OIKO CREDIT
investing in people

Annual Report **2019**

A year of renewal

Contents
Annual Report 2019

About the cover picture:

Entrepreneurs Financial Centre, Zambia

Jessy Chipindo worked hard to start her own catering company, saving money from her job as a casino cashier. Her catering company became a successful café, but when Jessy wanted to open a restaurant, she struggled to find support from traditional banks.

A loan from Oikocredit partner Entrepreneurs Financial Centre (EFC) Zambia in 2017 helped Jessy finish the work needed to open her restaurant, helping her on her journey from a team of seven people to a business with 32 employees.

“I am passionate about cooking and I taught myself how to cook,” says Jessy. “I also teach my workers. I buy local products and there’s a farmer who grows certain ingredients especially for me.”

EFC Zambia has been an Oikocredit partner since 2017.

From the Managing Director

When our cooperative was founded in 1975, the concept of impact investing was new. We are proud to have been a catalyst in the exponential growth of this market that's now estimated to be worth US$ 239 billion.

Today, 45 years on, we remain true to our focus on social impact. Improving the lives of low-income people through financing and capacity building remains front and centre for us, as we work with 674 partner organisations in financial inclusion, agriculture and renewable energy.

Since our founding, much has changed in the world and for Oikocredit. 2019 was a year of renewal and transition for us, as well as a year of adjustment to change so that we can better serve our investors, our partners and the low-income communities our partners work with.

Beyond the numbers you will find in this annual report, it is the people who benefit from our work who remind us of the value that our financing and capacity building support can add. People like Jessy Chipindo, a client of Oikocredit partner Entrepreneurs Financial Centre (EFC) Zambia, who you can see on the cover page.

Jessy worked hard to start her own catering company, saving money from her job as a casino cashier. Her catering company became a successful café, but when Jessy wanted to open a restaurant, she struggled to find support from traditional banks.

A loan from EFC Zambia helped Jessy finish the work needed to open her restaurant, helping her on her journey from a team of seven people to a business with 32 employees.

Creating opportunities for people like Jessy to improve their lives and their communities is at the heart of Oikocredit's work. I would like to thank our members, investors, partners, volunteers, staff and Supervisory Board for making this work possible and for their continued support.

With your backing, Oikocredit can look forward to many more decades of supporting socially beneficial organisations in sustainably empowering low-income people to improve their quality of life.

Thos

Thos Gieskes
Managing Director

Five-year **Oikocredit key figures**

Figures from the consolidated financial statements	2019	2018	2017	2016	2015	Reference
Members	555	558	567	575	581	
Investors (approximate number)	59,000	57,000	56,000	54,000	51,000	
Countries with regional and country offices [1]	15	21	31	31	33	
National support offices and support associations	28	32	35	36	37	
Staff members in full-time equivalents (FTE) [2]	201	235	290	269	258	Note 28
Partners in portfolio [3]	674	684	747	801	809	
€ millions						
Total consolidated assets	1,310.4	1,292.9	1,220.0	1,209.3	1,026.3	Consolidated balance sheet
Member capital	1,129.8	1,082.5	1,012.4	913.0	806.3	Consolidated balance sheet
Other funding [4]	141.4	146.4	140.5	105.5	93.2	Consolidated balance sheet
Total funds available for investing	1,271.2	1,228.9	1,152.9	1,018.5	899.5	
Development financing activities						
New disbursements	404.5	444.5	380.2	438.7	419.0	Note 8
Increase % disbursements	*-9.0%*	*16.9%*	*-13.3%*	*4.7%*	*24.0%*	
Cumulative disbursements	4,199.6	3,795.1	3,350.6	2,970.4	2,531.7	
Total cumulative payments (capital, interest and dividends) by partners	3,728.7	3,289.4	2,839.9	2,422.1	2,052.2	
Total development financing outstanding	1,064.6	1,046.6	981.7	1,047.2	900.2	Note 8
As % of total funds available for investing (beginning of year)	*86.6%*	*90.8%*	*96.4%*	*116.4%*	*111.5%*	
Portfolio at risk 90 days	5.4%	4.0%	4.6%	4.5%	5.3%	
Loan loss provisions on capital and interest and impairment of equity [5]	97.3	80.3	74.0	81.7	68.6	Notes 8 and 12
Loan loss provisions and impairment of equity as % of development financing outstanding	*9.1%*	*7.7%*	*7.5%*	*7.8%*	*7.6%*	
Write-offs capital charged to loss provisions	5.7	5.3	4.6	11.4	6.8	Note 8
As % of development financing outstanding loan portfolio	*0.6%*	*0.6%*	*0.5%*	*1.2%*	*0.8%*	
Term investments	139.8	144.2	149.9	112.8	120.2	Consolidated balance sheet
Total financial income [6]	98.1	87.2	90.1	101.9	75.3	Consolidated income statement
General and administrative expenses [7]	31.5	37.1	37.6	34.0	31.4	Consolidated income statement
As % of total assets	*2.4%*	*2.9%*	*3.1%*	*2.8%*	*3.1%*	
General and administrative expenses excluding grant-based expenses [8]	30.7	36.0	36.6	33.5	29.7	
As % of total assets	*2.3%*	*2.8%*	*3.0%*	*2.8%*	*2.9%*	
Impairments and additions to loss provisions	23.1	15.0	7.1	26.9	17.0	Consolidated income statement
As % of development financing outstanding	*2.2%*	*1.4%*	*0.9%*	*2.6%*	*1.9%*	
Net income (available for distribution) [9]	14.3	1.3	18.4	29.0	15.4	Society income statement
Proposed dividend	11.0	10.6	9.6	17.1	15.0	Other information

[1] Countries with legal entities that no longer carry out operational activities are not included in this number.
[2] Including staff employed by regional offices and national support offices.
[3] Partners in portfolio includes development financing outstanding as well as partners currently in the process of disbursement, and excludes partner funding that has been repaid, written off or cancelled. A partner is an organisation to which Oikocredit is extending a loan or in which Oikocredit has an equity investment.
[4] Other funding is general reserves (2019: € 80.5 million) and non-current liabilities (2019: € 62.5 million) excluding hedge contracts and other liabilities (2019: € 1.6 million).
[5] Provisions and impairments on capital (2019: € 93.2 million) and provision on interest (2019: € 4.1 million).
[6] Consists of interest on development financing portfolio (2019: € 91.5 million), interest on term investments (2019: € 2.3 million) and income from equity investments (2019: € 4.3 million).
[7] Including expenses covered by grants (for example capacity building expenses).
[8] Excluding expenses covered by grants (for example capacity building expenses).
[9] Refer to Society financial statements. Oikocredit proposes to add € 4.2 million to the designated general reserve for local currency loans as this is a result of the termination of the local currency risk funds.

Managing Board report

We are pleased to present the annual report and consolidated financial statements of Oikocredit, Ecumenical Development Cooperative Society U.A. (the Society) for 2019. This report highlights the most important developments during the year.

Chajul, Guatemala
Chajul is a coffee producers association and Oikocredit partner. Here Maricela Lais Cuijuch (left) and Maria Pacheco Perez (right) from Chajul are selecting coffee beans.

Fitter for the future

Oikocredit has made good progress in implementing its 2018-2022 strategy. Today, we are a leaner organisation, better able to respond effectively to opportunities and challenges in a fast-changing world, while remaining true to our vision and mission.

Since its founding 45 years ago, Oikocredit, Ecumenical Development Cooperative Society U.A. (the Society) has supported enterprises across the world that deliver a range of social benefits and promote the empowerment of low-income people. We do this by providing loans, equity investments and capacity building to partner organisations active in financial inclusion, agriculture and renewable energy across Africa, Asia, and Latin America and the Caribbean. This work is possible through the investments of around 59,000 individuals and organisations who invest directly or through the Oikocredit support associations and Stichting Oikocredit International Share Foundation (OISF). These investors want to be part of a global movement for social change. We bring together money from our investors to make investments that prioritise social impact while safeguarding the environment and generating fair financial returns.

In 2019 we funded 674 organisations through our development financing portfolio of € 1,064.6 million. Our portfolio partners include financial institutions providing access to finance for otherwise excluded low-income people, agricultural organisations that generate social and economic impact for smallholder farmers, and renewable energy enterprises that benefit previously unserved communities in remote areas. We augment our investing with capacity building to support our partners in making a positive difference in the lives of their clients and members.

This past year we continued to devote time and resources to implementing our updated strategy, adjusting to present and potential future challenges in a period of rapid external change. We made good headway in addressing these tasks while maintaining investor confidence and growing both our member capital and the financing we provide for partners. The year went according to plan as we improved our margins on new loans and improved overall profitability.

The external environment remains competitive, with low interest rates prevailing, much liquidity in many of the markets where we are active, and social impact investing becoming increasingly mainstream. With growing competition it is even more important to stay relevant and to differentiate ourselves. Our focus on social impact and our in-country presence of 15 local offices in Africa, Asia and Latin America help sustain long-term relationships with partners. Their trust in us remains strong, as demonstrated by our biennial partner satisfaction survey.

Further challenges arose from political uncertainty and unrest in several Latin American countries. At the same time, issues in the agriculture sector globally (such as climate change and price risk in the value chain) led us to restructure funding for a few larger agriculture partners. External factors like these require careful risk monitoring, and we are pleased that in general our overall portfolio has proved stable.

We have worked closely with our 25 support associations and with OISF to improve our processes and investor communication. Together, we grew the number of investors by around 2,000 and achieved a net inflow of funds available for investing of € 38.4 million.

Strategy implementation

We started to roll out our updated 2018-2022 strategy in 2018 by sharpening our strategic focus and reducing complexity in our organisation, and we continued this work in 2019. When we developed the strategy, we felt compelled to update our existing strategy as we saw external trends negatively impacting our work. We identified opportunities to become more efficient, improve our processes and grow our portfolio to contribute to Oikocredit's long-term financial sustainability. We undertook these changes with the aim of ensuring that Oikocredit performs at the highest possible level to best serve its stakeholders and maximise social impact where it is needed most.

Following our decision in 2018 to concentrate our work in 33 focus countries in Africa, Asia, and Latin America and the Caribbean where we have expertise, see the need for social investing and can best support our partners, we continued to reduce our exposure in other countries as partners repaid their loans. We are supporting partners in such countries until existing commitments end.

Organisationally Oikocredit underwent considerable change as we continued to reduce operational complexity. We finalised the implementation of our regional operating model, and completed the structural reorganisation of our central organisation after carefully analysing roles, responsibilities and functions and how these relate to the needs of our country offices, national support offices and support associations. This meant reorganising several departments and units. For example, we bundled together related operational tasks in the newly created Operations unit; we created a new department to integrate social, financial and risk analysis and business control; and we established a single department for social performance innovation to ensure that social impact remains at the forefront of everything we do.

We decreased the size of our workforce and reduced the number of management levels and positions. We supported affected staff through this transition and provided financial compensation and other kinds of assistance to all staff affected by job losses. In addition, we worked with managers to increase their change management skills. New people were hired to fill new and redesigned posts where we had no internal applications. We are pleased with the balance of skills we have now achieved between longer-serving and newer members of the Oikocredit team. Based on several months of working with the new operating model towards the end of 2019, we are confident that we can deliver our mission with a lighter footprint and lower, better-controlled operating costs.

We are also building a culture of continuous improvement and investing in our systems and in the skills of our people. We have continued to implement the Lean Six Sigma streamlining and learning programme to further identify opportunities for increased efficiency, predictability and quality. We aim to offer added value to partners in terms of product types and conditions, without unnecessary delays and at a competitive price.

Financial results

Overall Oikocredit's financial performance in our core activity of development finance strengthened in 2019. We are pleased with the moderate growth of our development finance portfolio (€ 1,064.6 million by end-2019, up by 1.7%) and the total consolidated assets (€ 1,310.4 million, up by 1.3%) as well as with the interest income and operational results, which show the first positive effects of the updated strategy implementation.

Our 2019 net result (€ 14.3 million; 2018: € 1.3 million) was influenced by several factors not related to our core development finance activities. The results were negatively affected by a correction in the way we account for fund investments and by one-off costs arising from the restructuring of our operating model, which we have now completed. Positive effects included a positive term investment outcome with an unrealised gain of € 3.4 million, and a € 2.4 million release of provisions for foreign tax.

These indicators make us confident that we are on track to secure Oikocredit's long-term financial sustainability. We continue to apply three levers to improve financial sustainability: operating costs, loan pricing and portfolio growth. We've made good progress reducing operating costs and also, albeit not as rapidly as expected, with more realistic pricing of new loans, leading to higher margins. The absolute growth of our development finance portfolio is also moving in the right direction, albeit not at the growth rate originally expected.

Operating context

In 2019 prevailing low interest rates continued to affect profitability. The interest-bearing loans to partners that comprise most of our portfolio generated only modest returns, and strong market competition put pressure on the margins. With the eurozone market rate, our reference rate, staying below zero, it has been challenging to offset the full costs of extending a loan or equity investment. These costs include the expense of hedging foreign exchange rate risk, staff and operations expenditure, and risks associated with lending and investing. As in 2018, our new hedging and risk management policies ensured that currency fluctuations had only limited impact on our results.

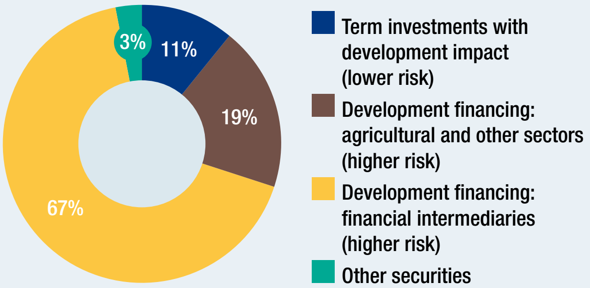
Our strategic ambitions

1. We focus on **low-income people** in three priority sectors: financial inclusion, agriculture and renewable energy.
2. We work in markets where **need and opportunity** are the greatest.
3. We aim to **maximise our social impact.** At the same time, we will **safeguard the environment** and generate **fair financial returns.**
4. We **lead positive change as a catalyst institution** with a global network and local footprint, amplifying impact through both investments and capacity building.
5. We want to be the **preferred social investor and development partner** for our partner organisations.
6. We will further grow our **global member and investor community** and offer our investors the chance to be part of a global movement for social change.

2019 in graphs

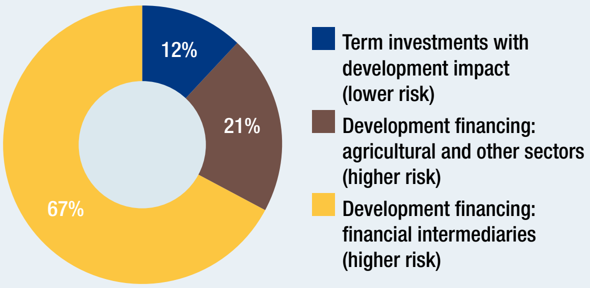
Investment mix Oikocredit invested funds 2019

As at 31 December 2019



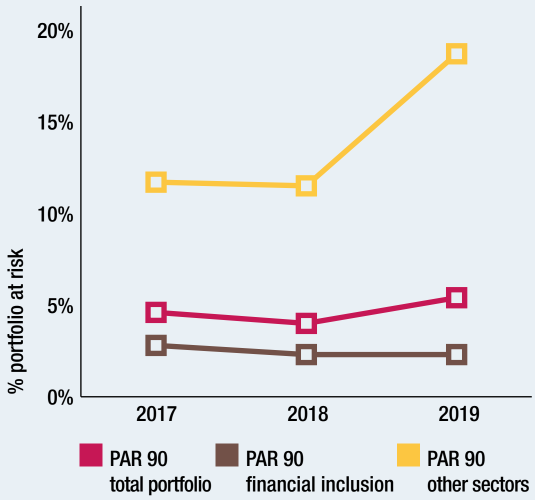
Investment mix Oikocredit invested funds 2018

As at 31 December 2018



Portfolio at risk

As percentage of total development financing
As at 31 December



Income statement 2019

Oikocredit's income after taxation in 2019 showed a positive result, with a profit of € 7.1 million compared with 2018's loss of € 1.3 million. Local currency losses stayed low for the second year running due to more effective currency hedging. We drew on € 3.3 million from the local currency risk fund (compared to € 2.8 million the previous year). Net income for the Society grew to € 14.3 million (2018: € 1.3 million), with total operating income rising to € 65.1 million (2018: € 52.7 million). Hedging costs amounted to € 34.6 million (2018: € 27.3 million) and significantly reduced exchange rate risks.

Loan loss provisions and equity impairments

The total loan loss provisions and impairments on equity investments increased from € 76.0 million to € 93.2 million. Additions to loan loss provisions decreased from € 11.5 million to € 9.3 million. The total level of loan loss provisions, compared to the outstanding loan portfolio, increased from 6.7% to 6.8%. There were some larger provisions for a partner active in leasing and a stabilisation of the provisions for agriculture partners. The additions to impairments on equity investments increased from € 3.5 million to € 13.8 million. The level of impairment provision compared to the equity investment portfolio has increased from 10.5% to 20.8%. The impairments were relatively high because of a € 7.9 million investment in an agriculture partner that is facing financial difficulties. The remainder of the equity portfolio is valued higher than the original cost price according to our internal valuation methodologies.

Operational expenses

Cost controls helped us to reduce operational expenditure compared to 2018, with operating costs decreasing by 15.0% to € 31.5 million. Excluding one-off costs related to implementation of the updated strategy (€ 2.5 million) and including the one-off release of a tax accrual for foreign offices (€ 2.4 million), operational expenditure decreased by 15.3% to € 31.4 million. General and administrative expenses (excluding grant-based expenses) were lower than last year at 2.3% in relation to total assets (2018: 2.8%).

Annual dividend

In June 2019 the Annual General Meeting (AGM) agreed for the second year running to the Managing Board's proposal, approved by the Supervisory Board, of an annual dividend of 1% for 2018. Members and investors recognised that after many years at 2%, a 1% dividend more realistically reflects the current environment and earning capacity of our loans and investments.

For 2019 the net income available for distribution is € 10.1 million, which is calculated as income for the year after addition from funds (€ 14.3 million) minus the remainder of the local currency fund (€ 4.2 million) which we propose to transfer and allocate to the general reserves for potential future local currency losses. The Managing Board, supported by the Supervisory Board, proposes the declaration of a 1% dividend for 2019 to the June 2020 AGM. If Oikocredit's members vote in favour of this proposal, an amount of € 10.1 million will be paid out of the net income available for distribution and the remainder (estimated at € 931,000) out of the general reserves. All other things being equal the net asset value (2019: 214.41) will also decrease slightly to 212.47 as a result of taking part of the dividend payment out of the general reserves.

Member capital classification

The transition clause added in 2018 to the Articles of Association remained in place, allowing the Managing Board to adjust the period for which it may suspend share redemptions from the current maximum of five years to an indefinite period. This clause ensures that any potential future change to accounting standards will not affect the way Oikocredit's capital is classified from an accounting perspective. The transition clause may only come into effect if the Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP) change or if Oikocredit moves to another accounting standard, which is not currently expected. The transition clause will lapse ultimately on 1 July 2021.

Term investments

Oikocredit's term investments are the portion of total assets used for liquidity management reasons, such as to redeem share capital or to provide for operating funds. The term investments were valued at € 139.8 million at 31 December 2019. They mostly consist of liquid, conservatively invested funds, including the 'Buy and Maintain ESG Credit Portfolio' ('bonds') managed by AXA Investment Managers Paris, and funds managed by Alternative Bank Schweiz. In 2019 we further improved the composition of the bond portfolio by adding further exclusion and sustainable investment criteria. The term investments portfolio size reduced slightly as a proportion of total assets from 11.2% to 10.7%. As interest rates declined during the year, the performance of the portfolio was positive and this is visible in the accounts in the unrealised valuation income. Interest income totalled € 2.3 million (2018: € 2.5 million) and revaluations amounted to € 3.3 million (2018: € -3.5 million).

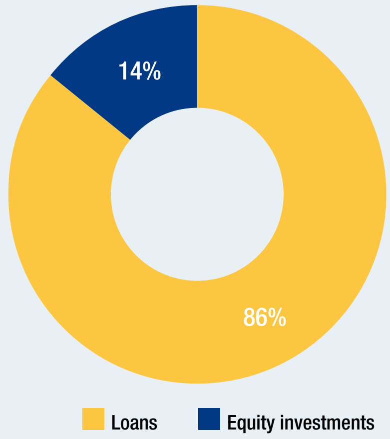
Development financing

In 2019 Oikocredit's development financing portfolio of loans and investments maintained growth. We continued to meet our outreach objectives in the 33 selected focus countries, kept our portfolio within agreed risk levels and improved our margins through more competitive cost-based pricing of loans to partners. Growth was slower than projected, largely because we were finalising our restructuring, had to be more cautious because of global economic uncertainty, particularly in Latin American markets with increased political risk, and consolidated the agriculture portfolio by pausing new loans in challenging crops and countries.

Oikocredit values the relationships with its partners and asks them for feedback on a biennial basis. In late 2019 we conducted our fifth client satisfaction survey. Partners said they value Oikocredit's customer service, the expertise of staff, the long-term partnership and our social focus. They raised concerns about interest rates charged and lead times. For the first time, we assessed Oikocredit's Net Promotor Score (NPS) by asking partners whether they would recommend Oikocredit to their peers. We achieved a score of 69, which is a very good result. We are considering measuring our NPS more frequently.

Type of financing offered by Oikocredit

As at 31 December 2019



Portfolio growth and distribution

The total development financing portfolio (loans and equity investments) stood at € 1,064.6 million at end-2019, up by 1.7% from € 1,046.6 million in 2018. The portfolio was reduced by € 20.7 million when we reallocated two fund investments from development financing to the other securities. The fund investments are not direct investments in partners and they may be sold or repaid in the near future. Erroneously capitalised management fees of € 3.8 million on fund investments as part of the equity investment portfolio were written off as expenses. This correction caused a one-off reduction of € 3.8 million on the total outstanding portfolio.

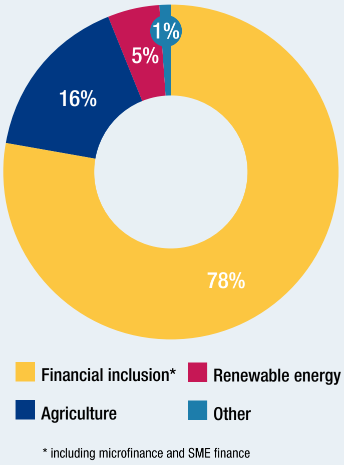
Net approvals totalled € 410.2 million, a rise of 2.5% from € 400.1 million in 2018. Disbursements reduced by 9.0% to € 404.5 million from € 444.5 million, out of which € 341.3 million was refinancing of existing partners and € 63.2 million funding for new partners. The average outstanding financing per partner increased from € 1.5 million to € 1.6 million. At year end we had 674 partners in 65 countries, compared with 684 partners in 69 countries in 2018, largely as a result of winding down our portfolio in non-focus countries.

Key developments across sectors

In financial inclusion, Oikocredit's largest development financing sector, we continue with our strategy of working directly with microfinance institutions, financial institutions serving small and medium enterprises (SMEs), and fintech (financial technology) organisations. We are one of the largest investors in financial inclusion in terms of portfolio size and have a large network of partners. What differentiates us from many other investors is our track record, number of local offices, long-term partner relationships and capacity building support that adds value to our services. Our outstanding financial inclusion portfolio, including loans to and investments in microfinance institutions (MFIs) and financial institutions that support SMEs, grew by 3.8% to € 826.3

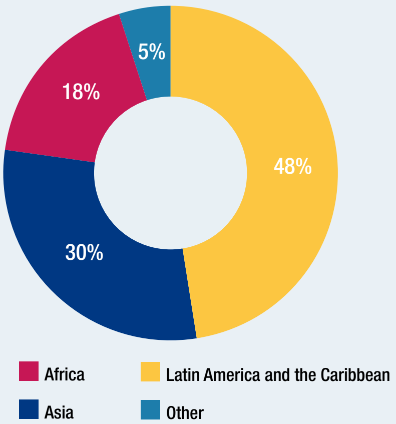
Development financing outstanding by sector

As at 31 December 2019



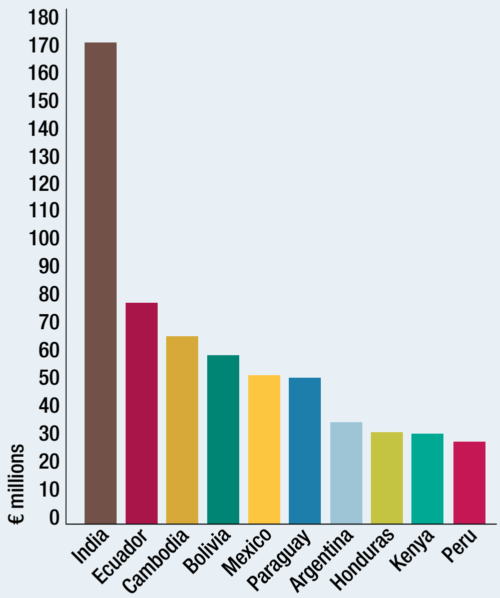
Development financing outstanding by region

As at 31 December 2019



10 countries with highest capital outstanding

As at 31 December 2019



million (2018: € 796.2 million), with 463 partners. Approvals were € 343.9 million (10.8% up on 2018) and disbursements € 312.5 million (7.8% down). Financial inclusion's proportion of our total development financing increased slightly from 76.1% to 77.6%.

Financial inclusion markets remain competitive, often with high liquidity. Digitisation of financial inclusion is generally on the rise, and technology offers efficient solutions for reaching financially excluded people with formal financial services. The challenge is to deliver responsible services that are well-suited to the needs of clients at affordable cost. This is a theme we diligently address when we engage with fintech partners to finance their growth with loans or equity.

Risks are traditionally high in the agriculture sector, where we continue to engage because of the substantial benefits for smallholder farmers and low-income rural populations. Among the challenges in agriculture we have faced in recent years are higher than expected portfolio at risk (PAR) levels. As a result, in 2019 we focused on managing risks in our agricultural portfolio and slowed the financing of new partners in several subsectors, while analysing portfolio performance.

Overall, agriculture loans and investments rose by 2.1% from € 168.8 million to € 172.3 million, with 165 partners. Agriculture's share of our loans and investments remained constant at 16.2%. Approvals were down by 33.1% to € 53.4 million, and disbursements down by 7.2% to € 83.2 million, in line with our decision to consolidate the portfolio. Inherent problems with agricultural finance include commodity price volatility, crop failure and, increasingly, unpredictable weather and other climate change effects. In Central America, thousands of smallholder coffee growers have been forced to abandon once productive farms due to climate effects and chronic low prices. While generally in agriculture we have prioritised improved portfolio performance ahead of growth, we have selectively grown in East Africa in the focus crops tea, nuts and grains.

In renewable energy we have a growing list of promising new prospective partners that fit well with our updated sector strategy. The renewable energy portfolio grew by 7.6% to € 52.1 million from € 48.4 million, to a total of 22 partners. Approvals were € 13.2 million (37.5% higher) and disbursements € 8.6 million (26.5% higher). Renewable energy's portfolio share rose from 4.6% to 4.9%. Many of our current loans are with partners supplying photovoltaic solar home systems to households. We are also supporting entrepreneurial activity in electrical mini-grids, which are key to developing efficient energy distribution in rural areas. As a further pilot in clean cooking technology, we provided a loan to African Clean Energy (ACE), which supplies low-income households across sub-Saharan Africa and Southeast Asia with biomass-gasification-based cookstoves. A new subsector for us is commercial and industrial solar technology for SMEs, where we are building on our experiences with companies such as Fourth Partner Energy in India.

Despite significant global progress on energy provision, an estimated 840 million people live without access to electricity.

Far more investment in off-grid renewable energy is needed to meet the United Nations' Sustainable Development Goal 7 of universal access to clean, reliable and affordable energy by 2030. We will continue to fund partners that help improve energy access for low-income communities and SMEs.

Key developments in the regions

We implemented Oikocredit's new operating model across the regions in which we operate and carefully planned the transition of portfolios from offices that were closing to offices in neighbouring countries. We communicated regularly with partners with the aim of maintaining good relationships. The wind-down of our exposure in Eastern Europe, Central Asia and some other non-priority countries is progressing as planned.

The portfolio in Africa grew in 2019 by 1.7% from € 186.8 million to € 189.9 million, to a total of 170 partners, achieving a 17.8% share of Oikocredit's total development financing (compared with 17.7% in 2018). This was a favourable outcome, especially with many African countries hampered by economic uncertainty, stricter regulation, increased capital requirements and interest rate caps in financial inclusion. We finalised several new approvals late in the year. Our renewed focus on Nigeria, the continent's largest economy, led to a strong performance in financial inclusion there. We are also making good progress in connecting with new partners in Mali and Zambia, among other countries.

We embarked on a new partnership with the Maximizing Opportunities in Cocoa Activity (MOCA) project, which is funded through the United States Department of Agriculture's Food for Progress Program. The MOCA initiative, implemented in Côte d'Ivoire by Cultivating New Frontiers in Agriculture (CNFA), supports cocoa cooperatives in becoming investment ready and enabled us to provide export finance to two such cooperatives towards year end. In a separate project, assisted by Dutch NGO Solidaridad, we made a loan to Ugandan farmer-owned tea processor Kayonza to enable it to build a second factory and double its tea production.

In Asia loans and investments increased by 10.7% from € 285.5 million to € 315.9 million and at year end we had 141 partners, representing 29.7% of our development financing (up from 27%). The high-quality portfolio of our subsidiary company Maanaveeya in India, with its sectorally diverse spread of more than 80 in-country partners, again had a year of excellent growth. Maanaveeya was rated A- by Care Ratings, an accredited rating agency in India, and received a positive report following a Reserve Bank of India routine inspection.

The portfolio in Southeast Asia remained robust, although growth was modest. Financial inclusion partners continue to predominate. We support many smaller Southeast Asian microfinance institutions (MFIs) that have good social performance orientation and that are not necessarily first choice partners for larger lenders. In Cambodia several tier 1 MFIs are being taken over by regional banks and we are reviewing our additionality and strategy with these partners. We have engaged with our partners and with other international lenders on how to foster more responsible lending and address the risk of over-indebtedness for Cambodian microfinance clients.

The portfolio in Latin America and the Caribbean (LAC) grew by 1.5%, from € 503.1 million to € 510.6 million, to a total of 317 partners, comprising 48.0% of our total development financing (down from 48.1%). Besides generally depressed commodity prices and challenges in agriculture, the region is affected by uncertainties and risks, including socio-political disruption in Argentina, Bolivia, Ecuador and Nicaragua. We remain prudently active in such countries, where partners appreciate our commitment and support in challenging times. In LAC we have successfully invested in several new financial institution partners that support SMEs. As part of our Lean Six Sigma programme we have piloted a more streamlined approach to loan proposals, documentation and monitoring in LAC. Oikocredit continues to participate in key events such as the region's leading annual microfinance gathering, Foromic.

Credit portfolio

Credit (lending) comprises the larger part (86.0% at end-2019) of Oikocredit's development financing. Total outstanding loans increased to € 915.9 million (up by 3.6% from € 884.1 million). The number of credit partners increased from 624 to 633. We approved 182 new loans to the value of € 385.6 million (2018: 189 loans, € 359.4 million). Disbursements were down from € 411.9 million to € 385.8 million.

Lending in financial inclusion rose by 4.0% from € 714.5 million to € 743.4 million and comprised 81.2% of total credit. Agriculture loans increased by 4.9% from € 121.1 million to € 127.0 million, 13.9% of the credit portfolio. Renewable energy lending went up by 6.0% from € 33.6 million to € 35.6 million, 3.9% of the credit portfolio. Regional shares of the credit portfolio were: Africa 17.3%, Asia 29.1%, LAC 50.0% and other regions 3.6%.

Equity portfolio

Equity was 14.0% of Oikocredit's total development financing at end-2019. The direct equity portfolio declined by 8.5%, from € 162.5 million to € 148.7 million, as a result of selling three investments and the reclassification of funds to the term investment portfolio. Approvals were € 24.6 million (2018: € 29.0 million) and disbursements € 18.7 million (2018: € 32.6 million). We hold equity investments in 60 partners in 29 countries, distributed between financial services (€ 83.0 million, 55.8%), agriculture (€ 45.3 million, 30.5%) and other sectors (€ 20.4 million, 13.7%). Africa accounts for 16.4% of our equity holdings, Asia 33.0%, LAC 34.6% and other regions 16.0%.

Through our equity investments we provide patient capital and, as active shareholders and by nominating board members, help partners enhance their organisational sustainability and their social and financial performance. Overall the equity portfolio performed well, although we saw higher than expected impairments due to challenges in agriculture. In the case of two agricultural equity partners, we are engaging actively to help address organisational issues, and we approved an additional investment in one of these partners to help them restructure.

The equity portfolio generated realised capital gains of € 6.1 million and dividends of € 2.1 million. One of the investments we sold was in Yalelo, a Zambian aquaculture business. Since our investment in 2014, Yalelo had increased production sixfold, contributing to food security in Zambia, and grew from employing 200 people to 800. We also sold our holding in social bank ESAF in India. We first invested in ESAF in 2010 and were among the first equity investors in the bank, helping it become one of India's leading MFIs, now serving over 3.2 million clients, mainly rural women in remote areas.

Portfolio quality and portfolio at risk (PAR)

Portfolio quality has stayed generally good, requiring lower provisions than budgeted. The percentage of the credit portfolio with payments more than 90 days overdue (PAR 90) rose from 4.0% to 5.4%, below our maximum limit of 6.0%. PAR 90 in agriculture remains high, however, at 21.0% (2018: 13.7%). We take additional measures to reduce PAR levels in agriculture, such as negotiated rescheduling and reducing total exposure in certain crops and high risk countries. During 2019, 13 agriculture partners went into PAR 90, with the total number of agriculture partners in PAR 90 rising from 41 to 46. In financial inclusion PAR 90 remained steady at 2.3%, and PAR 90 increased in renewable energy to 4.3% (2018: 2.1%). Write-offs, at 0.6% of the outstanding loan portfolio, stayed low.

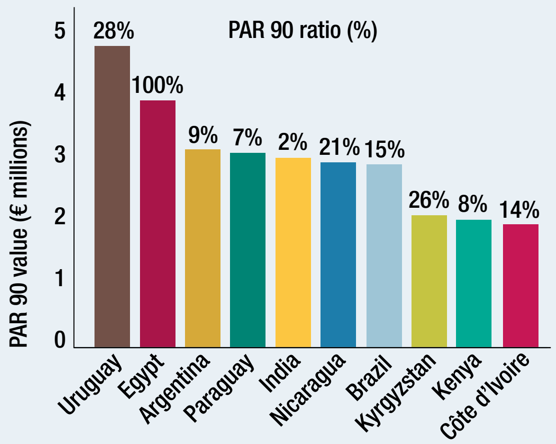
Local currency loans and risk fund

Oikocredit makes local currency loans to help protect partners from exchange rate fluctuations. At year end € 421.1 million (46.0%) of loans were in local currencies and € 494.8 million (54.0%) in hard currencies such as the euro and the United States dollar (2018: 46.9% and 53.1%). We continued with our strategy of hedging most positions in local currencies with third parties. Hedges for so-called 'illiquid currencies' were provided by The Currency Exchange Fund (TCX), a currency risk fund founded by development finance institutions. Oikocredit made an additional investment in TCX to be able to continue hedging with this counterparty.

At year end remaining funds amounting to € 4.2 million in the local currency risk fund, part of the reserves in Stichting Oikocredit International Support Foundation (ISUP), were transferred to the Society in order to bring together all hedging activities within the Society and reduce administrative complexity. This means we dissolved the local currency risk fund on 1 December 2019. This transfer of remaining funds does not affect our approach to local currency lending or related hedging.

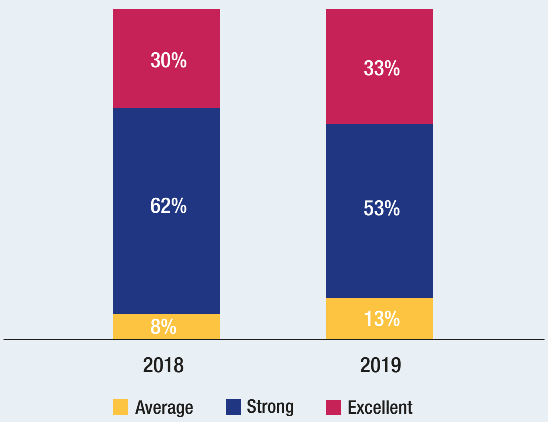
10 countries with highest PAR 90

As at 31 December 2019



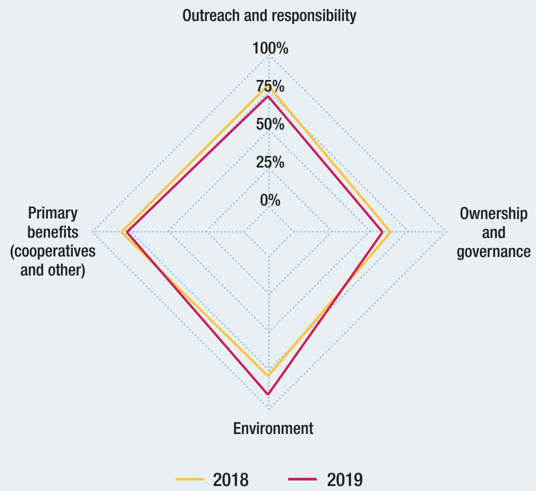
ESG score classification agriculture

Partners approved for financing



ESG scores agriculture – by section

Partners approved for financing



Social performance

The social value of Oikocredit's investments, and our ability to realise our goal of improving the quality of life of low-income people and communities, depends closely on the work of the partners we support. Just like Oikocredit, our partners seek to improve their financial and social performance. Effective social performance management is essential, and this begins for us with careful screening of potential partners for their alignment with the our social and environmental objectives.

The main due diligence tool we use for screening potential partners is our environmental, social and governance (ESG) scorecards. The target is for at least 70% of partners to attain an ESG score of 55 or more out of 100, and we continue to meet this target. Beyond screening, our monitoring policy requires the updating of each partner's ESG scorecard every two years. We currently use three ESG scorecards: one for financial intermediaries; another, first implemented in 2019, for financial institutions that support SMEs, which includes assessment of partners' ability to contribute to employment creation; and a third for agriculture, production and services, which we are updating and revising. A fourth scorecard for renewable energy is under development.

Using the ESG scorecards helps ensure that our partnerships reach the right target groups with responsible products and services. All enterprises we select must benefit low-income people and communities. Benefits must contribute to community-wide social and economic advancement. Scorecards also address environmental awareness and impact. Enterprises score more highly if they have a cooperative structure where applicable, enabling low-income people to participate in their operation and management, and if special attention is given to women's direct benefit and participation in decision-making. Selected partners must be economically viable and in need of financing to sustain or grow their operations.

Oikocredit's work contributes to the UN's Sustainable Development Goals (SDGs)

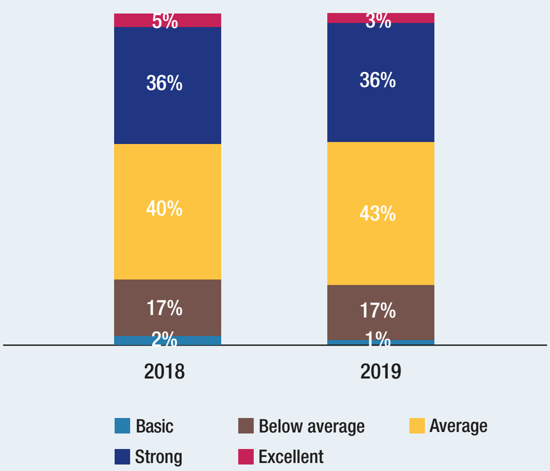
ESG assessments also enable us to identify organisations' strengths and weaknesses, compare partners, recognise leading practices, and incentivise and/or provide capacity building where needed. They also alert us to key areas where an enterprise scores poorly and our support should be critically reviewed. As potentially the first step in our due diligence, ESG scorecards provide a starting point for discussions with partners and where relevant for agreement on actions to improve client outcomes.

In financial inclusion, the Client Protection Principles (CPPs) are an important set of standards to ensure responsible lending. Oikocredit requires all its financial inclusion partners to endorse the CPPs and to conduct a self-assessment within 18 months of signing a loan contract. We are particularly strict in verifying to what degree fintech partners apply the CPPs and have discussions with them on further strengthening their responsible practices.

As part of the Lean Six Sigma programme we have reviewed the process for monitoring the financial and social performance of inclusive finance partners. As a result,

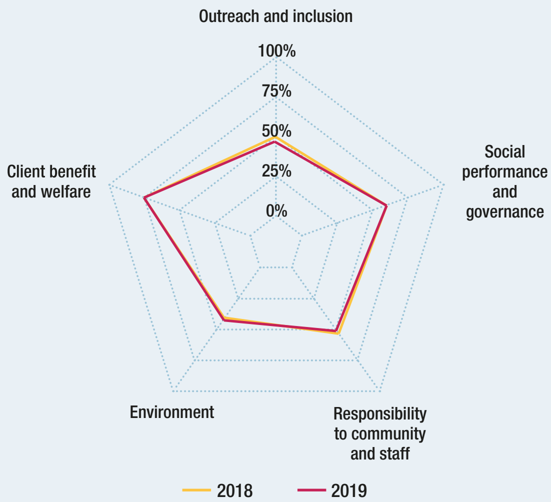
ESG score classification financial inclusion

Partners approved for financing



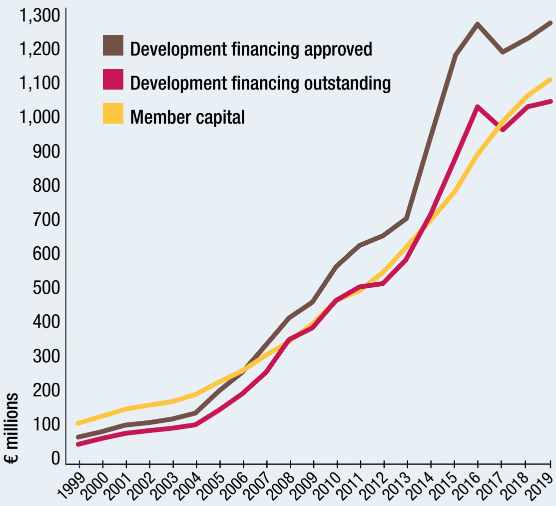
ESG scores financial inclusion – by dimension

Partners approved for financing



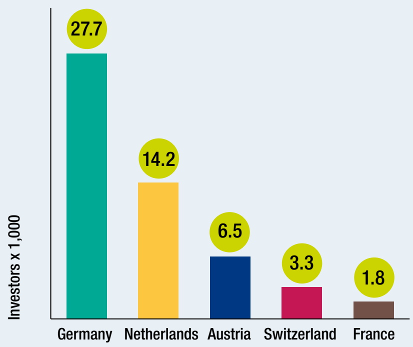
Member capital and development financing

As at 31 December 2019



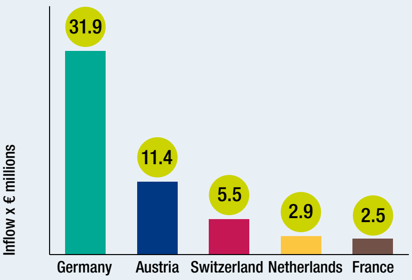
Number of investors

Top 5 countries as at 31 December 2019



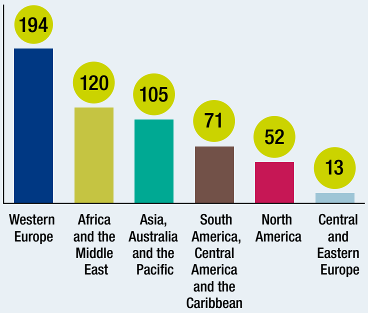
Net inflow of member capital

Top 5 countries as at 31 December 2019



Number of members per continent

As at 31 December 2019



we are planning to further digitise our monitoring systems to capture more up-to-date information and better inform our analysis. We also reviewed the monitoring indicators we use, concentrating on actionable areas and strengthening alignment with industry standards. Tracking of our contribution to the UN Sustainable Development Goals (SDGs) has been extended and published in more detail in our impact report, with the main focus on SDGs 1, 2, 5, 7, 8, 10 and 17.

Other social performance highlights of the year included: the launch by the Global Impact Investing Network (GIIN) of the IRIS+ social impact indicators, to which we contributed; leading a workshop with the International Fund for Agricultural Development (IFAD) and NpM, Platform for Inclusive Finance on challenges involved in addressing the needs of farmer-based enterprises; and participating in sector initiatives focused on achieving a living income for small-scale coffee and cocoa farmers.

Capacity building

Capacity building is an essential part of Oikocredit's holistic approach to responsible financing. It involves helping partners achieve their social mission and sustainability goals for the benefit of their clients and members. Our capacity building supports partners in building resilience and in generating positive social value. We had € 2.8 million available for capacity building in 2019, of which € 0.7 million (down by 22.2% from 2018) was provided to 75 current and potential partners in 24 countries. Of the funds, 79.3% went to support our work in the agriculture sector and 20.7% to build capacity among financial inclusion organisations.

Sources of funds for capacity building included the German relief agency Brot für die Welt – Protestant Development Service; Act Church of Sweden; the Evangelische Landeskirche (Evangelical-Lutheran Church) in Württemberg, Germany; the Multilateral Investment Fund managed by the Inter-American Development Bank; Oikocredit Stiftung Deutschland; donation funds from our investors; and Oikocredit's own contribution.

We are moving from one-off capacity building initiatives to more scalable and replicable support for groups of partners. In agriculture, our price risk management project has provided participatory training for smallholder coffee cooperatives in Central and South America. In this collaboration with the Inter-American Development Bank (IDB), the SAFE Platform, Catholic Relief Services, Fair Trade USA and Keurig Dr Pepper, 22 cooperatives have benefited from training and peer-to-peer exchanges in addressing coffee price fluctuation risk. We are securing funding to extend the project for a further year.

In East Africa we are working with partners to improve access to finance for farmers and providing training in loans and savings management and improved agricultural practices.

Our capacity building in financial inclusion applies a mentoring approach. In the Philippines we completed the pilot project 'Bridging the Gender Gap', funded by Act Church of Sweden. Other work in this sector included supporting partners in Africa, Latin America and Southeast Asia in CPP self-assessments and remediating gaps identified. We continued to provide capacity building in disaster risk reduction management in Southeast Asia through the 'Building Disaster Resiliency' project with three Indonesian financial inclusion partners. To gain greater insight into partners' needs relating to financial inclusion digitisation and how we can support them in this area, we undertook a survey.

Our five-year client outcomes programme, which came to a close in 2019, has provided 20 financial inclusion partners in Asia and Latin America with training in data management and analysis on outcomes for borrowers. For example, we created a data analytics dashboard with Power BI visualisation tools to help MFI partners in India and the Philippines track clients' poverty levels using the Poverty Probability Index. With the programme's completion we asked social performance experts Cerise to evaluate the initiative. A key finding was that the 23 trainings provided by Oikocredit staff and consultants were of high quality and valued by partners. The programme enabled us to access around five million financial inclusion records on two million clients. Analysis of this data resulted in papers presented at two conferences and in three master's theses. Cerise concluded that we have been a pioneer in development financing outcome measurement and provided valuable recommendations.

Funding for a major new capacity building initiative has come from the Swedish International Development Cooperation Agency (Sida), which has provided a guarantee and support for capacity building for potential agricultural partners in Kenya and Uganda. The guarantee is part of a five-year partnership with Act Church of Sweden and a development NGO. Oikocredit's support associations in Germany and the United States have raised funds for another new capacity building venture supporting our Rwandan partner, the family-owned Karongi Tea Factory, and tea producer members of the nearby Katecogro cooperative, who supply the factory. This project will equip cooperative members with technical assistance, skills training and new seedlings to rejuvenate and expand their tea cultivation.

Investor relations

We were pleased to see sustained net inflow and growth in investor numbers of our support associations and OISF despite the internal changes Oikocredit was going through in 2019. In the current challenging and competitive environment investors have wide options to choose from when making a social investment.

Capital inflow

In 2019 Oikocredit's net inflow of funding from members and banking partners (gross inflow minus redemptions) was € 38.4 million (compared with € 77.9 million in 2018). This included € 47.4 million of member capital and € -9.0 million in loans from our banking partners. Gross inflow was € 90.7 million (€ 99.2 million in 2018). Redemptions amounted to € 30.3 million and we repaid € 22.0 million to our banking partners that we did not need, having sufficient funding from our share capital for development finance requirements. Germany, Austria, Switzerland, the Netherlands and France were our leading countries in terms of new net inflow in 2019.

Total funds available for investing grew by 3.5% to € 1,271.2 million, including member capital, which rose by 4.4% to € 1,129.8 million. These increases enabled us to finance the portfolio growth and owed a great deal to the energetic campaigning and outreach of our national support offices, and support associations and their volunteers.

Our investor base

The total number of investors who invested through support associations and OISF rose in 2019 by about 2,000 (2018: 1,000) to approximately 53,000 individual retail investors and 6,000 institutions. Investors provide the all-important finance we need to assist partner organisations in supporting low-income people and communities in improving their lives. Most of the capital (73.4% in 2019) comes from individuals who invest via our support associations and OISF. The balance (26.6% in 2019) is provided by churches, church-related organisations, foundations and NGOs, all of which make a key additional contribution by raising awareness about our work among their members, peers and constituencies.

Inflow network developments and cooperation

Oikocredit's inflow network comprises the support associations, OISF, other Oikocredit members and Oikocredit investor relations staff, including national support offices. Having closed our Canada and United Kingdom & Ireland national support offices in 2018, funds available for investing from these three countries declined slightly, as anticipated, by € 1.0 million, to a total of € 30.3 million. However, OISF continues to offer online investment opportunities in these countries. OISF has also begun to offer depository receipts online to investors in Spain.

Good relations between our central office in Amersfoort and our Spanish support associations helped achieve the successful launch of OISF's offer in Spain. We collaborate with support associations and members each year in discussing current areas of interest for investors. This helps ensure that the agendas of our AGM in June and our inflow network meetings address investor priorities and concerns.

In recent years we have worked with the support associations to prepare a new share issuance and redemption policy, which the Managing Board and Supervisory Board adopted in 2019. This sets out a more standardised and transparent process for the issuance and redemption of shares across Oikocredit's members and investors. Implementation will take place in 2020.

Managing Board members participated in many of last year's support association AGMs to discuss Oikocredit's strategy and social and financial performance. Feedback was positive, with support association staff, board members, volunteers and investors appreciating opportunities to learn more and share views about organisational and portfolio developments.

Online investing

Use of our online portal, MyOikocredit, where people who invest via the support associations and OISF can manage their investments digitally, has continued to grow. In 2019 MyOikocredit user numbers roughly doubled, rising to about 12,000 people. MyOikocredit is now available to individual retail investors across all European countries where the support associations and OISF are active, with the exception of Ireland, Sweden and the United Kingdom.

Members and Members' Council

At the end of the year the total number of members of the Society was 555, with three members leaving and no new members joining. The Members' Council, formed in 2016, is increasingly important to our further professionalisation and effectiveness. The Managing Board is grateful to the council's members, who give their time voluntarily, and is keen to support the council as it grows into its governance role, complementing the work of the Managing Board and Supervisory Board.

Volunteers, communications and events

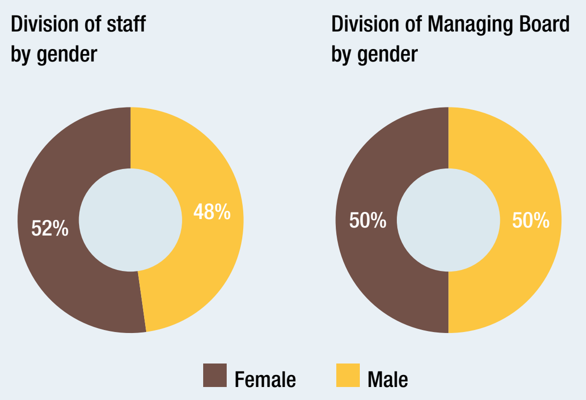
Oikocredit highly values the contribution of the hundreds of volunteers who work with our support associations. They add value by raising awareness about our mission in the media and at public events and as support association board members. Together with Oikocredit member organisations and investors, volunteers receive regular newsletters, and we involve them in webinars, road shows, study tours and the Oikocredit Academy. In October 2019 the Academy brought volunteers and support association staff to Amersfoort for a 'deep dive' into how the organisation works. We also held several well-attended webinars for members, support association staff and volunteers focusing on specific topics and regions where we operate.

Road shows and study tours have long proved an effective way to bring together investors, volunteers, staff and partners, creating bonds of mutual understanding and showcasing Oikocredit's work around the world. In 2019 our road show in Europe featured our Kenyan partner Greenforest Foods, a leading honey brand and nut producer. Its co-founder and CEO Athanas Matheka travelled to nine cities in Austria, Germany, the Netherlands and Spain to talk about how the company works with smallholder farmers and how Oikocredit supports his business through financing and capacity building.

Another road show we supported featured representatives from two cocoa cooperatives in Côte d'Ivoire, Ecookim and Socak Katana, who presented their work to investors in five cities in France. Journalists from Austria and Germany joined our press trip to Rwanda to visit our tea partner Karongi and several articles have appeared as a result.

Oikocredit staff overview

As at 31 December 2019



Oikocredit employs people of 38 different nationalities.

Organisational developments

Leadership team

In March 2019 Oikocredit welcomed Patrick Stutvoet as its first Director of IT & Operations, a position created in 2018. As a result of changes to the central operating model, the position of Director of Investor Relations & Social Performance was dissolved, with Ging Ledesma taking on the new position of Director of Social Performance Innovation, while the Investor Relations unit was brought under the remit of Managing Director Thos Gieskes. The roles of Director of Finance and Director of Risk were merged, with Laura Pool becoming Director of Finance & Risk. Petra Lens's responsibilities were redesignated as Director of People & Change, overseeing the Human Resources unit and the newly created Transformation office.

The above changes resulted in the size of the Managing Board reducing from seven to six directors. We also simplified the management structure by reducing the number of management levels and management positions.

People

At the end of 2019 Oikocredit employed 201 full-time-equivalent staff, compared with 235 in 2018. Of the total, 110 worked outside the Netherlands (2018: 138). Globally we employ people of 38 different nationalities in 19 countries.

We continued our leadership development programme, extending this beyond the Managing Board to all people managers reporting to a director. We also completed implementation of the new global job structure and remuneration policy. These latter measures underpin performance management and salary consistency across the organisation.

Our Works Council contributed constructively to the reorganisation process, helping the Managing Board address a range of issues and advising positively on the new structure and the newly adopted global job structure and remuneration policy.

Continuous improvement

We continued working with the Lean Six Sigma methodology, which we introduced in 2018, to streamline processes and integrate a culture of continuous improvement as part of business-as-usual. The new Transformation office governs and manages Oikocredit's transition towards a more collaborative, inspiring, entrepreneurial and innovative organisation. The office helps us approach innovation and improvement more holistically in areas such as technology, methodology and people's behaviour, resulting in a better framework for change.

IT & Operations

With the hiring of a new Operations Manager, we completed initial organisation of our IT & Operations department. The new Operations unit seeks synergies and economies of scale by centralising all operations and administrative activities that support Oikocredit's inflow and outflow work. The IT unit has defined a new multi-year IT strategy that will increase Oikocredit's system agility and capacity to adapt to leading-edge technologies. We are developing our data capacity with better data analysis and business intelligence, in particular getting most value from the available data by building an integrated reporting and analysis system (a 'data warehouse').

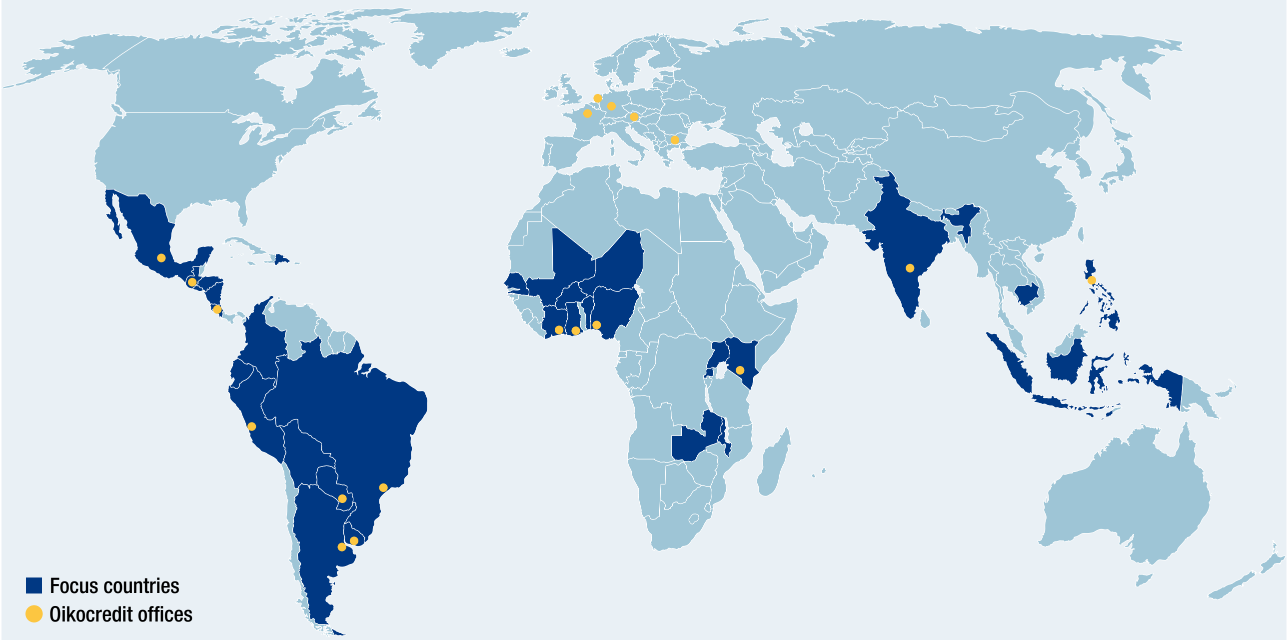
Environment

Oikocredit addresses environmental issues through applying its environmental policy. We screen for environmental topics during partner assessments using the ESG scorecards and support the renewable energy sector through our growing investment in renewable energy partners. In addition, we calculate our carbon footprint annually and offset the previous year's footprint. We work with FairClimateFund in purchasing Fairtrade Gold Standard carbon credits to offset our CO_2 and other greenhouse gas emissions, which mainly result from air travel. FairClimateFund projects benefit low-income households through the supply of biogas digesters and cookstoves. In 2019 we offset 1,369 tonnes of CO_2 equivalent emissions from 2018.

Risk management

We have put in place a more structured approach to risk management under our merged Department of Integrated Reporting & Control, which has achieved effective synergies. Reporting to the director of this department are the Integrated Investment Analysis unit, which performs independent checks on investment and loan proposals; the Legal & Compliance unit, where all governance, legal and tax policy matters are combined; the Special Collections unit, which coordinates all restructuring and collection activities for partners that do not repay on time; the Portfolio &

Oikocredit's presence and focus countries



Business Control unit, which combines business control, operational risk, financial risk and social performance reporting; and the unit for Financial & Accounting as well as the Treasury specialists.

We have three lines of defence against risk across all departments of the organisation, as well as risk committees (see Note 5 of the financial statements), providing enhanced risk assessment and monitoring of prospective and current partners in such matters as 'know your customer' requirements. No major risk or compliance incidents occurred in 2019.

Corporate income tax

For the second year, following agreement in 2018 with the Dutch tax authority, Oikocredit was subject to domestic corporate income tax (rather than being exempt from this tax as previously). However, a certain type of income from equity investments remains exempt from corporate income tax under Dutch tax law due to the participation exemption, and the balance of tax that would be due in the Netherlands on our income is entirely offset by taxes on interest we received that was paid abroad. Most of our foreign income tax expense is accounted for in connection with our Indian subsidiary Maanaveeya. Having made appropriate provisions for in-country taxes that could have been incurred with the closure of some of our local offices, the taxes due were lower than expected as a result of tax audits completed in these countries. This resulted in a positive effect on the income statement.

Looking ahead

In 2020 we will continue to build on our strengths: our loyal investor network, our partners, and our staff. We will stay on our strategic journey to improve how we work and cooperate and how we ensure that our partners and the people they serve are front of mind in everything we do.

It will be crucial for Oikocredit to continue to maintain a reduced cost base while accelerating portfolio growth and enhancing the way we demonstrate social impact, an area where we consider ourselves sector leaders. Our Lean Six Sigma streamlining programme will remain important as we embed a culture of learning and continuous improvement in the organisation. We will implement the change initiatives planned for this year to improve our systems and processes. There are no indications that further organisational restructuring will be necessary, and we currently don't anticipate any significant regulatory changes in the coming year.

Macro-level challenges confronting us include: maturation of financial inclusion markets; digitisation of services and other innovations; price risk, market volatility and inflation; political and social instability; and near- and longer-term climate impacts affecting agricultural yields. We aim to deepen our internal understanding of the integral nature of these factors and articulate our theory of change more clearly.

In making and renewing loans we will continue to introduce more realistic pricing to better reflect the risks and costs we incur, while remaining responsive to the competitiveness of social investing markets. We aim to stimulate growth by seeking out good partners that match our impact and risk parameters, and by strengthening our inflow network to attract new investors. We will also roll out improvements to our loan and monitoring processes that were successfully designed and piloted in 2019 and we plan to invest in systems supporting these processes. We will pay even more attention to risk and begin to implement our new IT strategy. Communities of practice and expertise within Oikocredit will assist us in enhancing social performance management and innovation throughout the organisation.

Also in 2020 we will continue to work with the support associations and our national support offices to attract more investors and members and increase our capital inflow. We will start rolling out our new joint marketing plan with the inflow network that will update and raise our public profile in the investor marketplace. Better analysis of inflow data will help us become more agile in responding to investor preferences. Managing Board members will continue to attend support association AGMs to discuss our cooperative's development and to hear our investors' views.

Conclusions

Much of the work of restructuring Oikocredit is now behind us, including difficult but necessary choices that we know caused disappointment to some colleagues and partners. However, Oikocredit is far better placed than before to face with confidence a future that is bound to be unpredictable. Change is here to stay as we invest in improving our capabilities and processes. With reduced cost levels and margin improvements, we expect to see gains in our financial sustainability in 2020 and beyond.

Our core stakeholders will be key to our continued success: members, investors, volunteers, the Members' Council, Supervisory Board, staff and partners. With their support and commitment we will make 2020 a stronger year for Oikocredit than 2019, stay relevant as an organisation and continue to achieve our mission of improving the lives of people in low-income communities.

Amersfoort, 3 March 2020

Thos Gieskes
Managing Director

Ging Ledesma
Director of Social Performance Innovation

Petra Lens
Director of People & Change

Laura Pool
Director of Finance & Risk

Patrick Stutvoet
Director of IT & Operations

Bart van Eyk
Director of Investments

Compagnie Africaine de Crédit (CAC), Côte d'Ivoire
Jean Koffi uses loans from CAC, an Oikocredit MFI partner, to fund his SME. His electrical installation business specialises in low-energy public lighting works. He also installed the lighting at branches of CAC.

Supervisory Board report

Guiding our cooperative into the future

Oikocredit has a two-tier governance and management structure in which the Supervisory Board acts as the deliberative, guiding and supervising non-executive body. It oversees the work of the Managing Board, which is responsible for the overall management of Oikocredit. Both boards together are responsible for keeping the cooperative true to its vision, mission and values.

The Supervisory Board pays particular attention to the governance of the cooperative and to overseeing the effectiveness of risk management and control systems. It advises the Managing Board with regard to strategy and policy and helps ensure that the organisation takes full account of its stakeholders in its decision-making. The Supervisory Board receives regular updates from the Managing Board, including in relation to compliance with relevant laws and regulations, and it monitors the policy framework in areas such as finance, human resources, risk and social impact. The Supervisory Board appoints and has powers to dismiss members of the Managing Board as and when necessary.

Key decisions and discussions

Organisational strategy and operating model

In 2019 the Supervisory Board maintained its oversight of the Managing Board's implementation of Oikocredit's updated strategy for greater operational efficiency and effectiveness. In addition to management changes reported in the Managing Board report, the Supervisory Board monitored the restructuring at the central office in Amersfoort and was careful to take into account the views of the Works Council regarding how the necessary changes impacted on people.

Dutch Structure Regime

Having been classified as a so-called large company (a category that includes cooperatives) under Dutch law for three years running, Oikocredit's June 2019 Annual General Meeting (AGM) made changes to the Articles of Association to meet the corresponding legal requirements, those of the Dutch Structure Regime. Oikocredit became subject to the Structure Regime from August 2019, with important implications for the way Supervisory Board members are appointed, suspended and dismissed. Under the regime, the General Meeting, the Managing Board, the Works Council and other bodies or individuals may recommend candidates to fill Supervisory Board vacancies. Per vacancy, the Supervisory Board nominates one candidate for appointment. If the General Meeting or the Works Council do not object to the nominee, the candidate will be appointed by the Supervisory Board.

Financial performance

Discussion of the 2018 financial results, the organisation's financial performance in 2019 and the 2020 budget were a primary focus of the Supervisory Board. The board extensively reviewed the 2020 budget and provided guidance to the Managing Board before final approval. The Supervisory Board discussed with the Managing Board ways to further improve the financial position by increasing revenues, reducing costs and generating higher margins while delivering social impact in tangible and measurable ways.

Other matters discussed and addressed

Among other topics addressed during the year, the Supervisory Board clarified with the Managing Board how social performance management data are collected and validated, to ensure that we communicate fully evidenced impact data to the public. Both boards also worked on aligning standards and rules to ensure clarity, efficiency and effectiveness as we work together for the common good of Oikocredit.

The Supervisory Board worked with the Managing Board to refine the balanced scorecard tool and its indicators to link performance more closely to the updated strategy. The Supervisory Board also discussed refining the implementation plan for the 2018-2022 strategy, future-proofing the organisation, the impact of digitisation and fintech, and the need for a new strategy for 2022 and beyond.

Board meetings

The Supervisory Board met in person four times during the year (in March, May, September and November) and held two conference calls (in January and February). Major topics of discussion included the strategy update and organisational restructuring; the Dutch Structure Regime and implications for Supervisory Board nominations; financial performance and the dividend for 2018; and the Supervisory Board's own composition including the appointment of Joseph Patterson as Chair and reappointment of Annette Austin as Vice-Chair.

All the Supervisory Board's meetings, and most committee meetings (reported on below), included segments with some or all members of the Managing Board. The Chair of the Supervisory Board and Managing Director met regularly by teleconference and in person whenever possible. In addition, the Supervisory Board met with the Members' Council; the board Chair met with the Members' Council Chair and with the Works Council; and several board members attended the winter meeting of the support associations as well as other meetings of support associations.

Board committees

Supervisory Board committees play an increasingly important role in informing and shaping the board's work and decision-making. At the June AGM the Supervisory Board decided to reorganise three of its committees. The Audit and Risk committees were merged into a single larger Audit & Risk Committee. The Credit Committee was renamed the Investment Committee and charged with overseeing Oikocredit's equity investing as well as its lending. The Personnel Committee became the People Committee, with Supervisory Board nomination strategies, plans and processes added to its remit as a result of the Structure Regime. The Governance Committee and Strategy Committee were unchanged.

Audit & Risk Committee

The Audit & Risk Committee consists of four Supervisory Board members. The Managing Director, Director of Finance & Risk and Head of Internal Audit have a standing invitation to attend. The primary function is to assist the Supervisory Board in fulfilling its oversight responsibilities regarding integrity of the financial statements, effectiveness of internal controls, audit, risk appetite and risk strategy, and process for monitoring compliance with laws and regulations, as well as ensuring the Managing Board maintains sound risk management practices.

The committee and its predecessors, the Audit and Risk committees, held nine meetings during 2019, primarily concerned with: a close review of the quarterly financial statements; the annual report; evaluation of the 2020 budget; internal control systems; audit findings, audit charter and audit plan for 2020; quarterly reviews of financial and non-financial risk reports; and the cooperative's process for monitoring compliance with laws and regulations. The committee paid special attention to member capital and development financing developments, margin improvements, the quality of the agriculture portfolio and 'know your customer' compliance. The Supervisory Board also approved the appointment of a new Head of Internal Audit in 2019.

Investment Committee

Transactions that bring Oikocredit's total exposure to any individual partner organisation to € 10 million or more are subject to approval from the Supervisory Board. The Supervisory Board has delegated authority to approve such transactions to its Investment Committee. In 2019 the committee received four new members and reviewed eight loan proposals, of which it approved seven.

The committee met with the Managing Board three times in person. Main topics covered were loan appraisals, loan approval processes and loan pricing. The Supervisory Board worked with the Managing Board to review approval limits of the committee.

Governance Committee

The Governance Committee is responsible for assisting and advising the Supervisory Board in fulfilling its legal and ethical responsibilities through an adequate governance framework and delivery of a best practice approach to committee and policy structures. It also monitors adherence to the governance framework.

The committee met formally four times in 2019, including during Supervisory Board meetings, along with less formal communications and deliberations. Topics discussed included: the Structure Regime and the accompanying nomination process for electing Supervisory Board members; the update of the Supervisory Board and Managing Board rules and terms of reference for the revised Supervisory Board committees, including committees' duties and responsibilities; and review and revision of the Articles of Association as required for the AGM.

Separately, some members of the Governance Committee participated in a governance workshop held in August. The committee instigated a gap analysis of our processes and policies against the Dutch Corporate Governance Code, focusing on good governance, a best practice platform, and the roles and responsibilities of all stakeholders.

People Committee

The purpose of the People Committee is to support the Supervisory Board in its statutory role as the employer

Attendance at Supervisory Board meetings in 2019

Supervisory Board members 2019	*Meeting attendance*	
Joseph Patterson (Chair with effect from June 2019, member for the entire year)	67%	(4/6)
Annette Austin (Vice-Chair)	100%	(6/6)
Ruth Waweru	83%	(5/6)
Eltjo Kok	100%	(6/6)
Åsa Norell	83%	(5/6)
Eduardo Cabral Jimenez (completed term in June 2019)	75%	(3/4)
Daira Gómez Mora (completed term in June 2019)	75%	(3/4)
Karsten Löffler (completed term in June 2019, Chair until June 2019)	100%	(4/4)
Carla Veldhuyzen van Zanten (completed term in June 2019)	50%	(2/4)
Vincent De Waele (completed term in June 2019)	100%	(4/4)
Gaëlle Bonnieux (appointed in June 2019)	100%	(2/2)
Tsitsi Dozwa-Choruma (appointed in June 2019)	100%	(2/2)
Myrtille Danse (appointed in June 2019)	50%	(1/2)
Nitin Gupta (appointed in June 2019)	100%	(2/2)
Cheryl Jackson (appointed in June 2019)	100%	(2/2)
Maya Mungra (appointed in June 2019)	100%	(2/2)

of the members of the Managing Board, including supporting decision-making by the Supervisory Board in appointing and dismissing Managing Board members and appraising the Managing Board and its members. The People Committee also supervises people and change strategies, policies and operations, ensuring that these strategies and plans contribute effectively to Oikocredit's mission and values. Since 2019 the committee has also been responsible for Supervisory Board nominations.

The committee held four in-person meetings in 2019, plus teleconferences between Supervisory Board meetings. Topics discussed included the changes to Oikocredit's central operating model, the global job structure, performance management of the Managing Board, leadership succession planning, leadership training, organisational culture and working as a board with collective responsibilities.

Strategy Committee

The Strategy Committee is responsible for reviewing the process for strategy development, monitoring its implementation and encouraging analysis of strategic business opportunities and innovation. In 2019 the committee met four times in person and communicated via email a number of times. The committee's focus was on reviewing Oikocredit's progress in restructuring its regional and central office operating models. The committee later shifted attention to discussing future-proofing the organisation and improving the key performance indicators.

Supervisory Board composition

Members of the Supervisory Board are appointed for a period of three years and eligible for reappointment for a further term. A resolution was passed at the 2019 AGM to reduce the current 11 members to nine in June 2020 to match reductions in the number of Managing Board members and overall staffing.

At the June 2019 AGM six new members were elected to the Supervisory Board. The new members were successfully inducted into Oikocredit with a deep dive into the organisation's finances and operations at our September meeting. Succession planning has also become an important topic: six out of nine Supervisory Board members will end their term at the same time in 2022.

Remuneration of the Supervisory and Managing Boards

Oikocredit offers Supervisory Board members compensation for their travel, administrative expenses and loss of income due to the extensive time commitment involved in serving on the board. In 2019 the AGM approved the Supervisory Board's proposal to amend the remuneration policy for board members. Amendments include an increase in basic fees, additional fees for the Chair and Vice-Chair, variable attendance fees for meetings and compensation for working hours lost on international travel.

No structural changes were made to the remuneration of the Managing Board. Details on the remuneration of Supervisory and Managing board members are described in Note 9 of the financial statements.

Looking ahead

The Supervisory Board's main priority for 2020 is to ensure that Oikocredit fully realises its updated strategic objectives. We aim for Oikocredit to be organisationally agile and effective in responding to the challenges we face, such as ongoing low global interest rates, strong market competition and the need to deliver positive sustainable social outcomes.

The Supervisory Board sees an opportunity to leverage Oikocredit's extensive experience, network of partners and portfolio size with new technology to better serve low-income communities as well as investors and members.

We will continue to prioritise performance management and continuous improvement of the execution of the tasks of the Supervisory Board, the Managing Board and the organisation as a whole.

The Supervisory Board remains very grateful to all volunteers, staff and management for their dedication to Oikocredit's vision, mission and values.

Amersfoort, 3 March 2020

Joseph Patterson
Chair

Annette Austin
Vice-Chair

Gaëlle Bonnieux
Supervisory Board member

Myrtille Danse
Supervisory Board member

Tsitsi Dozwa-Choruma
Supervisory Board member

Nitin Gupta
Supervisory Board member

Cheryl Jackson
Supervisory Board member

Eltjo Kok
Supervisory Board member

Maya Mungra
Supervisory Board member

Åsa Norell
Supervisory Board member

Ruth Waweru
Supervisory Board member

Consolidated financial statements

Finca, Peru
Oikocredit partner Finca Peru is a microfinance institution (MFI) supporting women on low incomes through loans, savings products and training activities. Gladys Abanto, seen here checking loan records, is a loan officer for Finca Peru.

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/2019	31/12/2018
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
6	**INTANGIBLE FIXED ASSETS**	**316**	**458**
7	**TANGIBLE FIXED ASSETS**	**4,209**	**4,886**
	FINANCIAL ASSETS		
8	Development financing:		
	Total development financing outstanding	1,064,591	1,046,583
	Less: - loss provision and impairments	(93,195)	(75,989)
		971,396	**970,594**
	Consists of:		
	Loans (net of loss provision)	*853,705*	*825,212*
	Equity (net of impairments)	*117,691*	*145,382*
9	Other securities	35,270	4,775
10	Other financial assets	5,169	4,939
	Total	**1,011,835**	**980,308**
	Total non-current assets	**1,016,360**	**985,652**
	CURRENT ASSETS		
11	Term investments	139,821	144,240
12	Receivables and other current assets	44,332	53,724
13	Cash and banks	109,846	109,327
	Total	**293,999**	**307,291**
	TOTAL	**1,310,359**	**1,292,943**

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

Consolidated **balance sheet**

(before appropriation of net income)

Notes		31/12/2019	31/12/2018
		€ ,000	**€ ,000**
	GROUP EQUITY AND FUNDS		
14/15	Member capital	1,129,832	1,082,492
15	General reserve	80,548	90,816
15	Restricted exchange fluctuation reserve	(11,875)	(9,148)
16	Local currency risk funds	-	10,002
17	Funds for subsidised activities and model costs	4,741	4,417
	Undistributed net income for the year	14,274	1,270
		1,217,520	**1,179,849**
18	**Third-party interests**	**-**	**1,664**
	Total group equity and funds	**1,217,520**	**1,181,513**
19	**PROVISIONS**	**1,052**	**1,801**
20	**NON-CURRENT LIABILITIES**	**62,463**	**56,808**
21	**CURRENT LIABILITIES**	**29,324**	**52,821**
	TOTAL	**1,310,359**	**1,292,943**

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

Consolidated **income statement**

Notes		2019	2018
		€ ,000	**€ ,000**
	INCOME		
	Interest and similar income		
23	Interest on development financing portfolio	91,495	83,010
23	Interest on term investments	2,274	2,506
11/23	Revaluation term investments	3,265	(3,468)
	Total interest and similar income	**97,034**	**82,048**
	Interest and similar expenses		
24	Interest expenses	(1,658)	(2,492)
	Total interest and similar expenses	**(1,658)**	**(2,492)**
	Income from equity investments		
25	Result from sale of equity investments	6,087	(513)
25	Dividends	2,056	2,165
25	Management fees funds	(3,789)	-
	Total income from equity investments	**4,354**	**1,652**
26	**Grant income**	**1,054**	**1,068**
	Other income and expenses		
27	Exchange rate differences	(1,336)	(2,353)
27	Hedge premiums and provisions	(34,643)	(27,291)
27	Dividend from other securities	208	-
27	Other	85	37
	Total other income and expenses	**(35,686)**	**(29,607)**
	TOTAL OPERATING INCOME	**65,098**	**52,669**
	GENERAL AND ADMINISTRATIVE EXPENSES		
28	Personnel	(21,472)	(23,687)
	Travel	(874)	(1,008)
29	General and other expenses	(9,159)	(12,386)
	TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**(31,505)**	**(37,081)**
	ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS		
30	Additions to loss provisions	(9,261)	(11,542)
30	Impairments on equity investments	(13,849)	(3,483)
	TOTAL ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS	**(23,110)**	**(15,025)**
	INCOME BEFORE TAXATION	**10,483**	**563**
31	Taxes	(3,400)	(1,856)
	INCOME AFTER TAXATION	**7,083**	**(1,293)**
18	Third-party interests	-	(96)
32	Additions to (-) and releases (+) from funds	7,191	2,659
	INCOME FOR THE YEAR AFTER ADDITIONS TO AND RELEASES FROM FUNDS	**14,274**	**1,270**

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

Consolidated **cash flow statement**

Notes		2019 € ,000	2018 € ,000
	INCOME BEFORE TAXATION	**10,483**	**563**
	Adjusted for non-cash items		
8/12	Value adjustments loans, equity and receivables	29,962	18,938
11	Unrealised revaluation term investments	(3,265)	3,468
6/7	Depreciation (in)tangible fixed assets	1,050	1,303
10/12/ 21/31	Taxes	1,925	(2,410)
	Exchange rate adjustments	(10,487)	(9,611)
	Changes in		
8	Development financing (disbursements and repayments)	(49,582)	(70,728)
10	Other financial assets	10	87
12	Receivables and other current assets	7,961	(21,854)
19	Provisions	(749)	219
210	Current liabilities	(24,364)	16,716
	CASH FLOW FROM OPERATING ACTIVITIES	**(37,057)**	**(63,309)**
11	Term investments	(1,927)	(2,621)
6	Intangible assets	(249)	(12)
7	Tangible assets	19	(3,256)
	CASH FLOW FROM INVESTING ACTIVITIES	**(2,157)**	**(5,889)**
14/45	Member capital (issue and redemptions) in euro and foreign currencies	47,340	70,071
	Dividend paid on member capital in euro and foreign currencies	(11,538)	(9,609)
18	Third-party interests	(1,724)	(1,135)
20	Loans and notes	5,655	(126)
	CASH FLOW FROM FINANCING ACTIVITIES	**39,733**	**59,201**
	CHANGES IN CASH AND BANKS	**519**	**(9,997)**
13	Cash and banks beginning of the year	109,327	119,324
	Cash and banks end of the year	109,846	109,327
	CHANGES IN CASH AND BANKS	**519**	**(9,997)**

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

Notes to the **consolidated financial statements**

Year ended 31 December 2019

These financial statements are expressed in euro (€). As at 31 December 2019, US$ 1 equalled € 0.89055 (31 December 2018: US$ 1 equalled € 0.89725).

1 General information

Description of the organisation

OIKOCREDIT, Ecumenical Development Cooperative Society U.A. (the Society) was established in 1975 in Rotterdam, the Netherlands, and has corporate status under the laws of the Netherlands. The Society is owned by its members throughout the world. Members include churches, subdivisions of churches, councils of churches, church-related organisations, partners (organisations to which Oikocredit extended a loan or equity investment) and support associations established by individuals and local parishes. The Society has an undefined ending date.

The entities belonging to the Oikocredit group (Oikocredit) are: the Society, which is registered in Amersfoort, the Netherlands; Stichting Oikocredit International Support Foundation (Support Foundation) in Amersfoort, the Netherlands; Maanaveeya Development & Finance Private Limited in Hyderabad, India; and Finance Company Oikocredit Ukraine in Lviv, Ukraine (in liquidation).

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

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

In the following countries Oikocredit has offices which may have differing legal statuses depending on the laws of the country concerned. Oikocredit has its central office in Amersfoort, the Netherlands, and has regional offices in the following locations: Hyderabad, India; Lima, Peru; Manila, the Philippines; and Nairobi, Kenya. In addition, it has offices in Argentina, Brazil, Bulgaria, Costa Rica, Côte d'Ivoire, Ghana, Guatemala, Mexico, Nigeria, Paraguay and Uruguay.

The offices in Brazil, Costa Rica, Ghana, Guatemala, Kenya, Nigeria, the Philippines and Uruguay are incorporated as legal entities. Due to the limited size of the assets of these legal entities, it was decided to regard these assets as if they were branch offices.

Oikocredit has national support offices in Austria, France and Germany that carry out or support efforts to attract investors and members in those countries.

Low Income Countries (LIC) Loan Fund

The Society has developed the LIC Loan Fund, which invests in partners in low-income countries. This fund has been created as a restricted, closed-end, tax transparent investment fund (beleggingsfonds). The fund is not an incorporated legal entity, but an unincorporated fund for joint account (fonds voor gemene rekening). The fund and the participations has not been listed on any stock exchange. The Society acted as the fund manager of the LIC Loan Fund. In June 2017 the LIC Loan Fund reached the end of the its five-year investment period. In November 2017 the terms and conditions of the LIC Loan Fund were amended to allow for the distribution of distributable assets.

On 17 December 2019 the Society took over the assets and liabilities of Financierings-Maatschappij voor Ontwikkelingslanden (FMO) in the LIC Loan Fund and incorporated these assets and liabilities into the administration of the Society.

Oikocredit International Support Foundation (Support Foundation)

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

Category A costs are:

- 100% (2018: 100%) of external capacity building for partners

Category B costs are:

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

Guarantee funds and the local currency risk funds, the latter up to 1 December 2019, are included in the Support Foundation. The guarantee funds are available to cover Oikocredit's partners deemed to carry higher risks. The local currency risk funds were available to offset the risk of currency losses on Oikocredit loans disbursed in local currencies. The Support Foundation and Oikocredit mutually agreed to end the covering of these currency risks with effect from 1 December 2019 and to transfer the balance of the local currency risk funds to the Society.

Basis of consolidation

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

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

The Society is at the head of the group. In addition to the Society, the group includes the consolidated companies listed below:

- Oikocredit International Support Foundation, Amersfoort, the Netherlands
- Maanaveeya Development & Finance Private Limited, Hyderabad, India
- Finance Company Oikocredit Ukraine, Lviv, Ukraine (in liquidation)

As the income statement for 2019 of the Society is included in the consolidated financial statements, an abridged income statement has been disclosed in the Society financial statements in accordance with Section 402, Book 2, of the Netherlands Civil Code.

Related parties

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

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

The Share Foundation was established in 1995, in Amersfoort, the Netherlands, under Dutch law. 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, development organisations and other organisations like banks, and individuals in countries where no support association exists offering investment opportunities in the Society.

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

Cash flow statement

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

Estimates

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

2 Accounting policies for the balance sheet

General information

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

Comparative figures

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

Change in accounting estimate

The calculation of the loss provisioning comprises three layers, see paragraph 'Provision for possible losses on development financing' below.

The method for calculating the collective provision based on country ratings was changed with effect from 30 September 2019 to sovereign risk ratings assessed from IHS Markit. IHS Markit replaced the Economist Intelligence Unit (EIU), which was used as at 31 December 2018. This change in method improves the comparability of the data and provides the Society a clear translation of the actual risk level as perceived by other institutional investors.

The impact of this change was calculated and amounts to € 4.5 million as at 30 September 2019. This amount has been recognised as a release in the income statement for 2019. As this change is considered a change in accounting estimate, the comparative figures will not be adjusted.

Foreign currencies

The euro 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 (FX) gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement. Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions.

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

Assets and liabilities

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

Fixed assets and depreciation

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

Development financing

Receivables disclosed under development financing are valued at amortised cost.

Associates

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

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

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

Oikocredit operates in developing countries that may not have accounting standards and practices comparable to those in the Netherlands. Financial reporting may not always be comparable to the requirements of Part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. Inherent to this situation, Oikocredit only accounts the associates according to the equity method if underlying financial data has been recently audited and prepared under internationally accepted accounting standards. If these criteria are not met, Oikocredit records the associates at cost less impairment. The fair value is determined taking into account suitable valuation methods such as book value multiples, price-earnings ratios and recent sale prices of similar investments. In line with the accounting principles for equity investments, the impairment losses are included in the income statement.

Investments

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

Provision for possible losses on development financing

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

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

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

Non-performing partners are partners that are in arrears structurally and where the loan is often in the process of being foreclosed.

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

Other securities

The other securities are non-listed investments and are stated at cost less impairment. At each balance sheet date, it is established whether there are any indicators of the securities being subject to impairment. If any such indications exist, the recoverable amount of the security is determined. Transaction costs are expensed in the income statement if these are related to financial assets carried at fair value through profit or loss.

Term investments

The term investments that are listed on regulated markets are measured and recognised at fair value as these are not held to maturity. Changes in the fair value are taken directly to the income statement.

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

Cash and cash equivalents

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

Member capital

The Society issues shares in euro, British pounds, Canadian dollars, Swedish kronor, Swiss francs and United States dollars.

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

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

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

Provisions

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

The Society recognises severance payments if the Society has demonstrably committed itself to:

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

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

Provisions are measured at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses.

Pensions

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

Non-current liabilities

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

Financial instruments

Listed securities (part of the term investments) included in financial and current assets are stated at fair value. All other financial instruments are carried at (amortised) cost, which usually equals face value, unless stated otherwise. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that represents substantially the same discounted cash flow; and option pricing models, making allowance for entity-specific inputs.

Derivative financial instruments

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

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

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

The ineffective portion of the hedge is recognised directly in the income statement.

3 Accounting policies for the income statement

General information

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

Income and expense recognition

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

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

Finance income and expenses

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

Grant contributions

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

Exchange rate differences

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

Short-term employee benefits

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

Pensions

For its pension plans, in 2019 the Society paid contributions to the insurance company Nationale Nederlanden, which administers these pensions. With effect from 1 January 2020, these contributions will be paid to the insurance company a.s.r. (Amersfoortse and Stad Rotterdam). Contributions are recognised as expenses when incurred. Prepaid contributions are recognised as prepayments and accrued income to the extent that this will lead to a reduction in future payments or a cash refund.

The pension scheme is a conditionally indexed average-salary scheme. Entitlements and rights granted of inactive members are indexed (adjusted in line with increases in prices) based on the Consumer Price Index (CPI). For active members, indexation is decided upon each year by the Managing Board. In recent years, the collective labour agreement salary index (CAO loon index) supplied by Statistics Netherlands (CBS) has been used as a reference.

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

The main provisions of the agreement are:

- Indexation does not result in a change in contributions.
- There are no specific agreements relating to reduction or refund of contributions.
- The pension contribution for the employee is 5.25% of the pensionable salary. The pensionable salary is a maximum

€ 107,593 (2019) reduced by a franchise (the part of the salary on which pension does not accrue) of € 13,785 (2019).
- The pensions are guaranteed by the pension provider. In the top-up scheme, the investment risk is borne by the employee.

Employees outside the Netherlands receive a monthly payment that they can use for their pensions.

Taxes

The Society is liable to corporate income tax in the Netherlands at a rate of 25%, with a step-up rate of 16.5% for the first € 200,000 of taxable income. No tax has to be withheld on dividends distributed by the Society to its members. The growth of the organisation has led Oikocredit to thoroughly review its tax and legal structures in the countries where it has offices, to ensure that there is a structure in place to pay Oikocredit's fair share of taxes. An amount has been included in Oikocredit's current liabilities for possible tax payments relating to previous years.

4 Accounting policies for the cash flow statement

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

Cash flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

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

5 Risk management

Organisation

Three lines of defence

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

The risk management function, as part of the Integrated Reporting & Control department, reporting to the Director of Finance & Risk, acts as the second line of defence. It ensures that the relevant risks are properly identified and monitors whether sufficient risk-mitigation procedures are in place within the first line of defence to manage such risks.

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

Risk governance

In 2018 the Managing Board of the Society formalised its risk governance with the introduction of new committees (namely the Non-Financial Risk Committee, Portfolio Risk Committee and two Product and Process Committees for outflow and inflow products respectively). The Asset & Liability Committee continued as a risk committee for managing market risks at Society level. The Credit Committee and Investment Committee continued to assess risks at project level.

The risk governance framework covers the following risk categories:

Financial risks
• Credit
• Equity
• FX
• Interest rate
• Counterparty
• Liquidity
Non-financial risks
• Operational
• Compliance
• Reputational
Strategic risks
• Business model
• Operating model
• Regulatory

In 2019 Oikocredit strengthened and updated the member composition of the following committees:
- Asset & Liability Committee (ALCO), whose members are the Director of Finance & Risk (chair), the Portfolio & Business Control Manager (vice-chair), the Director of Investments, the Investor Relations Manager, the Corporate Treasurer, the Business Controller and the Financial Risk Analyst. The purpose of this committee is to monitor asset and liability management within Oikocredit, and in particular the FX, interest rate and liquidity risk. The ALCO meets monthly.
- Non-Financial Risk Committee (NFRC). The members of the committee are the Director of Finance & Risk (chair), the Director of IT & Operations (vice-chair), the Investments Operations Officer, the Global Social Performance Specialist, the IT Applications & Infrastructure Manager, the HR Manager, the General Counsel, the Investor

Relations Manager, the Communications Manager, the Portfolio & Business Control Manager, the Operations Manager and the Operational Risk Analyst. The purpose of the NFRC is to ensure the efficient and effective management of the operational, compliance and reputational risks throughout Oikocredit, in support of the strategy and in line with the risk appetite and the related governance, risk and control framework.
- Portfolio Risk Committee (PRC). The members of this committee are the Director of Finance & Risk (chair), the Director of Investments (vice-chair), the Investments Operations Officer, the Global Social Performance Specialist, the Portfolio & Business Control Manager, the Integrated Investment Analysis Manager and the Senior Integrated Investments Analyst. The purpose of this committee is to ensure the efficient and effective management of the total risk in the development financing portfolio throughout Oikocredit, in support of the strategy and in line with the risk appetite and the related governance, risk and control framework.

In addition to the risk committees, there are two product review committees, one for outflow products (which began operating in 2019) and one for inflow products (which will begin operating in 2020). In these committees, first and second line of defence departments review product and process changes and make recommendations for decisions to change existing products or processes or to create new products.

Financial risk

Credit risk

Credit risk is defined as the risk that Oikocredit does not receive back the outstanding amounts, as well as other obligations (e.g. interest payments, fees), from a partner due to the latter's deteriorated ability to service its debt. Credit risk includes all potential reasons why a partner cannot repay, including changes in economic or political circumstances in the country where the partner is located or operates, changes in the risks in the business activities of the partner, risks of changing conditions for its business activities (e.g. the effect of changing regulations, changes in climate and environment). The risks of non-repayment can also stem from specific partner circumstances and actions, such as business malpractice or even fraud.

Most Oikocredit counterparties are partners and therefore the risk that they default on a loan is considered credit risk. For all other counterparties, such as banks or financial institutions that provide financial services to Oikocredit, the risk of non-repayment is described as counterparty risk.

Assessing credit risk can be considered at the core of Oikocredit's activities. A solid risk assessment of a partner's business activities is of mutual interest, as it helps both Oikocredit and the partner align on creating social impact in a financially sound way and with a longer term perspective.

In order to assess the potential losses arising from the credit risk exposure, Oikocredit approaches the measurement in a historical perspective and based on the commonly used expected loss (EL) formula, EL = PD x LGD x EaD, the factors of which are explained in more detail below.

Probability of default (PD)

Oikocredit has established standards to assess the creditworthiness of a partner by estimating the probability of a partner's default with a model called project viability rating (PVR). The PVR measures 38 aspects of business soundness and financial stability.

Loss given default (LGD)

Oikocredit estimates LGD by taking the historical average recoveries (the amounts collected on defaulted loans after debt collection activities have been carried out) that have been achieved on the total overall portfolio since 2013. The recovery rate was estimated to be around 22% and has been implemented in the model. Risk mitigants like external guarantees are considered separately and the final credit risk pricing is adjusted accordingly.

Exposure at default (EaD)

The EaD is the last known capital outstanding of the same instrument without adjustments.

The Society's Credit Committee, consisting of the Managing Director, Director of Investments, Director of Finance & Risk, and the Director of Social Performance Innovation, approves loan proposals. At least three Credit Committee members, representing the three core lines of expertise (Investments, Risk, Social Performance) must be present at the meeting to constitute a valid quorum.

To ensure a good spread of the investment portfolio and reduce exposure to concentration risk and to intrinsic credit risk, the Society has established policies based on its risk assessment system to set limits in exposure related to amounts outstanding:
- Per country and per region (geographical diversification)
- Per asset class (asset class diversification)
- Per business sector (sector diversification)
- Per partner (single borrower diversification)
- To a group of companies (holdings diversification)

The adherence to these limits is monitored on a periodic basis by the risk management function and the Portfolio Risk Committee.

2019 gross credit exposure

As at 31 December 2019	Financial inclusion	Agriculture	Renewable energy	Other	Total	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	123,627	28,290	3,280	3,630	158,827	17.2%
Asia	244,958	6,867	19,177	211	271,213	29.5%
South America	216,782	58,396	5,179	4,447	284,804	30.9%
Central America	130,062	30,391	11,359	1,042	172,854	18.8%
Other	28,561	3,064	1,000	532	33,157	3.6%
Total	**743,990**	**127,008**	**39,995**	**9,862**	**920,855**	**100%**
%	**80.8%**	**13.8%**	**4.3%**	**1.1%**	**100%**	

2018 gross credit exposure

As at 31 December 2018	Financial inclusion	Agriculture	Renewable energy	Other	Total	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	114,742	29,851	4,444	4,443	153,480	17.3%
Asia	227,113	3,474	16,405	644	247,637	27.8%
South America	229,140	68,896	5,239	7,208	310,484	34.9%
Central America	106,811	14,804	11,873	1,804	135,293	15.2%
Other	37,679	4,090	-	819	42,589	4.8%
Total	**715,486**	**121,116**	**37,962**	**14,918**	**889,481**	**100%**
%	**80.4%**	**13.6%**	**4.3%**	**1.7%**	**100%**	

The total development financing credit portfolio in the table above does not reconcile with the loan portfolio as disclosed in Note 8. The difference is caused by a financial lease construction regarding solar panels which are classified as fixed assets in the balance sheet. They are added to the table above as the leasing agreements are subject to credit risk. Next to this the tables do not include committed-not-yet-disbursed amounts (projects that are approved with conditions set are also part of committed-not-yet-disbursed), which as at year end 2019 amounted to € 207.0 million (2018: € 184.6 million).

Non-performing loans – portfolio at risk over 90 days (PAR 90)

As part of managing credit risk, Oikocredit closely monitors the financial performance of the portfolio of credit instruments generated. A PAR 90 ratio reflects the credit products showing overdue amounts for more than 90 days. This ratio is considered a key indicator for assessing the non-performing portfolio and the general health of the development financing credit portfolio. The ratio is assessed at country and sector levels in order to support the active credit portfolio management corrective actions. The PAR 90 was 5.4% as at 31 December 2019 (2018: 4.0%).

While a general provision is charged by default to all the credit instruments generated, usually loans more than 90 days overdue and rescheduled loans have a provision applied that is calculated based on factors such as the individual partner’s situation or available collateral. The relevant exposures (over € 500,000) are then further analysed with the support of the Special Collections unit in order to understand if the quantitative specific provisioning is fairly reflecting the potential losses or if manual adjustments are needed. The specific provisions are reviewed each quarter.

Overview of credit portfolio at risk (PAR) split and overdue receivables				
As at 31 December	**2019**		**2018**	
	€ ,000	**%**	**€ ,000**	**%**
On time	821,813	89.2%	825,122	92.8%
Overdue	35,685	3.9%	22,065	2.5%
PAR 31-90	13,945	1.5%	6,435	0.7%
PAR 91-180	10,171	1.1%	2,346	0.3%
PAR 181-360	5,843	0.6%	8,389	0.9%
PAR > 360	33,394	3.6%	25,123	2.8%
Total	**920,851**	**100.0%**	**889,481**	**100.0%**

Country risk and concentration

Country risk arises from country-specific events that have an impact on the exposure in a specific country, such as those of a political or macroeconomic nature. All investments entail the acceptance of some degree of country risk, but to limit this risk exposure, Oikocredit has developed an exposure limits system that is also a function of the sovereign risk assessment of the countries in the investment portfolio, for which an external rating provider is used.

The sovereign risk assessment is then also used to determine a collective provision based on country risk, which adds a forward looking component to the provisioning process for expected credit losses.

Country risks are mitigated through diversification of the geographical distribution of the portfolio across a number of countries and higher than average exposure only in top quartile countries according to their sovereign ratings and the risk adjusted return of the country's portfolio. With effect from 30 September 2019 Oikocredit changed its country risk external rating provider to IHS Markit and no longer adjusts the sovereign ratings, as the ratings from former provider, EIU, were adjusted.

Gross development financing portfolio exposure grouped by sovereign rating						
As at 31 December			**2019**		**2018**	
Sovereign rating			**€ ,000**	**%**	**€ ,000**	**%**
AAA	Investment grade	Prime	-	0.0%	-	0.0%
AA	Investment grade	High grade	-	0.0%	-	0.0%
A	Investment grade	Upper medium grade	-	0.0%	-	0.0%
BBB	Investment grade	Lower medium grade	334,838	31.3%	303,799	28.9%
BB	Speculative grade	Speculative grade	343,837	32.1%	434,552	41.3%
B	Speculative grade	Highly speculative	320,568	30.0%	275,651	26.2%
CCC	Speculative grade	Extremely speculative	70,270	6.6%	37,982	3.6%
CC	Speculative grade	Imminent default	-	0.0%	-	0.0%
D	Speculative grade	In default	-	0.0%	-	0.0%
Total			**1,069,513**	**100.0%**	**1,051,985**	**100.0%**

Due to Oikocredit's commitment to financing partners in emerging and frontier markets, the degree of country risk to which the portfolio is exposed is skewed towards being speculative grade. However, the granularity of the portfolio (i.e. its diversification across a wide variety of assets) within each country helps mitigate exposure to actual default risk.

In the table below the development financing portfolio is presented based on exposure per country. The largest 10 countries based on exposure constitute 61% of the total portfolio. The level of granularity for country exposure is relatively high, with the only notable exception being India, which is one of the highest rated countries in the portfolio.

Development financing portfolio - top 10 countries exposures

As at 31 December		2019			2018	
	Sovereign rating	€ ,000	%	Sovereign rating	€ ,000	%
India	BBB	177,839	16.6%	BBB	133,009	12.6%
Ecuador	B-	79,596	7.4%	B-	76,704	7.3%
Cambodia	BB-	67,572	6.3%	BB-	68,580	6.5%
Bolivia	B+	60,620	5.7%	BB-	68,652	6.5%
Multinational	BB	57,771	5.4%	BB	65,263	6.2%
Mexico	BBB+	53,447	5.0%	BBB+	32,369	3.1%
Paraguay	BB+	52,658	4.9%	BB+	46,473	4.4%
Argentina	CCC+	36,781	3.4%	BB-	44,713	4.3%
Honduras	BB-	33,188	3.1%	BB-	25,783	2.5%
Kenya	B+	32,796	3.1%	B+	27,273	2.6%
Total		**652,268**	**60.9%**		**588,819**	**56.0%**
Total portfolio		**1,069,513**	**100.0%**		**1,051,985**	**100.0%**

Credit risk in term investments

In order to enhance the return from the liquidity that is required by the type of business, Oikocredit currently has an open investment mandate with AXA Investment Managers Paris. The investment management agreement (IMA) contains clear limits and guidelines for the asset manager in order to define the asset allocation. Due to the liquid nature of this portfolio, this is managed with clear exclusion limits both from an environmental, social and governance (ESG) perspective as well as a credit risk perspective. Outlined below are the main exclusion parameters for credit risk quality:

- Issuer credit quality allocation limits
  - At least 30% of the portfolio invested in issuers with a credit rating of high quality investment grade (from AAA to A)
  - A maximum of 65% of the portfolio shall be invested in the lower investment grade range (BBB)
  - A maximum of 10% of the portfolio shall be invested in equity instruments (note that this limit is currently not used)
- Issuer concentration limits
  - A maximum of 5% of the portfolio for government or semi-government issuers
  - A maximum of 2.5% of the portfolio for prime and/or high quality investment grade (from AAA to AA) issuers
  - A maximum of 1.75% of the portfolio for upper-medium grade (A) issuers
  - A maximum of 1.5% of the portfolio for lower-medium grade (BBB) issuers

Risk management is periodically monitoring the compliance of the asset manager to the limits set in the IMA. Presented below is an overview of the portfolio according to the credit quality of the instruments.

Credit quality of term investments

As at 31 December			2019		2018	
			€ ,000	%	€ ,000	%
AAA	Investment grade	Prime	518	0.4%	1,889	1.4%
AA	Investment grade	High grade	17,822	13.7%	18,420	14.0%
A	Investment grade	Upper medium grade	28,153	21.7%	32,454	24.6%
BBB	Investment grade	Lower medium grade	75,770	58.4%	73,054	55.4%
NR - not rated			7,517	5.8%	5,961	4.5%
Total			**129,780**	**100.0%**	**131,778**	**100.0%**

Counterparty risk

Counterparty risk constitutes the risks run by Oikocredit in its positions with banks (not being partners) that are functional to the deployment of the main investment activity. This can be defined as the change in creditworthiness or even the risk of default on the contractual obligations of Oikocredit's bank counterparties.

Examples of this type of risk exposure can be found behind the hedging transactions that have a positive market value for Oikocredit (i.e. FX hedges), and behind bank deposits and accounts, especially for banks in frontier and emerging markets.

As this is a minor risk exposure for Oikocredit and incidental to the development of its business activity, the exposure to this risk is mitigated as much as possible by the establishment of strong contracts with the bank counterparties (i.e. contracts that include an International Swaps and Derivative Association (ISDA) Master Agreement and credit annexes), and by diversifying the cash and deposit exposure over several counterparties with high credit ratings and preferably located in developed markets.

For cash management, including short-term investments in deposits and credit-equivalent exposures from derivatives, there are criteria for the selection of the counterparties. In 2019 Oikocredit implemented a counterparty policy describing the creditworthiness, ESG and service level criteria for contracting counterparties. The credit rating of any of Oikocredit's bank counterparties should be at least investment grade (i.e. BBB- or better, as measured by major rating agencies). For each rating bucket an explicit limit is specified in order to avoid excessive exposure to low rated counterparties.

ESG screening is done consistently for all bank counterparties. Any bank counterparty must have a Sustainalytics ESG percentile rank of 50 or above according to Bloomberg.

An exception to the cash management approach can be made if a local currency bank account needs to be opened in a country where no bank exists that fulfils all the criteria mentioned above. The amounts kept in these bank accounts must be minimal and never exceed the equivalent of € 1 million.

All new financial counterparties must be approved by the ALCO, on the basis of an analysis by the Treasury unit and an assessment by the Social Performance Innovation department.

Equity risk

Equity risk can be defined as the risk of financial losses involved in holding a particular equity stake. This includes the risk that the value of the stake would struggle to generate an appropriate financial risk adjusted return, especially taking into account the implicit illiquidity of the participation that can arise if no buyer can be found to finance the exit from the investment.
A participation could also generate a long term loss due to the deterioration of the partner's financial and business conditions.

Equity investments have different risk characteristics compared to loans. The investment lock-up period is usually longer (around ten years) and the equity stakes do not generate steady cash flows (i.e. dividends).

In order to mitigate equity risk in the first line of defence, all individual investment proposals (equity and equity-related products) are assessed by specialist Equity team members in the countries in which Oikocredit works, as well as by the Equity team members in the central office in Amersfoort. The assessment involves an extensive due diligence process and investment proposals must meet predefined criteria. Strengths, weaknesses, opportunities and threats (SWOT) analyses are made and management, financial, legal and social performance analyses take place.

The Society's Investment Committee (consisting of the Managing Director, the Director of Finance & Risk, the Director of Investments and the Director of Social Performance Innovation, plus input from an independent external advisor) decides on all equity investments. Investment proposals are first processed by the Equity team and require initial approval from the Society's Investment Committee. The quorum for the Investment Committee is three voting members.

The equity risk mitigation entails an asset class exposure limit on the overall portfolio. This is currently set at around 15% of the total portfolio. A proactive control of the current and prospective financial performance of the equity investment portfolio, the latter based on the internal fair value estimates performed on each equity stake, is also performed in order to set risk management guidelines and positively influence the active equity asset allocation.

Below the gross exposure of the equity investment portfolio, at acquisition price, is presented:

2019 equity exposure						
As at 31 December 2019	**Financial inclusion**	**Agriculture**	**Renewable energy**	**Other**	**Total**	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	6,542	14,889	-	2,967	24,398	16.4%
Asia	24,806	17,267	7,008	-	49,081	33.0%
South America	26,388	175	5,393	-	31,956	21.5%
Central America	14,040	5,366	-	-	19,406	13.1%
Other	11,211	7,566	4,010	1,035	23,822	16.0%
Total	**82,987**	**45,263**	**16,411**	**4,001**	**148,663**	**100.0%**
%	**55.8%**	**30.4%**	**11.0%**	**2.7%**	**100.0%**	

2018 equity exposure						
As at 31 December 2018	**Financial inclusion**	**Agriculture**	**Renewable energy**	**Other**	**Total**	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	7,501	20,672	-	3,395	31,568	19.4%
Asia	18,301	17,267	6,650	-	42,218	26.0%
South America	23,484	922	5,393	-	29,799	18.3%
Central America	10,300	5,366	-	3,841	19,507	12.0%
Other	22,074	3,474	2,750	11,113	39,411	24.3%
Total	**81,660**	**47,701**	**14,793**	**18,349**	**162,503**	**100.0%**
%	**50.2%**	**29.3%**	**9.1%**	**11.3%**	**100.0%**	

Note that these tables do not include committed-not-yet-disbursed amounts (committed-not-yet-disbursed includes investments that are approved with conditions), which for 2019 was € 25.4 million, (2018: € 18.0 million). The tables also do not include impairments. Impairments amounted to € 13.8 million in 2019 (2018: € 5.8 million). The dividend received in 2019 amounted to € 2.0 million (2018: € 2.2 million). The results from the sale of equity stakes amounted to € 6.1 million gain (2018: € 0.5 million loss).

Foreign currency (FX) risk

FX risk is defined as the risk that the value of Oikocredit's active investments will fluctuate due to changes in foreign currency exchange rates compared to the Society functional currency.

Although the functional currency of Oikocredit is the euro, a significant part of Oikocredit's investments in development financing is outstanding in United States dollars and in other domestic currencies (emerging and frontier currencies).
In addition to euro shares, the Society also issues shares denominated in British pounds, Canadian dollars, Swedish kronor, Swiss francs and United States dollars.

The net foreign currency position of the Society is monitored by the risk management function throughout the year, in order to steer the offsetting FX hedging portfolio and bring the overall FX position in line with the FX risk appetite established in the Society's FX risk management policy.

In the overview below the positions as at 31 December 2019, translated to euro at the exchange rates prevailing at the balance sheet date, are presented. FX exposures arising from equity participations are not taken into account, hence not hedged, due to the relatively small cash flow generated by this exposure.

Foreign currency exposure - net foreign currency asset positions							
As at 31 December 2019		FX gross credit assets	FX cash	FX liabilities + FX LLP	FX member capital	FX hedging	Net foreign currency asset exposure
		€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
IDR	Indonesian Rupiah	22,421	7,103	189	-	24,431	4,904
XOF	CFA Franc	31,233	16,357	2,516	-	40,387	4,687
UGX	Ugandan Shilling	7,298	3,785	809	-	5,587	4,687
NGN	Nigerian Naira	4,646	280	705	-	-	4,221
INR	Indian Rupee	135,384	4,306	20,928	-	114,877	3,885
KES	Kenyan Shilling	15,149	2,545	1,309	-	12,565	3,820
PHP	Philippine Peso	1,918	3,425	794	-	880	3,669
MDL	Moldovan Leu	3,442	-	107	-	-	3,335
ZAR	South African Rand	7,128	2,088	79	-	6,053	3,084
HNL	Honduran Lempira	15,736	-	1,016	-	12,185	2,535
Other		131,970	2,026	9,932	-	96,617	27,447
Total		**376,325**	**41,915**	**38,384**	**-**	**313,582**	**66,274**

Foreign currency exposure - net foreign currency liability positions							
As at 31 December 2019		FX gross credit assets	FX cash	FX liabilities + FX LLP	FX member capital	FX hedging	Net foreign currency liability exposure
		€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
CHF	Swiss Franc	-	4,445	9,213	54,345	-	59,113
GBP	British Pound	532	160	180	13,128	-	12,616
SEK	Swedish Krona	-	833	1,882	9,553	-	10,602
USD	US Dollar	463,372	10,192	44,212	15,484	422,567	8,699
CAD	Canadian Dollar	-	28	-	8,241	-	8,213
Other		49,132	32	1,998	-	51,124	3,958
Total		**513,036**	**15,690**	**57,485**	**100,751**	**473,691**	**103,201**

These tables include the net foreign currency exposure in loans (loans minus loss provisioning), cash and deposits, hedging contracts, member capital and liabilities in foreign currencies.

The exposure to foreign currency risk of the Society is assessed through a value at risk (VAR) estimation model. The VAR figure obtained is then compared with the amount of internal reserves held for FX risk bearing (the FX buffer) in the balance sheet. The excess exposure that could generate an unbearable result compared to the level of reserves held to bear FX results is hedged externally with FX derivatives through selected counterparties.

The FX buffer is composed of the available balances of the local currency risk funds via the Support Foundation until 30 November 2019, the restricted exchange fluctuation reserve, and the designated amount for local currency loans in the general reserves.

Sensitivity of member capital to main foreign currency		
Change of value to the euro	**2019**	**2018**
	Sensitivity of member capital	**Sensitivity of member capital**
	€ ,000	**€ ,000**
USD value increase of 1.0%	293	939
USD value decrease of 1.0%	(293)	(939)

Due to the increased hedging position net income is less volatile and the sensitivity of the nominal value of the shares to changes in the euro-United States dollar exchange rates has decreased.

With effect from 1 December 2019 the local currency risk funds, a separate buffer included in the Support Foundation, were transferred to the Society in order to concentrate all hedging activities into one legal entity and avoid complex administrative handling of internal hedges between the Support Foundation and the Society. The FX risk management policy has not changed as a result of this transfer.

Transfer and conversion risk

There are two subtypes of FX risk to which Oikocredit is inevitably exposed in its investment activity: transfer and conversion. Transfer risk is the risk that the proceeds cannot be repatriated to the Netherlands. Conversion risk is the risk that proceeds generated in local currency cannot be converted into euro. Often these two types of risk are the byproduct of the capital controls to which most emerging and frontier countries are exposed. These two risks can become material especially in the case of actual or potential sudden capital outflows that could put the financial systems of these countries at risk.

Geographical diversification of the portfolio is key for Oikocredit in limiting the potential disadvantages that these two risks can generate, especially in terms of liquidity. The materiality of these risks for each country is assessed by the Treasury unit on a day-to-day basis and by the risk management function on a long term basis, and is reported to the ALCO on a periodical basis.

Interest rate risk

Interest rate risk is the risk arising from movements in interest rate environments (both for hard and local exposures) that affect the value of the portfolio and the income statement.

Euro interest rate risk

One of the main sources of interest rate risk for Oikocredit arises from exposure to the euro, hence to fluctuations in net interest income and value due to changes in the European interest rate environment. Exposure to euro interest rates is mainly synthetically generated by Oikocredit through the FX and interest rate derivatives instruments that are used to hedge the underlying development financing loan portfolio. Another source of exposure to this risk arises from the liquidity buffer of the company. The euro term investment portfolio has a duration of four years, and cash and deposits have a duration of not more than three months. As a weighted average, the euro assets of the Society have a duration of 0.68 years, hence synthetically exposing the company to the fluctuations of the short term European money market benchmark, the Euro Interbank Offered Rate (Euribor). In 2019 the six-month Euribor fluctuated between -0.25% and -0.45%. Oikocredit does not aim to synthetically create euro interest rate duration (through pure interest rate derivatives), but rather accepts the exposure to the short term European money market benchmarks.

United States dollar interest rate risk

The United States dollar credit exposure in the development financing portfolio is the main foreign currency exposure of Oikocredit, although the credit products are hedged through FX and interest rate derivatives (e.g. FX forwards and FX swaps), changes in the United States interest rate market are unavoidably affecting the value and net interest income of the United States dollar exposure. This is especially due to a mismatch between the duration of the underlying portfolio (i.e. United States dollar credit exposure) and the derivatives cash flows (i.e. United States dollar hedging instruments). A reduction of the US swaps curve increases the net interest income and the overall value of the portfolio and vice versa. This risk exposure is periodically monitored by the Financial Risk unit and the ALCO to ensure that the gap does not become excessively relevant in a way that could heavily impair the net results of the company.

Local currency interest rate risk

Among the main interest rate risk issues arising from local currency exposure is the lack of liquidity behind the domestic interest rate markets of the related countries. The first challenge that Oikocredit has to overcome is the selection of appropriate benchmark rates (i.e. basis risk) to be used when pricing its loans. In addressing this issue, prices are used that are offered by the same specialised local currency hedging counterparties that give indications about what would be a realistic benchmark rate to use.

In addition to this, the local currency exposure is subject to interest rate duration mismatch between the portfolio of originated credit products and the underlying FX and interest rate hedging portfolio. This usually arises from the limitations Oikocredit encounters in the local currency hedging market in terms of derivatives product availability. This could potentially lead to a reduction of the achievable net interest income. However, the variety of currencies in the local currency portfolio limits the exposure to the risk of disadvantages that can result from the local currency interest rate risk.

Duration of interest rate sensitive assets

As at 31 December 2019	Exposure	Weight	Duration (before hedging)	Duration (FX hedging, 1st currency leg)	Duration (FX hedging, 2nd currency leg)
	€ ,000	%	Years	Years	Years
Local currency credit products	425,988	36%	0.69	0.82	0.18
USD credit products	463,372	40%	1.39	0.23	0.23
EUR credit products	31,490	3%	0.87	none	0.87
EUR term investments	139,821	12%	4.00	none	4.00
EUR cash and liquidity	109,846	9%	0.20	none	0.20
Totals (weighted average)	**1,170,517**	**100%**			**0.68**

Duration of interest rate sensitive assets

As at 31 December 2018	Exposure	Weight	Duration (before hedging)	Duration (FX hedging, 1st currency leg)	Duration (FX hedging, 2nd currency leg)
	€ ,000	%	Years	Years	Years
Local currency credit products	420,075	47%	0.70	0.82	0.30
USD credit products	438,523	49%	1.95	0.23	0.24
EUR credit products	30,880	3%	1.22	none	1.22
EUR term investments	-	0%	4.09	none	4.09
EUR cash and liquidity	-	0%	0.20	none	0.20
Totals (weighted average)	**889,479**	**100%**			**0.30**

Liquidity risk
Liquidity risk can be defined as the risk that the Society is unable to meet payment obligations, redemption requests from members and investors, and/or payment commitments to partners and other counterparties.

Liquidity is defined as the sum of cash and bank balances; the value of the term investment portfolio, adjusted for any portions of it pledged to third parties; and the available credit lines with banks. Liquidity divided by the total assets stated on the balance sheet is referred to as the liquidity ratio.

The Society aims to have a liquidity buffer of approximately 15% of total assets, where the liquidity can temporarily be lower as a result of seasonality effects in the use of certain credit facilities or opportunities to extend new loans. The main source of liquidity is new member capital shares that are issued from the Society. Due to the relatively ample liquidity buffer that the Society aims to hold, holding a term investment portfolio, which has by definition a lower degree of liquidity than cash and deposits, allows the Society to offset the opportunity cost of holding liquidity. The potential exposure to market risks arising behind this portfolio is mitigated by the strict guidelines in the Investment Management Agreement in terms of credit quality of the issuers held in the investment portfolio.

The largest part of the term investments portfolio is liquid, and therefore not subject to legal or contractual restrictions on their resale. However, a limited part of this portfolio is used as collateral for some current and contingency debt funding sources that could be deployed in order to collect liquidity on a contingency basis. Most of these investments can be easily acquired or disposed of at market value.

Some of the volatility on the liquidity available is constituted by the margin calls that could arise behind the FX and interest rate hedging portfolio held by Oikocredit. Although these contracts are held for hedging purposes only, and are therefore effectively covering the risk arising from an underlying exposure, the cash flows of the two exposures (underlying and derivative) might not be perfectly matched. It could therefore be possible that the hedgers require a collateral pledge after a sharp decrease of the mark-to-market value of the derivative contract while the underlying investment has yet to generate cash flows (interest income and instalments). This liquidity risk source could be tangible, especially for the hedges on the United States dollar investment portfolio, where a sharp appreciation of the United States dollar on the euro would trigger a margin call.

This generous liquidity buffer enables the Society to meet its commitments to contracts already entered into and possible redemptions of member capital. To manage liquidity risk, the Society uses liquidity monitoring tools for a better understanding and forecasting of liquidity trends.

Below is an overview of the liquidity position as at year end.

Liquidity				
As at 31 December	**2019**		**2018**	
	€ ,000	**%**	**€ ,000**	**%**
Cash and banks	109,846	40.1%	109,327	42.4%
Term investments	139,821	51.0%	145,468	56.5%
Other securities	21,423	7.8%	-	0.0%
Unused credit lines	3,115	1.1%	2,889	1.1%
Gross liquidity	**274,205**	**19.3%**	**257,684**	**19.9%**
Pledged term investments	**17,816**		**30,838**	
Net liquidity	**256,389**	**19.6%**	**226,846**	**17.5%**
Total assets	**1,310,359**		**1,292,943**	**100.0%**

The Society is primarily funded by member capital. The Articles of Association include provisions that shares shall be redeemed no later than five years after a redemption request has been submitted. Redemption will be at the nominal value. However, if the net asset value per share is lower than the nominal value per share in the most recent audited (interim) balance sheet preceding redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet. Even though the Society has the right to delay redemptions for five years, to date, it has never delayed redemptions. The Society has worked with the support associations to prepare a new share issuance and redemption policy, which the Managing Board and Supervisory Board adopted in 2019. This sets out a more standardised and transparent process for the issuance and redemption of shares across the Society's members and investors. Implementation will take place in 2020.

Non-financial risk

Operational risk

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

Building on the streamlining of operations and optimisation of controls emphasised in 2018, Oikocredit paved the way towards a more rational and effective approach to operational risk management in 2019. The Society started a project to formalise its appetite towards operational risk and the level of its control and monitoring. The project also addresses management information and the decision making process and will be finalised in early 2020. In 2019, Oikocredit further enhanced its process for incident reporting launched the previous year, in order to enable the timely capturing of potential losses and near misses occurring in the course of day-to-day operations, and also enhance consistency and timeliness in responding to incidents. The ultimate purpose of this process is to derive lessons learned for avoiding incidents in the future while enabling the absorption of potential losses through appropriate capital planning. No incidents with a material impact on Oikocredit's financial condition took place in 2019.

Compliance risk

Compliance risk is the risk related to the failure to comply with laws/regulations, internal rules/policies, and good business practices.

Oikocredit aims to be compliant with all applicable laws and regulations, internal rules and policies governing its operations, and good business practices. Oikocredit has a very low tolerance for breaches of laws and regulations, internal rules and policies governing its operations, and good business practices. Oikocredit has very low tolerance when a legal or ethical bright line has been crossed.

Aiming to be compliant means that Oikocredit makes it its explicit target to be a compliant organisation. All of Oikocredit's commercial actions are tailored so that after they have been taken, Oikocredit can comfortably claim to be a compliant organisation.

As failures to comply might lead to sanctions and fines, financial losses and reputational damage, Oikocredit ensures that its very low tolerance for compliance risk is embedded in the culture of its business operations.

Compliance risks are governed by a set of policies, including but not limited to 'know your customer' policies for both inflow and outflow 'customers', conflict of interest policy, personal trading policy, whistle-blower policy, anti-bribery and anti-corruption policy, personal data protection policy, transfer pricing policy and the code of conduct.

Reputational risk

Reputational risk is the risk that the Society's market position deteriorates due to a negative perception by investors, partners, counterparties, regulatory authorities or society as a whole.

Typically, reputational risks arise from failing to manage compliance or operational risks. Another important element of reputational risk is the need to ensure that all staff members act consciously and in line with the Society's mission, vision and values, and that all new staff members get sufficient training to act in line with the mission, vision and values.

With increasing competition and marketing from the 'impact investing' sector, it has become increasingly difficult for Oikocredit to effectively distinguish itself from competitors purely on the basis of what is considered 'impact'. This could constitute a risk, also if one such competitor were to be scrutinised and exposed to negative media coverage, as this may negatively reflect on Oikocredit's reputation as well.

Oikocredit consistently updates its standards for ESG scoring and new sectors, to ensure that only the partners that meet Oikocredit's very high standards are selected. Once a partner is financed, Oikocredit monitors the developments of the partner's activity as well as its adherence to social covenants, which are requirements in the loan agreement with respect to improvements or minimum criteria for impact and social conduct.

Strategic risk

Strategic risk can be defined as the risk of losses caused by a failure to respond well to changes in the business and market environment and can potentially have a major impact on Oikocredit's financial situation and ability to meet its strategic objectives. Oikocredit distinguishes three types of strategic risks: business model, operating model and regulatory.

Business model risk
Business model risk is the risk of not being able to offer the right products in the right markets, possibly resulting in a decline in market share, competitive position and financial sustainability.

The Society identifies two distinct sets of products and markets:
- Products and markets relating to the development financing portfolio ('outflow'); and
- Products and markets relating to the funding of these activities ('inflow').

In 2017, the Society assessed its business model (products and markets) with the support of an external advisor. By the end of 2019, the Society had implemented most of the intended changes to its products and markets (e.g. refocus of geographical scope and emphasis on three sectors).

Operating model risk
Operating model risk is the risk related to the cost of execution of the strategy and is directly linked to efficiency, scalability, complexity and outsourcing matters.

During the 2017 strategy update the Society also assessed its operating model and concluded that, on the basis of a benchmarking analysis, the Society's operating costs needed to be reduced drastically. This exercise led to the following decisions:
- The closing of offices in countries where new loans/investments would no longer be offered;
- The closing of offices in countries where the loans would be offered from another office;
- A redesign of offices with minimum requirements and functions;
- A redesign of the central office;
- Significant reduction of staff;
- Significant reduction in expenditures; and
- A 'lean programme' to train staff to be more aware of inefficiencies and bottlenecks in processes.

As of 2019, the results and impact of these decisions are monitored thanks to selected financial and process key performance indicators (KPIs), through a newly introduced balanced scorecard. One of the key indicators that the Society closely tracks is the cost ratio on total assets (excluding grant based expenses), which the Society aims to reduce to 2.4% (2019: 2.5%, excluding the release of the tax accrual, which can be seen as a one-off result).

Regulatory risk
Regulatory risk is the risk that changes in law and regulations affect the Society's ability to execute its strategy, which can potentially lead to a deterioration of the market position.

Oikocredit frequently updates its legal assessment of new and upcoming regulation. Additionally, Oikocredit's representatives attend seminars to remain aware of upcoming changes and of the response of peers.

6 Intangible fixed assets

Changes in intangible fixed assets in 2019 and in the costs of acquisition and accumulated depreciation as at 31 December 2019 can be specified as follows:		
	31/12/2019	**31/12/2018**
	€ ,000	**€ ,000**
Historical cost price as at 1 January	2,054	2,042
Accumulated depreciation as at 1 January	(1,596)	(910)
Balance as at 1 January	**458**	**1,132**
Investments	249	12
Disposals	-	-
Depreciation	(391)	(686)
Movements in the year	**(142)**	**(674)**
Historical cost price as at 31 December	2,303	2,054
Accumulated depreciation as at 31 December	(1,987)	(1,596)
Balance as at 31 December	**316**	**458**

The intangible assets consist of software. The software relates to a new loans and investment system, an online portal for investors and a data warehouse. Software is depreciated in three years. The investment relates to a new data warehouse that is not yet in use.

7 Tangible fixed assets

Changes in tangible fixed assets in 2019 and in the costs of acquisition and accumulated depreciation as at 31 December 2019 can be specified as follows:

	IT equipment	Furniture	Installation solar assets	Total 2019	Total 2018
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Historical cost price as at 1 January	2,163	2,077	4,360	8,600	5,344
Accumulated depreciation as at 1 January	(1,881)	(1,226)	(607)	(3,714)	(3,097)
Balance as at 1 January	**282**	**851**	**3,753**	**4,886**	**2,247**
Investments	1,081	27	1	1,109	3,274
Disposals	(1,096)	(31)	-	(1,127)	(18)
Depreciation	(106)	(130)	(423)	(659)	(617)
Movements in the year	**(121)**	**(134)**	**(422)**	**(677)**	**2,639**
Historical cost price as at 31 December	2,148	2,073	4,361	8,582	8,600
Accumulated depreciation as at 31 December	(1,987)	(1,356)	(1,030)	(4,373)	(3,714)
Balance as at 31 December	**161**	**717**	**3,331**	**4,209**	**4,886**

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

8 Development financing

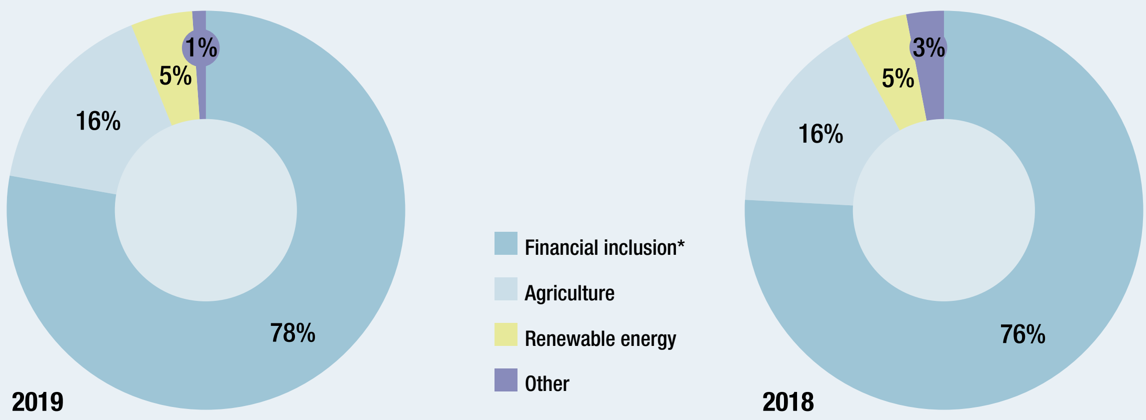
Changes in development financing outstanding			
Can be specified as follows:		**31/12/2019**	**31/12/2018**
		€ ,000	**€ ,000**
Outstanding as at 1 January		1,046,583	981,664
Disbursements		404,485	444,458
Capitalised interest and dividends		280	-
Less:	- repayments	(354,903)	(373,730)
	- write-offs	(5,750)	(7,451)
Equity divestments		(8,148)	(5,593)
Correction fund accounting		(3,533)	-
Reclassification		(20,707)	-
Exchange rate adjustments		6,284	7,235
Outstanding as at 31 December		**1,064,591**	**1,046,583**

An error was identified in the way equity fund investments had been accounted for in previous years. In particular, this included the inclusion of management fees in the cost value of investments. In 2019 an adjustment was made to correct this error. This resulted in € 3.8 million of management fees being expensed and € 260,000 being recorded as income. The net impact on the development financing portfolio is € 3.5 million.

The development financing portfolio was reduced by € 20.7 million when two fund investments from development financing were reallocated to other securities. These are not direct investments in partners and they may be sold or repaid in the near future.

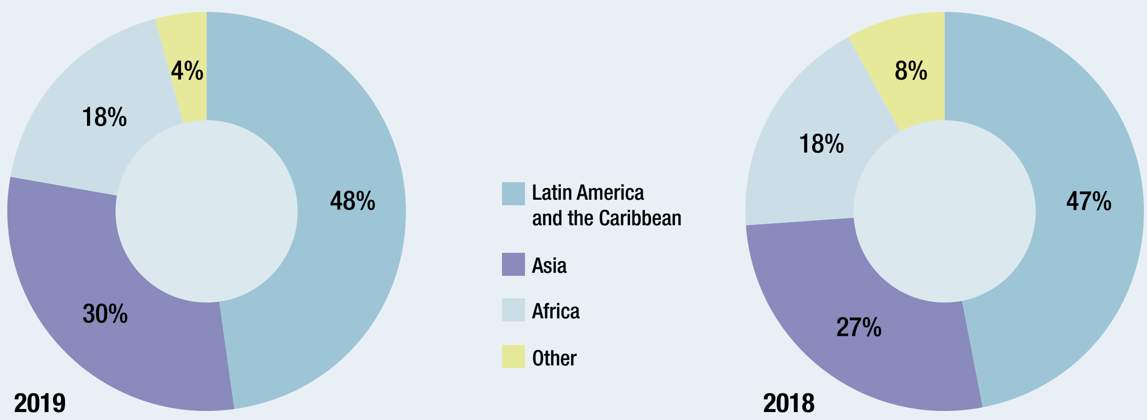
Breakdown of development financing outstanding

Development financing outstanding by sector as at 31 December

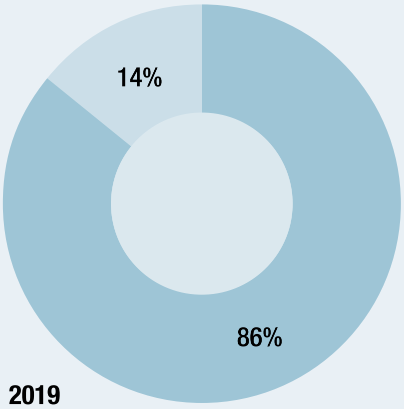


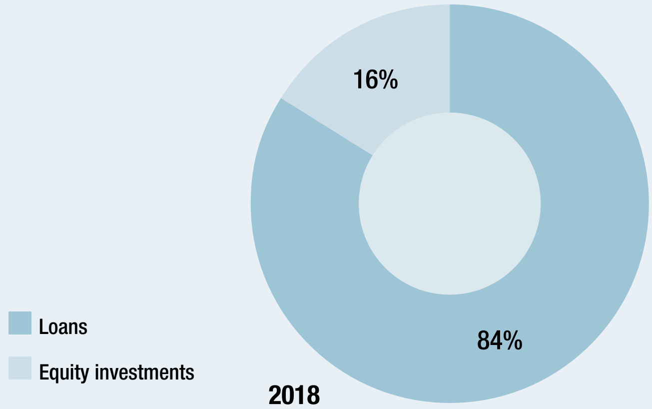
* Including microfinance and SME finance

Development financing outstanding by region as at 31 December

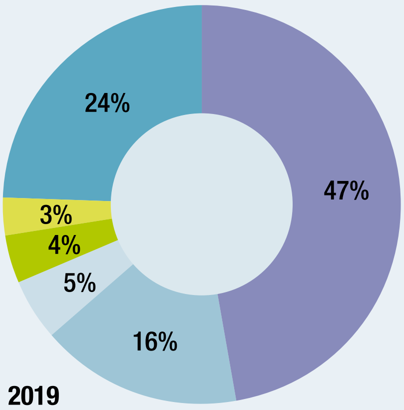


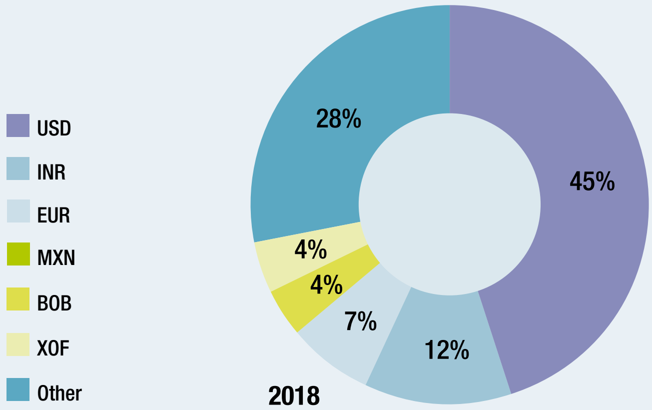
Development financing outstanding by type of financing as at 31 December





Development financing outstanding by type of currency as at 31 December





Maturity of development financing outstanding		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Instalments maturing < 1 year	390,560	322,523
Instalments maturing > 1 < 5 years	519,621	536,839
Instalments maturing > 5 years	5,747	24,717
Equity investments	148,663	162,504
Balance as at 31 December	**1,064,591**	**1,046,583**

Movement schedule loans		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	884,078	848,565
Disbursements	385,791	411,885
Repayments	(354,903)	(373,730)
Capitalised interest and dividends	280	-
Reclassification	-	(4,568)
Write-offs	(5,750)	(5,309)
Exchange rate adjustments	6,432	7,236
Balance as at 31 December	**915,928**	**884,079**

Movement schedule equity investments		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	162,504	133,099
Additions	18,694	32,572
Correction fund accounting [1]	(3,533)	-
Reclassification [2]	(20,707)	4,568
Write-offs	-	(2,142)
Disposals	(8,295)	(5,593)
Balance as at 31 December	**148,663**	**162,504**

[1] For the correction on fund accounting, refer to the text below the first table of Note 8 for a detailed explanation.
[2] For the reclassification, refer to the text below the first table of Note 8 for a detailed explanation.

Movement schedule equity investments				
Can be specified as follows:	**< 20%**	**> 20%**	**Total 2019**	**Total 2018**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost value	117,960	30,703	148,663	162,504
Impairments	(24,789)	(6,183)	(30,972)	(17,122)
Net value as at 31 December	**93,171**	**24,520**	**117,691**	**145,382**

Associate equity				
Oikocredit had significant influence in the following equity investments as at 31 December 2019:	**Participation**	**Participation**	**Net equity [1] (latest available)**	**Result [1] (latest available)**
	2019	**2018**	**€ ,000**	**€ ,000**
Outgrower SPV, Nicaragua	44.2%	44.2%		
Guaguazu S.A., Bolivia	35.3%	35.3%	434	(38)
Fertiplant East Africa Ltd., Kenya	30.0%	30.0%		
Vehículos Líquidos Financieros, Mexico	29.7%	29.7%		
Cafedirect Plc, United Kingdom	27.8%	27.8%	4,055	14
Planet Guarantee, France	19.1%	19.1%		

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

The table above includes all equity investments in which the Society has significant influence. The shareholding percentages of 20% and above are one of the indicators of significant influence.

The presented net equity value and result are based on local accounting standards from unaudited financial statements and are not adjusted to reflect the Society's share in the respective net equity value and result. Financial reporting may not always be comparable to the requirements under Part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. As such all the equity investments in which Oikocredit has significant influence are valued at cost less impairment as at 31 December 2019.

Total loan loss provision and impairments equity	31/12/2019	31/12/2018
	€ ,000	€ ,000
Loan loss provision	(62,223)	(58,867)
Impairments equity	(30,972)	(17,122)
Balance as at 31 December	**(93,195)**	**(75,989)**

Provision for possible losses

Can be specified as follows:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Balance as at 1 January	(58,867)	(53,549)
Additions	(8,398)	(10,046)
Exchange rate adjustments	(708)	(581)
	(67,973)	(64,176)
Less: - write-offs	5,750	5,309
Balance as at 31 December	**(62,223)**	**(58,867)**

The method for calculating the collective provision based on country ratings was changed. The effect of this change is part of the additions. As at 30 September 2019 the impact is a release of € 4.5 million.

Impairments equity investments

Can be specified as follows:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Balance as at 1 January	(17,122)	(15,780)
Additions	(14,736)	(5,777)
Reversals	886	2,293
	(30,972)	(19,264)
Less: - write-offs	-	2,142
Balance as at 31 December	**(30,972)**	**(17,122)**

Fair value of development financing loan portfolio

- The development financing loan portfolio consists of local currency loans and hard currency loans, usually with semi-annual or annual equal instalments.
- The interest rates charged to partners on local currency loans consist of base rates (local interbank or other appropriate base rates) plus an additional margin for risk and costs, and are usually comparable to local market rates. The majority of the Society's local currency loans are repriced quarterly or semi-annually.
- The interest rates charged to partners on hard currency loans are usually fixed interest rates for the full loan period and consist of base rates plus an additional margin for risks and costs. Oikocredit uses the applicable base rates in the currencies in which Oikocredit works (Euribor, Libor, swap rates and similar rates) plus surcharges for risks, costs and dividends that are expected to be paid.
- The loans have an average contractual maturity of approximately four years and five months (2018: four years and six months).
- An analysis of the recoverability of the loans is performed quarterly and a provision for possible losses on the development financing loan portfolio is formed.
- When all possible efforts to collect a loan have been exhausted and a loan is deemed uncollectible by the Special Collections unit, a (partial) write-off proposal is prepared. The final write-off decision is made by the Credit Committee. The write-off policy has not been changed compared to 2018.

The fair value of the development financing loan portfolio at least equals the book value, which is estimated at € 854.0 million (2018: € 825.2 million).

Fair value of development financing equity portfolio

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

It is estimated that the fair value of the equity portfolio at least equals the book value, which is estimated at € 117.7 million (2018: € 145.4 million).

9 Other securities

Changes in other securities can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	4,775	4,770
Investments during the year at cost	9,788	5
Disinvestments/redemptions during the year	-	-
Reclassification from development financing	20,707	-
Balance as at 31 December	**35,270**	**4,775**

For an explanation about the reclassification, refer to Note 8 on the development financing portfolio.

The other securities consist of:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
GLS Alternative Investments Microfinance Fund, Germany	9,539	-
ASN-Novib Microcredit Fund, the Netherlands	11,345	-
TCX, The Currency Exchange Fund N.V., the Netherlands	13,138	3,547
GLS Gemeinschaftsbank, Germany	500	500
Banca Popolare Etica, Italy	100	100
Ekobanken, Sweden	10	10
Other	638	618
Total term investments	**35,270**	**4,775**

In 2019 the balance sheet item ‘other securities’ was created. Some items that were included in term investments in the 2018 annual report are now included in other securities. The reason for this change is that term investments are liquid assets and other securities are non-current assets. To be able to compare 2019 with 2018, other securities for 2018 are also included in the balance sheet and the table above.

In 2019 the development financing portfolio was reduced by € 20.7 million when two fund investments from development financing were reallocated to other securities. The fund investments are not direct investments in partners and they may be sold or repaid in the near future. The reclassified funds are GLS Alternative Investments Microfinance Fund and ASN-Novib Microcredit Fund. The Society made an additional investment of € 177,000 in ASN-Novib Microcredit Fund in 2019.

In 2019 the Society made an additional investment in The Currency Exchange Fund N.V. (TCX) for an amount of € 9.6 million to be able to continue hedging with this counterparty.

The Society holds shares in TCX on behalf of Triple Jump, the Netherlands, for an amount of € 1.7 million, and on behalf of Grameen Crédit Agricole Microfinance Foundation (Grameen), Luxembourg, for an amount of € 1.8 million. These shares are under the Society’s name from a legal standpoint, but the risks and rewards are transferred to Triple Jump and Grameen.

Fair value of other securities
With the exception of the shares in TCX, the fair value equals at least the carrying amount.

The fair value of the investment in TCX as at 31 December 2019 amounted to US$ 11.4 million (€ 10.2 million) for 27 shares (2018: US$ 5.6 million (€ 4.9 million) for 10 shares).

10 Other financial assets

Summary of other financial assets:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Hedge contracts financial institutions [1]	4,885	4,809
Staff loans [2]	120	130
Tax asset Maanaveeya	164	-
Total	**5,169**	**4,939**

[1] The fair value of these hedge contracts and other details are disclosed in Note 33.
[2] All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

Hedge contracts financial institutions		
Can be specified as follows:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Balance as at 1 January	4,809	2,745
Movements	76	2,064
Balance as at 31 December	**4,885**	**4,809**

Staff loans		
Can be specified as follows:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Balance as at 1 January	130	217
Movements	(10)	(87)
Balance as at 31 December	**120**	**130**

Maanaveeya tax asset		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	-	258
Movements	164	(258)
Balance as at 31 December	**164**	**-**

11 Term investments

Changes in term investments can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	144,240	145,076
Investments during the year at cost	6,499	2,629
Disinvestments/redemptions during the year	(14,183)	(8)
Revaluation to market value as at 31 December	3,265	(3,468)
Exchange rate adjustments	-	12
Balance as at 31 December	**139,821**	**144,240**

The term investments portfolio consists of:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Buy and Maintain ESG Credit Portfolio [1]	129,780	134,309
Portfolio managed by Alternative Bank Schweiz (ABS), Switzerland [2]	10,041	9,931
Total term investments	**139,821**	**144,240**

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

Maturity of term investments		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Maturity < 1 year	9,123	20,320
Maturity > 1 < 5 years	85,298	87,723
Maturity > 5 years	45,400	40,972
Total	**139,821**	**144,240**

In the annual report 2018 the term investments were presented as non-current assets and in 2019 as current assets. To be able to compare 2019 with 2018, the term investments for 2018 are also presented as current assets in the balance sheet and the table above.

In the table above the contractual term of the bonds is presented. The Society can sell the bonds at any time and the bonds are therefore liquid. The term investments in bonds have been rated 'investment grade' by Moody's, S&P and/or Fitch.

12 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		**31/12/2019**		**31/12/2018**
		€ ,000		**€ ,000**
Accrued interest on development financing net of allowance		14,362		15,348
Collateral related to hedging contracts		7,870		11,823
Hedging receivable		6,812		6,130
Hedging contracts (refer to Note 33)		6,535		3,792
Receivables Share Foundation		3,765		10,645
Interest receivable		2,851		1,222
- Face value	7,037		5,535	
- Less: allowance for uncollectability	(4,186)		(4,313)	
Value added tax and wage taxes		475		2,033
Staff loans [1]		56		91
Amounts prepaid		39		2,143
Sundry receivables		1,567		500
Balance as at 31 December		**44,332**		**53,724**

Changes in the allowance for uncollectability are specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Balance as at 1 January	(4,313)	(4,609)
Additions charged to income	(863)	(1,496)
Write-offs from allowance	1,017	1,832
Exchange rate adjustment	(27)	(40)
Balance as at 31 December	**(4,186)**	**(4,313)**

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

13 Cash and banks

Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Cash and banks including time deposits maturing within one year	109,846	109,327
Balance as at 31 December	**109,846**	**109,327**

Oikocredit maintains its funds in banking institutions in Africa, Asia, Europe, Latin America and the United States. The time deposits included in cash and banks as at 31 December 2019 all mature in 2020.

The Society has credit facility agreements with Dutch banks amounting to € 5.0 million. These facilities, of which € 0.8 million is used in 2019, are subject to the following conditions:

- Audited financial statements should be provided within six months of year end.
- The solvency ratio of the Society should be at least 70% (2019: 94.3%).
- The Society should keep its bond portfolio (term investments) and liquid assets free of any encumbrances for 125% of the amount of the credit facility agreements with the Dutch banks (€ 6.3 million).
- Without the written permission of the credit institution, the Society is not allowed to sell or securitise fixed assets or establish mortgages or other encumbrances on fixed assets (except for transactions taking place in the normal course of business) or to issue guarantees for liabilities of third parties.

14 Member capital

The Society issues shares in euro, British pounds, Canadian dollars, Swedish kronor, Swiss francs and United States dollars.

The shares shall be redeemed no later than five years after a redemption request has been submitted and are as such considered a liability (puttable shares). Redemption (or partial redemption) will be at the nominal value. However, if the net asset value per share is lower than the value stated in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet (Article 13 of the Articles of Association). As at 31 December 2019, the net asset value per share amounted to € 214.41 (2018: 214.84). There were no outstanding redemption requests to members as at 31 December 2019.

The Managing Board opted to make use of the exemption in the Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP) to classify the puttable shares as equity (RJ 290.808) as disclosed in the accounting policies in Note 2.

Can be specified as follows:		**31/12/2019**	**31/12/2018**
		€ ,000	**€ ,000**
Member capital			
Balance as at 1 January		1,082,492	1,012,421
New euro shares issued		68,540	78,648
New shares in other currencies issued		9,436	13,437
Redemption of euro shares		(25,733)	(19,303)
Redemption of shares in other currencies		(4,876)	(2,479)
Exchange rate adjustments		(27)	(232)
Balance as at 31 December		**1,129,832**	**1,082,492**
Of which	- euro shares	1,030,019	987,219
	- shares in other currencies	99,813	95,273

15 General reserve

Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	90,816	81,986
Appropriation of the prior-year results	(10,268)	8,830
Balance as at 31 December	**80,548**	**90,816**

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

16 Local currency risk funds

The local currency risk funds were used until 1 December 2019 to cover the risk of currency losses on loans issued in the currencies of developing countries in which Oikocredit operates, rather than issuing loans in United States dollars or euro in those countries. The funds originate from grants and subsidies from members and third parties and from the allocation of profits. The Support Foundation and the Society mutually agreed to end the covering of these currency risks with effect from 1 December 2019 and to transfer the balance of the local currency risk funds to the Society.

Local currency risk funds (LCRF)	Philippines	Indonesia	General	Local currency risk fund Africa	Local currency risk fund South and East Asia	Local currency risk fund Mexico, Central America and the Caribbean	Local currency loans cumulative exchange rate differences [1]	Total 2019 [2]	Total 2018
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	6,841	1,290	19,630	7,820	4,587	8,168	(38,334)	10,002	12,813
Additions to/released from	177	11	(126)	1,395	39	68	(4,894)	(3,330)	(2,811)
Balance as at 30 November	**7,018**	**1,301**	**19,504**	**9,215**	**4,626**	**8,236**	**(43,228)**	**6,672**	
Transfer external hedges to Society	-	-	-	-	-	-	-	(2,489)	-
Transfer of LCRF to Society	(7,018)	(1,301)	(19,504)	(9,215)	(4,626)	(8,236)	43,228	(4,183)	-
Balance as at 31 December	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,002**

[1] Local currency loans cumulative exchange rate differences account: this amount is included as a separate item in the local currency risk funds as long as local currency loans have not yet matured. The differences in interest rates agreed with partners for these local currency loans and interest rates in euro (if these loans had been granted in euro) are added or charged to this account. Exchange rate differences on local currency loans when translated to euro are charged or added to this account as well. If losses or profits are realised when the loans in local currency mature, the cumulative profits or losses will be taken out of this cumulative exchange rate difference account and charged or added to the specified local currency risk funds mentioned above. For the addition to and releases from these funds, refer to Note 32.

[2] This overview does not include capacity building and guarantee funds as mentioned in Note 32.

17 Funds for subsidised activities and model costs

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

Funds for subsidised activities and model costs, capacity building and guarantee funds		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Funds for subsidised activities and model costs	1,164	1,145
Capacity building and guarantee funds	3,577	3,272
Balance as at 31 December	**4,741**	**4,417**

Funds for subsidised activities and model costs	Donated investments[1]	Funds for subsidised activities and model costs[2]	Total 2019	Total 2018
	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	479	666	1,145	1,212
Addition to/released from fund	60	(41)	19	(67)
Balance as at 31 December	**539**	**625**	**1,164**	**1,145**

[1] This fund was established to account for donated shares.
[2] This fund was set up in 1999 to cover the subsidised activities and model costs of Oikocredit.

Capacity building and guarantee funds	Capacity building fund[1]	Capacity building ELK outcome fund[2]	Capacity building BftW2[3]	Capacity building IDB[4]	Geographic programmes fund[5]	General guarantee fund[6]	Guarantee fund for Africa[6]	Total 2019	Total 2018
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	1,069	-	-	-	-	255	1,948	3,272	3,053
Addition to/released from fund[7]	26	-	-	-	-	74	205	305	219
Balance as at 31 December	**1,095**	**-**	**-**	**-**	**-**	**329**	**2,153**	**3,577**	**3,272**

[1] This fund was set up for capacity building of existing and potential partners and feasibility studies of potential partners in all countries in which Oikocredit operates.
[2] The client outcome fund originates from the Evangelical-Lutheran Church in Württemberg (ELK) and was set up for research and analysis training of microfinance institutions in Latin America and Asia as well as an agricultural project in East Africa.
[3] A three-year capacity building programme, Building Resilience of Smallholder Farmers Businesses, started in 2017, financed by Bread for the World – Protestant Development Service (BftW).
[4] The Multilateral Investment Fund – a member of the Inter-American Development Bank Group (IDB) – supports the three-year capacity building programme Price Risk Management for Coffee Cooperatives in Latin America, which started in 2017.
[5] The geographic programmes fund is a capacity building fund from Act Church of Sweden (CoS) under which two programmes ran in 2018 and no new programmes in 2019. The programmes were Bridging the Gender Gap in Microfinance in the Philippines, and a programme aiming at the strengthening of small cooperatives in Guatemala.
[6] The two guarantee funds were established to enable institutional donors and individuals to participate in a fund that insures part of the counterparty risk (equity or loan and accumulated interest) of partners financed by Oikocredit.
[7] For the additions to and releases from these funds, refer to Note 32.

18 Third-party interests

Third-party interests consists of the third-party interests of participants in the Low Income Countries (LIC) Loan Fund.

Can be specified as follows:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Balance as at 1 January	1,664	2,703
Capital payment[1]	(1,724)	(1,135)
Results	60	96
Balance as at 31 December	**-**	**1,664**

[1] In relation to the decreasing investments under management of the LIC Loan Fund, it was decided to dissolve the LIC Loan Fund with effect from 17 December 2019 and transfer the capital back to both participants, FMO and the Society.

19 Provisions

Can be specified as follows:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Restructuring provision [1]	1,052	1,624
Provision for onerous contract [2]	-	177
Total provisions	**1,052**	**1,801**

[1] This provision reflects costs associated with the implementation of the new strategic plan for the Netherlands and for countries outside the Netherlands.
[2] As a consequence of the New Way of Working project implementation, which involved the introduction of flexible workspace at the office in Amersfoort, the Netherlands, part of the current lease contract for the office premises will be dissolved. The provision in 2018 reflects the costs associated with the unused office space for the remaining period of the lease rental contract. During 2019 new rent agreements are in place (see also Note 22).

20 Non-current liabilities

Can be specified as follows:	2019	Remaining term > 1 year < 5 years	Remaining term > 5 years	2018
	€ ,000	€ ,000	€ ,000	€ ,000
Bank loans	60,838	60,838	-	54,844
Hedge contracts (refer to Note 33)	1,625	1,625	-	1,814
Other non-current liabilities	-	-	-	150
Total other non-current liabilities	**62,463**	**62,463**	**-**	**56,808**

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

Bank loans consist of the following:

- Loans with a total principal amount of INR 1.5 billion from financial institutions in India maturing in 2020 for INR 344.9 million (included under current liabilities), in 2021 for INR 75.0 million and for the years after 2021 INR 1.0 billion. The loans carry an average interest rate of 10.0%.
- A loan granted by a German bank amounting to € 36.0 million (2018: € 23.0 million), which matures on 30 January 2021 for € 18.0 million and the remaining part matures on 30 January 2023. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2019: 0.00%) plus an agreed margin (as at 31 December 2019: 0.65%). The loan is unsecured for the first € 4.0 million. From an outstanding amount of € 4.0 million up to € 36.0 million, the loan is guaranteed by KfW Germany. Guarantee costs for the year 2019 amount to € 306,000 (2018: € 303,000).
- A loan granted by a Swedish bank amounting to € 1.9 million (2018: € 1.9 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2019: 0.00%) plus an agreed margin (as at 31 December 2019: 0.57%). The loan is secured by a pledge on the Oikocredit bond portfolio for a maximum of € 6.3 million.
- The loan granted by a French bank was repaid in 2019 (outstanding amount 2018: €17.0 million).
- A loan granted by a Swiss bank for an amount of € 9.2 million (2018: € 8.9 million). The loan is for an indefinite period. The loan carries an interest rate of 0.40% for the first CHF 8.0 million and 1.25% for the remaining CHF 2.0 million. The loan is secured by a pledge on the Oikocredit bond portfolio at the bank for an amount of CHF 9.2 million.

Fair value of long-term liabilities

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

21 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Long-term loans expired or expiring within one year [1]	10,156	20,265
Hedge contracts (refer to Note 33)	8,671	17,588
Other taxes payable [2]	4,670	7,023
Accrued expenses, sundry liabilities	2,654	2,231
Hedge premiums payable	1,932	2,165
Accrued personnel expenses	692	981
Accounts payable	547	1,348
Provision hedges	2	1,220
Balance as at 31 December	**29,324**	**52,821**

[1] Consists of amounts maturing within one year from loans taken from financial institutions in India for € 4.3 million, from a loan taken from a US organisation for € 5.8 million and from loans managed by Oikocredit on behalf of funders for € 0.1 million.

[2] The growth of the Society has led Oikocredit to thoroughly review its tax and legal structures in the countries where it has offices, to ensure there is a structure in place to pay Oikocredit's fair share of taxes. An amount of € 2.4 million has been released from the balance. The total tax accrual was as at 31 December 2019 € 4.0 million (2018: € 6.4 million). Next to the tax accual Oikocredit has other taxes payable for an amount of € 670,000 (2018: € 623,000).

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.

22 Commitments and contingencies not included in the balance sheet

With effect from 1 July 2019 the Society renewed its rental agreement for the office building in Amersfoort, the agreement will end on 31 December 2024. The yearly rent payments amount to € 232,130 up until 31 December 2024. The yearly rent is indexed. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Standard Chartered Bank and TCX contain an obligation to post eligible collateral under a credit support annex. In the contract with Standard Chartered Bank, the threshold for the Society is set at US$ 3.0 million and for Standard Chartered Bank at US$ 50.0 million. In the contract with TCX, the threshold is set at US$ 3.0 million for both Oikocredit and TCX. In the contract with Rabobank, the threshold is set at € 0 for both the Society and Rabobank. As at 31 December 2019 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 2.2 million negative. As at 31 December 2019 the mark to market value of the hedge contracts with TCX was US$ 5.4 million positive. For posted cash collateral, please refer to Note 12.

The Society issued a guarantee for an amount of € 0.6 million to an Ethiopian bank, covering loans issued by the bank to a partner in Ethiopia.

The Society pledged in total € 17.8 million of its bond portfolio to guarantee loans from financial institutions.

Maanaveeya Development & Finance Private Limited in India filed appeals to the Commissioner of Income Tax/the Income Tax Appellate Tribunal challenging demand notices totalling INR 74.7 million (€ 1.0 million). This amount is not recorded as a tax liability.

23 Interest and similar income

Can be specified as follows:	2019	2018
	€ ,000	€ ,000
Interest on development financing portfolio	**91,495**	**83,010**
Interest on term investments:		
- Interest unrealised	(156)	(82)
- Interest realised	2,430	2,588
Total interest on term investments	**2,274**	**2,506**
Revaluation term investments	**3,265**	**(3,468)**
Total interest and similar income	**97,034**	**82,048**

24 Interest and similar expenses

Can be specified as follows:	2019	2018
	€ ,000	€ ,000
Interest payable on long-term loans, current accounts and other short-term liabilities	(1,658)	(2,492)
Total	**(1,658)**	**(2,492)**

25 Income from equity investments

Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Result from sale of equity investments		
Gebana	(276)	-
Yalelo	(642)	-
Emfil	4,310	-
Fund AfricInvest	268	-
Correction fund accounting	2,427	-
Hattha Kaksekar Limited (HKL)	-	1,217
Africinvest II	-	745
Banco Solidario	-	6
SAINDESUR	-	1
Balkan Financial Sector Equity Fund	-	(1,353)
Wizzit	-	(1,129)
Total result from sale of equity investments	**6,087**	**(513)**
Dividends	4,223	2,165
Correction fund accounting	(2,167)	-
Total dividend	**2,056**	**2,165**
Management fees funds	**(3,789)**	-
Total income from equity investments	**4,354**	**1,652**

An error was identified in the way equity fund investments had been accounted for in previous years. In particular, this included the inclusion of management fees in the cost value of investments. In 2019 an adjustment was made to correct this error. This resulted in € 3.8 million of management fees being expensed and € 260,000 being recorded as income. The € 260,000 consist of € 2.4 million positive result from sale of equity investments and € 2.1 million negative dividends in the tables above. The net impact on the development financing portfolio is € 3.5 million.

26 Grant income

Grants		
Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Grants received from Inter-American Development Bank, United States	400	378
Grants received from Bread for the World – Protestant Development Service, Germany	227	159
Grants received from Evangelical-Lutheran Church in Württemberg, Germany	50	181
Grants received from Act Church of Sweden	24	136
Other grants received	353	214
Total grants	**1,054**	**1,068**

Grants are received either according to contractual agreements with organisations with which we collaborate on capacity building projects, or from other parties, such as donations from dividends or legacies. Grants recognised from collaborating organisations means that the funds were spent during the year. Unused grants are accounted for under current liabilities. Grants recognised from other parties are immediately recognised in the year received as these grants have no specific spending requirements.

The Inter-American Development Bank disbursed US$ 231,690 for the Price Risk Management programme in Central and South America, implemented in cooperation with Fair Trade USA and Catholic Relief Services. To support an agricultural project in East Africa € 113,970 was received from Bread for the World – Protestant Development Service.

27 Other income and expenses

Can be specified as follows:	2019	2018
	€ ,000	€ ,000
Exchange rate differences	(1,336)	(2,353)
Hedge premiums	(35,861)	(26,165)
Hedge provision	1,218	(1,126)
Dividends from other securities	208	-
Management fees	85	37
Total	**(35,686)**	**(29,607)**

Exchange rate differences		
Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Local currency exchange rate differences (covered by local currency risk funds until 30 November 2019)	(1,068)	(5,323)
Hard currency exchange rate differences (unhedged)	(268)	2,970
Total	**(1,336)**	**(2,353)**

28 Personnel

The number of employees who were directly or indirectly employed by Oikocredit at the end of 2019 on the basis of full-time equivalents (FTE) amounted to 201 (2018: 235). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2019: 110 FTE, 2018: 138 FTE). Of the total FTEs (201), 52% were women and 48% men. Of the total Managing Board FTEs (six), 50% were women and 50% men. Of the Supervisory Board (11), 73% were women and 27% men. The Supervisory Board do not count as employees.

Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Salaries	(11,258)	(13,334)
Social security charges	(1,508)	(1,946)
Expenses temporary staff	(4,012)	(3,150)
Other allowances (13th month, holiday allowance)	(1,027)	(1,288)
Pension charges	(1,070)	(1,419)
Settlements	(12)	(236)
All other personnel costs	(2,585)	(2,314)
Total personnel expenses	**(21,472)**	**(23,687)**

29 General and other expenses

Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Contribution to support associations and Share Foundation	(3,643)	(3,547)
Office expenses	(2,635)	(2,813)
Consultancy expenses including audit fees (refer to Note 29)	(1,972)	(2,022)
Legal expenses	(180)	(469)
Marketing expenses	(674)	(934)
IT-related expenses	(734)	(1,160)
Capacity building expenses	(836)	(1,110)
Expenses AGM and Supervisory Board	(210)	(219)
Release tax accrual	2,405	-
All other general expenses	(680)	(112)
Total general and other expenses	**(9,159)**	**(12,386)**

An amount of € 2.4 million has been released from the balance tax accrual (refer to Note 21). The total tax accrual was € 4.0 million as at 31 December 2019.

Auditor's fees

The following auditor's fees were charged by KPMG Accountants N.V. to the Society, as referred to in Article 2:382a (1) and (2) of the Netherlands Civil Code, and expensed in the income statement in the reporting period:	**2019**	**2018**
	€ ,000	**€ ,000**
Audit of financial statements	(153)	(142)
Assurance services	-	-
Consulting services	(32)	(5)
Total audit fees	**(185)**	**(147)**

30 Additions to loss provisions and impairments

Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Additions to provisions against losses and equity impairments		
- equity impairments	(13,849)	(3,483)
- on principal of loans	(8,398)	(10,046)
- on interest	(863)	(1,496)
Total	**(23,110)**	**(15,025)**

The higher amount on equity impairments compared to 2018 was a result of increasing impairments on equity investments that were already partially impaired in 2018 (€ 2.7 million) and new impairments for five equity investments for in total € 12.1 million, compensated by releases of a total of € 0.9 million. Lower additions to the loan loss provision were mainly driven by decreased country risk ratings due to adoption of the sovereign ratings.

31 Taxes

The tax rate in the Netherlands is 25% with a step-up of 16.5% on the first € 200,000 of taxable income. In 2018, following agreement with the Dutch tax authority, the Society's tax status changed to a Dutch corporate income-tax paying entity, and it was therefore no longer exempt from this tax as it had been in previous years. This change has not resulted in the payment of corporate income tax in the Netherlands in 2018 and 2019 as income from qualifying equity investments is exempt from corporate income tax via participation exemption, and the remaining corporate income taxes were offset by withholding taxes on interest paid abroad. As mentioned in the notes to the consolidated financial statements, the offices in Brazil, Costa Rica, Ghana, Guatemala, Kenya, Nigeria, the Philippines and Uruguay are incorporated as legal entities, but due to the limited size of their assets, these offices were regarded as if they were owned branch offices. The taxes of € 0.1 million relate to these offices. The tax relating to Maanaveeya was € 3.2 million. The effective tax rate of the Society is 0.9%.

Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Taxes regional and country offices	(136)	(596)
Taxes Maanaveeya Development & Finance Private Limited	(3,246)	(1,260)
Taxes Financial Company Oikocredit Ukraine	(18)	-
Total taxes	**(3,400)**	**(1,856)**

32 Additions to and releases from funds

In the table below the additions to and the releases from the local currency risk funds and capacity building funds are disclosed.

Regarding the local currency risk funds the movements shown in the table are the movements due to interest and exchange rate differences within the funds over the year. The funds were established based on donations from organisations and members, in the table shown as grants received. Regarding the capacity building and guarantee funds the movements shown in the table are the movements due to costs incurred and grants received within the funds over the year. The funds receive support from donors. For an overview of the grant income, refer to Note 26.

Can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Local currency risk fund the Philippines		
Exchange rate differences on invested funds	40	33
Exchange rate differences local currency loans repaid	(114)	(553)
Interest added	(103)	34
Addition to/(released from) fund	(177)	(486)
Local currency risk fund Indonesia		
Exchange rate differences on invested funds	8	6
Exchange rate differences local currency loans repaid	1	(78)
Interest added	(20)	6
Addition to/(released from) fund	(11)	(66)
Local currency risk fund general		
Grants received	1	(83)
Exchange rate differences on invested funds	467	147
Exchange rate differences local currency loans repaid	272	8,569
Interest added	(614)	196
Addition to/(released) from fund	126	8,829

	2019	2018
	€ ,000	€ ,000
Local currency risk fund Africa		
Exchange rate differences on invested funds	726	36
Exchange rate differences local currency loans repaid	(1,994)	(1,008)
Interest added	(127)	38
Addition to/(released) from fund	(1,395)	(934)
Local currency risk fund South and East Asia		
Exchange rate differences on invested funds	4	24
Exchange rate differences local currency loans repaid	27	-
Interest added	(70)	24
Addition to/(released from) fund	(39)	48
Local currency risk fund Mexico, Central America and the Caribbean		
Exchange rate differences on invested funds	47	30
Exchange rate differences local currency loans repaid	6	(2,511)
Interest added	(121)	36
Addition to/(released from) fund	(68)	(2,445)
Local currency loans cumulative exchange rate differences		
Addition exchange rate differences local currency loans repaid	6,603	(4,421)
Addition exchange rate differences and premiums	(1,709)	2,286
Addition to/(released from) fund	4,894	(2,135)
Subtotal local currency risk funds	**3,330**	**2,811**
Donated investments		
Grants received	(60)	(1)
Addition to/(released from) fund	(60)	(1)
Subsidised activities and model costs		
Interest received/(paid) allocated to fund	(10)	3
Other costs, office expenses	51	65
Addition to/(released from) fund	41	68
Capacity building Africa and South and East Asia		
Grants received	-	-
Non-allocated grants	-	(87)
Transfer between funds	-	(3)
Other costs	-	90
Addition to/(released from) fund	-	-
Capacity building funds		
Grants received	(147)	(97)
Transfer between funds	(70)	69
Non-allocated grants	9	(35)
Interest received/(paid)	(17)	6
Other costs	200	77
Addition to/(released from) fund	(25)	20
Capacity building ELK Client Outcomes		
Grants received	-	(150)
Non-allocated grants	(23)	(31)
Other costs	23	181
Addition to/(released from) fund	-	-

	2019	2018
	€ ,000	€ ,000
Capacity building BftW		
Grants received	-	(70)
Non-allocated grants	(157)	(88)
Other costs	157	158
Addition to/(released from) fund	-	-
Capacity building IDB		
Grants received	-	(433)
Non-allocated grants	(261)	55
Other costs	261	378
Addition to/(released from) fund	-	-
Capacity building CoS geographic programmes		
Grants received	-	(63)
Non-allocated grants	(23)	14
Transfer between funds	-	(66)
Other costs	23	51
Addition to/(released from) fund	-	(64)
General guarantee funds		
Guarantee calls	-	(186)
Transfer between funds	-	-
Interest added/(paid)	(74)	1
Addition to/(released from) fund	(74)	(185)
Guarantee fund for Africa		
Guarantee calls	-	-
Transfer between funds	(205)	-
Interest added/(paid)	-	10
Addition to/(released from) fund	(205)	10
Subtotal capacity building and guarantee funds	**(323)**	**(152)**
Subtotal local currency risk funds	**3,330**	**2,811**
Transfer local currency risk funds	**4,184**	**-**
Total addition to/(released from) funds	**7,191**	**2,659**

33 Use of financial instruments

Balance sheet item	Product	2019 Notional € ,000	2019 Carrying amount € ,000	2018 Carrying amount € ,000
Oikocredit has entered into the following derivatives to cover its exposure:				
Non-current assets				
FX derivatives	Under hedge accounting	-	-	-
Cross currency swaps	Under hedge accounting	38,086	4,885	4,809
	Total		**4,885**	**4,809**
Current assets				
FX derivatives	Under hedge accounting	254,279	1,871	674
Cross currency swaps	Under hedge accounting	27,973	4,664	3,118
	Total		**6,535**	**3,792**
Non-current liabilities				
FX derivatives	Under hedge accounting	-	-	-
Cross currency swaps	Under hedge accounting	32,064	(1,625)	(1,814)
	Total		**(1,625)**	**(1,814)**
Current liabilities				
FX derivatives	Under hedge accounting	408,755	(6,827)	(16,565)
Cross currency swaps	Under hedge accounting	27,038	(1,844)	(1,023)
	Total		**(8,671)**	**(17,588)**

The total book value of the hedge contracts as at 31 December 2019 was € 1.1 million positive (2018: € 10.8 million negative) and the market value was € 6.5 million positive (2018: € 5.6 million negative). The hedge-effectiveness test established that some hedge contracts were ineffective during 2019, for which a provision was formed for € 20,000 (2018: € 1.2 million). The total amount of ineffective contracts was lower than in 2018 resulting in a release of € 1.2 million in the income statement under hedge premiums (refer to Note 27).

34 Remuneration policies

Supervisory Board remuneration policy

Oikocredit offers Supervisory Board members compensation for their travel, administrative expenses and loss of income due to the extensive time commitment involved in serving on the board. In 2019 the AGM approved the Supervisory Board's proposal to amend the remuneration policy for board members. Amendments include an increase in basic fees, additional fees for the Chair and Vice-Chair, variable attendance fees for meetings, and compensation for working hours lost on international travel.

The Supervisory Board remuneration structure is composed of four elements:

a) Basic annual fee: basic fixed fee for all board members to cover the work as a board member on the basis of fifteen board meeting days per year and additional virtual meetings, including preparation and follow-up.

b) Additional annual fees:
- Additional Supervisory Board (Vice-)Chair fee: fixed fee for chairing or vice-chairing the Supervisory Board.
- Additional committee chair fee: fixed fee for chairing a Supervisory Board committee.

c) Variable fees:
- Supervisory Board meeting attendance fee: fixed fee to be paid out for every Supervisory Board meeting day or Supervisory Board committee meeting day that exceeds the 15 basic meeting days per year. A Supervisory Board meeting and Supervisory Board committee meeting on the same day counts as one meeting. Other meetings and activities should be covered by the annual fee.
- Intercontinental travel compensation fee: variable fee to compensate for loss of time due to intercontinental travelling to Supervisory Board (committee) meetings.

d) Expense reimbursement: compensation for actual expenses incurred in relation to Oikocredit activities, provided that these expenses are documented (e.g. travel, communication).

The total compensation/remuneration in 2019 amounted to € 103,500 (2018: € 57,583).

Remuneration Managing Board

The remuneration can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Gross salary, holiday and year-end allowance	1,000	952
Expense allowances	-	19
Pension contributions	164	109
Total	**1,164**	**1,080**

Staff of Oikocredit globally

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

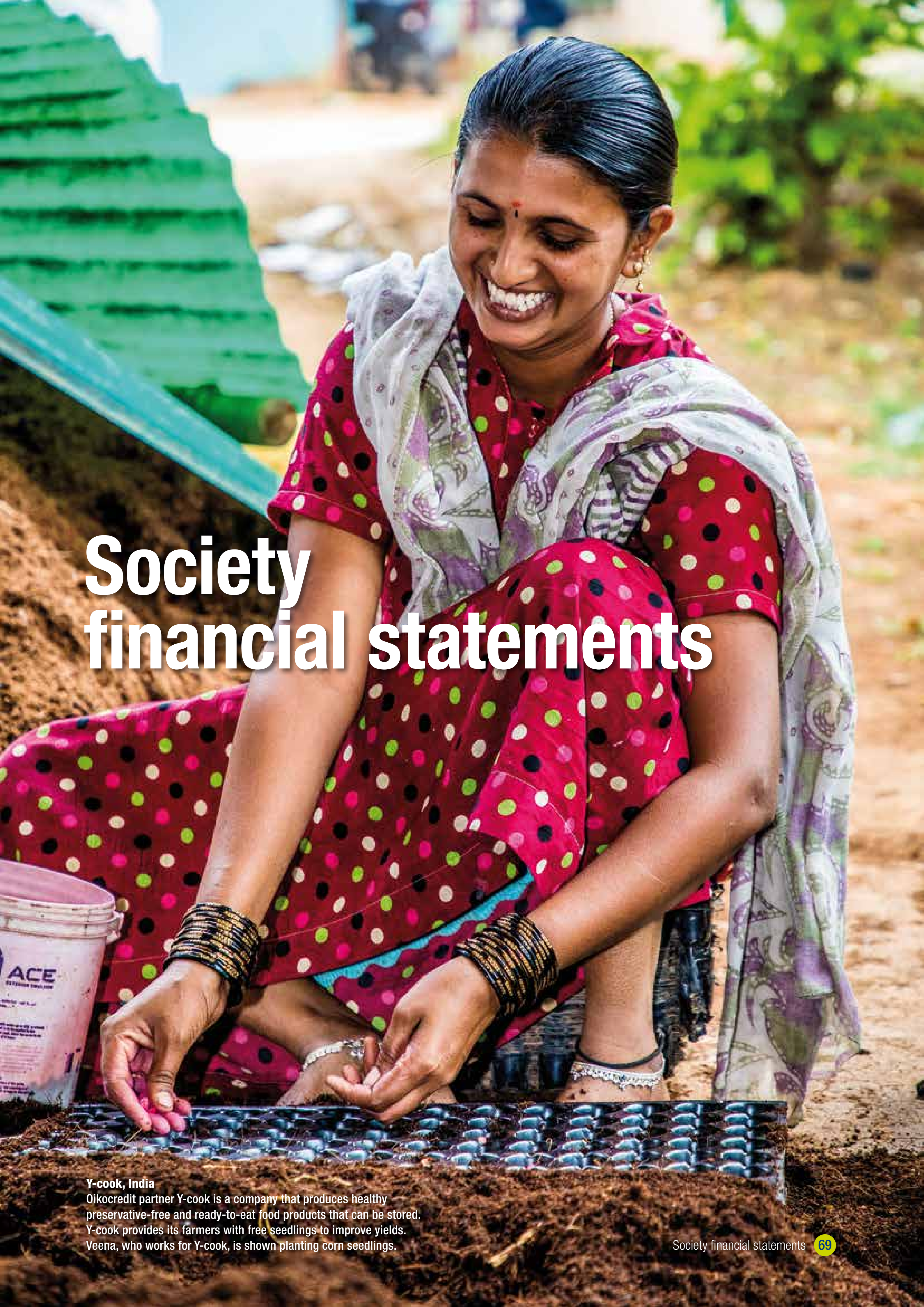
Performance reward

In 2018 and 2019 no performance rewards were allocated to staff. On 1 January 2020 a new remuneration policy was implemented. Under this new policy, variable pay, such as a performance reward, is no longer part of the remuneration package.

Supervisory Board and Managing Board holdings in Oikocredit share capital

Some Supervisory Board and Managing Board members have indirect holdings in the Society's shares. These holdings do not have any voting rights.

Society financial statements



Y-cook, India
Oikocredit partner Y-cook is a company that produces healthy preservative-free and ready-to-eat food products that can be stored. Y-cook provides its farmers with free seedlings to improve yields. Veena, who works for Y-cook, is shown planting corn seedlings.

Society **balance sheet**

(before appropriation of net income)

Notes		31/12/2019	31/12/2018
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
6	**Intangible fixed assets**	**316**	**458**
36	**Tangible fixed assets**	**877**	**1,125**
	Financial assets		
37	Development financing		
	Total development financing outstanding	933,558	950,628
	Less: - loss provision and impairments	(91,267)	(73,619)
		842,291	**877,009**
	Consists of:		
	Loans (net of loss provision)	*724,602*	*732,728*
	Equity (net of impairments)	*117,689*	*144,281*
38	Investments in group companies	50,964	45,615
39	Other securities	36,811	709
40	Other financial assets	73,682	95,777
	Total financial assets	**161,457**	**142,101**
	Total non-current assets	**1,004,941**	**1,020,693**
	CURRENT ASSETS		
41	Term investments	114,453	115,848
42	Receivables and other current assets	63,164	50,275
43	Cash and banks	103,817	96,514
	Total current assets	**281,434**	**262,637**
	TOTAL	**1,286,375**	**1,283,330**

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

Society **balance sheet**

(before appropriation of net income)

Notes		31/12/2019	31/12/2018
		€ ,000	**€ ,000**
	MEMBER CAPITAL AND RESERVES		
44	Member capital	1,129,832	1,082,492
45	General reserve	80,545	90,813
45	Restricted exchange fluctuation reserve	(11,875)	(9,148)
	Undistributed net income for the year	14,274	1,270
		1,212,776	**1,165,427**
19	**PROVISIONS**	**1,052**	**1,801**
47	**NON-CURRENT LIABILITIES**	**48,666**	**52,910**
48	**CURRENT LIABILITIES**	**23,881**	**63,192**
	TOTAL	**1,286,375**	**1,283,330**

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

Society **income statement**

Notes		2019	2018
		€ ,000	**€ ,000**
	RESULTS		
38	Results participation in group companies after taxes	15,808	5,435
	Other results	(1,398)	(3,569)
	INCOME BEFORE TAXATION	**14,410**	**1,866**
	Taxes	(136)	(596)
	INCOME AFTER TAXATION	**14,274**	**1,270**

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

Notes to the **Society financial statements**

35 General

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

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

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

36 Tangible fixed assets

Changes in tangible fixed assets in 2019 and in the costs of acquisition and accumulated depreciation as at 31 December 2019 can be specified as follows:

	IT equipment	**Furniture**	**Total 2019**	**Total 2018**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost price as at 1 January	2,128	2,056	4,184	3,427
Accumulated depreciation as at 1 January	(1,848)	(1,211)	(3,059)	(2,906)
Balance as at 1 January	**280**	**845**	**1,125**	**521**
Investments	1,088	24	1,112	775
Disposals	(1,097)	(31)	(1,128)	(18)
Depreciation	(104)	(128)	(232)	(153)
Movements in the year	**(113)**	**(135)**	**(248)**	**604**
Historical cost price as at 31 December	2,119	2,049	4,168	4,184
Accumulated depreciation as at 31 December	(1,952)	(1,339)	(3,291)	(3,059)
Balance as at 31 December	**167**	**710**	**877**	**1,125**

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

37 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Outstanding as at 1 January	950,628	918,323
Disbursements	310,560	374,135
Capitalised interest and dividends	272	-
Less: - repayments	(300,446)	(338,506)
- write-offs	(5,406)	(7,322)
Correction fund accounting	(3,533)	-
Reclassifications	(20,707)	-
Equity divestments	(7,204)	(5,593)
Exchange rate adjustments	9,394	9,591
Outstanding as at 31 December	**933,558**	**950,628**

Associate equity				
Oikocredit had significant influence in the following equity investments as at 31 December 2019:	**Participation**	**Participation**	**Net equity [1] (latest available)**	**Result [1] (latest available)**
	2019	**2018**	**€ ,000**	**€ ,000**
Outgrower SPV, Nicaragua	44.2%	44.2%		
Guaguazu S.A., Bolivia	35.3%	35.3%	434	(38)
Fertiplant East Africa Ltd., Kenya	30.0%	30.0%		
Vehículos Líquidos Financieros, Mexico	29.7%	29.7%		
Cafedirect Plc, United Kingdom	27.8%	27.8%	4,055	14
Planet Guarantee, France	19.1%	19.1%		

[1] The net equity and result in the table are the equity and result of the whole organisation and not only the equity stake of Oikocredit. For these equity investments the exemption of Article 379.2 under Part 9, Book 2 of the Netherlands Civil Code is used. These equity investments are not obliged to publish their net equity and result according to local law.

The table above includes all equity investments in which Oikocredit has significant influence. The shareholding percentages of 20% and above are one of the indicators of significant influence.

The presented net equity value and result are based on local accounting standards from unaudited financial statements not adjusted to reflect Oikocredit's share in the respective net equity value and result. Financial reporting may not always be comparable to the requirements under Part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. As a result, currently all equity investments above 20% participation are valued at cost less impairment as at 31 December 2019.

Total loan loss provision and impairments equity	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Loan loss provision	(60,295)	(56,497)
Impairments equity	(30,972)	(17,122)
Balance as at 31 December	**(91,267)**	**(73,619)**

Provision for possible losses		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	(56,497)	(51,753)
Additions	(8,521)	(9,058)
Exchange rate adjustments	(683)	(866)
	(65,701)	(61,677)
Less: - write-offs	5,406	5,180
Balance as at 31 December	**60,295**	**(56,497)**

Impairments equity investments		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	(17,122)	(15,780)
Additions	(14,736)	(5,777)
Reversals	886	2,293
	(30,972)	(19,264)
Less: - write-offs	-	2,142
Balance as at 31 December	**(30,972)**	**(17,122)**

Refer to Note 8 of the consolidated financial statements for further detailed information on consolidated development financing.

38 Group companies

Net asset value investments in group companies		
	31/12/2019	**31/12/2018**
	€ ,000	**€ ,000**
Maanaveeya Development & Finance Private Limited, Hyderabad, India [1]	50,608	43,161
Financial Company Oikocredit Ukraine, Lviv, Ukraine [2]	356	790
Low Income Countries Loan Fund, Amersfoort, the Netherlands [3]	-	1,664
Balance as at 31 December	**50,964**	**45,615**

[1] The investment in Maanaveeya Development & Finance Private Limited, Hyderabad, India, consists of 100% of the ordinary shares amounting to INR 2.5 billion (228,652,711 shares). One share is held by the Managing Director of Maanaveeya.

[2] The investment in Financial Company Oikocredit Ukraine in Lviv, Ukraine, consists of 100% of the ordinary shares, amounting to UAH 20 million. This entity is in liquidation.

[3] This amount represents the Society's participation in the Low Income Countries (LIC) Loan Fund (50%). This fund was created as a restricted, closed-ended, tax transparent investment fund for members/shareholders. The fund was not incorporated as a legal entity, but a contract of its own nature. The Society acted as fund manager for the LIC Loan Fund. With effect from 17 December 2019 both the Society and FMO agreed to dissolve the LIC Loan Fund. All capital has been repaid.

Maanaveeya Development & Finance Private Limited		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	43,161	38,308
Result for the year	15,635	5,351
Interest paid to Oikocredit on compulsory convertible debentures	(6,459)	(1,227)
Prior year adjustment	387	2,753
Exchange rate adjustments	(2,116)	(2,024)
Balance as at 31 December	**50,608**	**43,161**

Financial Company Oikocredit Ukraine		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	790	734
Dividend payments	-	-
Prior year adjustment	33	-
Capital payments [1]	(753)	-
Net result for the year	113	(12)
Exchange rate adjustments	173	68
Balance as at 31 December	**356**	**790**

[1] In relation to closing the entity in Ukraine it was decided to make a capital payment to the Society.

Low Income Countries (LIC) Loan Fund		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	1,664	2,703
Investments	-	-
Capital payments [1]	(1,724)	(1,135)
Result for the year	60	96
Balance as at 31 December	**-**	**1,664**

[1] In relation to the decreasing investments under management of the LIC Loan Fund it was decided to dissolve the fund and repay capital to both shareholders, FMO and Oikocredit.

39 Other securities

Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	1,228	704
Investments during the year at cost	14,699	5
Disinvestments/redemptions during the year	-	-
Reclassification from development financing portfolio	20,884	-
Balance as at 31 December	**36,811**	**709**

Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
GLS Alternative Microfinance Fund	9,539	-
ASN-Novib Microcredit Fund	11,345	-
TCX, The Currency Exchange Fund N.V., the Netherlands	15,218	-
GLS Gemeinschaftsbank, Germany	500	500
Banca Popolare Etica, Italy	100	100
Ekobanken, Sweden	10	10
Other	99	99
Total term investments	**36,811**	**709**

40 Other financial assets

Summary of other financial assets:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Loans to group companies	68,677	52,504
Hedge contracts related parties (Support Foundation)	-	38,334
Staff loans [1]	120	130
Hedge contracts financial institutions	4,885	4,809
Balance as at 31 December	**73,682**	**95,777**

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

Loans to group companies consists of the following:

- External commercial borrowing (ECB) loan 1 with Maanaveeya Development & Finance Private Limited with a total principal amount of INR 1.5 billion (€ 18.7 million). The loan carries an interest of 9.30%. The first repayment of the loan is due in December 2023, the second repayment in December 2024 and the last repayment in December 2025.
- ECB loan 2 with Maanaveeya Development & Finance Private Limited with a total principal amount of INR 1.5 billion (€ 18.7 million). The loan carries an interest of 9.60%. The first repayment of the loan is due in October 2022, the second repayment in October 2023 and the last repayment in October 2024.
- ECB loan 3 with Maanaveeya Development & Finance Private Limited with a total principal amount of INR 2.5 million (€ 31.2 million). The loan carries an interest of 9.70%. The first repayment of the loan is due in December 2021 and the last repayment in December 2024. Between 2021 and 2024 half-yearly repayments are scheduled.

41 Term investments

Can be specified as follows:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Balance as at 1 January	115,848	116,515
Investments during the year at cost	6,058	2,116
Disinvestments/redemptions during the year	(10,000)	-
Revaluation to market value as at 31 December	2,547	(2,783)
Exchange rate adjustments	-	-
Balance as at 31 December	**114,453**	**115,848**

Summary of term investments:	31/12/2019	31/12/2018
	€ ,000	€ ,000
Buy and Maintain ESG Credit Portfolio [1]	104,412	105,917
Portfolio managed by Alternative Bank Schweiz (ABS), Switzerland [2]	10,041	9,931
Balance as at 31 December	**114,453**	**115,848**

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

Fair value of term investments

The fair value equals the carrying amount. Part of the term investments serves as collateral for the credit facilities with banks (reference is made to Notes 44 and 47). The term investments in bonds have been rated 'investment grade' by Moody's, S&P and/or Fitch.

42 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		31/12/2019		31/12/2018
		€ ,000		€ ,000
Loans to group companies expiring within one year		20,438		125
Accrued interest on development financing net of allowance		13,201		13,758
Collateral related to hedging contracts		7,870		11,823
Hedging receivable		6,812		6,130
Hedging contracts (refer to Note 33)		6,535		3,792
Receivables Share Foundation		3,765		10,645
Interest receivable:		2,927		978
- Face value	7,037		5,202	
- Less: allowance for uncollectability	(4,110)		(4,224)	
Value added tax and wage taxes		474		310
Staff loans [1]		56		91
Amounts prepaid		39		2,143
Sundry receivables		1,047		480
Balance as at 31 December		**63,164**		**50,275**

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

43 Cash and banks

The Society maintains its funds in banking institutions in Africa, Asia, Europe, Latin America and the United States. The time deposits included in cash and banks as at 31 December 2019 all mature in 2020.

The Society has credit facility agreements with Dutch banks amounting to € 5.0 million. These facilities, of which € 0.8 million is used in 2019, are subject to the following conditions:

- Audited financial statements should be provided within six months of year end.
- The solvency ratio of the Society should be at least 70% (2019: 94.3%).
- The Society should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amount of the credit facility agreements with the Dutch banks (€ 6.3 million).
- Without the written permission of the credit institution, the Society is not allowed to sell or securitise fixed assets or establish mortgages or other encumbrances on fixed assets (except for transactions taking place in the normal course of business) or to issue guarantees for liabilities of third parties.

44 Member capital

For details about the member capital, please refer to Note 14 of the consolidated financial statements.

45 General and other reserves

General reserves [1]		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	90,813	81,984
Appropriation of prior-year results	(10,268)	8,829
Balance as at 31 December	**80,545**	**90,813**

[1] The Oikocredit Supervisory Board allocated part of the general reserve for local currency loans (€ 12.1 million) and capacity building for partners (€ 2.5 million). For 2019 the proposal to the AGM is to add € 4.2 million to the local currency loans reserve and release the reserve for capacity building for partners with € 2.5 million.

Restricted exchange fluctuation reserve [1]		
Can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Balance as at 1 January	(9,148)	(7,383)
Prior year adjustment	(780)	2,142
Exchange rate differences	(1,947)	(3,907)
Balance as at 31 December	**(11,875)**	**(9,148)**

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

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

Changes in the difference between the Society and consolidated equity and profit/loss in the financial year can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Equity according to society financial statements	1,212,778	1,165,427
Reserves Oikocredit International Support Foundation	3	3
Local currency risk funds Support Foundation	-	10,002
Funds for subsidised activities and model costs Support Foundation	4,741	4,417
Third-party interests	-	1,664
Group equity and funds according to consolidated financial statements	**1,217,520**	**1,181,513**

47 Non-current liabilities

Can be specified as follows:	**2019**	**Remaining term > 1 year < 5 years**	**Remaining term > 5 years**	**2018**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Bank loans	47,041	47,041	-	51,096
Hedge contracts (refer to Note 33, consolidated financial statements)	1,625	1,625	-	1,814
Total non-current liabilities	**48,666**	**48,666**	**-**	**52,910**

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

Bank loans consist of the following:
- A loan granted by a German bank amounting to € 36.0 million (2018: € 23.0 million), which matures on 30 January 2021 for € 18.0 million and the remaining part matures on 30 January 2023. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2019: 0.00%) plus an agreed margin (as at 31 December 2019: 0.65%). The loan is unsecured for the first € 4.0 million. From an outstanding amount of € 4.0 million up to € 36.0 million, the loan is guaranteed by KfW Germany. Guarantee costs for the year 2019 amount to € 306,000 (2018: € 303,000).
- A loan granted by a Swedish bank amounting to € 1.9 million (2018: € 1.9 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2019: 0.00%) plus an agreed margin (as at 31 December 2019: 0.57%). The loan is secured by a pledge on the Oikocredit bond portfolio for a maximum of € 6.3 million.
- The loan granted by a French bank was repaid in 2019 (outstanding amount 2018: € 17.0 million).
- A loan granted by a Swiss bank for an amount of € 9.2 million (2018: 8.9 million). The loan is for an indefinite period. The loan carries an interest rate of 0.40% for the first CHF 8.0 million and 1.25% for the remaining CHF 2.0 million. The loan is secured by a pledge on the Oikocredit bond portfolio at the bank for an amount of CHF 9.2 million.

Fair value of long-term liabilities

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

48 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**31/12/2019**	**31/12/2018**
	€ ,000	**€ ,000**
Group companies (refer to Note 50)	-	20,771
Hedge contracts	8,671	17,588
Long-term loans expired or expiring within one year [1]	5,856	10,723
Other taxes payable [2]	4,670	7,023
Accrued expenses, sundry liabilities	2,750	3,702
Hedging premiums payable	1,932	2,165
Provision hedges	2	1,220
Balance as at 31 December	**23,881**	**63,192**

[1] Consists of amounts maturing within one year from loans taken from a US organisation for € 5.8 million and from loans managed by Oikocredit on behalf of funders for € 0.1 million.
[2] The growth of the Society has led Oikocredit to thoroughly review its tax and legal structures in the countries where it has offices, to ensure there is a structure in place to pay Oikocredit's fair share of taxes. The accrual has been released with € 2.4 million. The total accrual is as at 31 December 2019 € 4 million (2018: € 6.4 million).

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

49 Commitments not included in the balance sheet

With effect from 1 July 2019 the Society renewed its rental agreement for the office building, which will end on 31 December 2024. The yearly rent payments amount to € 232,130 up until 31 December 2024. The yearly rent is indexed. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Standard Chartered Bank and The Currency Exchange Fund N.V. (TCX) contain an obligation to post eligible collateral under a credit support annex. In the contract with Standard Chartered Bank, the threshold for Oikocredit is set at US$ 3 million and for Standard Chartered Bank at US$ 50 million. In the contract with TCX, the threshold is set at US$ 3 million for both Oikocredit and TCX. In the contract with Rabobank, the threshold is set at € 0 for both Oikocredit and Rabobank. As at 31 December 2019 the mark to market value of the hedge contracts with Standard Chartered Bank was US$ 2.2 million negative. As at 31 December 2019 the mark to market value of the hedge contracts with TCX was US$ 5.4 million positive. For posted cash collateral, please refer to Note 43.

The Society issued a guarantee for an amount of € 0.6 million to an Ethiopian bank, covering loans issued by the bank to a partner in Ethiopia.

The Society issued three corporate guarantees for a maximum of INR 1.2 billion to Rabobank International, Mumbai Branch, for loans issued by Rabobank to Maanaveeya Development & Finance Private Limited in India.

The Society pledged in total € 17.8 million of its bond portfolio to guarantee loans from financial institutions.

50 Related party transactions

For transactions with the Managing Board and Supervisory Board, please refer to Note 34 of the consolidated financial statements.

Transactions with Oikocredit International Support Foundation during the year
Oikocredit added unrealised cumulated exchange rate differences on local currency loans to the fund for local currency loans cumulative exchange rate differences amounting to € 1.1 million (2018: € 5.3 million negative).

The Support Foundation and the Society mutually agreed to end the covering of the local currency risks through the local currency risk fund with effect from 1 December 2019 and to transfer the balance of the local currency risk funds to the Society for an amount of € 4.2 million.

Transactions with Oikocredit International Share Foundation
OIKOCREDIT, Ecumenical Development Cooperative Society U.A. signed a Service Level Agreement with Oikocredit International Share Foundation, which replaced the existing agreement. The new Service Level Agreement came into effect on 1 January 2018. Pursuant to this agreement Oikocredit will perform all back office activities and bear the related costs as its own costs. This means Oikocredit will no longer grant a contribution for costs to the Oikocredit International Share Foundation. In 2019 the total costs accounted in Oikocredit related to the Share Foundation amounted to € 109,000.

Transactions with Maanaveeya Development & Finance Private Limited
Oikocredit charged interest to Maanaveeya on non-convertible debentures totalling € 6.5 million (2018: € 1.2 million).

Transactions with Low Income Countries (LIC) Loan Fund
Transactions with the LIC Loan Fund during 2019 consisted of repayments and disbursements of the loan portfolio and settlements of exchange rate differences of € 30,749 (2018: € 21,715) and premiums of € 65,345 (2018: € 106,037) on local currency loans. The current account will bear interest at the average of the market interest rate on the savings account of 0.01 % (2018: 0.01%). The total amount of interest calculated in 2019 amounts to € 60 (2018: € 175).

As of 17 December 2019, the LIC Loan Fund was dissolved and the net assets were distributed to the participants for an amount of € 3.4 million through capital repayments.

Transactions with support associations and members
Oikocredit granted a contribution for costs to the support associations during 2019 for € 3,544,000 (2018: € 3,547,000). There are no outstanding balances with the support associations.

Oikocredit received loans during 2019 from GLS Bank, Germany, of € 13.0 million (2018: € 0) and no loans from Ekobanken, Sweden (2018: SEK 1 million).

The Support Foundation did not receive grants during 2019 from Act Church of Sweden (in 2018 € 64,000 was received from the church).

Amounts owed by and to Oikocredit [1]		
	31/12/2019	**31/12/2018**
	€ ,000	**€ ,000**
Amounts owed to group companies		
Low Income Countries Loan Fund	-	1,068
Amounts owed by group companies		
Oikocredit International Support Foundation cumulated exchange rate differences	-	38,334
Oikocredit International Support Foundation	16,411	(19,703)
Maanaveeya Development & Finance Private Limited	68,677	52,504

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

51 Subsequent events

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

Other information

Proposal for allocation of net income
With respect to the allocation of net income, the Society's Articles of Association determine the following (Article 45): 'The net profits shall be allocated by the General Meeting after receiving the proposals of the Managing Board'.
The Managing Board will make the following proposal to the Annual General Meeting in 2020 with regard to 2019 net income:

- To pay a dividend of 1/12th of 1% for every full calendar month of 2019 that the euro, British pounds, Canadian dollars, Swedish kronor, Swiss francs and United States dollars shares were registered.
- To transfer € 4.2 million to the general reserve that was transferred after the termination of the local currency risk funds, in order to have this amount available for future losses on local currency loans.
- The dividend payment will be made up of the 2019 net distributable income of € 10.1 million.
- The remainder of € 0.9 million will be deducted from the general reserves.

Allocation of net income 2019	
The Managing Board proposes to appropriate the net income as follows:	**2019**
	€ ,000
Dividend distribution	**11,022**
Net income 2019	14,274
Transfer of local currency risk funds to designated amount in reserves for local currency loans	(4,183)
Net distributable income	10,091
Proposal to be deducted from general reserve	**931**

Allocation of net income 2018	
The AGM agreed with the Managing Board and the Supervisory Board on the proposed appropriation of the net income of 2018:	**2018**
	€ ,000
Dividend distribution	**10,568**
Net income 2018	1,270
Deducted from general reserve	**9,298**

Information on cumulative unrealised results and specific designated amounts in the general reserve		
The breakdown of the balance of the cumulative amounts of the unrealised results included in the general reserve can be specified as follows:	**2019**	**2018**
	€ ,000	**€ ,000**
Local currency loans	16,304	12,121
Capacity building for partners	-	2,500
Total unrealised results and designated amounts included in general reserve	**16,304**	**14,621**

The Managing Board is proposing to add € 2.5 million of the capacity building for partners reserve to the general reserve. This amount will be offset against the capital gain of € 2.1 million on the TCX shares that has been sold by the Support Foundation to the Society at the end of 2019. The remainder of € 400,000 can be donated from the Society to the Support Foundation during 2021 and the years after.

The local currency loans designated reserve can be kept, as all local currency lending is running through the Society as of 1 December 2019.

KPMG

Independent auditor's report

To: the General Meeting of Members and the Supervisory Board of OIKOCREDIT, Ecumenical Development Cooperative Society U.A.

Report on the accompanying consolidated financial statements

Our opinion

We have audited the consolidated financial statements 2019 of OIKOCREDIT, Ecumenical Development Cooperative Society U.A.(the Society), based in Amersfoort, Netherlands.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of OIKOCREDIT, Ecumenical Development Cooperative Society U.A. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated and separate balance sheet as at 31 December 2019;

2 the consolidated and separate income statementfor 2019;

3 the consolidated cash flow statement for 2019; and

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

Basis for our opinion

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

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

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

Report on the other information included in the annual report

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

— letter from the Managing Director;

— five-year Oikocredit key figures;

— Managing Board Report: Implementing our updated strategy;

- Supervisory Board report: Staying true to Oikocredit's mission;
- strategic partners and relevant networks;
- contact information; and
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

- is consistent with the consolidated financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Description of the responsibilities for the consolidated financial statements

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

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

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

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

Our responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

— concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society ceasing to continue as a going concern;

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

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities. On this basis, we selected Maanaveeya Development & Finance Private Limited and Stichting Oikocredit International Support Foundation for which an audit had to be carried out on the complete set of financial information.

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

Amstelveen, 3 March 2020

KPMG Accountants N.V.

M.L.M. Kesselaer RA

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

- act Church of Sweden — www.svenskakyrkan.se
- African Guarantee Fund — www.africanguaranteefund.com
- AVCA African Private Equity and Venture Capital Association — www.avca-africa.org
- avpn — www.avpn.asia
- Brot für die Welt — www.brot-fuer-die-welt.de/en
- Cerise — www.cerise-spm.org/en
- CNFA Cultivating New Frontiers in Agriculture — www.cnfa.org
- CRS Catholic Relief Services faith. action. results. — www.crs.org
- CSAF Council on Smallholder Agricultural Finance — www.csaf.net
- ECLOF International — www.eclof.org
- European Microfinance Platform — www.e-mfp.eu
- Evangelische Landeskirche in Württemberg — www.elk-wue.de/sprachen/en
- Fair Climate Fund — www.fairclimatefund.nl/en
- Fairtrade — www.fairtrade-deutschland.de
- Fair Trade USA™ — www.fairtradeusa.org
- Financial Inclusion Equity Council — www.centerforfinancialinclusion.org
- GIIN Member — www.thegiin.org
- Global Alliance for Banking on Values — www.gabv.org
- GOGLA — www.gogla.org
- IDB — www.iadb.org
- Keurig Dr Pepper — www.keurigdrpepper.com
- NABC Confidence in African Business — www.nabc.nl
- npm platform for inclusive finance — www.inclusivefinanceplatform.nl
- PRI Principles for Responsible Investment — www.unpri.org
- Signatory Investor Responsible Finance Forum — www.responsiblefinanceforum.org
- safe Sustainable Agriculture Food Environment — www.safeplatform.org
- SAFIN — www.safinetwork.org
- Sida Swedish International Development Cooperation Agency — www.sida.se/english
- the smart campaign Keeping clients first in financial inclusion — www.smartcampaign.org
- Social Performance Task Force — www.sptf.info
- Solidaridad — www.solidaridad.nl
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Oikocredit's vision is a global, just society in which resources are shared sustainably and all people are empowered with the choices they need to create a life of dignity.

investing in people