OIKO CREDIT
investing in people

Annual report 2011

Investing with cooperative values

Contents
Annual report 2011

Cover photo
When her mother became too old to work as a fishmonger, Cecilia Ochieng took over the family business. Following in her mother's entrepreneurial footsteps, the 20 year old runs her stall selling fish at the Uhuru market in Nairobi, Kenya.

Cecilia is one of 117,000 clients of Small and Medium Enterprise Program (SMEP). SMEP reaches clients in six of the seven regions of Kenya with approximately 60% living in rural areas. Those clients can access credit, savings and deposit services, as well as non-financial services such as financial and environmental training. The organization does not support any activities involving child labour or destroying the environment.

In 2010, SMEP received its DTM (Deposit Taking Microfinance) license and began making disbursements and receiving payments using a mobile phone system. The organization has been an Oikocredit partner since 2010 and has two loans totalling more than € 2.1 million.

Letter
from the president

Dear friends,

On behalf of the board of directors, I am delighted to present this annual report for the year 2011. The year has been challenging in numerous ways in many countries. Still Oikocredit can be satisfied with its efforts and achievements on behalf of low-income people in developing and transition countries. While on every continent people face economic uncertainty and hardship, we continued to support practical opportunities for some of the world's poorest households and communities to change their lives for the better.

Along with access to fair financial services, our work helps provide a growing range of advisory and training opportunities for our partners and clients. Through our capacity building services, we have contributed to improvements in organizational capacity, agricultural production and processing, education, health, business practices, and women's empowerment, to name some key areas.

The year has also had its difficulties, both for the development financing and microfinance sectors and for the global economy as a whole. While we maintained healthy levels of financing of partners, our net inflow of new capital was lower than the previous year, and we experienced repayment difficulties in the state of Andhra Pradesh in India. However, we remain confident about successfully meeting these challenges.

On the capital inflow side, we are enhancing outreach and marketing, and developing investment products and services, to raise awareness and attract funds. We have ambitious plans to expand our investor base among churches, foundations, NGOs and individuals.

On the partners side, we continue our careful approach to partner selection and monitoring, paying even greater attention to client protection and other social performance issues, as well as to environmental and governance matters. We are strengthening our expertise in microfinance and agriculture, building our staff capacity in such areas as social performance management and developing our range of capacity building services for partners. Our geographical spread, though wide, remains well focused, with Africa the main region of targeted strategic growth, while our new strategy for equity aims to make us a first-choice investor in social enterprises that empower disadvantaged people.

Designated as the United Nations International Year of Cooperatives, 2012 has a special meaning for Oikocredit as a cooperative society itself working with many other cooperatives around the world. Let us take this opportunity to celebrate the solidarity and successes of the global cooperative movement in which we gladly play a part. Cooperation represents the best and most effective human impulse for problem-solving and provides a model for the international community to emulate in striving for decent and sustainable livelihoods for all.

During 2011, Tor G. Gull stood down after serving Oikocredit as managing director for 10 years. While we will miss his leadership enormously, we wish him joy and fulfilment in his well-deserved retirement. Meanwhile the search for a successor continues.

As always, our investors and partners remain crucial to the positive changes we have helped achieve and will continue to work for in the lives of the poor. We sincerely thank them and our members, staff and support associations for their invaluable contributions to another very worthwhile year for us all.

This being my last letter to you after finishing my six years on the board this year, I end by wishing you a lot of success and the same commitment in 2012.

Fidon Mwombeki
President of the board of directors

Five years Oikocredit key figures

Figures from the consolidated financial statements [1]	2011	2010	2009	2008	2007
Members	595	595	604	600	598
Investors	45,000	43,000	36,000		
Regional and country offices	36	36	33	36	34
National support offices and support associations	36	36	36	38	37
Staff members in FTE [2]	222	210	183	191	160
Project partners in portfolio [3]	896	863	790	739	637
€ millions					
Total consolidated assets	671.9	639.8	537.5	475.8	421.5
Euro member capital	471.9	436.0	377.5	326.0	293.9
Member capital in foreign currencies	39.0	37.4	28.8	24.6	24.8
Other lendable funds [4]	78.5	83.1	62.0	50.2	43.8
Total lendable funds	589.4	556.5	468.3	400.8	362.5
Development financing activities					
New disbursements	196.1	206.3	141.7	181.1	140.6
Increase % disbursements	*(4.9%)*	*45.6%*	*(21.8%)*	*28.8%*	*50.4%*
Cumulative disbursements	1,250.6	1,054.5	848.2	706.5	525.4
Total cumulative payments (capital, interest and dividends) by project partners	953.3	758.8	580.2	436.7	330.2
Total development financing outstanding	520.5	481.2	393.8	365.1	274.0
As % of lendable funds (beginning of year)	*93.1%*	*103.1%*	*98.7%*	*100.7%*	*89.9%*
Loss provisions as % of development financing outstanding (financed by own funds) [5]	12.5%	12.2%	12.1%	10.9%	13.3%
Portfolio at risk 90 days	9.2%	7.6%	6.2%	4.2%	8.0%
Write-offs capital and interest charged to loss provisions	7.7	3.8	0.9	2.0	1.3
As % of development financing outstanding	1.5%	0.8%	0.2%	0.5%	0.5%
Total financial income [6]	55.1	46.5	40.6	36.0	40.7
Expenses	21.3	17.9	15.1	13.1	10.4
As % total assets	*3.2%* [7]	*2.8%*	*2.8%*	*2.8%*	*2.5%*
Additions to loss provisions	15.0	12.1	8.1	5.8	7.1
As % development financing portfolio	*2.9%*	*2.5%*	*2.1%*	*1.6%*	*2.6%*
Net income (available for distribution) [8]	15.9	16.1	19.3	11.4	13.1
Proposed dividend	9.7	8.7	7.4	6.6	5.8

[1] Figures up to 2010 include the consolidated 4F Funds. Figures from 2011 onwards exclude the consolidated 4F Funds.
[2] Including staff employed by the regional offices and national support offices.
[3] Project partners in portfolio include project financing outstanding as well as projects currently in the process of disbursement, and excludes repaid, written-off or cancelled projects.
[4] Other lendable funds are reserves (2011: € 47,164,000) and non-current liabilities (2011: € 35,603,000) excluding hedge contracts (2011: € 3,036,000) and other liabilities (2011: € 1,259,000).
[5] A part of our projects are financed by third parties (2011: € 10,964,000). The write-offs include capital (2011: € 4,094,000) and interest (2011: € 3,631,000).
[6] In 2007 the gain on shares sold in Banco del Desarrollo is included.
[7] Including expenses covered by grants (for example capacity building expenses) and investments in a new common administration system (Titan).
[8] 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 2011. This report highlights the most important developments during the year.

Oikocredit in 2011: performing strongly and true to mission

Oikocredit's results remained strong during 2011. We continued to enhance our position as a responsible development financing organization offering investors opportunities to invest in support of poor people. While the global financial crisis, especially in the euro zone, affected our inflow for 2011, we remain committed to our mission and confident in facing any challenges ahead.

Oikocredit continued to focus on the social and client orientation of the organizations we work with, including even stricter requirements in partner selection. Approvals and disbursements were at similar levels to 2010 – which, given the microfinance crisis in the Indian state of Andhra Pradesh, exceeded expectations.

Net capital inflow from new and existing investors was lower than expected, mainly as a result of the crisis in the euro zone resulting in more redemption requests than in previous years. Nevertheless, Oikocredit did manage to attract 2,000 new investors.

Our three-year strategy, Futura III, starting in 2010, focuses on three areas: growing our investments in Africa; further diversifying activities with increased attention to financing the agricultural sector; and expanding our role as a leader in social performance management (SPM).

Social performance management

In 2011 the microfinance sector faced quite some criticism. Reports of excesses in collection practices and in interest rates charged emphasize that we were already on the right track a few years ago in strengthening our client and social orientation. Since then, we have included an enhanced scorecard in our due diligence process to assess environmental, social and governance (ESG) aspects in new partner selection, and all our regional offices now have SPM specialists.

As an active member of the Smart Campaign, we continued to implement the Client Protection Principles. Oikocredit's contracts now require partners to respect and implement these principles. We also co-developed principles that we as investors should adhere to.

Urocal, Ecuador

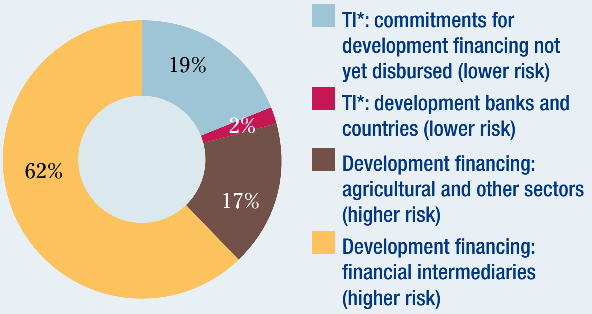
We have pioneered the provision of local currency loans. Since we started 13 years ago, we have continued this deliberate long-term strategy of taking on, and freeing partners from, local currency risk, helping them meet their needs and enhancing our 'double bottom line' of social and financial return.

Capacity building in SPM, as well as in risk management, agricultural finance and product development, is increasingly important to our partners. We have strengthened our alliances with ICCO, the Church of Sweden and, most recently, The Rotary Foundation in taking forward our capacity building work.

2011 in graphs

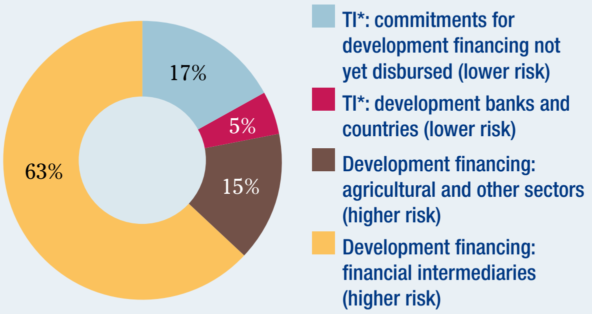
Investment mix Oikocredit invested funds 2011

As of 31 December 2011



Investment mix Oikocredit invested funds 2010

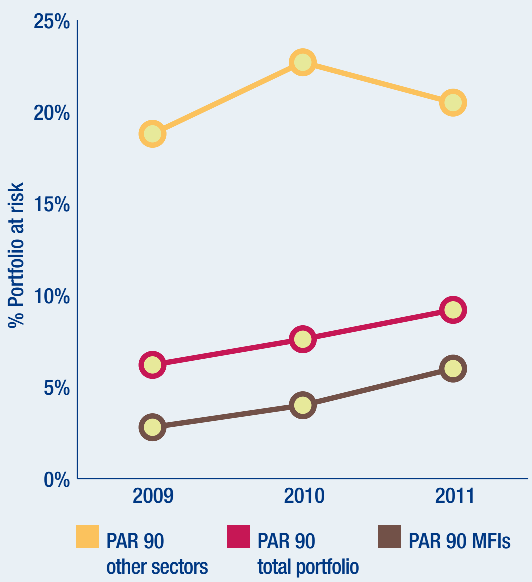
As of 31 December 2010



* TI = Term investments

Portfolio at risk

As percentage of total development financing
As of 31 December 2011



Development financing

Volumes of approvals and disbursements exceeded expectations despite low growth in India. Oikocredit's development financing portfolio expanded to € 520 million at year-end 2011, up 8% from € 481 million in 2010. Our investments directly or indirectly reach approximately 26 million people in poor regions.

Approvals and disbursements

We approved € 211 million in new loans, almost the same level as in 2010, and disbursed € 196 million, slightly less than the previous year. Both figures were affected by the interruption in previous years' huge growth in India, where we disbursed € 20 million less than in 2010.

Portfolio quality: repayment performance and monitoring

Our portfolio at risk (PAR) ratio indicates the percentage of the portfolio with outstanding payments more than 90 days late. PAR at end-2011 was 9.2%, up from 7.6% the previous year, and was mainly affected by developments in Andhra Pradesh. We also had to reschedule some of our loans in India, amounting to approximately 0.9% of our total development financing portfolio. Excluding India, the PAR ratio in fact improved from 7.9% in 2010 to 7.4% in 2011. Write-offs on capital during 2011 represented 0.8% and write-offs on interest 0.7% of our total development financing portfolio (totalling 1.5% vs 0.8% in 2010).

> *Approvals and disbursements exceeded expectations*

In Andhra Pradesh, following criticism and protests from politicians and in the media, the state government imposed stricter regulations on microfinance institutions' (MFIs') disbursements, requiring government approval, and a ban on visiting clients at home, with collections permitted only in public places. These measures affected the entire sector in Andhra Pradesh, negatively impacting our PAR and requiring the rescheduling of some payments.

India's Reserve Bank decided on changes in the regulation of the microfinance sector during 2011. Under the new regulations, banks slowly resumed lending to MFIs, which are still a priority sector for the Indian Government.

The political situation in Côte d'Ivoire stabilized as the civil conflict came to an end. Our activities there and more widely in West Africa are gradually picking up again, although the unrest still affects our PAR in the region.

To reduce PAR worldwide and increase efficiency, we reviewed and began to implement changes in our loan and investment approvals processes.

Equity investments
Oikocredit's equity portfolio, consisting of direct investments in MFIs and small and medium-sized businesses, continued to grow. Total equity investments disbursed amounted to € 34.9 million in 2011, up 14% from € 30.7 million in 2010. We reviewed our equity strategy and operations and have decided to further strengthen the equity function by adding staff in the Latin American regions and in the international office, with the latter serving all other regions.

Focus countries
In line with the board's decision, we opened and staffed offices in Nigeria and Mozambique in 2011 and started activities in Rwanda. Our strategy remains to concentrate future expansion of Oikocredit especially in Africa, in response to the continent's severe poverty and difficult operating context that deters others. We plan to undertake market studies in Cameroon, Madagascar and Malawi.

"We continue to expand social performance management"

Support for agriculture
Oikocredit aims to increase support for the agricultural sector, including agricultural cooperatives and fair trade organizations, and processing activities such as dairy and coffee processing. We are building our expertise in this sector, and our agricultural financing portfolio grew by more than 30% in 2011 to € 55.4 million (2010: € 41 million).

Term investments (4F Fund)
For liquidity purposes and risk management Oikocredit invests part of its assets in term investments. These are mainly fixed income investments such as bonds issued by development banks and developing countries, or bonds issued by corporations that meet our ethical criteria and operate with a beneficial impact in developing countries. Our term investment portfolio grew by approximately € 5 million compared to end-2010, mainly due to interest on bonds reinvested.

Measured over a five- to ten-year period, the 4F Fund – the most important component of our term investments – showed excellent performance compared to similar ethical bond funds. The 4F Fund is externally managed by IMS in Leusden, the Netherlands.

Inflow of new capital
Net capital inflow in 2011 was € 40.5 million, 36% down from our record level of € 62.9 million in 2010. One trend noticed was that redemptions were considerably higher. Among the likely reasons for this were investors' concerns about the economy and their own finances. While it will be a challenge to address such concerns, we are helped by the low interest rate environment. This year we did manage to attract 2,000 more individual investors, which makes in total 39,000 individuals and 6,000 organizations investing in Oikocredit.

We launched a new retail product in association with the German ethical bank GLS, which quickly proved popular, attracting € 1.8 million during its first months without any active promotion.

Income statement 2011

Financial income
Income from our development financing portfolio increased by approximately 20% during the year. This resulted from portfolio growth and the appreciation of the US dollar and some local currencies against the euro, partly offset by the effects of on average lower interest rates. Sale of part of our stake in the Peruvian MFI Confianza added to the income.

Total return (net interest as well as revaluations) on our term investment portfolio in the 4 F Fund was approximately 3.5%, compared to 3.2% in 2010. This was mainly the result of the decline in market interest rates during 2011.

Small and Medium Enterprise Program (SMEP), Kenya

Financial expenses and addition to loss provisions
Hedging expenses were slightly lower than in 2010. Positive exchange rate effects declined compared to 2010. The main reason was the depreciation of the Indian rupee vs the euro during 2011. The differences between local currency hedging costs and exchange rate effects on local currency loans are either added or charged to our Local Currency Risk Fund. Interest paid was slightly higher than in 2010 and mainly relates to loans for financing the activities of our Indian subsidiary Maanaveeya Development & Finance.

In 2011 we added approximately € 15 million to our loss provisions, the equivalent of 29% of our development financing income (2010: € 12 million, 28% of development financing income). The increase is partly due to the situation in Andhra Pradesh as described above, as well as some additions related to changes in country loss provisions.

Operational expenses
Expenses rose approximately 19%. As a percentage of total financial income, expenses were at the same level as in 2010 (39%). Expenses however included a charge of about € 1 million for developing our common investment administration system and for capacity building for our partners of € 2.3 million (2010: € 1.6 million). Capacity building expenses are charged to funds originating from grants. Excluding these two components, expenses were 33% of total income (2010: 35%).

Dividend and addition to reserves
The board of directors will propose a dividend of 2% at the annual general meeting in June 2012. We will propose to add the remaining € 6.2 million of the net result to the general reserve. Part of this addition to general reserves represents unrealized revaluations of term investments and unrealized exchange rate differences and will be designated for future unrealized revaluations of term investments and exchange rates changes. Of the addition to the reserves, 10% (€ 0.5 million) will be allocated for partners' capacity building expenses.

Taxes
Our subsidiaries in India and Ukraine pay taxes on their net income at the tax rate applicable for Indian and Ukrainian companies. The lower taxes for India are due to a lower net taxable result.

At our request the Dutch tax authorities reviewed our tax status on gifts and inheritances (ANBI) for the Oikocredit International Support Foundation. The ANBI status enables us to receive tax-free gifts, inheritances and grants. This status was reconfirmed late 2011.

Results of business components
Three business components contribute to Oikocredit's results:
- Loans and investments (direct project partner financing). The net result before dividends and after taxes was € 11.9 million (2010: € 9.2 million), approximately 2.3% (2010: 2.1%) of the average outstanding portfolio. Net results were affected by growth of the portfolio, the sale of part of our investment in Confianza, and lower interest paid offset by higher additions to loss provisions.
- Term investments (bonds). The net result before dividends of our term investments slightly decreased during the year to € 2.9 million (2010: € 3.2 million), mainly as a result of lower returns on the portfolio.
- Non-banking activities (representing capacity building and specified costs covered by grants). Results of our non-banking activities are added to, or deducted from, designated grant funds within the Support Foundation.

Cash and currency management

Cash position
Investments in development financing were at approximately the same level as in 2010. Early redemptions of loans by partners were lower than the previous year. Net inflow was lower, and we redeemed some of our loans from financial institutions in India as we invested more in the subsidiary ourselves. As a result, Oikocredit had a somewhat lower – but still healthy – cash position at end-2011, allowing us to refrain from using our credit lines with financial institutions.

Financing of Maanaveeya (Indian subsidiary)
During 2011 the portfolio in India did not grow, and we therefore did not enter into new loan agreements within Maanaveeya. Additional loan facilities for 2012 are being discussed with a number of financial institutions.

> *"The board will propose a 2% dividend"*

Covering and hedging local currency and USD exposures
Oikocredit's local currency exposure further increased, mainly as a result of portfolio growth. We reached the limits of the funds available in our Local Currency Risk Fund but increased hedging with financial institutions and with The Currency Exchange Fund NV (TCX). We maintained hedges of our US dollar exposure at around 90% of total exposure.

Other developments

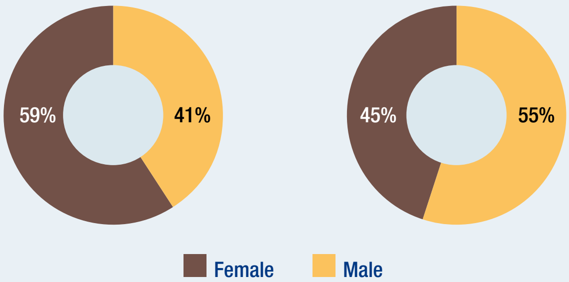
Human resource management (HRM)
In 2011, 222 (2010: 210) people were directly or indirectly employed by Oikocredit (full-time equivalents). The increase was due to hiring for positions left open the previous year and to an increase in the budgeted number of full-time equivalents because of portfolio growth.

Ecological footprint
In 2011 Oikocredit considered environmental questions arising from our development financing, as well as our

Oikocredit staff overview
As of 31 December 2011

Division of staff by gender

Division of management by gender



Oikocredit employs staff from more than 45 countries.

own ecological footprint. We measured and analysed the footprint of our international office as a step towards further decreasing our CO2 emissions and use of raw materials. We hired a consultant and developed plans, to be implemented in 2012, to develop an integrated environmental policy covering both projects that we finance as well as our own footprint.

Audit committee
The audit committee met with the board and management twice in 2011 and had one telephone meeting. The board appointed Ernst & Young as our new external auditors. The audit committee reviewed with them as well as with senior management and internal audit our financial statements, the effect of accounting policy changes, our subsidiaries, internal audit plans and reports, and internal control structures. Reviews of the risk management process, risk indicators, compliance and business continuity are recurring audit committee agenda items.

ICT developments
In 2011 we continued to develop a uniform administration system to administer all investors and their investments. Implementation of this new common investment administration system will start in early 2012 in Oikocredit International, after which support associations will follow. We expect that the project will be completed in 2013. We will finalize plans in 2012 for a new integrated ICT system for the core business of processing loans and investments.

Outlook 2012
Oikocredit's members' meeting prior to the AGM in 2011 discussed guiding principles for a potential new investment product, and in 2012 we will begin development of this new offering.

We aim to maintain our policy of selected portfolio growth (on average 10% to 15% growth per year) and focus especially on partners in the agriculture and finance sectors, particularly in Africa. This will enable us to reach critical volume and increase our sectoral expertise. We will also further develop our social performance monitoring.

To deal with the increase in PAR, lower PAR and improve handling of payments overdue, we will further strengthen our monitoring and collection.

Oikocredit's proposed new equity investment strategy includes directions with regard to objectives, sector and geographic specialization, organizational structure, and operational guidelines. We will strengthen the equity function in our Latin American regional offices and in the international office.

We aim to enhance staff training and professional development, help the support associations professionalize their marketing, increase brand recognition, and improve our web presence including facilities for online investing.

> *"We work with 290 cooperatives across 5 continents"*

The International Year of Cooperatives
The United Nations has designated 2012 as the International Year of Cooperatives. As an international financial cooperative collaborating with 290 cooperatives on five continents, Oikocredit will seek opportunities to highlight how cooperatives advance development based on principles of community, equal rights and democratic governance.

Conclusion
In spite of the global and regional challenges affecting us in 2011, we have performed very effectively overall and will intensify our work with, and on behalf of, poor people and their communities in the year to come.

We are confident of continuing to grow and reaching more clients in a targeted way, working supportively with partners in empowering disadvantaged people. We thank our members, support associations, individual and institutional investors, staff, volunteers and other stakeholders for supporting Oikocredit's work over the past year.

Amersfoort, 23 February 2012

Fidon

Fidon Mwombeki
President of the board of directors

896

partners

Sustainable livelihoods

Loans & Investments department

Oikocredit's support for partners around the world grew steadily in 2011, with a focus on helping poor households and communities achieve sustainable livelihoods. We continued to disburse funds selectively after carefully assessing partners' social objectives. We prioritized harder-to-reach rural areas, poorer communities and the agricultural sector, especially in Africa. And we formulated a new strategy for our equity investments.

Oikocredit works with partners in almost 70 developing and transition countries. We provide loans, equity investments and credit lines, channelling most funds through offices in 36 countries in Africa, Asia, Latin America and the Caribbean, and Eastern Europe.

In 2011 we supported 896 partners: 174 (19.4% of the total) through our African offices, 212 (23.7%) through our Indian and Southeast Asian offices, 134 (15%) through our Eastern Europe and Central Asian offices, and 350 (39.1%) through our Latin American and Caribbean offices. Our international office managed the remaining 26 projects (2.9%).

Despite the financial crisis affecting many countries, we continued to serve our partner organizations and clients effectively. We know our partners well and carefully monitor how our capital flows benefit clients' livelihoods.

Oikocredit's approach remains solidly focused on financing productive activities and small and medium-size businesses that meet human livelihood needs. Our staff members are committed to working closely with partners and beneficiaries, while portfolio diversification across many countries and partners – significantly more than most other international social investor organizations achieve – reduces risk. In most countries where we work we have invested at least € 1 million.

We have become more rigorous in assessing partners' social objectives and performance, as well as their financial capability, notably the capacity to protect clients from harm. We are selectively focusing more on agriculture and the poorest countries, especially in Africa. Our work encountered particular difficulties in Côte d'Ivoire and in the state of Andhra Pradesh in India, but despite the challenges we continued to work with our partners in both places.

Approvals and disbursements

Oikocredit's outstanding portfolio grew by 8% to € 520 in 2011 (2010: € 481 million), while disbursements fell by 4.9% to € 196 (2010: € 206 million). We saw a 4% decline in the number of projects approved – 267, down from 278 in 2010 – and a 4% increase in average approved loan size to € 788,000 from € 758,000 in 2010. The microfinance crisis in Andhra Pradesh, which affected the sector throughout India, was the main reason for the decline in disbursements.

Portfolio mix

One of Oikocredit's goals is to increasingly support mission-driven MFIs. We are therefore becoming more selective, prioritizing partners' social performance in our approval decisions, and focusing strategically on agricultural development, small and medium-sized enterprises and partners in Africa.

Prioritizing agriculture

The agricultural sector remains a particular focus. Most poor people in developing countries live in rural areas and work in agriculture, and investments in agriculture have substantial development impact. Agriculture encompasses more than primary crop and livestock production, also including forestry, fishing, processing and marketing. Members have urged Oikocredit to increase support for fair trade producers, which we aim to do in the coming years.

In 2011, the proportion of agricultural projects in our portfolio grew markedly, comprising 18% of new projects and 16% of new funds approved. Among new approvals were support for shea nut processing in Ghana, cotton production in Tanzania, coffee growing and grain production in Uganda, beans and sesame in Bolivia, and milk processing and yogurt making in Costa Rica and Senegal. In India, several MFI partners increased support for rural development and livelihoods projects including dairy processing, horticulture, fish farming and duck raising.

Lead agricultural countries

We continue to focus support for agricultural development via nine lead countries in five regions. We make additional resources available here to facilitate networking with farmer organizations and entrepreneur platforms, providing models for other countries, and appoint project officers with specialist knowledge and experience. Our lead agricultural countries are:

- Africa: Côte d'Ivoire, Uganda
- Asia: the Philippines
- Eastern Europe: Bulgaria, Moldova
- Central America: Costa Rica, El Salvador
- South America: Paraguay, Peru

PAR reduction

In 2011 we had a steady increase in delayed principal and/or interest payments as measured by our portfolio at risk (PAR) ratio. The PAR 90-day ratio measures the value of loans outstanding with one or more payments due for more than 90 days as a percentage of the total gross loan portfolio. This increased from 7.9% to a high of 10.0% and then fell to 9.2% by year-end. The rise caused concern. With an external consultant we reassessed our entire loan process, from the first screening of applicants to monitoring and debt collection.

The increase in PAR results partly from our mission of reaching out to poor people, and secondly from events in Andhra Pradesh. Oikocredit by definition accepts risks that many local commercial banks and international investors will not take. Supporting disadvantaged people entails higher risks because their businesses often lack a track record and reserves, and they cannot offer much collateral. High-risk projects are more likely to get into problems. Yet we stand behind our strategy and deliberately move away from large-scale, well-established MFIs towards smaller regional savings-and-credit organizations. We strive to do more in Africa and Asia, which have higher incidences of loan default than Latin America and Eastern Europe. And we diversify towards agriculture, where our PAR is relatively high. The social objective of reaching out to poor people prevails above an economic rationale of financing low-risk businesses.

With respect to India, much of our rise in PAR was caused by microfinance sector difficulties there, particularly in Andhra Pradesh. Government intervention caused practically all MFIs in the state to default on their loans with Oikocredit. Only MFIs organized as cooperatives could continue lending and making repayments. PAR in our India portfolio rose from 5.4% to 24.3%, and India's contribution to our global PAR was almost € 13 million or 2.6% at its height before falling to 1.9% because of loan restructuring.

To bring down our PAR we are increasing the frequency of monitoring visits to partners and intensifying capacity building support. We are following up late payers more closely to ensure Oikocredit is a high-priority creditor. If it becomes clear that a particular project will fail, we call more quickly upon guarantees and available collateral, because swift collection action increases the loan capital recovered. In 2012 we will increase our capacity for debt collection at the international office and in the regions.

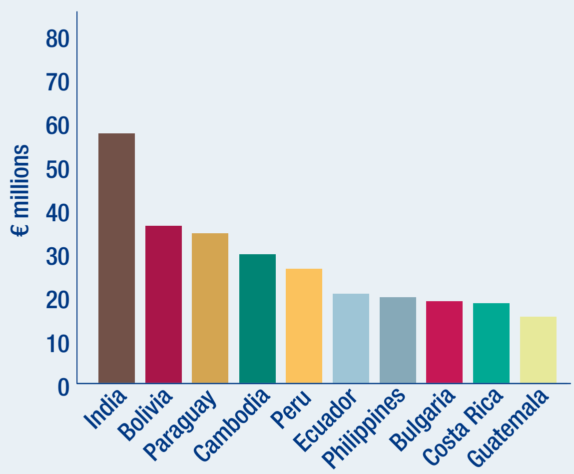
Guarantee funds

Utilizing funds for guarantees provided by institutional donors who share our mission allows Oikocredit to finance smaller organizations of higher risk but with strong growth and social impact potential. ICCO, USAID, the Dutch Government, the Church of Sweden and Woord en Daad are our major sources of third-party guarantees.

ICCO guarantees high-risk projects in 23 countries in sectors ranging from agriculture to microfinance and fair trade. At end-2011, ICCO guaranteed 117 contracts to 79 partners totalling € 22.5 million in Latin America, Africa, Asia and Europe. ICCO also provided funds for a guarantees scheme for select MFIs with over 10,000 clients. USAID's Development Credit Authority is guaranteeing 40 loans to our partners with outstanding total loans of € 10.3 million, predominantly in Africa. The Church of Sweden provides guarantee for € 1.5 million in loans to four partners in Africa and one in Asia. And Woord en Daad has guaranteed 10 partners with loans totalling € 1.1 million, in particular in the Philippines and Guatemala.

10 countries with highest capital outstanding

As of 31 December 2011



Equity investments: building value

Oikocredit's equity portfolio stands at € 35 million invested and € 50 million in total commitments. With our equity investments we accept higher risk as part-owners of the business, provide more active oversight and seek higher returns over time compared to interest on loans. Partners benefit from our equity investing by leveraging our capital to acquire loans from local banks or international lenders, while we provide institutional credibility and governance, strategy and operational support. When evaluating social return we consider quantitative and qualitative indicators such as supplier incomes, working conditions and environmental performance.

In 2011 we approved new equity investments in social enterprises in Senegal, Tanzania and Kerala, India, as well as investments in existing MFI partners, a new fund supporting environmental companies in Central America, and a distributor of solar lamps in East Africa.

After we have helped a company achieve potential, we may divest. In Cambodia we have identified strategic buyers for our shareholdings in two MFIs, and we sold half our shares in Confianza, Peru, to another MFI while retaining a stake in the newly merged entity, Banconfianza, which will expand financial services to remote Andean communities.

Three-year strategy

Recognizing slower growth in the number of our equity investments, pressures on staff and a need to clarify our management roles, we have formulated a new equity investment strategy. Our mission is to become a highly respected first-choice provider of added value to high-potential social enterprises that generate development in low-income communities. Our strategy envisages a doubling of our equity investment portfolio, capacity development in management skills and accountability, and an enhanced profile as the preferred social enterprise investor.

Partnering with cooperatives

An old African proverb says: 'If you want to go quickly, go alone. If you want to go far, go together.' This sums up the cooperative spirit. In 2011, 290 (32%) of Oikocredit's 896 partners were cooperatives, and 21% of our lending supported cooperatives. We welcome the fact that the United Nations has made 2012 the International Year of Cooperatives.

Cooperatives empower people to take ownership of their future by sharing values, goals, experience and ways of working. Agricultural cooperatives often represent the best way for small-scale producers to raise efficiency and obtain better prices through collective negotiation. While cooperatives can take time to establish and be slow in decision-making, well-run democratic cooperatives are highly suitable partners for us.

In Asia, 50 (21%) of our 238 project partners are cooperatives, with a 7% share in the total of our loans and investments in the region. In Eastern Europe and Central Asia cooperatives comprise almost 50% of our partners and account for 20% of our total regional capital. Many are agricultural cooperatives with loans to purchase agricultural machinery; others are savings-and-credit organizations. Bulgaria, our focus country with the most partner cooperatives in the region, will host Oikocredit's study tour in 2012. Of the 350 partners in Latin America, 109 (31%) are cooperatives, with a 27% share in our total loans and investments there. In Africa we have 69 cooperatives (37%) among our 188 partners. Their share in total loans and investments is 26%. Most are savings-and-credit cooperatives.

Environmental policy

We are developing a new policy to make environmental and climate protection issues more central to our work, which the board will discuss in June 2012. In addition, our environmental task force updated our assessment guidelines for production projects, with a greater focus on environmental impact. And we are training our staff and doing more to raise awareness among partners about environmental issues such as climate change and sustainable use of natural resources.

> *'The agricultural sector, equity and Africa are priorities'*

Outlook 2012

In the coming year, Oikocredit will continue to prioritize agricultural projects and partners in Africa in its portfolio development, along with support for fair trade. We aim to limit involvement outside finance and agriculture and become more expert and add more value in these two focus sectors.

We will increase our attention to social performance, both through project partner selection and in monitoring and providing capacity support for partners. Operationally we are introducing stricter procedures to secure timely repayment, while working internally on becoming more efficient and shortening lead times from first contact with a potential partner and application approval to contract signature and funds disbursement.

With our clearer equity investment strategy, in 2012 we will focus on implementation, building our capacity to add value to investee companies and expanding the portfolio.

Asia **Emphasis on social mission**

While growth remained strong in Asia, poverty remains a serious concern. Much of the population continues to live below the poverty line, especially in rural areas, affected by income inequality, a weak agricultural sector, lack of government services, and vulnerability to natural disasters.

Pragathi Mutually Aided Cooperative Societies, India

Supporting cooperative programmes

In 1995 Pragathi Mutually Aided Cooperative Societies of India began encouraging self-help groups for women, with an emphasis on saving 5 rupees (€ 0.8) a month. Since then, the organization has grown to encompass 38 separate Mutually Aided Cooperative Societies. Pragathi operates in Andhra Pradesh state and has 45,500 members who benefit from programmes including educational support, environment conservation, health care and rehabilitation. Pragathi follows both the self-help group and individual models for lending, offering savings and credit for small rural and other businesses. In the past year Pragathi has focused on its dairy farming members and on a need for high-yielding crossbred cattle, as well as the development of its own dairy plant to increase profits for the farmers.

Andhra Pradesh crisis

The microfinance sector in Andhra Pradesh continued to face severe problems. State-level legislation effectively shut down Non-Banking Financial Companies (NBFCs) throughout Andhra Pradesh. MFIs could not collect repayments or provide new loans, and repayments to lenders were delayed. Many Indian banks curtailed lending to MFIs.

India's Reserve Bank introduced a new regulatory framework, limiting the size of loans and borrowers' maximum indebtedness. A new Microfinance Bill should allow a revival of MFIs. While financially the crisis is likely to result in delayed partner payments and a partial loss of portfolio, socially the balance could be more positive, refocusing MFIs on social objectives.

Our Indian subsidiary Maanaveeya closely monitored payments due and provided new loans to mission-driven partners where possible. It raised awareness of client protection, provided social performance management (SPM) training and promoted financial literacy. Maanaveeya no longer makes new loans in over-serviced areas where risks of over-indebtedness are high, with the exception of agricultural and livelihoods projects. The World Bank's International Finance Corporation approved funding for Maanaveeya's water, sanitation and solar energy projects.

Agriculture

In the Philippines we have 12 partners engaged in agricultural activities such as production and marketing of organic rice, livestock and poultry, muscovado sugar, rubber and abaca fibre. To help diversification towards agriculture in South East Asia, our Philippines office is seeking to develop partnerships with financial intermediary organizations.

Capacity building and SPM

Capacity building and social performance management (SPM) support to partners is key in South East Asia. In Cambodia we are developing a radio programme on financial literacy and the Client Protection Principles, in collaboration with the Cambodia Microfinance Institute. Decision makers from Oikocredit's main production partners in Cambodia and the Philippines attended our course on strategic management for social enterprises. The Philippines is also conducting one of our pilots for joint action planning with ICCO to integrate support of social enterprises and MFIs through loan financing, guarantees and capacity building.

Eastern Europe and Central Asia
Recovery continues

Recovery continued in Eastern Europe and Central Asia, with economic growth in our focus countries in the region ranging from 1.5% in Romania to 7% in Kyrgyzstan and Moldova. Strong demand for loans and investments came from the Caucasus and Central Asia, while economic and political challenges persisted in the Balkans, Romania and Ukraine.

Sustainable operations

Oikocredit's regional office for Eastern Europe and Central Asia covers seven focus countries (Bosnia Herzegovina, Bulgaria, Kyrgyzstan, Moldova, Romania, Russia and Ukraine) and supports microfinance institutions (MFIs) in additional countries in the Caucasus and Central Asia. We had 134 partners at year-end and maintained high repayment rates.

Operations in the region are highly sustainable thanks to good portfolio quality and staff commitment. While we grew our impact in the Caucasus and Central Asia, in Kyrgyzstan and Tajikistan concerns arose regarding MFI competition and over-concentration. Our new office in Bishkek, Kyrgyzstan, will focus on new markets in Central Asia. Our portfolio in Bulgaria remained strong, while in Moldova we increased outreach to agricultural small and medium-sized enterprises (SMEs). We met new challenges in Ukraine, where credit cooperatives faced difficulties renewing their deposit licences.

Portfolio diversification

The share of direct loans to agricultural producers and SMEs is high in countries such as Bulgaria and Romania. Direct lending in Kyrgyzstan, Moldova and Ukraine is held back by levels of economic development and limited institutional capacity. Here a more effective way to reach disadvantaged people is via financial intermediaries. Our regional office is strengthening social performance monitoring of our partners to ensure solid developmental impacts and fair client treatment.

Social performance

We increased our focus on social performance management by mapping partners' needs and training staff.

At industry level Oikocredit has been active in preventing over-indebtedness. At the MFC (Microfinance Centre) conference in Prague we organized a workshop on our social business model in cooperation with the International Labour Organization. We provided risk management training to partners in several countries, continued supporting the Debt Advice Centre in Bosnia Herzegovina, and promoted financial literacy with partner IMON in Tajikistan.

FinDev, Azerbaijan

Working with the rural poor

Finance for Development (FinDev) is an MFI in Azerbaijan that addresses the financial inclusion of the Azeri poor who work in trade, services, agriculture and production. Founded by Oxfam GB, FinDev provides group and individual loans and prioritizes pricing transparency and loan education for clients. It has endorsed and actively implements the Smart Campaign's Client Protection Principles. Client retention is an essential element of FinDev's operations, and it focuses expansion efforts on rural areas that are under-served by the financial market. FinDev is a co-founder and active member of the Azerbaijan Microfinance Association, a forum for sharing industry best practice. FinDev client Islam Eyyubov's cooperative livestock farm has used a US$ 5,000 loan to buy 40 sheep.

Latin America
A year of breakthroughs

In general, Latin America has remained economically resilient, with 6% growth in much of South America. In Central America and the Caribbean recovery has been slow. Inequality and poverty remain prevalent, with women, indigenous populations and Afro-descendants often most affected.

Oikocredit's regional offices in Costa Rica, Peru and Uruguay met high demand for loans and investments. Approvals were almost 20% above target, and total portfolio for each office grew by some 20%. Latin America's share in our worldwide portfolio increased from 41% to 45%.

Agriculture

Country managers in Central America and the Caribbean sought partnership with agricultural cooperatives and agri-businesses benefiting small farmers and creating rural jobs. We are developing sectoral expertise, with partners' products ranging from dairy produce and coffee to pineapples, coconuts and forestry. Rising coffee prices have increased demand for working capital loans. Our regional office participated in many events, and we worked to speed our provision of short-term finance to coffee farmers. In Peru we have grown our agricultural portfolio with support for small coffee producer associations serving fair trade markets.

Model companies

Oikocredit has allocated € 1.5 million from the Dutch Government to co-finance Central American rural processing enterprises with an emphasis on environmental sustainability. These enterprises create jobs, improve factory working conditions and provide sales opportunities for thousands of small farmers. High standards of environmental care and social responsibility make them a model for modern business.

Portfolio mix

In southern South America we are balancing our portfolio between financial service providers and primary producers. Agriculture grew by € 10 million with partners in Bolivia, Paraguay and Uruguay in subsectors such as beans, biofuels, wool, organic soy, fruits, coffee and organic sugar. We renewed support to the Central Lanera wool cooperative in Uruguay and approved a € 2.9 million loan to Cooperativa Manduvirá in Paraguay to build a processing plant to serve more than 1,000 organic sugarcane producers selling to European fair trade markets.

Microfinance

Peru has a dynamic microfinance sector, with 66 MFIs supporting 2 million micro-enterprises. Our regional office has refocused its portfolio on MFIs with a strong social mission, greater geographical reach and a commitment to rural populations. In Ecuador demand for loans remains high, and cooperatives make up over half our portfolio. Bolivia is another microfinance leader with outstanding repayment rates. Our Bolivian partner Banco FIE received the 2011 Inter-American Award for Microenterprise Development.

Organic and fair trade success story

Cooperativa Manduvirá in Paraguay has grown to 1,500 members since it began as a cooperative in 1975. Members produce sugarcane, sesame, cotton, stevia, fruit and vegetables, all certified by Fairtrade Labelling Organizations International. Protecting the environment is a top priority, and the cooperative also has organic certification for its agricultural and industrial production. Manduvirá has partnered with Oikocredit to build an environmentally friendly plant to assist in the production of organic sugar. 'When we started working to make the first part of our dream real, many people thought it was impossible,' says General Manager Andres González Aguilera. 'Seven years later, we export to 18 countries, and we are building our own organic sugar factory.'

Cooperative Manduvirá, Paraguay

Africa **Improving prospects**

Most of sub-Saharan Africa has shown solid GDP growth, and prospects for West Africa have improved. Drought in East Africa caused human suffering, and inflation there affected MFIs' sustainability.

Combined, our West African regional office in Côte d'Ivoire and East African office in Kenya cover 10 focus countries. In addition we have new country offices in Mozambique and Nigeria. We approved loans and investments to 50 new and existing partners in Africa, totalling € 32 million. The portfolio increased by 9%, equalling our global portfolio growth rate and slightly increasing Africa's share in our total portfolio to 15%.

Nigeria and Côte d'Ivoire

Our Nigerian office received many loan applications in its first full year. To begin with we will work only with partners with a solid track record of good governance and outreach to poor people, and limit each first loan to maximum € 1 million. Four MFI partner loans were approved. Diversification towards agriculture is planned.

We have not yet achieved significant growth in Africa's share in our portfolio, mainly as a result of the Côte d'Ivoire crisis. Due to violence in Abidjan, our office closed for several months. With banks also closed, partners could not repay. Portfolio at risk (PAR) temporarily increased region-wide, and partners went into default. We restructured payments for our Côte d'Ivoire partners and are confident that they will recover this year.

More than credit

Oikocredit has a small disaster relief fund. In response to drought in northern Kenya, staff worked with our partner Samburu Teachers SACCO in providing food relief to vulnerable rural groups. In Tanzania we held a corporate governance workshop for savings-and-credit cooperatives – a first in East Africa – and our country office hosted Oikocredit's 2011 AGM.

Agriculture

In East Africa our involvement in agriculture is just beginning. We approved new loans for production and marketing to the Bukonzo coffee cooperative in western Uganda, and for grain production, storage and trading to Kacofa in eastern Uganda. In Tanzania we approved projects supporting rice farmers. We provided a € 2.5 million loan to Kuapa Kokoo in Ghana to increase its purchase of cocoa beans from 62,000 members. Kuapa Kokoo is the main cocoa supplier to our investee Fairtrade chocolate producer companies Divine Chocolate UK and Divine Chocolate USA, and we are seeking ways to replicate its success in supporting small cocoa farmers elsewhere.

Kitunda Savings and Credit Cooperative, Tanzania

Savings, loans and coaching

Kitunda Savings and Credit Cooperative (SACCO) began in 2002 with the aim of providing financial access for people in the area of Kitunda, Tanzania. Located approximately 20 km outside the capital Dar es Salaam, residents of Kitunda have no bank and depend on Kitunda SACCO for their banking. The SACCO provides savings and small business and projects loans to community members. It has three branches, all of which strive to raise members' standard of living socially and economically. SACCO member Hamida Majomo collects plastic bottles to sell in bulk to recycling companies. With support and business coaching from Kitunda SACCO, Hamida has built herself a small house.

26
million clients

Social performance: clients first

Social Performance & Financial Analysis department

In 2011 we made good progress in social performance management (SPM). We further strengthened our social due diligence, helped develop the Principles for Investors in Inclusive Finance (PIIF), and collaborated in defining standards for a number of tools widely used in the microfinance sector. Building project partners' capacity to implement SPM remained a focus through training and a new initiative: mentoring of mentors.

For Oikocredit, social performance means ensuring that people receive the maximum benefit from the services we support. We work on a range of levels to achieve this.

We seek partners with strong capacity or potential to deliver both social and financial returns. We closely monitor both social and financial performance and, where needed, give capacity building support to help partners provide appropriate and responsive products and services to address the needs of poor people. Internally, we strive to enhance our capacity to identify and support these partners.

We are active in industry-level debates on social performance management among development finance practitioners, social investors and microfinance institutions (MFIs), seeking to provide clear and balanced perspectives on our successes and the challenges we face. We help build awareness through talks and presentations about what is needed, what can be achieved and how social performance enhances financial performance in the long run. As a sector leader, Oikocredit helps develop industry-wide tools and standards.

Balancing financial and social viability

Our comprehensive SPM strategy, developed in 2009, provides a blueprint for ensuring that Oikocredit addresses social performance at different levels. In 2009 and 2010, emphasis was on developing systems and tools and promoting awareness and deeper understanding of SPM within Oikocredit itself and among our partners. Today, enhanced awareness and better defined policies, tools and approaches enable us to facilitate more effectively a balance between partners' financial and social viability.

With a group of like-minded investors and under the leadership of the UN Secretary-General's Special Advocate for Inclusive Finance for Development, Princess Máxima of the Netherlands, we co-developed PIIF. We are involved in developing the implementing and reporting guidelines for these principles.

Maritza Invest, Bulgaria

As a member of the steering committee of the SMART Campaign, we are active in promoting the Client Protection Principles (CPP). We not only aim for all partners to endorse the principles but also review compliance with the principles in our due diligence of all partners. In 2011, we took our support of the campaign a step further by having a number of staff undergo training in CPP assessment.

We held regional training events and workshops on the CPP in Cambodia, India, Mexico, the Philippines and Uruguay. Our joint conference with the Social Microfinance Foundation and other partners and stakeholders in India addressed the problem of over-indebtedness that impacted Andhra Pradesh severely.

Oikocredit increasingly uses environmental, social and governance (ESG) partner screening to systematize and deepen its due diligence. We applied our ESG scorecard to the vast majority of new MFI partners in 2011. Within the Oikocredit credit committee, we have increased our focus on social performance aspects of project applications. Excessive interest rates and very high executive remuneration, coupled with high dividend payouts or lack of a clear strategy for avoiding client over-indebtedness, have led the committee to reject some applications in 2011.

Our regional offices increasingly implement SPM tools such as Social Performance Indicators (SPI), the Progress out of Poverty Index (PPI) and the CPP assessment guidelines. Our Mexico, Central America and the Caribbean office, for example, has taken forward SPI auditing with 91 out of 105 MFI partners, using the results as a basis for dialogue and support. Our South America northern region office in Peru and our Southeast Asia office in the Philippines have promoted use of the PPI among partners, with the Peru office receiving 20 MFIs' reports incorporating PPI data in 2011.

Progress out of Poverty Index (PPI)

The PPI is a 10-question poverty profiling tool developed by Mark Schreiner for Grameen Foundation, which enables MFIs to accurately select clients that are poor. Implementation over time provides information on whether clients have moved out of poverty. Oikocredit promotes implementation of the PPI among its partners.

Social Performance Indicators (SPI)

Developed by the French organization Cerise, the SPI tool provides a comprehensive framework for reviewing an organization's social strategy, the processes employed to implement this strategy, and the results achieved. Key areas impacting on an organization's social performance are reviewed: outreach, benefits to clients, governance, design of products and services, and responsibility to staff and the broader community.

Oikocredit offers partners a real incentive to strengthen their social performance. This includes a potential discount on interest rates as well as support for capacity building.

Capacity building: SPM and risk management

Building partners' capacity is now integral to Oikocredit's operations. All Oikocredit regional offices have designated staff to support capacity building in SPM mainstreaming, risk management, product development and agricultural financing.

This year we supported six East African partner MFIs in conducting an SPM self-assessment and preparing an action plan based on the results. We trained a select group of facilitators/consultants to replicate the mentoring and mainstreaming process with other MFIs. Based on the success and positive feedback received, we aim to expand this work to other partners and regions in 2012.

We delivered risk management training and workshops during the year for MFI partners and clients in India, Kenya, Kyrgyzstan and the Philippines and will expand such work in 2012 through our regional offices.

In collaboration with the Dutch development organization ICCO, we secured substantial funding from the Dutch Ministry of Foreign Affairs for the period of 2011 to 2015 to further develop our capacity building programme. This was enhanced by funds from the Church of Sweden.

Supporting business and community

Oikocredit supported several partners in improving their products and services during 2011. Our rural Kenyan MFI partner Samburu Teachers SACCO developed branchless banking as an additional service, enabling people in remote areas to use mobile phones to access savings and loans and make transactions.

In Peru we assisted Cooperativa Agraria Cafetalera Sostenible Valle Río Ubiriki, CAC Ubiriki, in enhancing members' organic coffee growing skills, resulting in higher quality, fewer rejections and less waste. We also supported the organization in reviewing its governance and risk management.

With our help, the Saveurs du Sud mango producers' cooperative in Senegal brought in technical advice and training to improve harvesting and processing. Working with Rotary District Wageningen in the Netherlands, we provided loans and equity investment for a joint venture with Saveurs du Sud to build a new plant to process dried mango for European markets.

Through our new international strategic partnership with The Rotary Foundation (TRF) we aim to support MFIs involved in community development such as water provision and education. We have begun pilot projects in India, the

Philippines and Uruguay in which Oikocredit identifies suitable MFIs and Rotary provides local and international expertise and funding.

Social performance challenges

Like all organizations working in social development, Oikocredit must show that the work it supports contributes to positive change in the lives of individuals, their families or their communities. To show impact, however, takes time and is not always straightforward, because of the many factors involved. The PPI tool has some potential in this regard, and we will continue to encourage partners to use it. We also welcome partners' assessment of their impact with other tools, such as internal learning diaries used by our Indian partner ASA.

To ensure effective outcomes, careful partner selection, monitoring and support remain vital. From the outset we must be confident that partners have convincing social objectives, an effective SPM approach, and systems in place to be transparent and accountable towards clients.

Complementing social and financial performance by addressing the final factor in the 'triple bottom line' – the environment – is a key challenge. We focus increasingly on the ecological impact of non-microfinance projects. While microfinance remains at the heart of what we do, a fifth of our portfolio now comprises of non-microfinance partners such as agricultural and fair trade cooperatives. The ESG scorecard is used to assess the environmental aspect of these projects, and we are continuing staff training in environmental impact assessment.

We monitor developments carefully and use data collected to enhance our priorities, policies and methods and to foster a balanced view about microfinance and our own work. The potentially harmful effects of microfinance, such as over-indebtedness, were once unrecognized; more recently, the view has in some cases become too negative. We need to convey realistic messages to investors and share with them the positive results achieved but also the many difficulties encountered. We also continuously train our own staff in SPM, tools developed and lessons learned.

Outlook 2012

Oikocredit is committed to building on its achievement of, and reputation for, strong social performance. We welcome ICCO, the Church of Sweden, the Dutch Ministry of Foreign Affairs and The Rotary Foundation as key collaborators as we move forward in capacity building. We will also explore other possible strategic partnerships with organizations focusing on client financial education and the design and development of products and services to address the vulnerabilities of poor people.

We will continue to pay attention to the agricultural sector, where the risks and challenges are significant. Support in such areas as business planning, product development and improved marketing can make an enormous difference.

We will continue to build partners' capacity in mainstreaming SPM within their organizations, developing the capability of SPM champions through our mentoring-of-mentors initiative. We will reflect on our experience in the use of the ESG scorecards and further sharpen the scorecards developed for social enterprises and for microfinance.

The social performance data that we systematically collect will, we believe, increasingly help us to further define our policies and procedures and those of our partners. Achieving a positive social return requires as much analysis and professionalism as needed for achieving good financial returns.

Adhikar, India

45,000

investors

An ethical investment alternative

Investor Relations department

Although Oikocredit's net inflow of funds was affected by the financial crisis in 2011, we increased our total number of investors. Our outreach to investors and the public raised our profile effectively during the year.

As we enter the UN's International Year of Cooperatives (2012), Oikocredit proudly reaffirms its cooperative identity and its support for partner cooperatives around the world. As an international cooperative, our 595 members on all continents include churches and church-related organizations, support associations, project partners and, since 2011, other like-minded organizations.

We firmly believe in the power of cooperatives to strengthen communities and enable people to work together in the spirit of democracy and equality. We currently support 290 cooperative partners on five continents operating in sectors ranging from financial services to agriculture, fair trade and manufacturing.

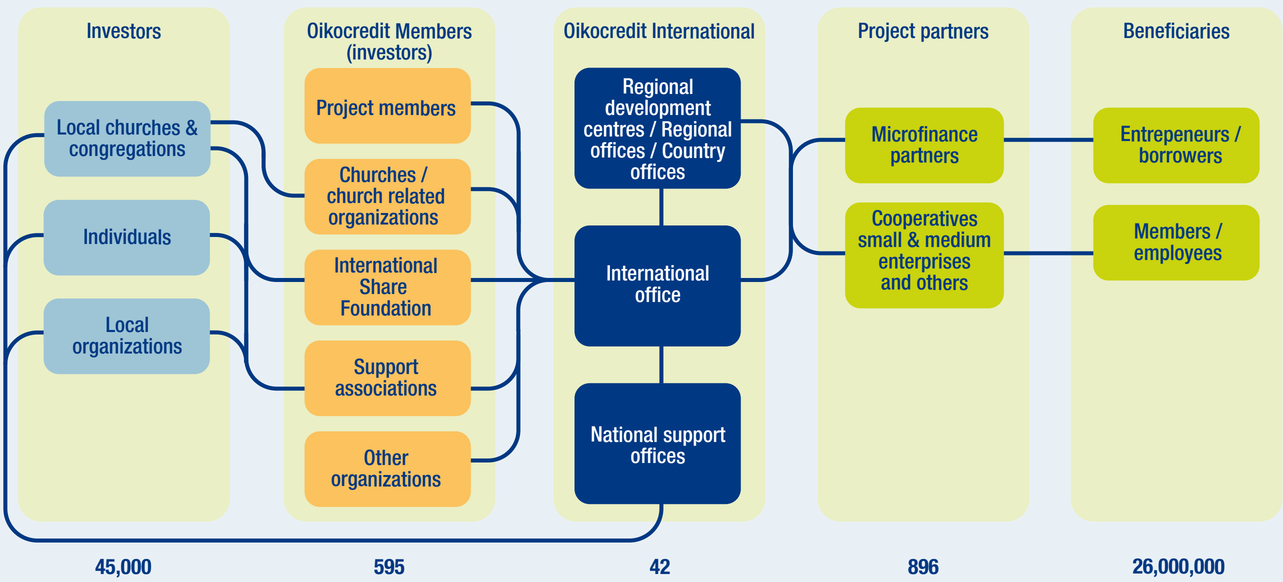
As a cooperative, Oikocredit provides a sustainable alternative to conventional banking. We were founded by churches and church-based organizations as a response to the need for management of church funds by a financial institution that was not a commercial bank. Our legal structure has proven highly effective, with our members' strong sense of mission helping keep us focused on serving the needs of poor communities around the world.

Solid results in a challenging year

In 2011 Oikocredit was presented with challenges in terms of investor relations. These included responding to the global financial crisis and to media criticisms of

Capital flow

Investments from 45,000 investors and 595 members reach over 26 million beneficiaries via Oikocredit and its 896 project partners.



microfinance, many of which resulted from problems of over-indebtedness among partners and clients in the Indian state of Andhra Pradesh. Understandably, investors in Europe were particularly concerned about difficulties in the euro zone, and this affected the inflow of our funds.

Although our net inflow of over € 40 million was lower than in 2010, in the context of the financial crisis in Europe this still represents a good achievement. Despite the challenges Oikocredit managed to attract more investors during the year. From 43,000 investors in total in 2010 the number increased to 39,000 retail investors and 6,000 institutional investors, making 45,000 in all.

In terms of net inflow volume, our leading investor countries were, in order, Germany, Austria, Netherlands, France and the USA. We achieved good results in all of these countries. Our new retail product in association with the German ethical bank GLS quickly attracted € 1.8 million. In response to concerns expressed by Swiss investors, who until the end of 2011 could invest in Oikocredit only in euros, we arranged to accept investments in Swiss francs from the start of 2012.

To meet the challenge of declining net inflow volume in 2011 we will pilot a new product for members. A survey undertaken in 2011 showed that several members with large investment portfolios are very likely to increase their investments with a product that better matches their needs.

As always, churches and support associations have played a key role as Oikocredit cooperative members. At the international level churches continued to invest by purchasing shares and depository receipts (the latter are also open to individuals and non-member institutions via our International Share Foundation), while the support associations also helped attract substantial funds.

Influencing hearts and minds

Oikocredit has worked hard to influence the hearts and minds of current and potential investors in a range of ways. One response has been the Oikocredit Academy, a twice-yearly internal training programme focused on external communications, media relations and achieving positive external messages and coverage of our work. Alongside this we developed an intranet, Oikoweb, to improve internal communications among board members, staff, regional offices, national support offices, support associations and members.

Hundreds of volunteers, mostly in Europe and North America, provide a key element of our outreach to investors and the wider public. Volunteers spread the word through personal networks of family and friends, churches, development and fair trade organizations, and via online networks, promoting awareness of our work and recruiting investors. Working closely with Oikocredit's 31 support associations, volunteers participate in, and help organize study tours, press visits, meetings and events with field speakers from partners.

Roadshows and promotion campaigns

Notable among our events this year was the India roadshow in Germany – in part a response to the microfinance crisis in Andhra Pradesh – involving a visit by Indian partner Adhikar and generating welcome publicity. The event highlighted Adhikar's work providing microfinance and support to self-help groups to become working cooperatives. With 20,000 women clients, Adhikar participates in education, housing, health, sanitation, renewable energy, remittance and legal services projects.

Adhikar chief executive Mohammad Amin told German audiences: 'Adhikar provides services until midnight. We collect money from their doors, we deliver it to their families – and we do it within 24 hours. The families, the ailing parents, are not able to go to the banks, which may be 15 to 20 km away from their house.'

Oikocredit's outreach also had real impact in France, Austria, Italy, Switzerland and the United Kingdom. Working with a public relations agency in France, we achieved excellent coverage in the church media and the national press. Côte d'Ivoire cooperative partner Cocovico received the 'Grand Prize for Solidarity' from Le Monde newspaper and social investing network Finansol for its women's market in Abidjan. The Cocovico market serves up to 5,000 customers a day, provides a health centre, nursery and dormitory for 200 female members, and housed 400 displaced people during the country's civil war.

Partnership with the GLS Bank

Oikocredit is very pleased to be teaming up with the GLS Bank in Germany to offer a safe and ethical savings product. Funds saved via GLS are used by Oikocredit to lend to microfinance partners, cooperatives, fair trade organizations and small businesses.

'The new product is aimed at investors who want to improve the living conditions of people in developing countries but also expect high security and market-compliant rates,' says GLS Bank board member Andreas Neukirch.

GLS, the world's first social and ecological universal bank, manages deposits, loans, investment capital, endowments and gifting. Customers can specify how their money is invested.

As a confirmation of this strategic partnership the board of Oikocredit has invited GLS to become a member of the cooperative. GLS accepted the invitation as like-minded organization sharing our mission and values.

In Austria, 2011 saw the start of a public promotion campaign, with close to 3,500 sponsored billboards and posters showcasing Oikocredit across the country, radio and television coverage, and advertisements in national newspapers and magazines.

Ahead of the UN International Year of Cooperatives, we organized two roadshows in Europe to profile ourselves as one of the few international cooperatives operating worldwide and as a long-term partner of the cooperative sector. Our country managers from Ecuador and Peru, where we finance an increasing number of Fairtrade certified coffee and cocoa cooperatives, spoke at events and gave media interviews in Austria, Germany, Italy and Switzerland.

Oikocredit arranged for volunteers and investors to travel to Guatemala for a study tour early in 2011. Joined by regional staff, tour participants visited partners including fair trade coffee cooperative Cadech, food-processing company Alimentos Campestres, sustainable timber producer Forescom, indigenous-based organic fair trade coffee cooperative Chajul, and rural microfinance institutions Adisa and Adigua. The visitors saw how our investments make a vital contribution in the lives of small-scale entrepreneurs, their families and their communities. British photographer Tom Bamber, who volunteers with Oikocredit, captured these moments when he joined the tour. We collaborated with the Ecumenical Council for Corporate Responsibility, a British and Irish church-based investor coalition, to present a photographic exhibition in London sharing the stories of people who have received loans through these three Oikocredit Guatemalan partners.

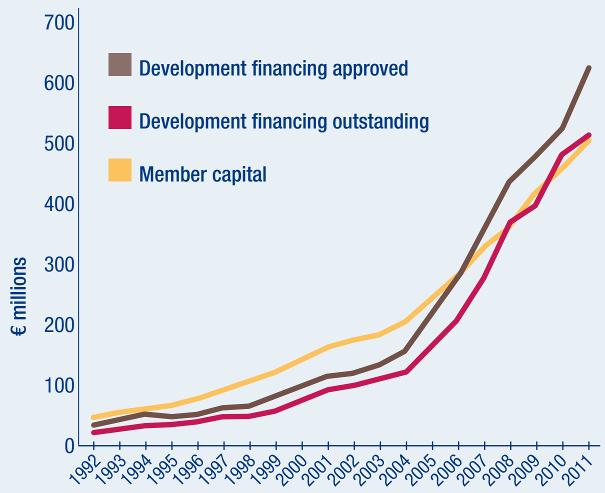
Outlook 2012

Key opportunities and challenges for investor relations in 2012 will focus on increasing the inflow of funds and enhancing our public profile. We will continue to work on our branding, seek positive media coverage and develop our investment products to attract new investors. Enhancement of our web presence will include tools for online investing.

Oikocredit will work with its contacts and networks to reach potential new investors, which we anticipate will attract new inflows of funds. For example, working with current church members and investors, we will seek to interest their sister-churches in investing with us to support sustainable livelihoods and equitable human development among the world's poorest people.

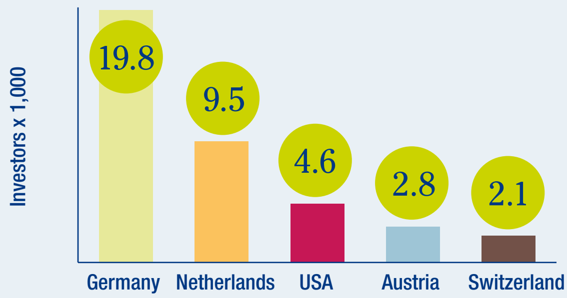
Member capital

As of 31 December 2011



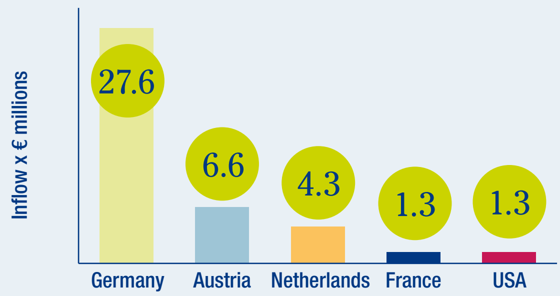
Number of investors

Top 5 countries as of 31 December 2011



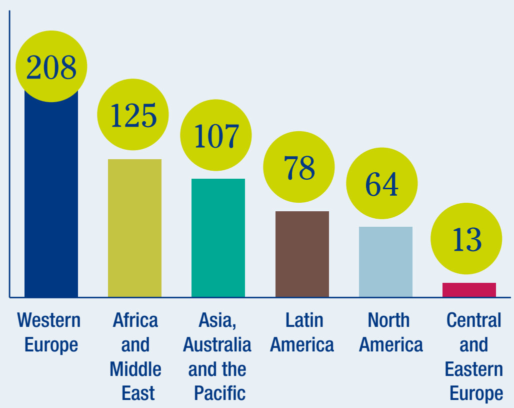
Net inflow 2011

Top 5 countries

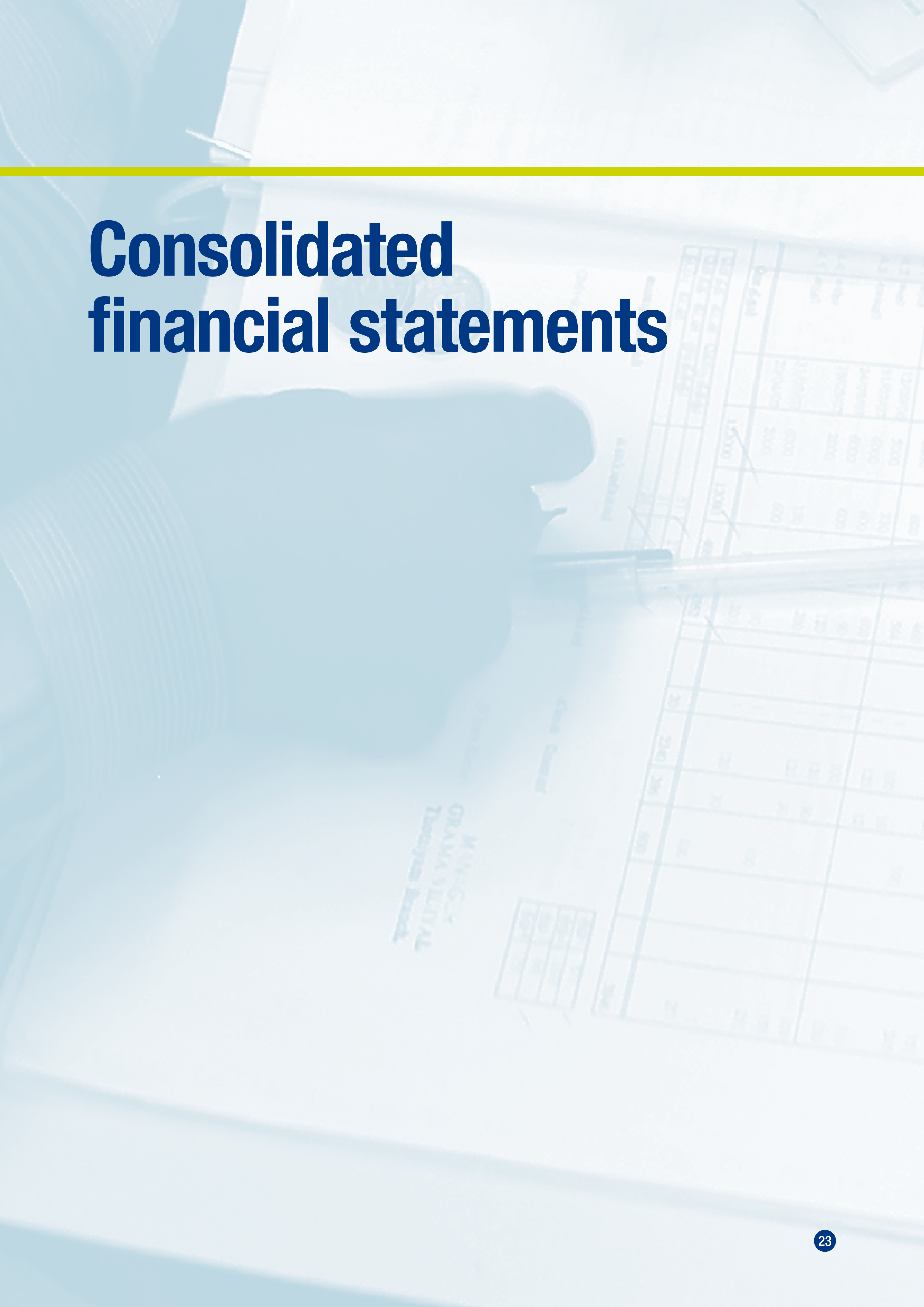


Number of members per continent

As of 31 December 2011



Consolidated financial statements



Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/11	31/12/10
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
	Financial assets		
5	Development financing:		
	Approved	642,938	582,014
	Less: - not yet disbursed	(122,485)	(100,842)
	Outstanding project financing	**520,453**	**481,172**
	Less: - loss provision	(55,539)	(49,814)
		464,914	**431,358**
6	Term investments	138,515	133,464
7	Other financial fixed assets	8,492	8,924
		611,921	**573,746**
8	**TANGIBLE ASSETS**	**614**	**1,019**
	Total non-current assets	**612,535**	**574,765**
	CURRENT ASSETS		
9	Receivables and other current assets	17,401	16,006
10	Cash and banks	41,948	49,012
	Total	**59,349**	**65,018**
	TOTAL	**671,884**	**639,783**

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

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/11	31/12/10
		€ ,000	**€ ,000**
	GROUP EQUITY AND FUNDS		
11/12	Member capital in euros [1]	471,947	435,957
12	General reserve	47,164	42,411
12	Restricted exchange fluctuation reserve	(245)	2,627
13	Local currency risk funds	36,495	31,454
14	Funds for non-banking expenses and activities	4,230	5,389
	Undistributed net income for the year	14,833	12,706
		574,424	**530,544**
15	**Third party interests**	**1,073**	**5,088**
	Total group equity and funds	**575,497**	**535,632**
	NON-CURRENT LIABILITIES		
	Member capital in foreign currencies [1]	39,021	37,435
	Other non-current liabilities	35,603	43,811
16	**Total non-current liabilities**	**74,624**	**81,246**
17	**CURRENT LIABILITIES**	**21,763**	**22,905**
	TOTAL	**671,884**	**639,783**

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

[1] Besides its 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**

Notes		2011 € ,000	2010 € ,000
	INCOME		
	Financial income		
19	Development financing income	51,114	42,508
19	Term investment income	3,947	4,030
	Total financial income	**55,061**	**46,538**
	Financial expenses		
20	Additions to loss provisions	(14,975)	(12,051)
6	Revaluation term investments	1,207	826
21	Other financial expenses	(3,023)	3,368
	Total financial expenses	**(16,791)**	**(7,857)**
	TOTAL FINANCIAL INCOME LESS EXPENSES	**38,270**	**38,681**
22	**GRANT INCOME**	**1,890**	**4,593**
	GENERAL AND ADMINISTRATIVE EXPENSES		
23	Personnel	(11,378)	(10,149)
	Travel	(841)	(834)
24	General and other expenses	(9,064)	(6,889)
	TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**(21,283)**	**(17,872)**
	INCOME BEFORE TAXATION	**18,877**	**25,402**
26	Taxes	(183)	(619)
	INCOME AFTER TAXATION	**18,694**	**24,783**
15	Third party interests	21	(82)
27	Addition to and releases from funds	(3,882)	(11,995)
	INCOME FOR THE YEAR AFTER ADDITION TO FUNDS	**14,833**	**12,706**

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

Consolidated **cash flow statement**

Notes			**2011**		**2010**
			€ ,000		**€ ,000**
	CASH FLOW FROM OPERATIONS				
	Development financing		47,258		36,220
	Term investments		5,585		3,425
	Grants		1,890		4,593
	Operating expenses		(22,222)		(18,445)
	Taxes		(742)		(253)
	Interest		(4,528)		(2,933)
	Total cash from operations		**27,241**		**22,607**
	CASH FLOW USED FOR INVESTING ACTIVITIES				
	Development financing (net additions)				
	Disbursements		(196,141)		(206,355)
	Less: - repayments of principal		153,493		141,957
			(42,648)		(64,398)
	Tangible fixed assets: (net investments)		(227)		(489)
	Term investments: (net investments)		(2,296)		(10,423)
	Total cash used for investing activities		**(45,171)**		**(75,310)**
	CASH FLOW FROM FINANCING ACTIVITIES				
	Issue of member capital		40,809		61,978
	Redemption of member capital		(8,137)		(1,231)
	Funds: net investments third parties		290		70
	Gross dividends paid	(8,627)		(7,406)	
	Stock dividends (added to member capital)	4,196		3,577	
	Net dividends paid		(4,431)		(3,829)
	Term loans		(9,989)		8,927
	Total cash from financing activities		**18,542**		**65,915**
	Exchange rate differences during the year		**(4,415)**		**(1,552)**
	CHANGES IN CASH AND BANKS		**(3,803)**		**11,660**
	Cash and banks beginning of period		49,012		37,352
	De-consolidation 4F Funds as per 1 January 2011		(3,261)		-
	Changes in cash and banks		(3,803)		11,660
	Cash and banks end of period		**41,948**		**49,012**

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

Notes to the **consolidated financial statements**

Year-end 31 December 2011

These financial statements are expressed in euros (€). As of 31 December 2011, US$ 1 equalled € 0.771545 (31 December 2010: US$ 1 equalled € 0.749064).

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, project 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: Oikocredit Ecumenical Development Cooperative Society U.A. (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 Barefoot Power Trade Finance Fund (BTF) all based in Amersfoort, the Netherlands, and managed by Oikocredit U.A.

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 country representatives operating in addition to regional offices in Argentina, Benin, Bolivia, Brazil, Bulgaria, Cambodia, Colombia, Dominican Republic, Ecuador, El Salvador, Ghana, Guatemala, Honduras, Kyrgyzstan, Mali, Mexico, Moldova, Mozambique, Nicaragua, Nigeria, Romania, Russian Federation, Paraguay, Senegal, Slovakia, Tanzania, Uganda and Ukraine. Oikocredit has National support offices that coordinate and support efforts to attract investors in Germany, France, Sweden, the United Kingdom and the USA.

The offices in Costa Rica, Kenya, Nigeria, the Philippines, Tanzania, Ukraine, Uruguay and the USA are incorporated as legal entities and are subsidiaries. Due to the limited size of the assets of these subsidiaries, it has been decided to regard these assets as if they were owned by branch offices.

OSCap and BTF

Oikocredit has developed OSCap, which invests in exceptionally risky projects with a big social impact in developing countries, and BTF for a specific project. 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.

Oikocredit International Share Foundation

The Oikocredit International Share Foundation (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 who are not allowed to sell financial products themselves.

Oikocredit International Support Foundation

The Oikocredit International Support Foundation (Support Foundation) was established on 10 March 1995, in Amersfoort, 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 non-banking activities such as technical assistance and 'model costs' of Oikocredit. 'Model costs' are costs no financial institution of this size would incur, but which are an integral part of the Oikocredit 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).

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 management of the funds is performed by Institutional Management Services (IMS) in Leusden, the Netherlands.

Category A costs are:
- 100% of external capacity building project partners
- 7.5% of costs of National support offices
- 30% of technical and organizational assistance to Support Associations
- 100% of members' travel costs for the annual general meeting (subject to certain conditions)

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 costs of National support offices 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 the riskier projects of Oikocredit.

Basis of consolidation
The consolidated financial statements include the financial information of Oikocredit, its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in 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 eliminated as well, unless such a loss qualifies as an impairment.
The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to 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
- Barefoot Power Trade Finance Fund, Amersfoort, the Netherlands

As the income statement for 2011 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.

Change in consolidation
The 4F Euro, Fund for Fair Future, and the 4F USD, Fund for Fair Future are no longer managed by Oikocredit and are therefore not included in the consolidation from 01/01/2011 onwards. The effect of this change on group equity and funds is shown below. There is no effect on the consolidated result.

	Consolidated group equity and funds € ,000
At 31 December 2010	535,632
Change in consolidation 4F Funds	(4,027)
At 1 January 2011	531,605

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

Inter-company transactions are eliminated in the consolidation.

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 and income statement items have been reclassified. The comparative figures for 2010 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 (or the approximated rates).

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. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate. Any resulting exchange differences are taken directly to the statutory reserve for translation differences within equity.

Development financing
Receivables disclosed under development financing are valued at amortized cost. Equity investments are valued at amortized 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 project is based.
- A specific provision per project, based on the aging of payments overdue – only applied if this risk is higher than the provision for country risk in which that project is based.
- A specific provision for non-performing projects and projects that are not overdue – only applied if higher than the provision for country risk in which that project is based. This provision is calculated based on management's risk assessment of, and experience with, these kinds of projects.

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.

During 2011, the calculation of the different layers of the provision were reassessed and changed accordingly.

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 directly taken to the income statement.

Term investments (only equity investments) which are not listed are stated at (amortized) cost, which equals face value. Premiums and/or discounts are amortized through the effective interest rate. 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 is 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 in hand, bank balances and deposits held at call with maturities up to three years.

Equity

Where the Society purchases 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).

Provision for 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 been paid yet are presented as liabilities. For existing obligations (other than premiums to be paid) to the insurance company or employees, a provision is recognized.

This provision includes:

- The obligation of the Society to provide additional payments or recovery premiums due to a low coverage of the pension fund.
- Unconditional indexation that is not yet funded.
- Disadvantages of individual value transfers at the expense of the Society.

In addition, the Society records an asset for:

- Surplus interest or profit sharing which is made available to the Society under the conditions of an insurance contract.
- Advantages of individual value transfers in favour of the Society.

The pension provision is valued at its best estimate. The obligation includes the present value of the expenditures that are probably required to settle. The present value factor is the market rate of interest of high-quality corporate debentures. If the obligation is due within a year, the obligation is not discounted. Additions and withdrawals from the pension provision are taken into the profit and loss account.

As of 31 December 2011, no provisions were necessary.

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

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 derivate 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 derivate instrument has currency elements, the difference between the spot rate on the date the derivate instrument is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative instrument.

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

The Society applies cost price hedge accounting to hedging foreign currency exchange rate risks on development financing.

3 Accounting policies for the income statement

Income and expense recognition

Income from investments, expenses, outstanding project funding, management fees and time deposits are recognized on an accrual basis. The Society does not accrue or invoice interest for projects that are considered 'non-performing'. Non-performing projects are projects which 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 received.

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 2011. No tax will have to be withheld on dividends distributed by the Society to its members.

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 our 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 two 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 or not sufficient.

After the initial project was finalized, a systematic risk management system was embedded and implemented within Oikocredit. Identified risks are evaluated and re-assessed every year during our Management-By-Objectives (MBO) cycle by:

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

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 risks, such as improved screening of its clients, providing more information on its activities and strengthening of the communications department.

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 we granted loans or in which we invested in an equity stake, or bonds or shares) will affect the value of Oikocredit positions. 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 impact on the company's exposure in a specific country, such as events on a political or macroeconomic level. All investments in developing countries involve country risk. The assessment of country risk is amongst other 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, as well as management, financial, legal and social performance analyses. 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, Loans & Investments Director and his Deputy, Finance Director, the Manager Social Performance as well as a member of the legal team, approve all projects 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 Oikocredit works in).
- Amounts outstanding per project partner (usually euro 2 million, and a maximum of euro 5 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 project partner's situation or available collateral. A provision for country risks has also been established based on the rating of the country Oikocredit works in.

Term investments
The term investments in bonds included in the 4F Funds are all rated 'investment grade', by Moody's Investor Services, of which at least 80% in AAA to A3 and 20% in Baa1 to Baa3. Moreover, in the Baa1 to Baa3 category, it is the Society's policy that no more than 2% of the portfolio should be invested in a single debtor.
The Society's Investment Advisor is constantly monitoring for rating downgrades, and appropriate action will be taken where necessary. Despite this monitoring, a debtor can face sudden downgrades and/or price corrections. This credit risk must always be considered when investing. A maximum of 10% of the total amount available for term investments can be invested in shares.

Market risk
Market risk is split 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 the changes in market interest rates will cause fluctuations in the value of Oikocredit 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 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 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 mainly 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 approx. 90%), Canadian dollars, British pounds and Swedish kronor with the view of 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 the loans to its partners. These loans use base rates in the currencies we work in (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 costs of raising capital.

The interest rates on loans denominated in US dollars and euros granted to our project 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 part of the loans we granted to our partners mature and are repaid. Oikocredit replaces these loans with new loans to new or existing project 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 project partners are usually variable and repriced semi annually. Therefore, market interest rate developments hardly influence the value of our loan portfolio stated in domestic currencies.

By concluding derivatives, the main focus of the Society 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 (lower or higher duration can be accepted) and is normally not actively managing 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 we enter 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 durations) matches the assets.

Equity risk - development financing

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 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. If a member has ceased to be a member of the Society, redemptions of capital due are transferred to current liabilities. Redemption (partial redemption) will be at the nominal value. So far the Society did not use these provisions to delay redemptions of its member capital.

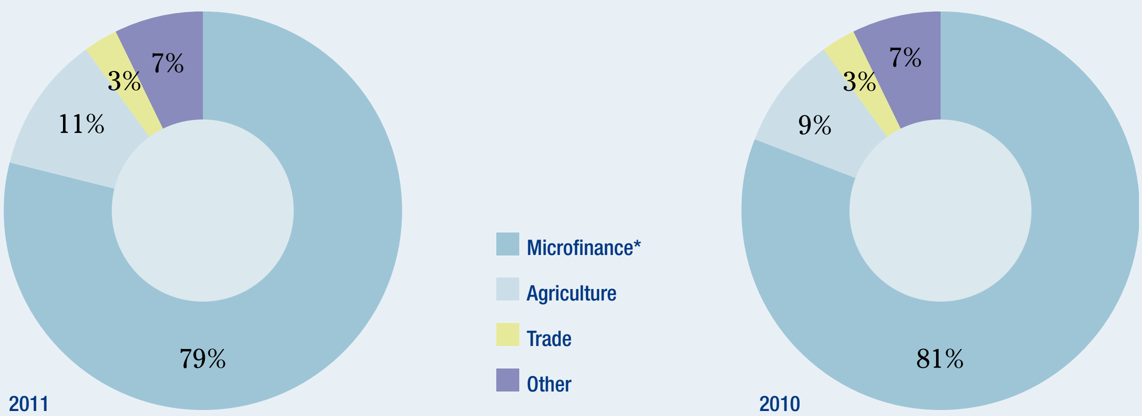
5 Development financing

Changes in outstanding funding			
Can be specified as follows:		**2011**	**2010**
		€ ,000	**€ ,000**
Outstanding as of 1 January		481,172	393,802
Disbursements		196,141	206,355
Capitalized interest and dividends		414	387
Less:	- repayments	(153,493)	(141,957)
	- write-offs	(4,094)	(2,069)
Exchange adjustments		313	24,654
Outstanding as of 31 December		520,453	481,172
Approved in the year		211,151	213,766
Less:	- commitments cancelled	(5,605)	(13,130)
Not yet disbursed 1 January		100,842	80,684
Less:	- disbursements	(196,141)	(206,355)
Exchange adjustments		12,238	12,789
Approved as of 31 December		**642,938**	**568,926**
Not yet disbursed 1 January (adjustment credit lines)		-	13,088
Approved as of 31 December		**642,938**	**582,014**

Funding committed not yet disbursed		
Can be specified as follows:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Equity investments in process of finalization	9,277	11,309
Committed on credit lines, not yet taken up by partners	36,164	21,465
Loans committed < 6 months	54,192	49,153
Loans committed > 6 months	22,852	18,915
Total	**122,485**	**100,842**

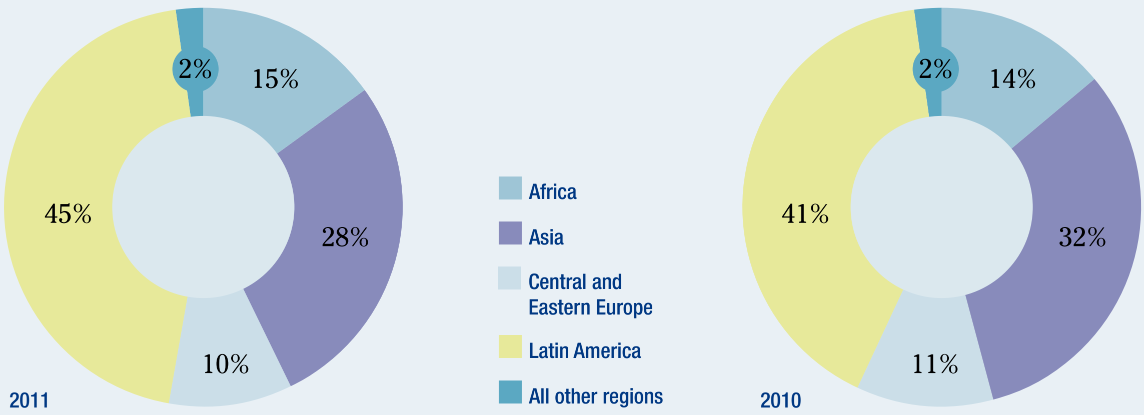
Breakdown of outstanding funding

Funding outstanding by sector as of 31 December 2011

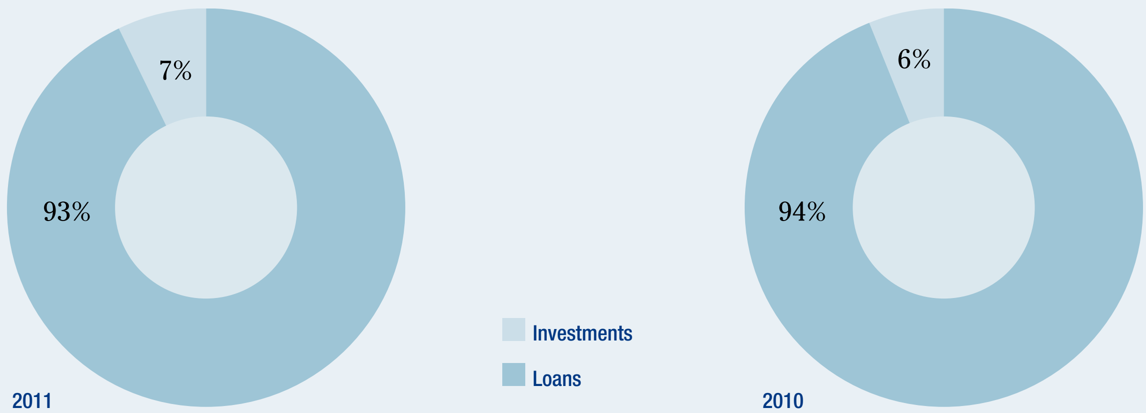


* including microcredit, SME finance and wholesale funding

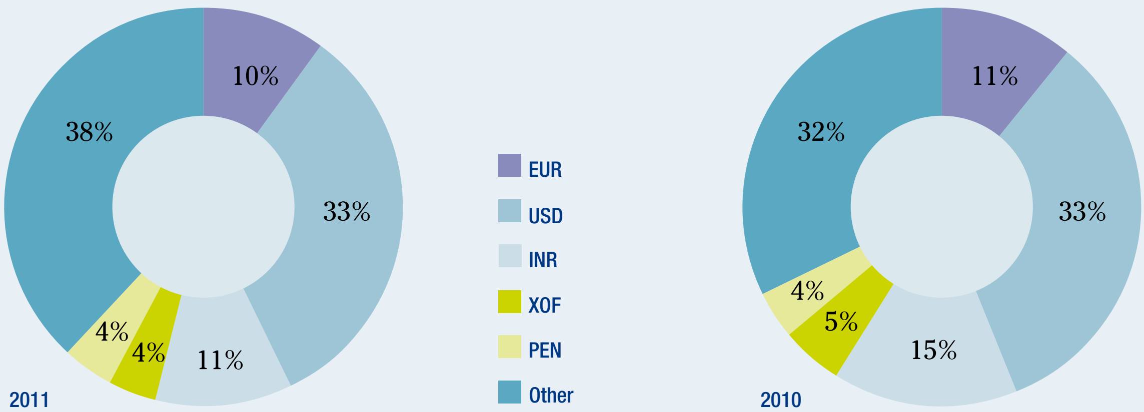
Funding outstanding by region as of 31 December 2011



Funding outstanding by type of financing (loans and equity investments) as of 31 December 2011



Funding outstanding by type of currency as of 31 December 2011



Maturity of outstanding funding		
Can be specified as follows:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Instalments maturing < 1 year	174,704	162,079
Instalments maturing >1 < 5 years	289,345	279,952
Instalments maturing > 5 years	21,550	8,466
Equity investments	34,854	30,675
	520,453	**481,172**

Equity investments included in funding		
Cost of equity investments as of 31 December 2011 [1]	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
AfricInvest Fund II, Mauritius	2,852	1,559
Vision Banco, Paraguay	2,471	2,471
Balkan Equity Fund, Switzerland	1,792	1,759
Banrural, Guatemala	1,746	1,746
Banco FIE S.A., Bolivia	1,602	1,306
Hatha Kaksekar Limited, Cambodia	1,504	708
Fondo de la Comunidad, Bolivia	1,422	1,116
Cafédirect Plc, United Kingdom	1,403	-
Opportunity Microcredit Romania IFN. S.A., Romania	1,276	1,276
Opportunity International Savings and Loans Limited, Ghana	1,219	1,219
Wizzit Payments (Pty) Ltd., South Africa	1,037	1,037
AMRET Co. Ltd., Cambodia	995	995
Microinvest, Moldova	905	905
Banco Solidario, Ecuador	896	896
AfricInvest limited, Mauritius	865	948
Fidelity Equity Fund II, Ghana	767	713
Divine, United Kingdom	743	743
Constanta, Georgia	742	742
Opportunity Banka A.D., Serbia	739	739
Societé de Financement de la Petite Entreprise S.A., Burkina Faso	733	733
Confianza, Peru	728	1,456
Prasac, Cambodia	717	717
Equip Plus, Senegal	686	686
Proempresa, Peru	685	394
Divine, United States of America	684	684
People Tree Ltd., United Kingdom	673	673
Fonkoze, Haïti	666	666
Emfil, India	496	496
COFAC, Uruguay	485	485
Uganda Finance Trust, Uganda	475	475
Enlace, El Salvador	422	422
Banco Oportunidade, Mozambique	389	389
Pymecapital Latin America Fund S.A., Nicaragua	371	-
Horizon Equity Fund, South Africa	337	320
Trident Microfin Private Limited, India	316	-
Rqubed Consultants (Pty) Ltd., South Africa	259	259
Barefoot Power Pty Ltd., Australia	227	227
Women's Microcredit Network LLC, Russia	201	-

Inversiones para el Desarrollo, Chile	100	100
Fonds Cauris Croissance II Limited, Mauritius	99	-
Saint Louis Finance S.A., Senegal	97	-
Russian Women's Microfinance Network NDCO, Russia	-	329
INDLU Finance Company (Pty) Ltd., South Africa	-	270
Other	32	16
	34,854	**30,675**

[1] Excluding provisions 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 abovementioned overview.

Equity investments above 20% participation [1]			
Of the equity investments, stated in note 5, the share participation of the following investments as at 31 December 2011 is 20% or more	**Participation**	**Net equity (latest available)**	**Result (latest available)**
	%	**€ ,000**	**€ ,000**
Saveurs du Sud, Senegal [2]	45.83%	-	-
Uganda Finance Trust, Uganda	26.45%	2,799	502
Societé de Financement de la Petite Entreprise S.A., Burkina Faso	26.00%	2,374	(295)
Equiplus, Senegal	24.60%	4,502	(199)
Fondo de la Comunidad, Bolivia	24.49%	5,684	398
Divine, United States of America	24.00%	527	(187)
OMRO, Romania	23.64%	1,517	(22)
Women's Microcredit Network LLC, Russia	21.60%	2,150	(39)
Hatha Kaksekar Limited, Cambodia	20.02%	10,838	1,862

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

[2] This participation was purchased in December 2011 for an amount of approximately € 17,000.

Provision for possible losses		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	49,814	39,932
Additions	10,043	9,821
Exchange adjustments	(224)	2,130
	59,633	51,883
Less: - write-offs	(4,094)	(2,069)
Balance as of 31 December	**55,539**	**49,814**

Fair value of development financing

- The development financing portfolio consists of local currency loans as well as hard currency loans with usually semi-annual or annual instalments that have to be repaid equally over the loan period. The portfolio also includes equity investments.
- The interest rates on local currency loans are in majority repriced quarterly or semi-annually with the movements in the local base rates (usually local interbank rates or other appropriate base rates). These rates, together with a margin for risk and costs, are used in determining the interest rates for local currency loans.
- Interest rates for hard currency loans are usually fixed interest rates for the full loan period. The interest rates for hard currency loans are determined using the Euribor/Libor or Euro/USD swap rates for the applicable maturity of the loan plus a margin for risks and costs.
- Equity investments are valued at amortized cost less impairment.
- A provision for possible losses on the development financing portfolio is formed.

Oikocredit operates in countries where there is no active market for these equity stakes. Nevertheless, considering the above mentioned, the fair value of the development financing portfolio at least equals the book value.

Corporate Debt Restructurings (CDR) in India

A number of the Maanaveeya partners in Andra Pradesh (e.g. Trident Microfin Private Limited) have joined the CDR schemes consisting of, amongst others, restructured payments of capital and interest and conversion into equity/preference shares.

The CDR mechanism in India, is a voluntary non-statutory system based on Debtor-Creditor Agreements (DCA) and Inter-Creditor Agreements (ICA). The CDR mechanism covers accounts where all financial institutions together have an outstanding aggregate exposure of INR 200 million (approximately € 3 mln) and above. The legal basis of the CDR system is provided by a Debtor-Creditor Agreement (DCA) and an Inter-Creditor Agreement (ICA). All financial institutions entering into the CDR are required to enter into a legally binding ICA with necessary enforcement and provisions. The critical element of the ICA is the provision that if 75% of the creditors by value and 60% of the creditors by number agree to a debt-restructuring package, this would then be binding on the remaining creditors.

The CDR mechanism provides for close monitoring of each and every package approved by the CDR. The monitoring mechanism consists of:

- Monitoring Institution (referring institution)
- Monitoring Committee
- Reputable external agencies to complement monitoring efforts. The Monitoring Institution is required to monitor all aspects of implementation of the package and furnish a consolidated report on the status of sanction and implementation of the approved package to a CDR Cell every month, in the prescribed format.

A unique feature of the scheme is that it affects the non-participants in the CDR scheme insofar that priority will be given to those lenders who are covered by the CDR. Other creditors will only receive payment if the borrower has funds available after the CDR Lenders have received payment of all outstanding amounts as per the CDR scheme.

6 Term investments

Summary of term investments:	**31/12/11**	**31/12/10**
	€ ,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	94,750	77,628
Other term investments	43,765	55,836
Balance as of 31 December	**138,515**	**133,464**

Changes in term investments can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	133,464	121,749
De-consolidation 4F Funds	1,391	-
Investments during the year at cost	3,309	27,724
Disinvestments/redemptions during the year	(1,013)	(17,301)
Revaluation to market value as of 31 December	1,207	826
Exchange adjustments	157	466
Balance as of 31 December	**138,515**	**133,464**

	31/12/11	**31/12/10**
	€ ,000	**€ ,000**
Bonds issued by development banks, developing countries and by companies active in – and with particular beneficial impact in – developing countries [1]		
4F Euro, Fund for Fair Future, the Netherlands [1]	87,470	68,815
4F USD, Fund for Fair Future, the Netherlands [1]	3,329	4,915
	90,799	*73,730*
Other development-related term investments		
TCX, The Currency Exchange Fund N.V., the Netherlands	7,071	7,071
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Triple Jump, the Netherlands)	(1,708)	(1,708)
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Grameen Crédit Agricole Microfinance Foundation, Luxembourg)	(1,816)	(1,816)
Other	404	351
Subtotal other development-related term investments	*3,951*	*3,898*
Subtotal bonds and other term investments with development impact	**94,750**	**77,628**

Other term investments		
4F Euro, Fund for Fair Future, the Netherlands [1]	43,082	54,142
4F USD, Fund for Fair Future, the Netherlands [1]	34	-
Rabobank members certificates, The Netherlands	349	376
Subtotal bonds	*43,465*	*54,518*
Other loans		
Amount deposited at Shore Bank through Oikocredit USA, United States of America	-	1,018
GLS Bank, Germany	300	300
Subtotal other loans	*300*	*1,318*
Subtotal other term investments	**43,765**	**55,836**
Total term investments	**138,515**	**133,464**

[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 Notes loans ($ 450,000).

Maturity of term investments		
Can be specified as follows:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Maturity < 1 year	6	6
Maturity > 1 < 5 years	27	87,105
Maturity > 5 years	138,482	46,353
Total	**138,515**	**133,464**

The average duration of the 4F Fund portfolio as at 31 December 2011 was 3.60 (31 December 2010: 3.79).
The 4F Fund invests in investment grade bonds according to Moody's rating agency. The majority of term investments are listed securities.

7 Other financial fixed assets

Summary of other financial fixed assets:	31/12/11	31/12/10
	€ ,000	€ ,000
Hedge contracts financial institutions (note 28, Consolidated financial statements)	**8,492**	**8,924**

Can be specified as follows:	2011	2010
	€ ,000	€ ,000
Balance as of 1 January	8,924	6,699
Additions	(432)	2,225
Balance as of 31 December	**8,492**	**8,924**

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

8 Tangible fixed assets

Changes in tangible fixed assets in 2011 and in the cost of acquisition and accumulated depreciation as of 31 December 2011 can be specified as follows:		2011	2010
		€ ,000	€ ,000
Balance as of 1 January		1,019	777
Additions		227	489
Less:	- depreciation over the year	(632)	(247)
Balance as of 31 December		**614**	**1,019**
Of which:	- at original cost	2,486	2,265
	- less: accumulated depreciation	(1,872)	(1,246)
Of which:	- buildings	124	72
	- other tangible fixed assets (mainly computer equipment and office furniture)	490	947

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

Can be specified as follows:		31/12/11		31/12/10
		€ ,000		€ ,000
Accrued interest on development financing net of allowance		8,337		7,834
Accrued interest on term investments		-		2,424
Interest receivable		4,014		2,362
- face value	12,429		9,532	
- less: allowance for uncollectability	(8,415)		(7,170)	
Amounts prepaid, advances and other receivables		2,481		985
Value added tax and other taxes		849		373
Staff loans [1]		723		738
Hedging contracts (note 28, Consolidated financial statements)		308		554
Sundry receivables		689		736
Balance as of 31 December		**17,401**		**16,006**

Changes in the allowance for uncollectability are specified as follows:	2011	2010
	€ ,000	€ ,000
Balance as of 1 January	7,170	6,411
Additions charged to income	4,932	2,230
Write-offs from allowance	(3,631)	(1,700)
Exchange adjustment	(56)	229
Balance as of 31 December	**8,415**	**7,170**

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

10 Cash and banks

Can be specified as follows:	31/12/11	31/12/10
	€ ,000	€ ,000
Cash and banks including time deposits maturing within one year	41,948	48,970
Time deposits maturing > one year [1]	-	42
Balance as of 31 December	**41,948**	**49,012**

[1] These deposits serve as collateral for a credit facility with a bank.

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 German institution amounting to € 5 million. These facilities 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 line of the Dutch institutions (€ 7.2 million). Oikocredit should also keep 150% of the amounts of the credit facility of the German Institution on its project portfolio free of any encumbrances (€ 7.5 million).
- Without the written permission of the credit institution, it 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.

11 Group equity

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

12 Member capital and general reserves

The Society issues shares in euros, British pounds, Canadian dollars, Swedish kronor 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). If a member has ceased to be a member of the Society, redemptions of capital due are transferred to current liabilities. 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 exchanges 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 € 39.0 million (31 December 2010: € 37.4 million). Reference is made to note 40.

General reserve		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	42,411	30,881
Appropriation of the prior year results	7,495	12,005
Exchange rate effects and dividends on shares in foreign currency previous years	(3,416)	(1,050)
Dividends on shares in foreign currency current year	674	575
Balance as of 31 December	**47,164**	**42,411**

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 of 1 January	410	113	16,619	2,969	4,076	7,267	31,454
Addition to/released from fund	25	16	996	(448)	132	4,320	5,041
Balance as of 31 December	**435**	**129**	**17,615**	**2,521**	**4,208**	**11,587**	**36,495**

[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 did not mature 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 non-banking expenses and activities

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 non-banking expenses and activities		
Can be specified as follows:	31/12/11	31/12/10
	€ ,000	€ ,000
Funds for non-banking expenses	1,794	2,467
Capacity building and guarantee funds	2,436	2,922
Balance as of 31 December	**4,230**	**5,389**

Funds for non-banking expenses	Members' travel fund[1]	Donated investments[2]	Funds for non-banking and model costs[3]	TOTAL
	€ ,000	€ ,000	€ ,000	€ ,000
Balance as of 1 January	3	197	2,267	2,467
Addition to/released from fund	(3)	52	(722)	(673)
Balance as of 31 December	**-**	**249**	**1,545**	**1,794**

[1] This fund was established to assist members of Oikocredit in attending the organization's annual general meeting.

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

[3] This fund was set up in 1999 to cover the non-banking 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]	TOTAL
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as of 1 January	253	283	1,165	1,132	89	2,922
Addition to/released from fund	(253)	(444)	46	33	132	(486)
Balance as of 31 December	**-**	**(161)**	**1,211**	**1,165**	**221**	**2,436**

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

[2] This fund was set up for capacity building of existing and potential project partners and feasibility studies of potential project 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 projects 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 project partners and feasibility studies of potential project partners in Central America and the Dominican Republic.

15 Third party interests

Consists of minority interests of participants in the OSCap Fund and Barefoot Power Trade Finance Fund. Up to 2010 it also consists of the minority interest in the 4F Euro and 4F USD Fund (Fund for Fair Future).

Can be specified as follows:	2011	2010
	€ ,000	€ ,000
Balance as of 1 January	5,088	4,478
De-consolidation 4F Funds	(4,027)	-
Net additions to third party participation	33	528
Results	(21)	82
Balance as of 31 December	**1,073**	**5,088**

16 Non-current liabilities

Can be specified as follows:	31/12/11	Remaining term	Remaining term	31/12/10
	€ ,000	> 1 year	> 5 years	€ ,000
Member capital in foreign currencies (refer to note 12)	**39,021**	**-**	**39,021**	**37,435**
US Note loans [3]	13,388	13,388	-	11,926
Loans for investment in development financing [2]	10,962	10,962	-	12,082
Bank loans [1]	5,894	5,894	-	15,585
Hedge contracts (note 28)	3,036	3,036	-	1,848
First Oikocredit Canada [4]	1,064	1,064	-	1,111
Other liabilities	1,259	1,259	-	1,259
Total other non-current liabilities	**35,603**	**35,603**	**-**	**43,811**

Repayment obligations falling 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:
- A loan of UAH 5.5 million from one financial institution in the Ukraine.
- Eight loans with a total principal amount of Rupee 2.0 billion from four financial institutions in India. The loans in India have terms of up to five years and should be repaid in half-yearly instalments. A loan of Rupee 230 million (disbursed in several tranches) carries an interest rate of between 11.25%-11.75%, a loan of INR 100 million carries an interest rate of 11.5% and the other loans carry interest rates equal to base rates used by the financial institution less an agreed margin. Oikocredit has issued a guarantee amounting to € 16 million to a financial institution for seven of the loans amounting to 1.4 billion Rupees and a guarantee of maximum 985 million Rupees (approximately € 14.3 million) for the loan of another institution.
- A loan granted by a German bank amounting to € 1.8 million.

[2] Loans managed by Oikocredit on behalf of funders which have been invested in Oikocredit's development financing. Oikocredit receives these loans under contract from various co-financing donors or development agencies, 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. Breakdown as of year-end:

• Pension Fund Protestant Churches (five-year term expiring 31/03/2014)	€ 8,000,000
• Kerk in Actie	€ 981,000
• Oxfam Novib	€ 633,000
• Swiss Agency	€ 472,000
• Rabobank Foundation	€ 293,000
• Cordaid	€ 288,000
• Woord en Daad	€ 119,000
• ICCO	€ 100,000
• Stromme	€ 76,000

[3] Loans taken from Oikocredit USA against their US Notes issue. The average interest rate of the loans over 2011 was 2.0% (2010: 1.9%). Expenses related to the US Notes issues have been recorded under prepaid expenses. The loans mature from 2012 until 2017.

[4] Loans taken from First Oikocredit Canada against their Canadian Notes issue repayable from 2012 until 2016. The average interest rate of the loans over 2011 was 1.75% (2010: 1.75%).

Fair value of long-term liabilities

The interest rates of 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.

17 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Long-term loans expired or expiring within one year	14,874	17,813
Accrued expenses, sundry liabilities	3,442	3,004
Hedge contracts (note 28, Consolidated financial statements)	1,519	294
Loans for investment in development financing	1,085	1,012
Hedging premiums payable	523	483
Taxes payable	263	257
Social securities payable	57	42
Balance as of 31 December	**21,763**	**22,905**

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

During 2006, the Dutch Ministry of Development Cooperation awarded a subsidy for Oikocredit's non-banking costs to the International Support Foundation, amounting to € 14.8 million for the period 2007 to 2010. The amounts are paid out based on reports submitted to the Dutch Government on our non-banking activities and are recognized as income when granted. Granted amounts not yet used are added to the Oikocredit funds for non-banking and local currency risks. The Dutch Ministry of Foreign affairs explicitly accepted that the part of the subsidies awarded for local currency risks and guarantees is available and at the full disposal of the Society for this purpose after the completion of the subsidy period.

The Society agreed with the Oikocredit Nederland Fonds (ONF) in Utrecht, the Netherlands – as one of the conditions for ONF to qualify as a socially responsible investment opportunity for Dutch tax purposes – to earmark part of microfinance development financing for fiscal purposes. (A certain percentage of total ONF member capital is allocated to Oikocredit U.A.). Furthermore, microfinance development financing is earmarked for fiscal purposes to ASN-Novib fund in The Hague, the Netherlands and to ING Bank N.V. in Amsterdam, the Netherlands.

The Society entered into a rental agreement for seven years starting from 01/07/2007. The total yearly rent payments amount to € 312,000 per year and are indexed.

In December 2011, the Society entered into an agreement to sell its equity investment in Amret Co. Ltd. in Cambodia. This sale is subject to several conditions which still have to be met. Therefore, this transaction, which will result in a gain of approximately € 1.5 million, has not been included in the balance sheet.

19 Financial income

Can be specified as follows:	2011	2010
	€ ,000	€ ,000
Development financing		
- Interest	47,545	40,690
- Dividends, including sale of equity participations	3,422	1,665
Management fees	147	153
Total development financing	**51,114**	**42,508**
Term investment income		
- Interest	4,210	4,077
- Realized results	(263)	(47)
Total term investment income	**3,947**	**4,030**
Total financial income	**55,061**	**46,538**

20 Additions to loss provisions

Can be specified as follows:	2011	2010
	€ ,000	€ ,000
Additions to provisions against losses		
- on principal projects	10,043	9,821
- on interest	4,932	2,230
Total	**14,975**	**12,051**

21 Other financial expenses

Can be specified as follows:	2011	2010
	€ ,000	€ ,000
Interest payable on long-term loans, current accounts and other short-term liabilities	3,815	3,230
Interest allocated from term investments	(326)	(295)
Less interest expenses on:		
- US Notes loans	326	295
Exchange rate differences	(2,433)	(8,575)
Hedging premiums including revaluation of derivatives	1,641	1,977
Total	**3,023**	**(3,368)**

22 Grant income

Grants	2011	2010
	€ ,000	€ ,000
Grants received from Dutch Government through cooperation with ICCO	-	3,860
Grants received from ICCO	1,000	-
Other grants received	890	733
Total grants	**1,890**	**4,593**

23 Personnel

The number of employees who were directly or indirectly employed by the Society and group companies at the end of 2011 on the basis of full-time equivalents (FTE) amounted to 222 (2010: 210). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2011: 156 FTE, 2010: 149 FTE). Of the total FTEs (222), 59% is female and 41% is male. Of the total management FTEs (72.8), 45% is female and 55% is male.

Personnel expenses	2011	2010
	€ ,000	€ ,000
Salaries	8,123	7,100
Social securities	1,028	1,049
Pension charges	558	471
Provident fund charges	340	378
All other personnel costs	1,329	1,151
Total personnel expenses	**11,378**	**10,149**
Breakdown personnel expenses of staff based in the Netherlands:		
Salaries for staff based in the Netherlands	4,149	3,552
Pension charges for staff based in the Netherlands	636	611
Social securities charges for staff based in the Netherlands	435	379

24 General and other expenses

	2011	2010
	€ ,000	€ ,000
Capacity building expenses	2,328	1,638
Office expenses	1,623	1,568
Contribution to support associations	1,632	1,229
IT-related expenses (including development costs new software)	1,380	402
Marketing expenses	880	882
Audit (specified in note 25) and consultancy expenses	700	442
All other general expenses	521	728
Total general and other expenses	**9,064**	**6,889**

25 Audit fees

The following audit fees were expensed in the income statement in the reporting period:	2011	2010
	€ ,000	€ ,000
Audit of Financial Statements	93	93
Other audit procedures	-	7
Tax services	37	18
Other non-audit services	59	48
Total audit fees	**189**	**166**

26 Taxes

	2011	2010
	€ ,000	€ ,000
Taxes Maanaveeya Development & Finance Private Limited	140	577
Taxes regional and country offices	43	42
Total taxes	**183**	**619**

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 2011.

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

	2011 € ,000	2010 € ,000
Local currency risk fund Philippines		
Exchange rate differences on invested funds	1	2
Exchange rate differences local currency loans repaid	12	174
Interest added	12	8
Released from/addition to fund	25	184
Local currency risk fund Indonesia		
Exchange rate differences on invested funds	1	1
Exchange rate differences local currency loans repaid	12	(2)
Interest added	3	2
Released from/addition to fund	16	1
Local currency risk fund general		
Grants received	38	2,287
Exchange rate differences on invested funds	49	108
Exchange rate differences local currency loans repaid	415	320
Interest added	494	363
Released from/addition to fund	996	3,078
Local currency risk fund Africa		
Exchange rate differences on invested funds	9	25
Exchange rate differences local currency loans repaid	(536)	33
Interest added	79	71
Released from/addition to fund	(448)	129
Local currency risk fund South East Asia		
Exchange rate differences on invested funds	12	35
Interest added	120	98
Released from/addition to fund	132	133
Local currency loans cumulative exchange rate differences		
Addition exchange rate differences local currency loans repaid	98	(525)
Addition exchange rate differences and premiums	4,222	9,128
Released from/addition to fund	4,320	8,603
Members' travel fund		
Other costs	(3)	(2)
Released from/addition to fund	(3)	(2)
Donated investments		
Grants received	52	104
Released from/addition to fund	52	104
Non-banking and model costs		
Grants received	31	196
Interest received allocated to fund	55	63
Category A costs [1]	(106)	(596)
Other costs; office expenses	(702)	(777)
Released from / addition to fund	(722)	(1,114)

	2011	2010
	€ ,000	€ ,000
Capacity building Africa and South and East Asia		
Grants received	280	274
Other costs	(533)	(458)
Released from/addition to fund	(253)	(184)
Capacity building funds		
Grants received	1,151	1,122
Interest added	-	34
Other costs	(1,595)	(661)
Released from/addition to fund	(444)	495
General guarantee funds		
Grants received	12	473
Interest added	34	46
Released from/addition to fund	46	519
Guarantee fund for Africa		
Interest added	33	27
Released from/addition to fund	33	27
Schokland capacity building fund		
Grants received	327	144
Interest added	5	5
Other costs	(200)	(127)
Released from/addition to fund	132	22
Total addition to funds	**3,882**	**11,995**

[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	31/12/11 Notional €	31/12/11 Carrying amount € ,000	31/12/11 Fair value € ,000	31/12/10 Carrying amount € ,000	31/12/10 Fair value € ,000
Oikocredit has entered into the following derivatives to cover its exposure:						
Fixed assets						
FX derivatives	Under hedge accounting	(7,425,376)	351	145	208	38
Interest derivatives	Under hedge accounting	104,190,897	8,141	7,224	8,716	6,095
	Total		**8,492**		**8,924**	
Current assets						
FX derivatives	Under hedge accounting	(8,522,555)	70	55	242	225
Interest derivatives	Under hedge accounting	1,904,884	238	285	312	(117)
	Total		**308**		**554**	
Non-current liabilities						
FX derivatives	Under hedge accounting	3,535,193	(323)	(281)	-	-
Interest derivatives	Under hedge accounting	58,044,196	(2,713)	(3,071)	(1,848)	(1,991)
	Total		**(3,036)**		**(1,848)**	
Current liabilities						
FX derivatives	Under hedge accounting	7,091,776	(624)	(610)	-	-
Interest derivatives	Under hedge accounting	15,377,238	(895)	(865)	(294)	-
	Total		**(1,519)**		**(294)**	

29 Overview total result

Movement in group equity and funds can be specified as follows:	2011 € ,000	2010 € ,000
Equity and funds as of 1 January	**530,544**	**450,202**
Consolidated net income after addition to funds	14,833	12,706
Exchange rate differences on investments in group companies	(2,872)	4,171
Addition to funds	3,882	11,995
Total direct changes in equity and funds	1,010	16,166
Total result group excluding third party interest	**15,843**	**28,872**
Net addition member capital (new shares minus redemptions)	35,990	58,499
Dividends paid to members	(7,953)	(7,029)
	28,037	**51,470**
Equity and funds as of 31 December	**574,424**	**530,544**

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 2011 amounted to € 32,900 (2010: € 17,400).

Remuneration of management team		
The remuneration can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Managing Directors:		
T.G. Gull (7 months) and R.S. Copisarow (7.25 months) gross salary, holiday and year-end allowance	158	133
T.G. Gull performance reward (a part was paid net in Oikocredit shares)	26	16
T.G. Gull and R.S. Copisarow expense and 30% allowances	50	53
Other management team members:		
Gross salary, holiday, year-end allowance and performance reward (a part was paid net in Oikocredit shares)	455	420
Expense allowances	10	10
Total (2011: 5 members; 2010: 5 members)	**699**	**632**

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. Oikocredit has introduced a 'median wage' pension system for its employees in the Netherlands, to which the employer and the employees each contribute a part of the pension premiums. Pensions are indexed based on the average wage 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 being paid in the currencies of the countries in which they reside and work and 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 2010 (paid in 2011) as well as 2009 (paid in 2010). A part of the performance reward is awarded in Oikocredit shares and a part in cash. This amount is accounted for under personnel expenses.

31 Information on role of board of directors and committees of Oikocredit

Board of directors of Oikocredit

Oikocredit 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 2011.

The following people are members of the board of directors:

- Rev Dr Fidon R. Mwombeki – President (Tanzania)
- Ms Salome Sengani – Vice President (South Africa)
- Dr Aris Alip (The Philippines)
- Ms Judith Castañeda (Guatemala)
- Mr Matt Christensen (United States of America)
- Dr Nune Darbinyan (Republic of Armenia)
- Ms Kristina Herngren (Sweden)
- Mr Richard Librock (Canada)
- Mr Sérgio Roschel (Brazil)
- Ms Martina Straub (Switzerland)
- Mr Heinrich Wiemer (Germany)

Secretary to the board: vacancy

The management team consists of the following staff members:

- Vacancy - Managing Director
- Mr Ben Simmes – Director Social Performance & Financial Analysis and Deputy to Managing Director (the Netherlands)
- Mr Erik Heinen – Director Loans & Investments (the Netherlands)
- Mr Albert Hofsink – Director Finance & Administration (the Netherlands)
- Ms Ylse van der Schoot – Director Investor Relations (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 2011, 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:

- Mr Hans Hekkenberg (the Netherlands)
- Mr Andreas Neukirch (Germany)
- Ms Ruth Waweru (Kenya)

Nomination committee

The nomination committee is elected by the members of Oikocredit 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 Ulrike Chini (Germany)
- Mr Bright Mawudor (Ghana)
- Mr Nils-Gunnar Smith (Sweden)
- Ms Judith Castañeda (Guatemala) – member board
- Vacancy

Society financial statements

Society **balance sheet**
(before appropriation of net income)

Notes		31/12/11	31/12/10
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
	Financial assets		
33	Development financing		
	Approved	573,935	500,832
	Less: - not yet disbursed	(112,104)	(93,168)
	Outstanding project financing	**461,831**	**407,664**
	Less: - loss provision	(48,596)	(46,375)
		413,235	**361,289**
34	Investments in group companies	43,554	149,325
35	Term investments	110,492	1,846
36	Other financial assets	8,265	8,924
	Total financial assets	**575,546**	**521,384**
37	**Tangible assets**	**601**	**1,005**
	Total non-current assets	**576,147**	**522,389**
	CURRENT ASSETS		
38	Receivables and other current assets	14,868	12,102
39	Cash and banks	38,413	44,049
	Total current assets	**53,281**	**56,151**
	TOTAL	**629,428**	**578,540**

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

Society **balance sheet**

(before appropriation of net income)

Notes		**31/12/11**	**31/12/10**
		€ ,000	**€ ,000**
	MEMBER CAPITAL AND RESERVES		
40	Member capital	514,200	477,332
41	General reserves	42,482	35,015
41	Restricted exchange fluctuation reserve	(245)	2,627
	Undistributed net income for the year	15,887	16,094
		572,324	**531,068**
43	**NON-CURRENT LIABILITIES**	**42,106**	**31,790**
44	**CURRENT LIABILITIES**	**14,998**	**15,682**
	TOTAL	**629,428**	**578,540**

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

Society **income statement**

Notes		2011	2010
		€ ,000	**€ ,000**
	RESULTS		
34	Results participation in group companies after taxes	1,289	1,657
	Other results	14,598	14,437
	NET INCOME	**15,887**	**16,094**

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			
Can be specified as follows:		**2011**	**2010**
		€ ,000	**€ ,000**
Outstanding as of 1 January		407,664	349,438
Disbursements		181,842	169,901
Capitalized interest and dividends		67	387
Less:	- repayments	(131,084)	(129,460)
	- write-offs	(4,094)	(2,069)
Exchange adjustments		7,436	19,467
Outstanding as of 31 December		461,831	407,664
Approved in the year		211,151	213,766
Less:	- commitments cancelled	(5,605)	(13,130)
Not yet disbursed 1 January		93,168	74,556
Less:	- disbursements	(181,842)	(169,901)
	- disbursements through subsidiary Maanaveeya	(12,062)	(33,930)
	- disbursements through subsidiary Oikocredit Ukraine	(710)	(1,463)
	- disbursements through OSCap Fund	(388)	(343)
	- disbursements through BTF Fund	(1.139)	(718)
Exchange adjustments		9,531	11,243
Approved as of 31 December		**573,935**	**487,744**
Not yet disbursed 1 January (adjustment credit lines)		-	13,088
Approved as of 31 December		**573,935**	**500,832**

Provision for possible losses		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	46,375	38,857
Additions	5,973	7,473
Exchange adjustments	342	2,114
	52,690	48,444
Less: - write-offs	(4,094)	(2,069)
Balance as of 31 December	**48,596**	**46,375**

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		
	31/12/11	**31/12/10**
	€ ,000	**€ ,000**
Maanaveeya Development & Finance Private Ltd., Hyderabad, India [1]	41,085	41,185
Financial Company Oikocredit Ukraine, Lviv, Ukraine [2]	1,459	1,125
Oikocredit Seed Capital Fund [3]	819	889
Barefoot Power Trade Finance Fund [3]	191	179
Oikocredit 4F Euro Fund [4]	-	105,570
Oikocredit 4F USD Fund [4]	-	377
Balance as of 31 December	**43,554**	**149,325**

[1] The investment in Maanaveeya Development & Finance Private Ltd., Hyderabad, India, consists of 100% of the compulsory convertible bonds amounting to Indian rupee 1.6 billion and 100% of the ordinary shares amounting to Indian rupee 1.1 billion. The compulsory convertible debentures should be converted within 10 years after issuing the debentures ultimately during 2018. The debentures carry an interest rate of 11% per annum payable at 31 March of each year.

[2] The investment in Financial Company Oikocredit Ukraine in Lviv, Ukraine, consists of 100% of the ordinary shares amounting to UAH 16.1 million.

[3] This amount represents the Society's participation in the Oikocredit Seed Capital Fund (63%) and the Barefoot Power Trade Finance Fund (25%). These Funds are 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.

[4] The 4F Euro and 4F USD Funds are not part of the group anymore from 1 January 2011. The investments in these funds are now classified as term investments.

Maanaveeya Development & Finance Private Ltd.		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	41,185	32,150
Investments	6,500	3,875
Result for the year	1,386	2,109
Interest paid to Oikocredit on compulsory convertible debentures	(2,214)	(1,164)
Exchange adjustments	(5,772)	4,215
Balance as of 31 December	**41,085**	**41,185**

Financial Company Oikocredit Ukraine		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	1,125	689
Investments	364	274
Net result for the year	(97)	87
Exchange adjustments	67	75
Balance as of 31 December	**1,459**	**1,125**

Oikocredit Seed Capital Fund		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	889	(15)
Investments	-	999
Results for the year	(70)	(95)
Balance as of 31 December	**819**	**889**

Barefoot Power Trade Finance Fund		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	179	167
Results for the year	6	-
Revaluation to market value as of 31 December	6	12
Balance as of 31 December	**191**	**179**

The Society has direct interests in the following entities:	**31/12/11 (%)**
Fully consolidated	
Maanaveeya Development & Finance Private Ltd., Hyderabad, India	100
Financial Company Oikocredit Ukraine, Lviv, Ukraine	100
Oikocredit Seed Capital Fund, Amersfoort, the Netherlands	63
Barefoot Power Trade Finance Fund, Amersfoort, the Netherlands	25

35 Term investments

Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	1,846	1,578
Reclassification 4F Euro and 4F USD Funds	105,947	-
Investments during the year at cost	2,719	189
Disinvestments / redemptions during the year	(1,012)	(5)
Revaluation to market value as of 31 December	1,006	16
Exchange adjustments	(14)	68
Balance as of 31 December	**110,492**	**1,846**

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.

Summary of term investments:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Bonds [1]		
4F Euro Fund for Fair Future, the Netherlands	109,294	-
4F USD Fund for Fair Future, the Netherlands	402	-
Rabobank members certificates, the Netherlands	349	376
Subtotal bonds	110,045	376
Other loans		
Amount deposited at Shore Bank through Oikocredit USA, United States of America	-	1,018
GLS Bank, Germany	300	300
Subtotal other loans	110,345	1,318
Other	147	152
Balance as of 31 December	**110,492**	**1,846**

[1] All investments in bonds in the 4F Funds 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			
Of the investments, stated in note 35, the share participation of the following investments as at 31 December 2011 is 20% or more	**Participation**	**Net equity (latest available)**	**Net equity (latest available)**
	%	**€ ,000**	**€ ,000**
4F Euro, Fund for Fair Future, the Netherlands	82.20%	132,827	4,472

36 Other financial assets

Summary of other financial assets:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Hedge contracts financial institutions	8,265	8,924
Balance as of 31 December	**8,265**	**8,924**

37 Tangible fixed assets

Changes in tangible fixed assets in 2011 and in the cost of acquisition and accumulated depreciation as of 31 December 2011 can be specified as follows:		**2011**	**2010**
		€ ,000	**€ ,000**
Balance as of 1 January		1,005	765
Additions		227	482
Less:	- depreciation over the year	(631)	(242)
Balance as of 31 December		**601**	**1,005**
Of which:	- at original cost	2,472	2,227
	- less: accumulated depreciation	(1,871)	(1,222)
Of which:	- buildings	124	72
	- other tangible fixed assets (mainly computer equipment and office furniture)	477	933

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

The receivables maturing within one year can be specified as follows:		**31/12/11**		**31/12/10**
		€ ,000		**€ ,000**
Accrued interest on development financing net of allowance		7,703		6,670
Interest receivable:		2,762		2,573
- face value	10,175		9,440	
- less: allowance for uncollectability	(7,413)		(6,867)	
Amounts prepaid, advances and other receivables		2,481		688
Staff loans [1]		723		738
Accrued interest on bank accounts and deposits		312		104
Hedge contracts		238		554
Receivables from group companies (note 46)		189		569
Value added tax		88		125
Sundry receivables		372		81
Balance as of 31 December		**14,868**		**12,102**

[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.

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 of 31 December 2011 all mature in 2012.
The Society has credit facility agreements with Dutch banks amounting to € 5.75 million, a German institution amounting to € 5 million and a guarantee of € 16 million given to a Dutch bank (we refer to note 10 of the consolidated financial statements). These facilities 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 line and guarantees given. Oikocredit should also keep 150% of the amounts of the credit facility of the German Institution on its project portfolio free of any encumbrances (€ 7.5 million).
- Without the written permission of the credit institution, it 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.

40 Member capital

Can be specified as follows:		2011 € ,000	2010 € ,000
Issued capital			
Balance as of 1 January		477,332	413,008
New shares issued		45,005	65,555
Redemption of shares		(8,137)	(1,231)
Balance as of 31 December		**514,200**	**477,332**
Of which	- euro shares	471,948	435,957
	- shares in other currencies (at original exchange rate)	42,252	41,375

The Society issues euro shares of € 200 each, British pound shares of GBP 150 each, Canadian dollar shares of CAD 200 each, Swedish kronor shares of SEK 2,000 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). If a member has ceased to be a member of the Society, redemptions of capital due are transferred to current liabilities. 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]		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	35,015	23,020
Appropriation of prior year results	7,467	11,995
Balance as of 31 December	**42,482**	**35,015**

[1] The Oikocredit board allocated a part of the general reserve for specific purposes:
An amount for local currency loans (€ 2,932,000) 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.

Restricted Exchange Fluctuation reserve [1]		
Can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Balance as of 1 January	2,627	(1,544)
Exchange rate differences	(2,872)	4,171
Balance as of 31 December	**(245)**	**2,627**

[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

Changes in the difference between the Society and consolidated equity and profit / loss in the financial year can be specified as follows:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Equity according to society financial statements	**572,324**	**531,068**
Reclassification of Members capital to Non-Current Liabilities	(39,021)	(37,435)
Reserves Oikocredit International Support Foundation	3	3
Reserves Oikocredit International Share Foundation	65	37
Net result Oikocredit International Share Foundation	25	28
Local currency risk funds Support Foundation	36,495	31,454
Funds for non-banking expenses and activities Support Foundation	4,230	5,389
Revaluation result hedges share capital	303	-
Third party interests	1,073	5,088
Group Equity and Funds according to consolidated financial statements	**575,497**	**535,632**

Difference in net income of society and consolidated financial statements	2011	2010
	€ ,000	€ ,000
Net income according to the society financial statements	**15,887**	**16,094**
Net result Oikocredit International Share Foundation	25	28
Exchange rate differences on Members Capital in foreign currency	(405)	(2,841)
Dividends paid on Members Capital in foreign currency	(674)	(575)
Net income according to consolidated financial statements	**14,833**	**12,706**

43 Non-current liabilities

Can be specified as follows:	31/12/11	Remaining term > 1 year < 5 years	31/12/10 € ,000
	€ ,000	€ ,000	€ ,000
Loans for investment in development financing [1]	10,962	10,962	12,082
US Note loans [2]	13,388	13,388	11,926
Hedge contracts related parties (Oikocredit International Support Foundation)	11,587	11,587	4,583
Hedge contracts (note 28, Consolidated financial statements)	3,036	3,036	1,848
Bank loans	1,829	1,829	-
First Oikocredit Canada [3]	1,064	1,064	1,111
Other liabilities	240	240	240
Total non-current liabilities	**42,106**	**42,106**	**31,790**

Repayment obligations falling due within 12 months of the end of the financial year, as set out above, are included in current liabilities.

[1] 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. Breakdown as of year-end:

• Pension Fund Protestant Churches (5-year term expiring 31/03/2014)	€ 8,000,000
• Kerk in Actie	€ 981,000
• Oxfam Novib	€ 633,000
• Swiss Agency	€ 472,000
• Rabobank Foundation	€ 293,000
• Cordaid	€ 288,000
• Woord en Daad	€ 119,000
• ICCO	€ 100,000
• Stromme	€ 76,000

[2] Loans taken from Oikocredit USA against their US Notes issue. The average interest rate of the loans over 2011 was 2.0% (2010: 1.9%). Expenses related to the US Notes issues have been recorded under prepaid expenses. The loans mature from 2012 until 2017.

[3] Loans taken from First Oikocredit Canada against their Canadian Notes issue repayable from 2012 until 2016. The average interest rate of the loans over 2011 was 1.75% (2010: 1.75%).

Fair value of long-term liabilities

- The interest rates of 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

All current liabilities mature within one year and can be specified as follows:	**31/12/11**	**31/12/10**
	€ ,000	**€ ,000**
Long-term loans expired or expiring within one year	5,456	3,580
Group companies (note 46)	3,064	4,679
Hedge contracts	1,519	2,978
Accrued expenses, sundry liabilities	2,295	2,180
Funds under management	1,085	1,012
Hedging premiums payable	523	483
Taxes payable	263	257
Social securities payable	57	42
Other current liabilities	736	471
Balance as of 31 December	**14,998**	**15,682**

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 agreed with the Oikocredit Nederland Fonds (ONF) in Utrecht, the Netherlands - as one of the conditions for ONF to qualify as a socially responsible investment opportunity for Dutch tax purposes - to earmark part of microfinance development financing for fiscal purposes (a certain percentage of total ONF member capital is allocated to Oikocredit U.A.). Furthermore, microfinance development financing is earmarked for fiscal purposes to ASN-Novib fund in The Hague, the Netherlands, and to ING Bank N.V. in Amsterdam, the Netherlands.

The Society has entered into a rental agreement for seven years starting at 01/07/2007. The total rent payments amount to € 312,000 per year and are indexed.

In December 2011, the Society entered into an agreement to sell its equity investment in Amret Co. Ltd. in Cambodia. This sale is subject to several conditions which still have to be met. Therefore, this transaction, which will result in a gain of approximately € 1.5 million, has not been included in the balance sheet.

46 Related party transactions

Transactions with Oikocredit Foundations during the year

Material transactions with the Oikocredit International Support Foundation: during 2011, € 562,000 of category A[1] costs were directly charged to the Oikocredit International Support Foundation (2010: € 538,000).

Oikocredit charged costs related to non-banking activities and 'model costs' (category B costs[1]) to the foundations' funds for non-banking expenses amounting to € 150,000 (2010: € 319,000).

Oikocredit added unrealized cumulated exchange rate differences on local currency loans to the fund for local currency loans cumulative exchange rate differences amounting to € 2.5 million (2010: € 8.6 million).

Transactions with the Oikocredit International Share Foundation

There were no material transactions with the International Share Foundation during 2011 or 2010.

[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]

	31/12/11	31/12/10
	€ ,000	€ ,000
Amounts owed to group companies		
Oikocredit International Support Foundation cumulated exchange rate differences	**11,587**	**7,266**
Oikocredit International Support Foundation	2,419	3,736
OSCap Fund	581	774
Barefoot Power Trade Finance Fund	64	169
	3,064	**4,679**
Amounts owed by group companies		
Oikocredit International Share Foundation	189	323
4F Fund, Fund for Fair Future	-	246
	189	**569**

[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 € 4.2 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 € 36.5 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 distributing unrealized gains on the term investments and exchange rate differences as dividend, the board of directors of Oikocredit decided that these amounts should be added to the general reserve. These amounts will be separated within the general reserve and are designated for unrealized losses on term Investments and exchange rate differences in future years. The remaining net income is available for dividend distribution.

With respect to 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 2012 as to the 2011 net income:

- To pay a dividend of 2% on all outstanding shares as of 31 December 2011, which were also outstanding as of 31 December 2010, and to pay a dividend of 1% on all outstanding shares as of 31 December 2011, which were also outstanding as of 30 June 2011, but not yet outstanding as of 31 December 2010, and to pay a dividend of 0.5% on all outstanding shares as of 31 December 2011, which were not yet outstanding as of 30 June 2011.
- To pay 1% on all sold shares that were outstanding between 30 June 2011 and 31 December 2011 and also outstanding as of 31 December 2010. Dividend to be paid in shares or in cash at the members' option.
- To add € 6.2 million to the general reserve.

Allocation of net income		
The board of directors proposes to appropriate the net income as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Dividend distribution	**9,717**	**8,653**
General reserve		
Unrealized revaluation of term investments	942	645
Unrealized exchange differences	409	2,778
Capacity building project partners	482	402
Other	4,337	3,616
	6,170	**7,441**
Net income	**15,887**	**16,094**

Information on cumulative unrealized results and specific designated amounts in general reserve		
The breakdown of the balance of the cumulative amounts of the unrealized results included in the general reserve can be specified as follows:	**2011**	**2010**
	€ ,000	**€ ,000**
Local currency loans	2,932	2,932
Capacity building project partners	884	402
Cumulative amount of unrealized revaluation of term investments	7,780	6,838
Cumulative amount of unrealized exchange differences in results	4,467	4,058
Total unrealized results and designated amounts included in general reserve	**16,063**	**14,230**

Ernst & Young

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 2011 of Oikocredit Ecumenical Development Co-operative Society U.A., which comprises the consolidated and company balance sheet as at December 31, 2011, 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 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 December 31, 2011 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, February 23, 2012

Ernst & Young Accountants LLP

signed by Zaina Ahmed-Karim

Annex to the financial statements

Overview of bonds that Oikocredit has invested in through the 4F Funds

	31/12/11	31/12/10
	€ ,000	€ ,000
Bonds issued by development banks, developing countries and by companies active in – and with particular beneficial impact in – developing countries		
Bonds issued by development banks:		
Inter American Development Bank	11,959	
Kreditanstalt für Wiederaufbau	9,279	
Dutch Government Investment Bank	2,354	
Bank Nederlandse Gemeenten	1,439	
Bonds issued by developing countries:		
Republic of South Africa	4,543	
Republic of Lithuania	2,221	
Republic of Chile	193	
Bonds issued by companies active in - and with particular beneficial impact in - developing countries:		
Australia & New Zealand Banking Group Ltd, Australia	6,261	
Telenor ASA, Norway	6,009	
Danone, France	5,798	
DSM, the Netherlands	5,413	
Schneider, France	5,397	
Linde Finance B.V., the Netherlands	5,363	
Suez Environnement, France	5,202	
Electricidade de Portugal SA / Energias de Portugal, Portugal	2,780	
Telefonica Emision Sau, Spain	2,443	
Akzo Nobel, the Netherlands	2,295	
Olivetti Finance (Telecom Italia), Italia	1,946	
Subtotal bonds with development impact	*80,895*	*73,730*
Other term investments		
Sovereign bonds		
Republic of Slovakia	5,302	
Corporate bonds		
Nederlandse Waterschapsbank NV, the Netherlands	13,527	
Sanofi, France	6,289	
Novartis Finance SA, Luxembourg	5,504	
Roche Holdings Inc., United States of America	5,299	
Telia Sonera, Sweden	4,004	
Air Products & Chemicals, United States of America	3,171	
Telstra, Australia	2,229	
Elsevier, the Netherlands	2,211	
Bell Canada Enterprises, Canada	2,139	
Deutsche Telekom, Germany	2,105	
Subtotal other bonds	*51,780*	*54,142*
Total	**132,675**	**127,872**

Office information

International office

Management team

- Mr Ben Simmes
  Director Social Performance & Financial Analysis and Deputy to Managing Director
- Mr Erik Heinen
  Director Loans & Investments
- Mr Albert Hofsink
  Director Finance & Administration
- Ms Ylse van der Schoot
  Director Investor Relations

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

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Oikocredit terminology

Capacity building
In addition to providing financial services, Oikocredit offers its partners capacity building programmes to help them develop expertise and management skills in areas 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-banking activities
Services such as capacity building support that Oikocredit provides to clients in addition to its core business of providing financial services.

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 where no support associations nor national support offices exist.

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.

Support association
Local organization engaged in promoting Oikocredit.

Term investments
Oikocredit's investments in bonds.

Strategic partners

www.icco.nl

www.cerise-microfinance.org/en/

www.terrafina.nl

www.grameenfoundation.org

www.rotary.org

www.svenskakyrkan.se

Relevant networks

www.wfto.com

www.agri-profocus.nl

www.themix.org

www.eurosif.org

www.2012.coop

www.eclof.org

www.bidnetwork.org

www.socialmicrofinance.org

www.sptf.info

www.inaise.org

www.cmef.com

www.e-mfp.eu

www.smartcampaign.org

www.microfinance.nl

www.mftransparency.org

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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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