redemption) will be at the nominal value. If the net asset value per share is lower than the nominal value, in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the shares shall not exceed the sum corresponding to the value of the shares according to that balance sheet (article 12 of the articles of association).

41 General and other reserves

General reserves ¹			
<i>Can be specified as follows:</i>		2013	2012
		€ ,000	€ ,000
Balance as at 1 January		48,703	42,482
Appropriation of prior year results		12,336	6,221
Balance as at 31 December		61,039	48,703

¹ The Oikocredit board of directors allocated a part of the general reserve for specific purposes, we refer to note 47.

Restricted Exchange Fluctuation reserve ¹			
<i>Can be specified as follows:</i>		2013	2012
		€ ,000	€ ,000
Balance as at 1 January		(3,130)	(245)
Exchange rate differences		(6,860)	(2,885)
Balance as at 31 December		(9,990)	(3,130)

¹ The restricted exchange fluctuation reserve represents the accumulation of gains and losses 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.

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

<i>Changes in the difference between the Society and consolidated equity and profit / loss in the financial year can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Equity according to society financial statements	698,417	626,958
Reclassification of members' capital to non-current liabilities	(52,033)	(43,899)
Reserves Oikocredit International Support Foundation	3	3
Reserves Oikocredit International Share Foundation	183	102
Net result Oikocredit International Share Foundation	(37)	81
Local currency risk funds Support Foundation	23,942	37,112
Funds for subsidized activities and model costs Support Foundation	5,402	4,226
Revaluation result hedges share capital	273	409
Third party interests	1,583	1,106
Group equity and funds according to consolidated financial statements	677,733	626,098

Difference in net income of society and consolidated financial statements	2013	2012
	€ ,000	€ ,000
Net income according to the society financial statements	12,560	22,855
Net result Oikocredit International Share Foundation	(37)	81
Exchange rate differences on members' capital in foreign currency	1,650	(19)
Dividends paid on members' capital in foreign currency	(804)	(764)
Net income according to consolidated financial statements	13,369	22,153

43 Non-current liabilities

<i>Can be specified as follows:</i>	31/12/13	Remaining term > 1 year < 5 years	31/12/12
	€ ,000	€ ,000	€ ,000
Hedge-contract related parties (Oikocredit International Support Foundation)	-	-	7,969
Bank loans ¹	11,820	11,820	7,503
US note loans ²	7,851	7,851	7,364
Hedge contracts (refer to note 28, consolidated financial statements)	74	74	1,939
First Oikocredit Canada ³	772	772	1,195
Loans for investment in development financing ⁴	909	909	799
Other liabilities	14	14	14
Total non-current liabilities	21,440	21,440	26,783
Repayment obligations falling due within 12 months of the end of the financial year, as set out above, are included in current liabilities.			

¹ A loan granted by a German institution for € 0.4 million with indefinite maturity and an interest rate of 0.5% and a loan from a German bank amounting to € 11.4 million. The last loan has a term of five years and carries an interest rate equal to the base rate of the financial institution plus an agreed margin (as per 31/12/2013 0.8%). This facility is subject to the condition that Oikocredit should keep its debt from external loans below 20% of total assets. The loan is unsecured for the first € 3 million. For an outstanding amount of € 3 million up to € 13 million, the loan is guaranteed by KfW, Germany.

² Loans taken from Oikocredit USA against their US notes issue. The average interest rate of the loans over 2013 was 1.7% (2012: 1.8%). Expenses related to the US notes issues have been recorded under prepaid expenses. The loans mature from 2014 until 2020.

³ Loans taken from First Oikocredit Canada against their Canadian notes issue repayable from 2014 until 2018. The average interest rate of the loans over 2013 was 1.75% (2012: 1.75%).

⁴ Loans managed by Oikocredit on behalf of funders that have been invested in Oikocredit's development financing. Oikocredit receives these loans under contract from various co-financing donor or development agencies and social ethical funds. The loans are managed by Oikocredit for the risk and account of these donor agencies and funds.

Fair value of long-term liabilities

- The interest rates for the US note and First Oikocredit Canada loans are in line with the applicable market interest rates for similar loans.
- Funds under management have been invested in the Oikocredit development financing portfolio for risk and account of the funders.
- The majority of the bank loans are at variable interest rates.

Therefore, the fair value of the current liabilities approximates the book value.

44 Current liabilities

<i>All current liabilities mature within one year and can be specified as follows:</i>	31/12/13	31/12/12
	€ ,000	€ ,000
Long-term loans expired or expiring within one year	15,298	17,131
Group companies (refer to note 46)	15,366	5,609
Accrued expenses, sundry liabilities	4,316	2,259
Hedge contracts	117	999
Funds under management	666	555
Hedging premiums payable	314	642
Taxes payable	398	343
Balance as at 31 December	36,475	27,538

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.

45 Commitments not included in the balance sheet

The Society has entered into a rental agreement for seven years starting at 01/07/2007. The total rent payments amount to € 326,000 per year and are indexed. For this agreement a bank guarantee is issued for € 100,000.

The hedging agreements with Standard Chartered Bank and TCX, The Currency Exchange Fund N.V. contain an obligation to post Eligible Collateral under a Credit Support Annex. In the contract with TCX the threshold is set at US\$ 3,000,000 for both Oikocredit and TCX. 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.

As at 31 December 2013 the mark to market value of TCX was € 0.8 million positive. As at 31 December 2013 the mark to market value of Standard Chartered bank was € 3.5 million positive. Therefore it was not necessary to post or receive collateral.

The Society issued two guarantees for a total amount of € 1,185,000 to an Ethiopian bank covering loans issued to two partners in Ethiopia.

46 Related party transactions

Transactions with Oikocredit Foundations during the year

Material transactions with the Oikocredit International Support Foundation: during 2013, € 150,669 of category A1 costs were directly charged to the Oikocredit International Support Foundation (2012: € 233,011).

Oikocredit charged costs related to subsidized activities and 'model costs' (category B costs¹) to the foundations funds for subsidized activities and model costs amounting to € 50,000 (2012: € 100,000).

Oikocredit charged unrealized cumulated exchange rate differences on local currency loans to the fund for local currency loans cumulative exchange rate differences amounting to € 16.0 million (2012: € 4.4 million).

Transactions with the Oikocredit International Share Foundation

There were no material transactions with the International Share Foundation during 2013 or 2012 other than investments and redemptions of shares of the Society.

Transactions with Maanaveeya Development and Finance Private Limited

Oikocredit subscribed to two non-convertible debentures issued by Maanaveeya for a total of INR 1 billion (approximately € 11.8 million). Oikocredit charged interest to Maanaveeya on compulsory convertible debentures (which were all converted to equity during 2013) and on the non-convertible debentures for a total of € 2.7 million.

Transactions with Provident Fund

Oikocredit has contributed € 109,282 and US\$ 498,575 to the Provident Fund.

Transactions with members (Support Associations)

Oikocredit granted a contribution for costs to the support associations during 2013 for € 1,544,000 (2012: € 1,704,000).

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

Amounts owed by and to Oikocredit foundations and other group companies ¹		
	31/12/13	31/12/12
	€ ,000	€ ,000
<i>Amounts owed to group companies</i>		
Oikocredit International Support Foundation cumulated exchange rate differences	-	7,969
Oikocredit International Support Foundation	15,366	5,358
LIC Loan Fund	-	251
	15,366	5,609
<i>Amounts owed by group companies</i>		
Oikocredit International Support Foundation cumulated exchange rate differences	12,749	-
Oikocredit International Support Foundation	2,114	-
Oikocredit International Share Foundation	309	595
OSCap Fund	230	171
LIC Loan Fund	698	-
	3,351	766

¹ Market interest rates are charged on these amounts

Funds available within the Oikocredit Support Foundation

Total funds available within the International Support Foundation to cover future category A and B costs, as well as guarantees and capacity building of Oikocredit, amount to approximately € 5.4 million at year-end.

At year-end, the available local currency risk funds within the Support Foundation, to cover future currency losses on local currency loans, amount to approximately € 23.9 million.

47 Other information

Proposal for allocation of net income

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

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

The board of directors of the Society proposes to set aside:

- € 2 million for the cost increases in 2014 due to the implementation of the strategic business plan.
- € 5 million for risk coverage of local currency loans of which € 3 million will be withdrawn from the general reserve set aside last year for future loan losses.

With respect to allocation of net income, the Society's articles of association determine the following (article 35): 'The net profits shall be allocated by the annual general meeting after receiving the proposals of the board of directors.'

The board of directors will make the following proposal to the annual general meeting 2014 with regard to 2013 net income:

- To pay a dividend of 1/12th of 2% for every full calendar month of 2013 that the EUR, USD, CAD, SEK and GBP shares were registered.
- To pay a dividend of 1/12th of 1% for every full calendar month of 2013 that the CHF shares were registered.
- To add the amount in excess of the net result needed to pay the dividend to the general reserve, of which:
 - a. € 3.6 million to be withdrawn from the general reserve in respect of revaluations of term investments and € 1.4 million to be withdrawn from the general reserve to cover currency differences related to unhedged currency positions
 - b. € 21,000 to be withdrawn from the general reserve allocated as a reserve for the loans & investment systems
 - c. € 5 million to be added to the general reserve allocated as a reserve for the coverage of currency risks on our local currency loans
 - d. € 3 million to be withdrawn from the general reserve allocated as a reserve for future loan losses
 - e. 10% of the net result (after conditions a, b, c and d have been met) to be added to the general reserve allocated for capacity building expenditure in future
 - f. € 2.4 million remaining to be added to the general reserve

Allocation of net income		
<i>The board of directors proposes to appropriate the net income as follows:</i>	2013	2012
	€ ,000	€ ,000
Dividend distribution	11,609	10,520
General reserve		
Reserve for local currency loans	5,000	-
Reserve for business plan	2,000	-
Loan loss reserve	(3,000)	3,000
Reserve for development insurance activities	-	1,000
Reserve for loans & investments systems	(21)	2,000
Capacity building for partners (addition less withdrawals)	(466)	122
Unrealized exchange differences (withdrawal)	(1,385)	(101)
Unrealized revaluation of term investments	(3,570)	4,286
Other	2,393	2,028
	951	12,335
Net income	12,560	22,855

Information on cumulative unrealized results and specific designated amounts in general reserve		
<i>The breakdown of the balance of the cumulative amounts of the unrealized results included in the general reserve can be specified as follows:</i>	2013	2012
	€ ,000	€ ,000
Cumulative amount of unrealized revaluation of term investments	8,496	12,066
Local currency loans ¹	7,932	2,932
Cumulative amount of reserve set aside for loan losses	-	3,000
Cumulative amount of unrealized exchange differences in results	2,981	4,366
Cumulative amount set aside for the business plan	2,000	-
Cumulative amount of reserve set aside for new loans & investments systems	1,979	2,000
Cumulative amount of reserve set aside for development insurance activities	1,000	1,000
Capacity building for partners	540	1,006
Total unrealized results and designated amounts included in general reserve	24,928	26,370

¹ An amount for local currency loans (€ 7,932,000) will be used for exchange-rate differences, resulting from local currency loans, insofar as these exchange rate differences cannot be covered by the local currency risk funds in the Oikocredit International Support Foundation.

Independent auditor's report

To: the board of directors of Oikocredit Ecumenical Development Co-operative Society U.A.

Report on the financial statements

We have audited the accompanying financial statements 2013 of Oikocredit Ecumenical Development Co-operative Society U.A., which comprise the consolidated and company balance sheet as at 31 December 2013, the consolidated and company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Oikocredit Ecumenical Development Co-operative Society U.A. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 24 February 2014

Ernst & Young Accountants LLP

signed by N.Z.A. Ahmed-Karim

Annex to the annual report

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

	31/12/13	31/12/12
	€ ,000	€ ,000
Bonds issued by development banks, developing countries and by companies active in – and with particular beneficial impact in – developing countries		
<i>Bonds issued by development banks:</i>		
Kreditanstalt für Wiederaufbau, Germany	7,949	9,291
Agence Française de Développement, France	2,270	2,332
Inter-American Development Bank, United States of America	838	878
Financieringsmaatschappij voor Ontwikkelingslanden, the Netherlands	588	613
<i>Bonds issued by developing countries:</i>		
Republic of Lithuania	-	2,251
<i>Bonds issued by companies active in - and with particular beneficial impact in - developing countries:</i>		
Australia & New Zealand Banking Group Ltd, Australia	7,046	6,387
ABB Finance, Switzerland	6,890	-
Danone, France	6,786	6,291
Telenor ASA, Norway	6,705	6,868
DSM, the Netherlands	6,663	5,309
Suez Environnement, France	6,647	5,744
Linde Finance B.V., the Netherlands	6,563	5,804
Air Liquide, France	6,495	5,972
Atlas Copco, Sweden	6,156	-
Schneider, France	6,093	5,842
Legrand SA, France	5,464	5,608
British Telecom, UK	2,388	-
Akzo Nobel, the Netherlands	2,158	2,274
Olivetti Finance (Telecom Italia), Italy	-	2,045
Intel, United States of America	163	-
<i>Subtotal bonds with development impact</i>	<i>87,862</i>	<i>73,509</i>
Other term investments		
<i>Sovereign bonds</i>		
Republic of Poland	7,089	-
Czech Republic	6,818	-
Republic of Slovakia	5,487	5,441
Republic of Latvia	2,669	-
Republic of Lithuania	2,178	-
<i>Corporate bonds</i>		
Société Nationale des Chemins de Fer Français (SNCF), France	6,885	7,061
Sanofi, France	6,403	6,671
ÖBB-Infrastruktur, Germany	4,779	4,966
Telstra, Australia	4,525	4,451
Deutsche Bahn, Germany	4,212	6,471
ASML Holding, the Netherlands	2,506	2,564
Telecom Italia, Italy	1,012	-
Bank Nederlandse Gemeenten, the Netherlands	476	6,600
Nederlandse Waterschapsbank NV, the Netherlands	-	12,534
Novartis Finance SA, Luxembourg	-	5,619
Telia Sonera, Sweden	-	4,002
Reed Elsevier NV, the Netherlands	-	2,128
Bell Canada Enterprises, Canada	-	2,101
Régie Autonome des Transports Parisiens (RATP), France	-	566
<i>Subtotal other bonds</i>	<i>55,039</i>	<i>71,175</i>
Total	142,901	144,684

Office information

International office

Management team

- Mr David Woods
Managing director
- Mr Florian Grohs
Credit director
- Mr Albert Hofsink
Risk, compliance & IT director
- Ms Ging Ledesma
Social performance & credit analysis director
- Ms Irene van Oostwaard
Finance director
- Ms Ylse van der Schoot
Investor relations director

Regional offices

East Africa

- Ms Judy Ngarachu
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South America southern region

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International office

- Cameroon, Mozambique, Nigeria, *Australia, Chile, Egypt, Ethiopia, Germany, Luxemburg, Madagascar, Mauritius, Netherlands, Samoa, Spain, South Africa, Tunisia, United Kingdom, United States of America, Zimbabwe*

Oikocredit has eight regional offices and offers funding in almost 70 countries. Non-focus countries are in italics.

National support offices

Canada

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Oikocredit terminology

Capacity building

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

Country office

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

Focus country

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

National support office

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

Non-convertible debentures in India

A loan-linked instrument to raise long term capital which cannot be converted into equity.

Non-financial sector

Financial services Oikocredit provides to entities other than microfinance institutions (MFIs). The largest category of non-financial services consists of loans to agricultural cooperatives and fair trade organizations.

Non-focus country

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

Oikocredit international office

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

Oikocredit International Share Foundation

The Share Foundation facilitates investments in Oikocredit for banks, development organizations and individuals in countries without support associations or national support offices.

Oikocredit International Support Foundation

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

Portfolio at risk - PAR (90)

Percentage of our portfolio with a delay in payment of 90 days or more.

Regional office

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

Subsidized activities and model costs

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

Support association

Local organization engaged in promoting Oikocredit.

Term investments

Oikocredit's investments in bonds.

Strategic partners

 <p>www.icco.nl</p>	 <p>www.cerise-microfinance.org</p>	 <p>www.terrafina.nl</p>
 <p>www.grameenfoundation.org</p>	 <p>www.svenskakyrkan.se</p>	

Relevant networks

 <p>www.wfto.com</p>	 <p>www.agri-profocus.nl</p>	 <p>www.themix.org</p>
 <p>www.eurosif.org</p>	 <p>www.ica.coop</p>	 <p>www.eclof.org</p>
 <p>www.mftransparency.org</p>	 <p>www.sptf.info</p>	 <p>www.e-mfp.eu</p>
 <p>www.inaise.org</p>	 <p>www.cmef.com</p>	 <p>www.socialinvestment.ca</p>
 <p>www.smartcampaign.org</p>	 <p>www.inclusivefinanceplatform.nl</p>	<p>Council of Sustainable Agricultural Finance</p>

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Design

Van Santen Productions

Printing

Drukkerij Atlas

This document was produced by Oikocredit, Ecumenical Development Co-operative Society U.A. (hereinafter to be called 'Oikocredit International') with the greatest of care and to the best of its knowledge and belief at the time of writing. The opinions expressed in this document are those of Oikocredit International at the time of writing and are subject to change at any time without notice. Oikocredit International provides no guarantee with regard to its content and completeness and does not accept any liability for losses which might arise from making use of this information. This document is provided for information purposes only and is for the exclusive use of the recipient. It does not constitute an offer or a recommendation to buy or sell financial instruments or banking services and does not release the recipient from exercising his/her own judgment. The recipient is in particular recommended to check that the information provided is in line with his / her own circumstances with regard to any legal, regulatory, tax or other consequences, if necessary with the help of a professional advisor. This document may not be reproduced either in part or in full without the written consent of Oikocredit International. It is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under local law. Every investment involves risk, especially with regard to fluctuations in value and return. It should be noted that historical returns and financial market scenarios are no guarantee of future performance. Investments in foreign currencies involve the additional risk that the foreign currency might lose value against the investor's reference currency. Oikocredit International is a cooperative society ('coöperatieve vereniging') under the laws of the Netherlands.

www.oikocredit.org

Oikocredit is a worldwide cooperative society.

It promotes global justice by challenging people, churches and others to share their resources through socially responsible investments and by empowering disadvantaged people with credit.



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