Annual Report **2021**

Rebuilding together

Contents
Annual Report 2021

About the cover picture:

Fin’Elle
After three years of selling products on the street, Jennifer Toussou was determined to build up her business. After hearing encouraging stories about Oikocredit partner Fin’Elle, she took out an initial loan of XOF 1.5 million (almost € 2,300).

Fin'Elle is a microfinance institution focused on empowering women entrepreneurs by providing microfinance and mesofinance loans to women-owned small and medium enterprises in Côte d’Ivoire.

Once Jennifer had the working capital to develop her business, it began to flourish. She was able to open her own shop at the local market in Abidjan and diversify her products. She also bought a plot of land where she built a house and a chicken coup. She now has a loan of XOF 8 million (over € 12,000).

Despite the challenges she has had to overcome during the global pandemic, with Fin’Elle’s support Jennifer’s business continues to prosper. She now has two employees and her shop is open seven days a week. Jennifer said: “Because of the loans, I can explore many more activities. I have grown my business and my life has changed.”

From the Managing Director

This has been an important year for Oikocredit and for all who work with and for our cooperative. Recovery from the economic effects of the pandemic, portfolio rebuilding and thinking ahead were our main priorities in 2021. In terms of our financial results, risk management, social impact, partner capacity building, organisational resilience, collective solidarity, and preparing for the future, our efforts have been successful.

As somebody with a background in cooperative organisations and development finance, I am delighted and grateful to have been asked to lead Oikocredit in succession to Thos Gieskes. I have been impressed and inspired by the truly collaborative spirit I have seen. As has been said before, we are not just an organisation but also a movement of people committed to responsible and sustainable investments that give low-income people opportunities to achieve lives of greater dignity. The cooperative spirit has shone through in the loyalty of our members and investors; in our staff's commitment to support our partners whether in survival, rebuilding or innovation mode; and in the constructive and mutually respectful processes with which we have explored and developed our new purpose-driven strategy for 2022-2026 and our new capital-raising model.

Despite a second year of the coronavirus pandemic presenting continuing challenges to most of humankind, Oikocredit has performed commendably, and our partners have shown remarkable resilience. Our latest Impact Report published in September 2021 shows how much we have achieved together for low-income people, women, smallholder farmers, and under-served communities in Africa, Asia and Latin America & the Caribbean. To measure our impact more closely at the client level, I am proud that we undertook our first ever client self-perception survey in 2021, working with five partners.

While our client survey shows that many low-income people saw their income and savings reduce in 2020-2021 as a result of Covid-19, our partners' clients are demonstrating courage and determination in living with the pandemic and in keeping their businesses going despite facing many challenges. Jennifer Toussou (featured on the cover page), for example, is a local shop owner in Côte d'Ivoire that used to sell her products on the street until she received a loan from Oikocredit partner Fin'Elle. Now that she has her own shop, she has worked hard to ensure that it survives.

Since I first drafted this foreword to our latest Annual Report, a war has been inflicted on Ukraine. Oikocredit condemns all acts of aggression and violence, and we are deeply concerned for all those affected by conflict across the world.

Oikocredit stands on the threshold of a new stage in its life. As part of our 2022-2026 strategy, we will implement, together with our partners, an innovative approach to investing in sectors such as education, health, housing, and water and sanitation. These are areas where, as our partners tell us, communities often lack resilience and where more attention and support are needed if low-income people are to achieve lasting improvements in their lives. A community-focused approach will, I believe, keep Oikocredit at the forefront of impact investing in the years to come, in combination with: our maintained support for partners in our longstanding focus sectors of financial inclusion, agriculture and renewable energy; our development of the new capital-raising model; a further and larger-scale round of our client self-perception survey; and the many ways we are improving our systems and processes.

It is my pleasure to thank our cooperative members, investors, partners, volunteers, support associations, staff, Members' Council and Supervisory Board for their dedication to Oikocredit's mission, vision and values. Let us continue working together with optimism, determination and unity of purpose for a more just, equal and sustainable world for all.

Mirjam 't Lam
Managing Director

Five-year **Oikocredit key figures**

Figures from the consolidated financial statements as at 31 December						
	2021	**2020**	**2019**	**2018**	**2017**	**Reference**
Members	546	552	555	558	567	
Investors (approximate number)	58,900	58,400	59,000	57,000	56,000	
Countries with regional and country offices [1]	14	14	15	21	31	
National support offices and support associations	26	26	28	32	35	
Staff members in full-time equivalents (FTE) [2]	206	192	201	235	290	Note 27
Partners in portfolio [3]	517	563	674	684	747	
€ millions						
Total consolidated assets	1,258.1	1,241.7	1,310.4	1,292.9	1,220.0	Consolidated balance sheet
Member capital	1,129.0	1,104.1	1,129.8	1,082.5	1,012.4	Consolidated balance sheet
Other funding [4]	88.0	109.3	141.4	146.4	140.5	Consolidated balance sheet
Total funds available for investing	1,217.0	1,213.4	1,271.2	1,228.9	1,152.9	
Development financing activities						
New disbursements	474.1	243.5	404.5	444.5	380.2	Note 9
De/Increase in disbursements (%)	*94.7%*	*-39.8%*	*-9.0%*	*16.9%*	*-13.3%*	
Cumulative disbursements	4,917.2	4,443.1	4,199.6	3,795.1	3,350.6	
Total cumulative payments (capital, interest and dividends) by partners [5]	4,572.4	4,168.7	3,728.7	3,289.4	2,839.9	
Total development financing outstanding	995.9	845.1	1,064.6	1,046.6	981.7	Note 9
As % of total funds available for investing at 1 January	*82.1%*	*66.5%*	*86.6%*	*90.8%*	*96.4%*	
Portfolio at risk 90 days [6]	5.5%	5.8%	5.4%	4.0%	4.6%	
Loan loss provisions on capital and interest and impairment of equity [7]	96.7	109.9	97.3	80.3	74.0	Notes 9 and 13
Loan loss provisions on capital and interest and impairment of equity as % of development financing outstanding	*9.7%*	*13.0%*	*9.1%*	*7.7%*	*7.5%*	
Write-offs of capital charged to loan loss provisions	12.8	12.9	5.7	5.3	4.6	Note 9
As % of development financing outstanding loan portfolio	*1.5%*	*1.9%*	*0.6%*	*0.6%*	*0.5%*	
Term investments	214.4	182.8	139.8	144.2	149.9	Consolidated balance sheet
Total financial income [8]	69.3	78.6	98.1	87.2	90.1	Consolidated income statement
General and administrative expenses [9]	29.5	29.1	31.5	37.1	37.6	Consolidated income statement
As % of total assets	*2.3%*	*2.3%*	*2.4%*	*2.9%*	*3.1%*	
General and administrative expenses excluding grant-based expenses [10]	29.1	28.4	30.7	36.0	36.6	
As % of total assets	*2.3%*	*2.3%*	*2.3%*	*2.8%*	*3.0%*	
Impairments and additions to loss provisions	-1.8	33.0	23.1	15.0	7.1	Consolidated income statement
As % of development financing outstanding	*-0.2%*	*3.9%*	*2.2%*	*1.4%*	*0.9%*	
Net income available for distribution [11]	15.3	(22.2)	14.3	1.3	18.4	Society income statement
Dividend	5.6	0	0	10.6	9.6	Other information

[1] Countries with legal entities that no longer carry out operational activities are not included in this number.
[2] Including staff employed by regional offices and national support offices.
[3] Partners in portfolio includes development financing outstanding as well as partners currently in the process of disbursement, and excludes partner funding that has been repaid, written off or cancelled. 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 (2021: € 73.6 million) and non-current liabilities (2021: € 15.6 million) excluding hedge contracts and other liabilities (2021: € 1.2 million).
[5] Total cumulative payments by partners comprise payments of capital, interest and dividends.
[6] The portfolio at risk 90 days excludes the payment holiday partners. We refer to chapter 5 Risk management paragraph for additional information.
[7] Loan loss provisions on capital and impairments on equity investments (2021: € 93.4 million) and loan loss provisions on interest (2021: € 3.3 million).
[8] Consists of interest on development financing portfolio (2021: € 69.3 million), interest on term investments (2021: € 2.3 million) and income from equity investments (2021: negative € 2.3 million).
[9] Including expenses covered by grants (for example capacity building expenses).
[10] Excluding expenses covered by grants (for example capacity building expenses).
[11] Refer to Society financial statements.

Caravela Limited, United Kingdom
Oikocredit partner Caravela Limited works with approximately 4,000 farmers in eight Latin American countries, including Columbia where this farmer is pictured, to source high-quality coffee. The responsible speciality coffee trader provides smallholder farmers with access to international markets and offers them trainings, technical assistance and quality analysis. Such support is crucial given the challenges faced by coffee growers, such as fluctuations in coffee prices, natural disasters and crop diseases.

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 2021. This report highlights the most important developments during the year.

Rebuilding together

In 2021 Oikocredit, together with our partners and peers, learned to adapt and live with the Covid-19 pandemic. For our cooperative this was a year of determination, achievement and recovery. We look forward with confidence to delivering on our mission and the further changes that we plan to make.

In 2021 Oikocredit[1] maintained capital stability, owing much to the loyalty of our investors,[2] on which we were able to rebuild our development financing portfolio as markets in our 33 focus countries generally returned to growth. Most partners that had been on 'payment holidays' resumed scheduled loan repayments, and we maintained portfolio quality. We managed changes in key leadership positions while successfully completing internal projects that further reduced our organisational complexity, built our capability, enhanced our engagement with partners and maintained our role as an impact investing catalyst, in line with the cooperative's current 2018-2022 strategy.

The positive reception of our Impact Report, published in September 2021, was a high point. The report showed that, despite Covid-19, we continue to put social impact at the forefront of our work across our focus sectors and regions. Another milestone was the completion of our first client self-perception survey, which reveals changes in partners' clients' livelihoods and well-being over 12 months, including effects of the pandemic. We made good progress with two major change initiatives that will be key to our future effectiveness: co-creation of a new purpose-driven strategy for 2022-2026, and our design and development of a new capital-raising model. Among the year's most satisfying accomplishments was the successful members' Extraordinary General Meeting (EGM) held to discuss both the new strategy and the new capital-raising model in a cooperative spirit of solidarity.

A year of recovery

Rebuilding of the loans and investments portfolio and taking on new partners in Africa, Asia and Latin America began in early 2021 as the more severe impacts of the pandemic receded. Despite temporary setbacks when Covid-19 flared up again in India and several other countries, economic recovery in our outflow markets gained momentum as the year progressed. The cooperative achieved portfolio growth and returned to profitability, with credit approvals and disbursements rising to milestone levels. We maintained effective risk management and sufficient liquidity to service our lending to partners and investor redemptions.

Despite these achievements, we remain concerned about the imbalance in global economic recovery, particularly for low-income countries with very limited vaccination coverage that are at risk of being left behind,[3] and about the fact that global poverty has increased considerably during the coronavirus crisis.[4]

Our strategy for 2022-2026

Development with our stakeholders of Oikocredit's new purpose-driven strategy, which began in mid-2020, has continued. It has been important to focus on the future as well as to manage immediate challenges. We have reviewed our current purpose and remain confident that the cooperative's mission of investing responsibly by supporting organisations that help low-income people improve their quality of life is as necessary as ever, if not more so, with both poverty and inequality rising worldwide.[5] As we continued with the strategy development process, we also reviewed our capital-raising model.

We presented the 2022-2026 strategy, which is close to being finalised, at the EGM with members participating online in December 2021. A key element in the new strategy is its innovative focus on increasing community resilience by investing with our partners and in strategic partnership with other like-minded organisations in sectors such as housing, education, healthcare, and water and sanitation. We have begun to pilot a small number of such community-focused projects that our partners have identified, with a view to more comprehensive implementation in 2022. Part of this initiative is to apply an agile 'minimum viable product' (MVP) approach of testing and validating new projects before implementing them. We have received considerable positive feedback from partners wanting to develop such projects with us.

The other key element of our community-focused approach is our community of members and investors. We want to create a global movement by nurturing the locally organised investor communities of our support associations and expanding to a globally-connected community of people and organisations who want their money to have a positive impact. We plan to do this by enabling people and organisations to participate in impact through investment, donation and coordinated action. Our current inflow markets will remain the focus of our work and we will serve our investors in collaboration with our support associations and national support offices in these markets through the new capital-raising model that is currently being developed. Providing our investors with tangible impact from their investments will be key and can also be enhanced by facilitating a more direct connection to our outflow community.

Financial results

Despite the continuation of Covid-19 around the world, Oikocredit returned to being profitable in 2021, with a positive

[1] When referring to Oikocredit in the Managing Board report and Supervisory Board report we refer to Oikocredit, Ecumenical Development Cooperative Society U.A. (the Society)

[2] When referring to investors in this document, we refer to individuals and organisations who invest in Oikocredit via one of the Oikocredit support associations or the Oikocredit International Share Foundation (OISF)

[3] OECD 2021, Economic Outlook 2021 Issue 2

[4] World Bank 2021, Updated estimates of the impact of COVID-19 on global poverty: Turning the corner on the pandemic in 2021?

[5] Oxfam International 2022, Ten richest men double their fortunes in pandemic while incomes of 99 percent of humanity fall

result of € 15.3 million. This was in line with expectations and with our quarterly communications to members and investors and contrasted with 2020's pandemic-impacted loss. Operating income grew, benefiting from lower hedging costs and less volatile exchange rates. Loan loss provisions and impairments on equity investments fell due to intensified monitoring of partners, which combined with our maintenance of strict cost controls contributed to the positive net result.

The growth of the portfolio was funded by reducing the liquidity buffer that we had built up during the pandemic in 2020, when demand in our outflow markets was low while share issuance and redemptions continued. The United States dollar's appreciation meant that our overall foreign exchange result was favourable, in contrast to negative effects in 2020.

At year-end the development financing portfolio of loans and investments had grown to € 995.9 million, up by 17.8% from 2020. We held 21.5% of our assets in cash or term investments (bonds), representing net liquidity, down from 33.1% in 2020. Total consolidated assets increased by 1.0% to € 1,258.1 million (2020: € 1,241.7 million).

Income statement 2021

The net result for the Society rose to a positive € 15.3 million in 2021 following the € 22.2 million loss in 2020. Interest on our development financing portfolio decreased from € 77.1 million in 2020 to € 69.3 million in 2021. This was largely because the portfolio only grew significantly towards the end of the year, which meant that less interest was earned during the year compared to previous year. Total operating income grew to € 47.0 million (2020: € 41.0 million). Oikocredit sold equity stakes in six investee partners, four of which generated a € 4.1 million loss, while two realised a gain of € 0.6 million.

On the back of favourable sentiment in the financial markets, hedging costs to protect our capital against adverse currency movements fell to € 16.9 million (2020: € 24.2 million). The hedging costs decreased mainly due to lower amounts in the development financing portfolio that needed to be hedged throughout the year and because the price of hedging local currencies was on average lower than in 2020, due to lower absolute interest levels in most of the countries where we provide these loans. Exchange rate differences resulted in a gain of € 0.8 million (2020 loss: € 11.9 million), largely because of the strengthening of the US dollar and the effect this development had on the value of our dollar and dollar-linked local currency portfolio and the income derived from this portfolio.

As part of the planned wind-down of our operations in Eastern Europe, the closure of Oikocredit's subsidiary in Ukraine caused a loss of € 1.6 million.

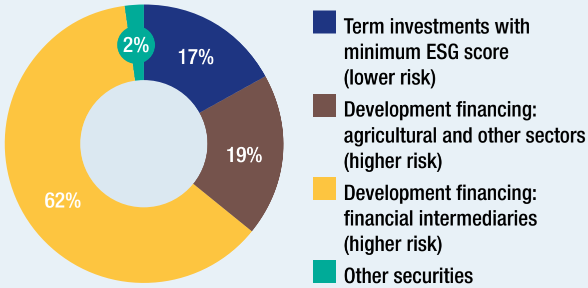
Loan loss provisions and equity impairments

Total loan loss provisions and impairments on equity investments decreased to € 93.4 million from € 106.5 million in 2020 (down from 12.6% to 9.4% of the total outstanding portfolio). Additions to loan loss provisions reduced from an addition of € 32.0 million in 2020 to a release of € 1.4 million in 2021, with the level of loan loss provision compared to the loan portfolio falling from 10.7% to 7.8%. This included a one-off

2021 in graphs

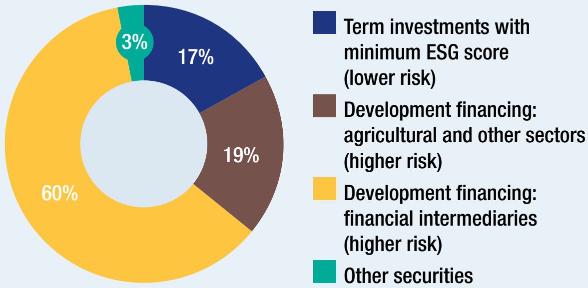
Investment mix Oikocredit invested funds 2021

As at 31 December 2021



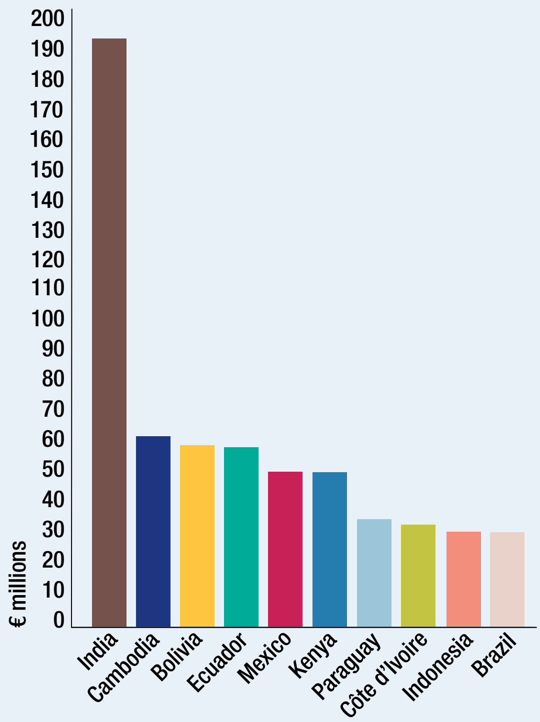
Investment mix Oikocredit invested funds 2020

As at 31 December 2020



10 countries with highest capital outstanding

As at 31 December 2021



release of € 9.5 million early in the year (for details see Note 9 and Note 13 of the financial statements).

Additions to impairments on equity investments decreased from a € 1.1 million addition in 2020 to a € 0.4 million release in 2021, with the level of impairment provision compared to the equity investment portfolio falling from 21.5% to 18.4%.

Operational expenses

Operating costs remained under control, increasing by 1.8% to € 29.5 million. There was an additional one-off loss of € 0.5 million for pension expenses (for details see Note 27 of the financial statements). General and administrative costs (excluding grant-based expenses) in relation to total assets remained at 2.3% as in 2020.

The cost-to-income ratio improved from 71.0% in 2020 to 62.8% in 2021. This was mainly due to higher operating income. We decided to start monitoring the cost-to-income ratio as this metric gives a good insight into the efficiency of the cooperative.

Term investments

In 2021 the term investments increased from € 182.8 million to € 214.4 million. Interest income from the term investments portfolio totalled € 2.3 million (2020: € 2.4 million), and revaluation of the portfolio resulted in a loss of € 4.3 million (2020: € 0.6 million gain). The negative revaluation was caused by increasing interest rates, mainly during the fourth quarter of the year. The portfolio is now invested fully in line with the updated term investments policy, which includes strengthened environmental, social and governance (ESG) criteria to align with our values and is adequately diversified. We held a webinar for members on the composition of the portfolio and are currently evaluating the performance of our asset manager together with the Investment Advisory Committee.

Annual dividend and reserves

The cooperative's Annual General Meeting (AGM) held in June 2021 approved the Managing Board and Supervisory Board's proposal not to pay a dividend for 2020, given the loss incurred for 2020 as a result of the pandemic and to protect the general reserves. The Managing Board, supported by the Supervisory Board, taking into account the return to profitability in 2021, the reserves position, sector-wide perspectives and the need for funds to maintain our capacity building work, will propose that the June 2022 AGM award a dividend of 0.5% for 2021.

Development financing

In 2021 Oikocredit successfully resumed growth in development financing, increasing the portfolio by 17.8% following the contraction of 20.6% in 2020. Maintaining our focus on financial inclusion, agriculture and renewable energy, we exceeded our targets for portfolio growth, approvals and disbursements. We rebuilt mainly with loans rather than equity. Demand for loans picked up steadily as the year progressed, and we were pleased to provide new finance for existing and new partners that had shown resilience during the height of the pandemic and needed funding to finance their business.

The 'payment holiday' policy, introduced in 2020, continued throughout 2021. However, during the year there were only two new payment holidays granted to partners. Our focus and efforts were directed at improving the remaining portfolio. At year-end, five payment holiday partners remained. Four of these partners fall in the payment holiday category due to covenant breaches and only one partner is making use of a revised repayment schedule.

Challenges arising from Covid-19 have persisted, however, such as in India where a coronavirus spike resulted temporarily in a business lockdown and slowdown. We see the need to maintain diligence and flexibility on our part and that of our partners in terms of business operations and financing.

Besides attention to portfolio growth, we continued to concentrate on quality, which has been stable throughout the year. And while our interest margins have been under pressure from high levels of liquidity and competition in many of our markets, our margins have not reduced and continue to meet our objectives.

Portfolio volume, approvals and disbursements

Oikocredit's total development financing portfolio of loans and investments grew to € 995.9 million in 2021, up by 17.8% from € 845.1 million in 2020. Net approvals increased by 150.9% to € 464.8 million (2020: € 185.2 million), and disbursements by 94.7% to € 474.1 million (2020: € 243.5 million). Of our disbursements, € 393.2 million were for existing partners and € 80.9 million for new partners. Average outstanding financing per partner rose to € 1.9 million (2020: € 1.5 million).

At year-end we had 517 partners in 55 countries, compared to 563 partners in 63 countries in 2020. The reduction in partner numbers was a consequence of several factors including our close attention to quality (new loans to some partners have been put on hold until we are sure that their business performance fully meets our investment criteria); other partners temporarily had sufficient liquidity and did not need new loans; and we continued our strategic withdrawal from non-focus countries, which ended relationships with 25 partners.

Sector developments

Financial inclusion remains Oikocredit's largest development financing sector, comprising 76.5% of our total credit and equity portfolio (up from 75.9% in 2020) and showed strong growth, especially in microfinance. Outstanding loans to and investments in 352 partner microfinance institutions (MFIs), financial institutions that support small to medium enterprises (SMEs) and other organisations increased by 18.7% to € 761.4 million (2020: € 641.3 million). Approvals totalled € 383.8 million (82.6% up on 2020) and disbursements € 352.5 million (114.4% up). Fintech, our only area of portfolio expansion the previous year, reached € 29.4 million and 10 partners in 2021 (2020: € 21.0 million and 10 partners).

In agriculture our total outstanding lending and investments held by 128 partners rose by 22.8% to € 182.6 million (2020: € 148.7 million). Approvals increased by 197.5% to € 67.8 million and disbursements by 64.2% to € 113.4 million. Agriculture grew from 17.6% to 18.3% as a share of the total portfolio. Our agriculture partners have proved to be generally resilient in the face of Covid-19, although many have been challenged by increased supply chain costs and the lack of availability of shipping containers. We have addressed previous high levels of portfolio risk in the sector through our Fresh

Fields programme, which has improved processes and portfolio quality and given us greater confidence to continue to invest in agriculture.

The renewable energy portfolio decreased by 4.3% to € 43.7 million (2020: € 45.7 million) with 20 partners. Approvals were € 12.2 million (182.7% higher) and disbursements € 7.6 million (20.2% lower). The sector contracted as a proportion of our development financing from 5.4% to 4.4%. Despite challenges such as disruptions in global supply chains affecting this relatively young industry, off-grid solar has shown resilience throughout the pandemic, and the market for commercial and industrial (C&I) solar in sub-Saharan Africa has seen continued growth of installed capacity and investment opportunities.

Regional developments

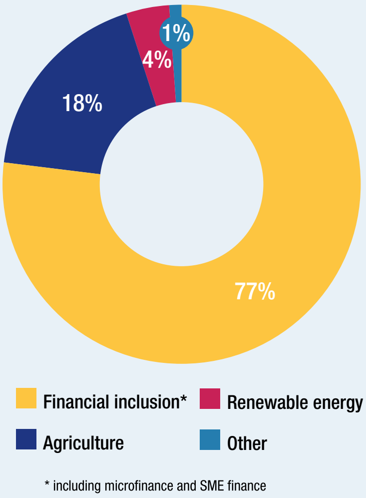
Of Oikocredit's three focus regions – Africa, Asia and Latin America & the Caribbean – our African portfolio grew the fastest in 2021. This was in line with our ambition to expand our exposure in Africa, relative to other regions. Credit and equity in Africa increased by 38.0% from € 148.4 million to € 204.7 million invested in 129 existing and new partners and representing a 20.6% share of our total development financing portfolio (2020: 17.6%). Among the new community-focused projects we are piloting ahead of implementing our new 2022-2026 purpose-driven strategy, we have begun to partner with Opportunity International to advance children's education in low-income communities in Ghana, Kenya, Nigeria, Senegal and Uganda. Another notable new development in Africa is our loan guarantee agreement with African Guarantee Fund to increase our lending to higher-risk partners, such as SMEs, microfinance institutions, and agricultural, renewable energy and women-focused businesses and cooperatives.

In Asia the portfolio grew by 33.3% from € 230.5 to € 307.3 million, invested in 101 partners and comprising 30.9% of our outstanding portfolio (2020: 27.3%). Maanaveeya, Oikocredit's Indian subsidiary, focused mainly on supporting existing clients, including with additional funding and with coronavirus solidarity grants. Its portfolio grew by more than one-third, while it maintained stable portfolio quality. Maanaveeya won SKOCH group's Environment and Sustainability silver medal and order-of-merit certificate for its 'Investing in People' project. Our Southeast Asian portfolio achieved 39% growth without sacrificing portfolio quality or ESG performance. In Cambodia we formalised a tripartite partnership with Aqua for All and Chamroeun, an in-country partner MFI, to develop a water and sanitation project, also as part of our piloting of the new community-focused strategy. And we completed a feasibility assessment with several MFI partners for a long-term savings or micro pension product for informal sector workers.

Portfolio growth of 7.5% from € 423.0 million to € 454.9 million was more modest in Latin America & the Caribbean than in our other two focus regions. We closed the year in the region with 266 partners and a 45.7% share of our total lending and investments (2020: 50.1%). Because much of Oikocredit's Latin American & Caribbean credit and equity is in US dollars, the regional portfolio benefited from the dollar's strengthening against the euro. Portfolio quality remained in line with previous years. We have continued with our webinars for Latin American & Caribbean partners, including completing the price risk management (PRM) training and peer exchange for coffee

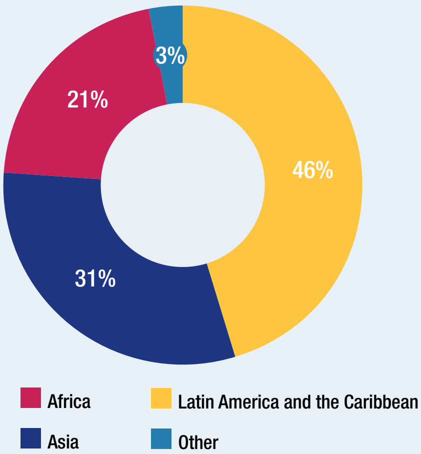
Development financing outstanding by sector

As at 31 December 2021



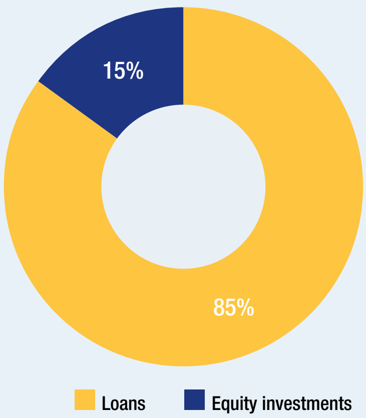
Development financing outstanding by region

As at 31 December 2021



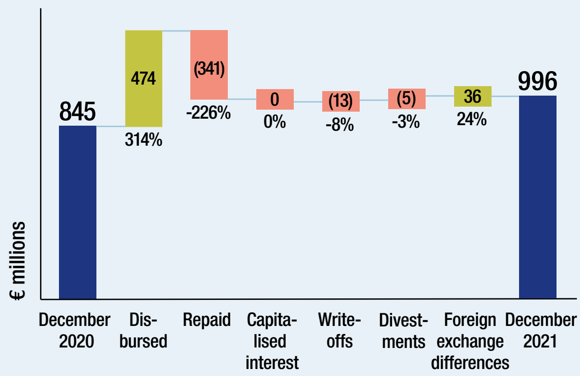
Type of financing offered by Oikocredit

As at 31 December 2021



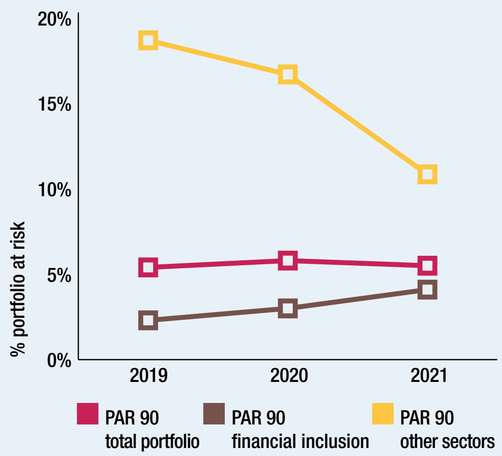
Progression of the development financing portfolio

As at 31 December 2021



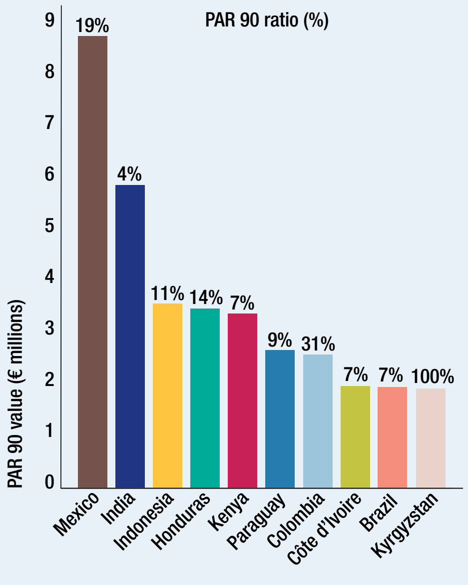
Portfolio at risk

As percentage of total development financing
As at 31 December



10 countries with highest PAR 90

As at 31 December 2021



cooperatives, supported by USAID, and two capacity building projects in digitalisation. We have also begun to pilot two community-focused projects as a contribution to the 2022-2026 strategy: support to partners developing housing products and programmes in El Salvador, and water and sanitation work in Brazil.

Credit portfolio

Credit comprises the larger part of Oikocredit's development financing portfolio by a considerable margin, 85.1% at year-end, and recovered faster than equity in 2021. Total lending (excluding loan loss provisions) increased to € 847.2 million (21.7% up from € 695.8 million in 2020), with 472 partners (2020: 520). We approved € 451.5 million in 169 new loans (2020: € 171.8 million in 108 new loans) and disbursed € 461.3 million (2020: € 235.4 million). In financial inclusion, lending was up by 21.0% from € 554.8 million to € 671.6 million (comprising 79.3% of total credit). Agriculture rose by 32.4% from € 104.7 million to € 138.7 million (16.4% of credit), and renewable energy by 4.1% from € 29.4 million to € 30.6 million (3.6% of credit). Regional allocations of the loans portfolio were: Africa 21.5%, Asia 29.1%, Latin America & the Caribbean 47.8% and other regions 1.6%.

Equity portfolio

Oikocredit invests in the equity of selected partners to provide patient capital and contribute as an active shareholder to improvements in organisational sustainability, governance, and financial and social performance. Equity comprised 14.9% of the development financing portfolio at end-2021, with our direct equity holdings decreasing by 0.3% from € 149.2 million to € 148.7 million (excluding impairments). Approvals totalled € 13.2 million (2020: € 13.5 million) and disbursements € 12.9 million (2020: € 8.1 million). We hold equity investments in 55 partners in 28 countries, distributed between financial inclusion (€ 89.7 million, 60.3%), agriculture (€ 44.0 million, 29.6%), renewable energy (€ 13.2 million, 8.9%) and other sectors (€ 1.9 million, 1.3%). Regionally, Africa accounts for 15.1% of the equity portfolio, Asia 40.7%, Latin America & the Caribbean 33.8% and other regions 10.4%. The portfolio generated dividend income of € 1.5 million in 2021 (2020: € 2.2 million). We completed six equity sales.

Given the prevailing economic uncertainty, we took a cautious approach to equity investing during the year. We made equity investments in two new partners and made five follow-on investments in existing partners; we also developed the pipeline for future investments in new equity partners. In addition, we continued to recruit nominee directors to serve on partners' boards.

Portfolio quality and portfolio at risk (PAR)

Portfolio quality remained stable. Portfolio at risk, measured as the percentage of the credit portfolio with payments more than 90 days overdue (PAR 90), closed the year at 5.5%, slightly improved from 5.8% in 2020. Loan loss provisioning returned to pre-Covid-19 levels. PAR 90 was 10.8% in agriculture (2020: 17.6%), 4.3% in renewable energy (2020: 7.1%) and 4.1% in financial inclusion (2020: 3.0%).

Local currency loans

At end-2021, € 358.3 million (42.3%) of Oikocredit's lending was in local currencies and € 488.9 million (57.7%) in hard currencies such as the euro and US dollar (2020: 45.4% and 54.6% respectively). We made several new dollar loans to agricultural partners. Our local currency lending helps protect partners from devaluation impacts and is part of our social performance objectives.

Social performance management

Oikocredit achieves social impact by supporting its partner organisations in helping low-income people improve their lives. Effective social performance management is a priority for us, starting with careful screening of potential partners for their alignment with our social and environmental objectives. We use our environmental, social and governance (ESG) scorecards to screen potential partners and to monitor existing partners. Compared to last year, the ESG scores of partners approved in the development finance portfolio improved. The higher scores result from our efforts to focus on better performing partners and on improving their ESG score through action plans.

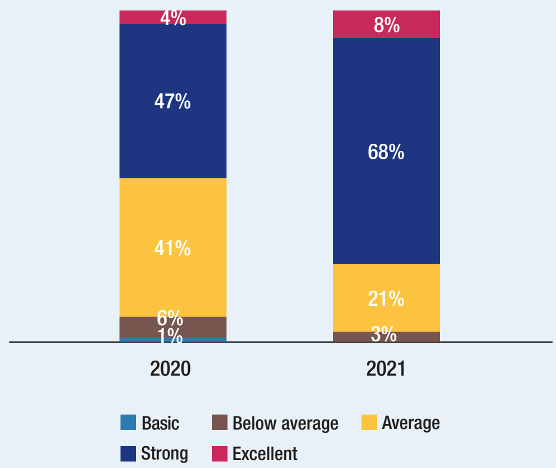
We have taken a major step in our management of social performance by undertaking our first client self-perception survey. With this survey, we move beyond simply reporting on outreach to find out what the clients of our financial inclusion partners have to say about changes in their lives. The clients' responses then help our partners gain insight into how their products or services may be improved to maximise positive change for clients. More than 2,500 clients of partners in Kenya, Peru, the Philippines and Uganda responded to the 2021 survey, providing information about changes to their income, savings, business development, household access to basic facilities, and household ability to cope with health needs and emergencies.

We conducted the client survey digitally, benefiting from the engagement of five partners even amid the challenges of Covid-19. The survey has been a tremendous learning experience for the participating partners and for the Oikocredit team coordinating its implementation. Partners are learning about social data collection and starting to look at how to use client feedback to become more responsive and improve their sustainability by delivering higher levels of client satisfaction. For the clients, action subsequently taken by partners will, we hope, highlight the fact that they have influence and can play a role in making our partners' products and services more responsive to their needs. Overall, this project builds an appreciation for data use in decision-making and in designing products, services and delivery channels to enhance impact and sustainability. We hope that this is the first step towards firmly entrenching data use within our partner organisations.

Because Oikocredit's aim in working with financial services partners is to support low-income borrowers, it is paramount that lending institutions' practices are responsible and aim for positive social impact. Prevention of client over-indebtedness and other problems was the purpose of the Smart Campaign's Client Protection Principles (CPP) programme, which ended in 2020 with the last certifications completed in March 2021. The CPP's successor is the Client Protection Pathway, and as before we require commitment from our partners to the Pathway and encourage their certification. Key differences between the new Pathway and the CPP are that lending organisations cannot simply tick a box to show commitment to client protection but must demonstrate it; and they are not

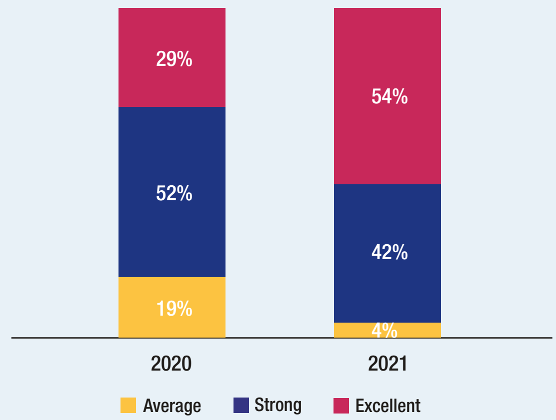
ESG score classification financial inclusion

Partners approved for financing



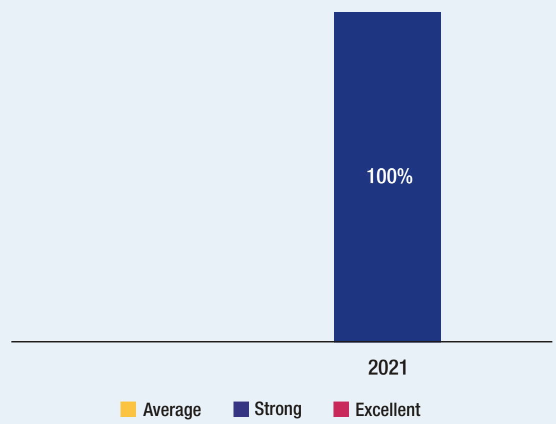
ESG score classification agriculture

Partners approved for financing



ESG score classification renewable energy[6]

Partners approved for financing



[6] This graph omits data for 2020 because the sample size was insufficient

required to score 100% to obtain certification but can obtain bronze, silver or gold certification depending on their assessed performance. As with the CPP, financial services providers need an external approved certification body to assess them in order to obtain certification.

Capacity building

Response to Covid-19

For much of 2021, as in 2020, the Covid-19 pandemic restricted Oikocredit's capacity building for partners to online encounters. In the second half of the year, however, we carefully returned to providing capacity building on site and in person. As partners and clients increasingly resumed business as usual despite the pandemic, fewer partners required our support with special measures, and during the year only two partners needed financial assistance from the Oikocredit International Support Foundation (ISUP) coronavirus solidarity fund.

Our Innovation in Response to Covid-19 programme, which we launched in 2020 with unused coronavirus solidarity funds, has continued. The programme helps partners and former partners develop adaptive client-appropriate solutions to problems generated by the pandemic. Open to applications from all regions and sectors where Oikocredit works, the programme has enabled digital training and solutions for rural clients, livelihoods diversification, organisational strengthening, a financial education campaign and community cooperative stores.

Our Indian subsidiary, Maanaveeya, has joined the India Covid Response Program for Agriculture Transition. A strategic partnership with US International Development Finance Corporation (DFC), USAID and others, this eight-year initiative will provide support for more than 200,000 smallholder farmers affected by Covid-19 through loans to farmer organisations, ag-tech companies and companies providing clean and affordable energy solutions, particularly for women farmers.

Other capacity building initiatives

During the year we managed 21 capacity building projects and approved 14 new projects, spending a total of € 407,225, of which € 343,793 was from donor funds and € 63,432 was contributed by ISUP. We allocated this capacity building finance between 50 partners and prospective partners (2020: 71) working in agriculture (60.8%), financial inclusion (37.4%) and other sectors (1.8%) and shared it regionally between Africa (47.7%), Asia (19.0%), Latin America & the Caribbean (24.1%) and global programmes (9.3%). In addition to ISUP, other donors to, and strategic partners in, our capacity building work included Act Church of Sweden, Oikocredit Stiftung Deutschland, Oikocredit Nederland, Plan International Canada, The Primate's World Relief and Development Fund, the Swedish International Development Cooperation Agency (Sida) and USAID.

In 2021 we completed our price risk management (PRM) training for Latin American coffee cooperatives. With our participation in the new Smallholder Safety Net Upscaling Programme (SSNUP), coordinated by the Swiss Agency for Development and Cooperation, the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs, and ADA Microfinance, we have begun preparation with our partner Chamroeun to train Cambodian smallholder farmer cooperatives in strengthening organisational capacity and in financial accounting, to improve their investment readiness. Through SSNUP, we are also supporting our partner Inclusive Guarantee in combining client-centric weather index microinsurance with financial literacy training for thousands of West African smallholder farmers and their households.

Further capacity building initiatives include: working in Rwanda with the Karongi Tea Factory and its partner cooperatives to produce and distribute high-quality tea seedlings and train hundreds of smallholder cooperative members; supporting the Women's Innovation for Sustainable Enterprises (WISE) project in Ghana to foster the growth of women-led enterprises; the Innovative Financing for Improved Livelihoods project with the Church of Sweden and Sida, combining small loans and capacity building for farmer-based cooperatives in Kenya and Uganda; enabling microfinance partner ADRA in Peru to give digital communications and health training to more than 8,000 clients; and facilitating a Cambodian partner's production of financial literacy videos for clients.

Investor relations

With the economic uncertainty caused by the Covid-19 pandemic, Oikocredit's main goal at the start of 2021 was preservation of capital. Our partners' funding needs were not growing, and we had capital to invest from the previous year, so we were not aiming for capital growth. By year-end, however, with the global economy somewhat in recovery, our annual inflow of member and investor capital had returned to growth.

Capital inflow and net asset value per share

Our net inflow of member capital during the year from cooperative members and investors via the support associations and the Oikocredit International Share Foundation (OISF) reached a positive € 24.9 million (compared with a negative € 26.3 million in 2020). This represented a gross inflow of € 41.0 million (2020: € 42.3 million) minus redemptions of € 16.2 million (2020: € 68.6 million). The countries with the highest member capital remained, as in 2020, Germany, the Netherlands, Austria, Switzerland and France. Member capital grew by 2.3% to € 1,129.0 million (2020: € 1,104.1 million).

Net asset value (NAV) per share rose during the year to € 213.58 (2020: € 210.50), returning close to pre-Covid-19 levels. NAV per share is calculated by adding the total amount of capital and reserves and dividing this sum by the total number of shares issued.

Members and investors

The total number of members of our cooperative fell slightly to 546, from 552 in 2020, as six members left and no new members joined. Overall, we have 58,900 investors (around 53,300 individual investors and 5,300 organisations)[7] who funded our work through the support associations and OISF

[7] There is a difference of around 300 investors for which we cannot determine the split between organisations and individual investors, for technical reasons. These are accounts that either have fully redeemed - but are still in our system because they have a dividend claim - or are investors who passed away, but the legacy is not yet distributed.

during the year. As throughout the pandemic, our members and investors' loyalty to our mission has inspired us. While most of our investors are individuals, we value highly the additional contribution of our organisational investors – churches, church-related organisations, foundations and non-governmental organisations (NGOs) – in raising awareness about our work among their members, peers and constituencies.

Our church members have been a special source of support, not just as investors but also as collaborators. For example, Act Church of Sweden has provided a grant enabling us to set up a revolving fund for small capacity building loans to current or potential partners that we would not be able to invest in otherwise.

Our members came together online for Oikocredit's 45th AGM in June 2021, using a web-based conferencing and electronic voting system for the second year running. We much appreciate that members were again willing to accept the Managing Board and Supervisory Board's proposal of a zero dividend, given the loss incurred in 2020 as a result of the pandemic. Our first ever Extraordinary General Meeting (EGM) of members took place in December, again with mainly online participation, to continue to discuss the review of Oikocredit's capital-raising model and the related role of members and to receive an update on the development of Oikocredit's 2022-2026 purpose-driven strategy.

New capital-raising model

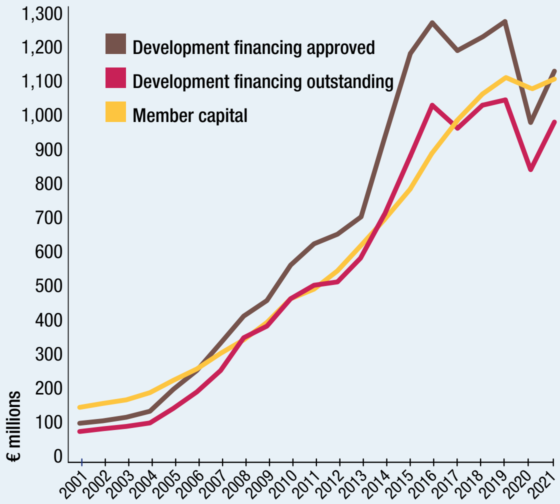
The task of identifying Oikocredit's future-proof capital-raising model has been a major undertaking during the past year. The new model will need to: safeguard our mission, including our current proposition for our partners; decrease complexity and regulatory risk; increase our transparency to investors, regulators and ourselves; prove effective in our main inflow markets; and be replicable elsewhere. We have undertaken this task in close collaboration with our support associations in Belgium, Germany, the Netherlands and Switzerland and with other stakeholders. Having identified potential new models, we shortlisted those most suitable and selected what we consider the best way forward, which will retain Oikocredit's legal form and identity as a cooperative. At our December 2021 EGM, members mandated the Managing Board to continue to gather input and work out the model in more detail and put a proposal to the General Meeting.

Working with our inflow network

Together with Oikocredit's German Support Associations we are preparing for regulatory changes in Germany in mid-2022. We have maintained good levels of inflow in Austria, Belgium and the Netherlands, and have recruited dedicated staff for Spain, where we plan to reactivate our capital raising once it becomes more straightforward to organise public events. In France we undertook an online marketing campaign to raise awareness of our mission and identity, following a similar campaign in Germany the previous year. Following Brexit, we have had to discontinue our combined offering in the United Kingdom and Ireland. Our support associations in Canada and the United States are seeking ways to build on individuals' interest in Oikocredit by finding ways to enable them to invest in our work, for which there is currently no mechanism.

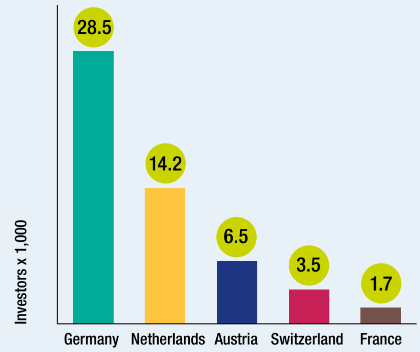
Member capital and development financing

As at 31 December 2021



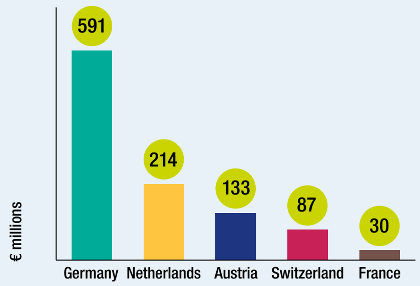
Number of investors

Top 5 countries as at 31 December 2021



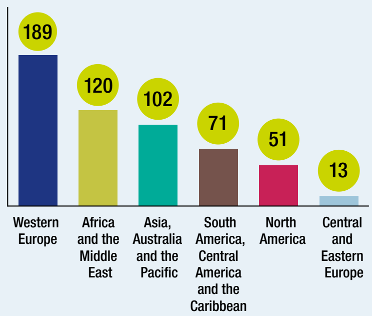
Five countries with highest member capital

Top 5 countries as at 31 December 2021



Number of members per continent

As at 31 December 2021



We continued holding at least monthly online calls with our network of support associations. These regular conversations have kept us close together during the continued lockdowns of Covid-19 and have helped us match our capital raising more closely with our outflow of loans to and investments in our partners.

Because we set out not to grow our capital inflow this year, and with restrictions affecting in-person events, our support associations and volunteers were less involved in outreach and awareness raising than in previous years. However, a number of in-person and online events did take place. These included a public discussion on the need to transform financial markets, ‘walk and talk’ outdoor events highlighting issues such as fair trade coffee, and an online game highlighting how microcredit can help low-income people. Oikocredit’s German support associations organised a well-attended online ‘Good Money Lab’ to critically examine and explore possible alternatives to the current financial and economic system.

An active Members’ Council

The Members’ Council met 15 times online during the year and had one physical meeting in September. The Council plays an increasingly active role in Oikocredit’s governance. It has engaged closely in discussions about the new capital-raising model, the new 2022-2026 strategy and other matters such as the Supervisory Board nomination process. Members’ Council representatives participated in the recruitment process for a new Managing Director. Two experts nominated by the Members’ Council served on the Investment Advisory Committee that oversees the implementation of the term investments policy. The Council organised a number of member consultations on items relevant to the cooperative and two well-attended members’ meetings prior to the AGM and the EGM. Having diversified its composition to better reflect the geographical diversity of our members, the Council is seeking to further formalise its role through Oikocredit’s Articles of Association.

Engaging with our investors

In 2021 we continued to provide members and investors with quarterly updates on our financial performance (unaudited) and on the effects of the pandemic on our organisation and partners. We held quarterly webinars for our members and organised six global investor webinars, with live interpretation, bringing investors into direct contact with partners and Oikocredit staff. Webinars featured our lending to African Clean Energy to support clean cooking and rural access to electricity; our equity investment in Caravela to foster sustainable coffee trading in Latin America (two events); our microfinance, training and health services partnership with Pro Mujer Bolivia; Oikocredit’s 2021 Impact Report and capacity building; and a conversation between our Investments Manager for West Africa, and the Oikocredit US support association.

Organisational developments

Our people

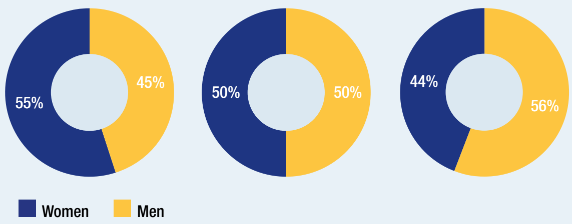
Oikocredit’s people have been key to the cooperative’s success, and we are very grateful to have loyal and committed staff. At end-2021, we employed 206 full-time-equivalent staff, compared to 192 in 2020, of whom 109 worked outside the Netherlands (2020: 107). Globally we employ people of 37 different nationalities in 18 countries. We are proud that we have maintained a good level of diversity in terms of gender and nationality.

All staff members have signed Oikocredit’s code of conduct, which has been in place since 2003. The code introduces Oikocredit’s general principles, such as Oikocredit being opposed to any form of corruption or bribery. Other topics covered are confidentiality, conflicts of interest, expenses, gifts, hospitality, human resources, political/charitable contributions, staff relations and transparency. The Managing Board actively ensures that internal systems, policies and procedures are consistent with this code, and we have a grievance and whistle-blower policy in place that can be triggered in cases of non-compliance with the code.

As has occurred in many organisations during the pandemic, we have experienced a number of resignations, including at the Managing Board and Supervisory Board level. Following the departure during the year of our Director of People & Change, Petra Lens, and subsequently of our Managing Director, Thos Gieskes, Wilma Straatman joined Oikocredit as Interim Director of People & Change. Mirjam ‘t Lam served as Interim Managing Director in addition to her role as Director of Finance & Risk before becoming the cooperative’s new Managing Director on 1 December 2021. Bart van Eyk, our Director of Investments, announced his intention to leave the organisation in February 2022. We are pleased that there has also been staff retention in the organisation and we are happy with the talent that we have recruited.

Oikocredit staff overview

As at 31 December 2021



Division of staff by gender: 55% women, 45% men

Division of Managing Board by gender: 50% women, 50% men

Division of managers with at least one direct report by gender: 44% women, 56% men

Oikocredit employs people of 37 different nationalities.

Impacts of Covid-19

At our central office in the Netherlands, as lockdown conditions eased in the second half of 2021, we introduced a hybrid working model, with staff given the opportunity to work half-time in the office and half-time from home. With the hybrid working model, the intention is to retain the benefits of remote working that we discovered during the pandemic while reintroducing office-based working and its associated benefits, such as informal face-to-face interactions with colleagues.

Understanding the social stresses such as feelings of loneliness that can result from people having to work from home and on-screen, we have introduced team building initiatives and allowed people extra leave to recharge.

Collaboration with the Works Council

During the year, the Works Council met several times with representatives of the Supervisory Board and Managing Board. The Works Council advised on the appointment of interim Managing Board members and has given input on the profile for Supervisory Board and Managing Board members to be recruited. The Works Council paid close attention to the well-being of staff resulting from the pandemic and leadership changes. The Works Council was consulted on staff matters such as the development of a new hybrid way of working. A training session was held to increase the Work Council's capabilities to fulfil its responsibilities.

Change initiatives and continuous improvement

We continued to implement our current 2018-2022 strategy by means of a balanced scorecard, team and individual objectives, and our change framework. The latter includes a continuous improvement programme involving self-directed change managed by our business units. We have improved 48 processes, compared to 30 in 2020. In addition, we led 16 cross-organisational change initiatives of which 12 were completed in 2021. Examples include the client self-perception survey, the digitalisation of operations processes, improving the lead times of our month-end closing and the implementation of a bank account management platform.

All Oikocredit partners now use the partner portal, a change initiative we piloted in 2020, to update their monitoring data on a quarterly basis. This is the first step in the move from paper-based processes to digitalisation of our lending operations, which is a major undertaking. The portal also includes an online system for the monitoring of social indicators. Partners can now upload to the portal information relating to each loan or investment's outreach objectives, and increasingly they also update information on their ESG performance. We have started work on the second stage, digitalising the loan origination process.

IT systems and operations

With our operational controls now working effectively, we are increasingly focusing on achieving greater efficiencies and improving service management for investors and partners. Our IT systems enable increasing use of data for analysis and decision-making. One such example is a new tool that brings together information from the support associations to provide real-time data on investor numbers and capital inflow, enabling a full Oikocredit-wide view of inflow trends and better forecasting.

Part of our strategy as a relatively small organisation from an IT perspective is to limit ourselves to core functions and to use third-party IT platforms where they serve our needs and increase our effectiveness. For example, we are moving our capital-rising operation and inflow network to the Salesforce platform. And we are supporting development of MicroFinanza Rating's ATLAS joint monitoring platform to pool inclusive finance partners' reporting with data from other investors and investees, reducing reporting burdens and enabling wider information sharing across our sector. Another relevant platform for us is Beyond Coffee, where coffee buyers and sellers broker deals and for which we aim to develop a trade financing component to embed there.

Environment

Oikocredit strives to safeguard the environment in our own operations, in our investment decisions and by creating awareness among our partners, as is embodied in our environmental policy.

Oikocredit selects its partners through a rigorous due diligence process, which includes social, governance and environmental considerations. Our regional staff apply a set of assessment guidelines for production partners to ensure that the partners selected devote sufficient attention to environmental concerns. These guidelines are complementary to local and national environmental and land use legislation, as well as to international treaties that the partner's country has signed. To exclude any production projects that are potentially damaging to the environment, Oikocredit applies an exclusion list covering such activities as mining, mineral processing and commercial logging, which are ineligible for our financing.

When assessing existing or potential partners, we screen for environmental issues using the ESG scorecards. Based on information provided by partners as part of the screening, we see that nearly 90% of our financial inclusion partners approved for financing in 2021 state which activities they will not finance based on grounds of adverse environmental effects and monitor clients' compliance. Many also report conducting client awareness raising on the environmental risks their activities pose and possible mitigation strategies, while others offer green loan products dedicated to renewable energy, energy efficiency, sustainable or climate-smart agriculture, recycling and waste management. All agriculture partners approved for financing in 2021 confirm that they have an environmental policy that at a minimum complies with all national and industry environmental regulations. Most agriculture partners also report having internationally recognised certification for organic farming, sustainable forestry or fair trade.[8] The vast majority undertake environmental education among staff, beneficiaries or other partners. By prioritising renewable energy as an investment sector we aim both to combat energy poverty and to increase the global supply of clean, low-carbon solutions.

We are also conscious of the environmental impacts of our own long-distance travel and every year purchase FairClimateFund Fairtrade Gold Standard carbon credits to offset the previous year's CO_2 and other emissions. Unlike other carbon offsetting arrangements, the Fairtrade Gold Standard delivers benefits such as reforestation and energy-efficient cookstoves to low-income and climate-

[8] At least 50% of the business volume is certified under any one of the international certification labels

vulnerable communities and avoids carbon credit trading on secondary markets. In 2021 we offset 353 tonnes of CO_2 equivalent emissions from 2020, a year when the carbon footprint reduced significantly as we restricted our work travel due to the coronavirus pandemic.

Risk management

Oikocredit maintains three lines of defence to manage its risks. Across the organisation in all departments and areas of work, we improved our tools to enhance risk assessment, monitoring and reporting (see Note 6 of the financial statements). The main risks to the cooperative are credit and investment risk on the development financing portfolio. Here our risk monitoring, reporting and management, including engagement with partners experiencing difficulties, have matured and improved, as evidenced by the reduced loan loss provisioning. Another key risk is liquidity, where we have reduced 2020's high levels of liquidity and invested the funds in the development financing portfolio, while retaining sufficient liquidity to meet investors' redemption requests. The portfolio experienced low foreign exchange risk with the dollar's strengthening. This reduced local currency volatility and enabled us to achieve a positive result on exchange rate differences. From an operational risk perspective, we have focused on monitoring compliance with the General Data Protection Regulation (GDPR), customer due diligence compliance and 'know your customer' requirements. In general we have improved our assessment and reporting of the risks the cooperative is facing.

Taxes

Incurred taxes amounted to € 2.6 million in 2021. Most of Oikocredit's taxes are paid by our local entities, especially by our Indian subsidiary, Maanaveeya. In 2021 Oikocredit released € 1.0 million of a € 4.0 million tax accrual, which was initially formed to ensure that we pay our fair share of taxes in the countries where we have a presence. This tax accrual amounted to € 3.0 million at year-end 2021. We are reviewing our tax compliance framework to ensure that we continue responsible taxpaying, as this is linked to our organisational and cooperative values.

Looking ahead

In finalising this Annual Report shortly before publication, we cannot ignore the war in Ukraine. The duration and outcome of the conflict are impossible to predict. We expect heightened volatility in financial and commodity markets in the coming period, with repercussions on prices for hedges and commodities, and ultimately on food prices. Very likely consequences include further price inflation, increased portfolio risk for Oikocredit, and financial impacts for our organisation, partners and investors, although it is too soon to estimate the magnitude.

Building on our solid achievements in 2021, however, in the coming year Oikocredit will undergo further transition and transformation as we implement our 2022-2026 strategy to enable us to serve our investors and partners even better. We will continue to evolve our 'business as usual' in response to Covid-19 while also closely monitoring the effects of the war in Ukraine. We will maintain proximity to our members and investors and connect them with our partners, in line with the community-building approach of the new strategy. For the foreseeable future many of these encounters may need to be online rather than in-person. Finalising the details of the new capital-raising model will be a key priority in 2022.

We will complete the Managing Board with new appointments for the vacancies of Director of Impact Investments and Director of Finance & Risk, for which the Supervisory Board appointed Jeroen Scheelbeek on an interim basis in January 2022. The Supervisory Board will also nominate new members to fill its current vacancies.

In planning for future flexible working at the central office in Amersfoort, and potentially at our other offices, we will keep staff preferences in mind as we strive for the best balance for our people. No significant increase or decrease in staff numbers is anticipated.

We aim to achieve further growth in the development financing portfolio in the coming year, assuming that the global financial context makes this possible. Our margins may reduce slightly due to competition in our markets. We foresee a need for additional funding to support the cooperative's portfolio growth objectives, and extra costs will be incurred as a result of transition and transformation processes and the safeguarding of organisational compliance.

We see both opportunity and continuing need for capacity building, lending and other forms of credit with our current and potential new partners, despite uncertainty from Covid-19 persisting and new concerns emerging with the crisis in Ukraine. With a need to strengthen balance sheets, we anticipate increased demand for equity capital but will continue to be selective by investing in partners that present compelling positive social impact. We will explore the possibilities of moving to fair market value assessments of our equity investments; the assessments are currently based on cost minus impairments (see Note 9 of the financial statements).

In lending, implementation of the new strategy will involve more innovative projects that address interlinked challenges at community level. In our three longer-standing focus sectors we foresee particular opportunities in renewable energy, especially in the solar sector, and in agriculture. We expect further digitalisation of the loan origination process to reduce lead times and to provide access to digitalised data and analysis over time.

We plan to engage an additional 15 partners with the client self-perception survey in 2022 and enable the five partners from 2021 to gather a second year's follow-up on client data. Our social performance plans also include updating our knowledge base and policy on palm oil by working with Wageningen University and Research; aligning with the European Union's Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD); and supporting the further development of the ATLAS joint monitoring platform, which will pool our inclusive finance partners' reporting and social performance data with information from other investors and investees.

We expect that dealing with the impacts of Covid-19, and with consequences of events in Ukraine, will be a priority for many partners we work with and for ourselves in 2022. If opportunities for on-site support continue to be limited by the pandemic, our capacity building in the coming year may not develop far beyond present levels of partner strengthening. However, we will support our partners' capacity to innovate and will develop coronavirus-proof ways of working, as much as possible.

Over the next few years we will continue to implement our IT strategy, completing the transition from in-house proprietary software to software-as-a-service. We will undertake further work to improve digital channels and services for members and investors. Digitalising our investment processes will increase effectiveness. We will replace our ageing in-house investor accounts software and extend the functionality of our partner portal. And we are investigating possibilities for more automation of repetitive manual processes, such as partner invoicing, so that staff can spend more time providing a better service to our partners and other stakeholders.

Conclusions

Oikocredit has rebuilt and rebalanced successfully after the disruption caused by the coronavirus pandemic. Although Covid-19 is still with us, and the Ukraine conflict creates further unpredictability, our cooperative has a solid basis for the future and for the further strategic and organisational changes we have agreed to make. Our achievements in 2021 and the extent of world poverty show the continuing relevance of our purpose: to use the money that our investors entrust to us to support partners in providing opportunities for low-income people to achieve lives of dignity. Collectively we have performed commendably in terms of financial return – recovering much of the financial loss that we incurred in 2020 – as well as improving social impact, risk management and solidarity.

Overall, we are satisfied with Oikocredit's progress this year and with our steadiness of purpose despite the many internal and external changes. We have continued to serve and build the capacity of our partners. Our new purpose-driven and more community-focused strategy is close to implementation, and we have worked closely with our members to ensure that our new capital-raising model is fit for the future and based on cooperative principles.

Amersfoort, 24 March 2022

Mirjam 't Lam
Managing Director

Ging Ledesma
Director of Social
Performance Innovation

Jeroen Scheelbeek
Interim Director of
Finance & Risk

Patrick Stutvoet
Director of IT & Operations

Ivoire Coton, Côte d'Ivoire
Nabe Kobe owns six hectares of cotton fields and works hard to provide for his nine children. To help his business thrive, he is a client of Oikocredit partner Ivoire Coton. Ivoire Coton aims to promote the development of smallholder cotton farms to improve the living standards of rural communities. It offers farmers, including Nabe, free cotton seeds, trainings to improve the harvesting process and loans so that the farmers can pay workers to harvest the cotton.

Supervisory Board report

Guiding change, safeguarding good governance

Oikocredit has a two-tier governance structure under which the Supervisory Board is responsible for employing, supervising and advising the Managing Board and for overseeing the general course of affairs of the cooperative.

Guided by the vision, mission and values of Oikocredit as a whole, the Supervisory Board takes into consideration the interests of the cooperative's members, partners, employees and investors and its broader social responsibilities. We supervise and advise the Managing Board on member and investor relations, strategic planning, governance, regulatory compliance, and finance and risk management. Members of the Supervisory Board are elected for a period of three years and eligible for re-election for one term.

Key discussions and decisions in 2021

The work of the Supervisory Board in 2021 included oversight of Oikocredit's strategy development and of its identification of a new capital-raising model, performance monitoring in the context of the continuing coronavirus pandemic, changes in the composition of the Managing Board and the Supervisory Board itself, organisational governance and stakeholder engagement.

Performance monitoring in the context of Covid-19

The continuing impact of the Covid-19 pandemic on Oikocredit's portfolio, partners and staff remained a key concern for the Supervisory Board as we continued to monitor the cooperative's financial and social performance. We use a balanced scorecard to link financial and social performance to strategy, with monitoring indicators covering the value and number of investments, social impact, financial results, learning, growth and operational excellence. We paid particular attention in 2021 to portfolio development and quality, as well as financial results and net interest income, including margin development in Oikocredit's focus regions. Among other aspects that we monitored were loan loss provisioning, risk management, social performance, outcomes of the client self-perception survey, and outflow productivity and efficiency.

New strategy development

The Supervisory Board focused considerable attention on the development of Oikocredit's new purpose-driven 2022-2026 strategy, holding frequent discussions about the process with the Managing Board. We monitored the results of testing and validating the proposed community-focused approach and the market and peer analysis carried out to determine in which regions and sectors we might have the most impact, as well as the accompanying business planning and underlying assumptions. We approved the cooperative's strategic roadmap.

Capital-raising model

As part of Oikocredit's work on a new and more resilient capital-raising model to propose to members, the Supervisory Board reviewed regulatory challenges in inflow markets and the benefits of a change in the model. We considered key terms of the proposed new investment product as well as product distribution, roles of the support associations, voting rights, implications for business activities and central processing, and transitioning to the new model.

Employer role

In 2021, we evaluated the Managing Board's 2020 performance and agreed on individual 2021 objectives and key performance indicators for Managing Board members. Following the departure during the year of Oikocredit's Managing Director, Thos Gieskes, and the Director of People & Change, Petra Lens, the Supervisory Board ensured interim continuity in the composition and functioning of the Managing Board. We then undertook the recruitment of the cooperative's new Managing Director, appointing Mirjam 't Lam to the post in November 2021. Mirjam 't Lam had previously held the position of Director of Finance & Risk and following her appointment as Managing Director, we also ensured interim continuity for the Director of Finance & Risk role. We reviewed and agreed with the Managing Board on collective objectives for 2022 based on the strategic themes and metrics of the 2022-2026 strategy.

Supervisory Board composition

Several changes have taken place in the Supervisory Board's composition. Our 2021 nominations process culminated in the appointment of Gaston Aussems to the board. Joseph Patterson stood down as Chair on 1 October, and subsequently as a board member on 30 November. From 1 October, Vice-Chair Cheryl Jackson served as Chair, and board member Maya Mungra replaced Cheryl as Vice-Chair. Ruth Waweru and Eltjo Kok completed their terms in June, while Nitin Gupta left the board as of 30 July and Maya Mungra left the board as of 31 December. To ensure that the Supervisory Board could continue to properly carry out its responsibilities, we decided in December to engage two external advisors to temporarily support the Supervisory Board in some of its activities.

According to Oikocredit's Articles of Association, the Supervisory Board should comprise of seven to 13 members. Members are appointed for three years and can be re-appointed for a second term. In June 2022, the first terms of four Supervisory Board members will come to an end. After the early resignation of three of its members in 2021, the Supervisory Board immediately took measures to supplement the number of members. We launched a nominations process for five new members in December

2022 for which we have begun to receive and evaluate applications. In addition to the five new positions we are recruiting for, three Supervisory Board members will stand for re-election in June 2022 and one member will serve the second year of his first term, bringing the total number of members to nine. When the new members are appointed, the Supervisory Board will agree on a resignation schedule in order to manage or limit the number of simultaneous reappointments and thus ensure continuity.

Members of the Supervisory Board (as of 31 December 2021)

Name	*Appointed*	*Term ends*
Gaston Aussems	June 2021	June 2024 (1st term)
Gaëlle Bonnieux	June 2019	June 2022 (1st term)
Myrtille Danse	June 2019	June 2022 (1st term)
Tsitsi Dozwa-Choruma	June 2019	June 2022 (1st term)
Cheryl Jackson	June 2019	June 2022 (1st term)
Maya Mungra	June 2019	Resigned (effective 1 January 2022)

Attendance at Supervisory Board meetings in 2021

Supervisory Board members 2021	*Meeting attendance (days)*	
Joseph Patterson (Chair until September 2021, member until November 2021)	91%	(10/11)
Cheryl Jackson (Chair from October 2021, Vice-Chair until September 2021)	100%	(11/11)
Maya Mungra (Vice-Chair from October 2021 until 31 December 2021)	91%	(10/11)
Gaston Aussems (member from June 2021)	100%	(6/6)
Gaëlle Bonnieux	82%	(9/11)
Myrtille Danse	100%	(11/11)
Tsitsi Dozwa-Choruma	91%	(10/11)
Nitin Gupta (member until July 2021)	100%	(6/6)
Eltjo Kok (term ended in June 2021)	100%	(5/5)
Ruth Waweru (term ended in June 2021)	100%	(5/5)

Governance and stakeholder engagement
The Supervisory Board's work on governance during the year covered the roles and responsibilities of the cooperative's governing bodies, the continuing development of the Members' Council, the development of a governance training programme for both Oikocredit boards, and the review of the conflict of interest policy.

Members of the Managing Board attend Supervisory Board meetings and participate in discussions, except for during closed sessions. We also met on several occasions with the Works Council to discuss changes in the membership of Oikocredit's two boards, the interim Managing Board structure, the appointment of a new Managing Director and the nominations process and candidates for the Supervisory Board. Similar subjects were covered during our several meetings with the Members' Council and member representatives, as well as the context of the Dutch Structure Regime and the role of the Members' Council itself.

Supervisory Board representatives attended the online winter and summer meetings of the inflow network (support associations, OISF and Oikocredit investor relations staff), member meetings, the online AGM in June and EGM in December and some staff meetings. On request, Supervisory Board members met with several support association boards to discuss topics related to inflow strategy in their markets.

Board meetings and training
The Supervisory Board met on 11 days during the year, in March, June, September and November. All meetings were entirely by video conference.

The Supervisory Board held a series of three joint training sessions with the Managing Board, led by an external facilitator, aimed at ensuring that Oikocredit's complex stakeholder governance and ecosystem work in the service of the cooperative's mission. These sessions reflected on inter-board dynamics, future challenges and aspirations, vision and strategy, governance, diversity and inclusion, communication and organisational culture.

Board committees

At the start of 2021 the Supervisory Board had five committees to advise it on specific matters: the Strategy Committee (SBSC), People Committee (SBPC), Governance Committee (SBGC), Audit and Risk Committee (SBARC) and Investment Committee (SBIC). In June 2021 the board decided to merge several of the committees to enhance overall effectiveness. This reorganisation resulted in the following three committees: the Strategy and People Committee (SPC), Social Performance, Audit, Risk and Compliance Committee (SPARC) and Investment Committee (IC). The committees are composed exclusively of Supervisory Board members. Specified Managing Board members and senior managers have standing invitations and attend meetings when their input is necessary for committee deliberations.

Strategy and People Committee (SPC)
In June 2021 the Supervisory Board Strategy Committee (SBSC) and People Committee (SBPC) merged to form the Strategy and People Committee (SPC). The SPC is responsible for reviewing and advising the Supervisory Board on Oikocredit's process for strategy development, monitoring its implementation and desired outcomes, and consulting with the Managing Board and stakeholders on the development of future strategies. The SPC also supports the Supervisory Board in its statutory role as employer of the members of the Managing Board. This

includes supporting decision-making by the Supervisory Board in appointing, dismissing and evaluating the performance of Managing Board members. The SPC also reviews and advises the Supervisory Board on people and change strategies, plans and policies and is responsible for advising the Supervisory Board on Supervisory Board nominations as well as coordinating and carrying out Supervisory Board nomination procedures.

In 2021 the SBSC, SBPC and SPC held 14 regular online meetings in total as well as additional online meetings to address specific topics. The SBSC and SPC discussed progress reports on strategy implementation, actions taken to mitigate the impacts of Covid-19, further enhancement of the balanced scorecard, improvements in data used to measure social impact under the current strategy, and further development of the strategy to be adopted from 2022, including market and peer analysis, financial feasibility assessment, testing and validation of the approach to be adopted, and the accompanying business plan. People topics discussed by the SBSC and SPC included performance evaluation of the Managing Board and the Supervisory Board, leadership succession planning and Managing Board composition. The SPC made recommendations to the Supervisory Board for the appointment of a new Managing Director and a new Supervisory Board member. At the end of 2021 the SPC initiated the process of inviting applications from qualified candidates to fill Supervisory Board vacancies following the departure of several board members who resigned or completed their terms in 2021, and vacancies that may arise at the end of board terms in June 2022.

Social Performance, Audit, Risk and Compliance Committee (SPARC)

In June 2021 the Supervisory Board Governance Committee (SBGC) and Audit and Risk Committee (SBARC) merged to form the Social Performance, Audit, Risk and Compliance Committee (SPARC). The main role of the SPARC is to assist the Supervisory Board in fulfilling its oversight responsibilities regarding the integrity of the organisation's financial statements and the effectiveness of its internal controls. The SPARC monitors and oversees the financial and risk-reporting processes, the systems of internal controls established by management, 'know your customer' (KYC) practices, auditing and the company's process for monitoring compliance with laws and regulations. In 2021 the committee paid particular attention to KYC due diligence and the calculation and evolution of loan loss provisioning. The SPARC also advises the Supervisory Board on the overall risk appetite, risk management governance and risk strategy, and it supports the Supervisory Board in monitoring the realisation of strategic financial and social impact targets and the maintenance of sound risk management practices by the Managing Board. In addition, the SPARC 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.

In 2021 the SBGC, SBARC and SPARC met in total eight times. In addition, the committee chair and members of the SBARC/SPARC held meetings with the Director of Finance & Risk and the Global Head of Internal Audit. The committee paid particular attention to the organisation's financial performance, capital and liquidity management; the principles of valuation and determination of results for the financial statements; the risk appetite, risk strategy and business activities in relation to these matters; compliance with laws and regulations; and internal and external audit. In addition, the committee discussed the proposed changes to the governance of the Supervisory Board committee structure and the review and revision of the Articles of Association.

Investment Committee (IC)

The purpose of the Supervisory Board Investments Committee (IC) is to approve all transactions that bring Oikocredit's total exposure with one single partner (being a legal entity) above € 10 million and to monitor the performance of the investment portfolio that it has approved. The committee met only twice in 2021, via telephone conference, to approve two transactions. The committee also discussed a full delegation of approval authority to the IC for large transactions, provided that portfolio quality stabilises post-pandemic and that an annual reporting process is implemented for large transactions.

Board remuneration

Oikocredit compensates Supervisory Board members for travel, administrative expenses and loss of income due to the extensive time commitment involved in serving on the board. Expenses differ per Supervisory Board member according to distances travelled and specific activities and responsibilities, such as chairing the board or one of its committees. The AGM sets the remuneration of Supervisory Board members, based on principles of fairness and restraint. Details on the remuneration of Supervisory Board and Managing Board members are provided in Note 35 of the financial statements.

Looking ahead

Priorities for the Supervisory Board and its committees in 2022 include the recruitment to fill two vacancies on the Managing Board: Director of Finance & Risk and Director of Impact Investments. We will review and update the Managing Board's structure in light of Oikocredit's 2022-2026 purpose-driven strategy. In addition, we will appoint and integrate into our work new Supervisory Board members to bring the board closer to its intended complement of nine members and continue our efforts to enhance the effectiveness of the board. Regulatory compliance will remain a point of attention.

Together with the Managing Board, we will review the need for further efforts to strengthen the governance framework. As part of this review, we will consider how to best prepare the organisation for the longer term as we implement the new strategy, always keeping the focus on maintaining Oikocredit's exceptional commitment to social performance. We will oversee and approve the next steps leading to the finalisation of Oikocredit's new strategy, including refining of the implementation plan, the 2022 roadmap and change agenda, definition of key performance indicators, target setting, assessment of organisational culture and leadership, and assessment of any impact of the new strategy on the organisation's risk profile. We will continue to monitor progress of the new capital-raising model, including necessary regulatory or compliance assurances in inflow countries and member engagement in the process. We will also approve resolutions to be put forward at future general meetings (such as any changes in the Articles of Association) required for implementation.

Monitoring of social and financial performance will also continue. We will pay particular attention to the evolution of portfolio growth, quality and margins, capacity building, any other social performance initiatives, and follow-up on the client self-perception survey.

The Supervisory Board would like to thank the Managing Board and Oikocredit staff worldwide for their extraordinary contributions to Oikocredit. In a year of continued challenges, they worked tirelessly to ensure that Oikocredit delivered on its mission of improving the quality of life of low-income people and communities. We are proud of what they have achieved and are confident in the future of our organisation.

Amersfoort, 24 March 2022

Cheryl Jackson
Chair

Gaëlle Bonnieux
Vice-Chair

Gaston Aussems
Supervisory Board member

Myrtille Danse
Supervisory Board member

Tsitsi Dozwa-Choruma
Supervisory Board member

Consolidated financial statements

Fourth Partner Energy Ltd, India
Filma's family lives and works on a farm and one of her relatives is a client of Oikocredit partner Fourth Partner Energy Ltd. To support the family in saving money and gaining access to a continual supply of water, Fourth Partner Energy Ltd helped them to replace their diesel pump with solar panels. The renewable energy company provides rooftop solar photovoltaic systems as well as other renewable energy products like lanterns, street lights, charge controllers and home lighting systems. Its customer base includes banks, fuel stations, offices, hospitals, hotels, schools, colleges and homes.

Consolidated **balance sheet**

(Before appropriation of net income)

	Consolidated balance sheet		
Notes		**31/12/2021**	**31/12/2020**
		€ ,000	**€ ,000**
	NON-CURRENT ASSETS		
7	**INTANGIBLE FIXED ASSETS**	**988**	**783**
8	**TANGIBLE FIXED ASSETS**	**4,281**	**3,397**
	FINANCIAL ASSETS		
9	Development financing:		
	Total development financing outstanding	995,890	845,063
	Less: - loss provision and impairments	(93,401)	(106,456)
		902,489	**738,607**
	Consists of:		
	Loans (net of loss provision)	*777,783*	*621,434*
	Equity (net of impairments)	*121,345*	*117,173*
10	Other securities	23,386	35,168
11	Other financial assets	2,721	4,999
	Total	**928,596**	**778,774**
	Total non-current assets	**933,865**	**782,954**
	CURRENT ASSETS		
12	Term investments	214,352	182,811
13	Receivables and other current assets	49,781	39,466
14	Cash and banks	60,136	236,482
	Total	**324,269**	**458,759**
	TOTAL	**1,258,134**	**1,241,713**

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

Consolidated **balance sheet**

(Before appropriation of net income)

	Consolidated balance sheet		
Notes		31/12/2021	31/12/2020
		€ ,000	€ ,000
	GROUP EQUITY AND FUNDS		
15/16	Member capital	1,128,976	1,104,070
16	General reserve	73,598	95,837
16	Restricted exchange fluctuation	(16,330)	(16,333)
17	Funds for subsidised activities and model costs	3,891	4,044
	Undistributed net income for the year	15,257	(22,182)
	Total group equity and funds	**1,205,392**	**1,165,436**
18	**PROVISIONS**	**216**	**328**
19	**NON-CURRENT LIABILITIES**	**15,618**	**13,567**
20	**CURRENT LIABILITIES**	**36,908**	**62,382**
	TOTAL	**1,258,134**	**1,241,713**

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

Consolidated **income statement**

Notes	Consolidated income statement	2021 € ,000	2020 € ,000
	INCOME		
	Interest and similar income		
22	Interest on development financing portfolio	69,332	77,084
22	Interest on term investments	2,321	2,430
12/22	Revaluation term investments	(4,299)	600
	Total interest and similar income	**67,354**	**80,114**
	Interest and similar expenses		
23	Interest expenses	(2,398)	(2,522)
	Total interest and similar expenses	**(2,398)**	**(2,522)**
	Income from equity investments		
24	Result from sale of equity investments	(3,482)	(2,887)
24	Dividends	1,540	2,209
24	Management fees funds	(397)	(257)
	Total income from equity investments	**(2,340)**	**(935)**
25	**Grant income**	**374**	**484**
	Other income and expenses		
26	Exchange rate differences	822	(11,866)
26	Hedge premiums and provisions	(17,008)	(24,239)
26	Dividend from other securities	194	255
26	Impairment from other securities	-	(354)
26	Other	39	39
	Total other income and expenses	**(15,953)**	**(36,165)**
	TOTAL OPERATING INCOME	**47,037**	**40,976**
	GENERAL AND ADMINISTRATIVE EXPENSES		
27	Personnel	(17,976)	(15,920)
	Travel	(147)	(176)
28	General and other expenses	(11,424)	(12,995)
	TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**(29,547)**	**(29,091)**
	ADDITIONS TO AND RELEASED FROM LOAN LOSS PROVISIONS AND EQUITY IMPAIRMENTS		
29	Additions to and releases from loan loss provisions	1,430	(31,951)
29	Impairments on equity investments	408	(1,067)
	TOTAL ADDITIONS TO AND RELEASES FROM LOSS PROVISIONS AND IMPAIRMENTS	**1,838**	**(33,018)**
	INCOME BEFORE TAXATION	**19,329**	**(21,133)**
30	Taxes	(2,588)	(1,756)
	INCOME AFTER TAXATION	**16,741**	**(22,889)**
31	Result from discontinued operations	(1,636)	-
32	Additions to (-) and releases (+) from funds	152	707
	INCOME FOR THE YEAR AFTER ADDITIONS TO AND RELEASES FROM FUNDS	**15,257**	**(22,182)**

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

Consolidated **cash flow statement**

Notes	Consolidated cash flow statement	2021 € ,000	2020 € ,000
	INCOME BEFORE TAXATION	**19,329**	**(21,133)**
	Adjusted for non-cash items		
9/13	Value adjustments loans, equity and receivables	1,645	35,756
12	Unrealised revaluation term investments	4,299	(600)
7/8	Depreciation (in)tangible fixed assets	1,387	979
11/13/ 20/30	Taxes	(704)	98
	Exchange rate adjustments	(34,636)	74,725
	Changes in		
9	Development financing (disbursements and repayments)	(132,949)	121,314
11	Other financial assets	11	55
13	Receivables and other current assets	(10,315)	4,866
18	Provisions	1,594	738
20	Current liabilities	(25,471)	32,669
	CASH FLOW FROM OPERATING ACTIVITIES	**(175,810)**	**249,467**
12	Investments and divestments from term investments	(24,058)	(42,642)
7	Investments and divestments from intangible assets	(554)	(540)
8	Investments and divestments from tangible assets	(983)	(94)
	CASH FLOW FROM INVESTING ACTIVITIES	**(25,585)**	**(43,276)**
15/44	Member capital (issue and redemptions) in euro and foreign currencies	24,820	(25,762)
	Dividend paid on member capital in euro and foreign currencies	-	-
19	Loans and notes	629	(51,478)
	CASH FLOW FROM FINANCING ACTIVITIES	**25,449**	**(77,240)**
	CHANGES IN CASH AND BANKS	**(175,946)**	**128,951**
14	Cash and banks beginning of the year	236,482	109,846
	Exchange rate difference on cash and banks	(400)	(2,315)
	Cash and banks end of the year	60,136	236,482
	CHANGES IN CASH AND BANKS	**(175,946)**	**128,951**

The accompanying notes are an integral part of these financial statements.
The cashflow statement of the year 2020 has been adjusted due to noted omissions compared to the Dutch GAAP rules.

Consolidated statement of **comprehensive income**

Notes	Consolidated statement of comprehensive income	2021	2020
		€ ,000	€ ,000
	INCOME FOR THE YEAR AFTER ADDITIONS TO AND RELEASES FROM FUNDS	**15,257**	**(22,182)**
16	Change in the restricted exchange fluctuation reserve	3	(4,458)
18	Change in funds for subsidised activities and model costs	(153)	(697)
	Total of direct movements in the group equity and funds	**(150)**	**(5,155)**
	COMPREHENSIVE INCOME	**15,107**	**(27,337)**

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

Notes to the **consolidated financial statements**

Year ended 31 December 2021

These financial statements are expressed in euro (€). As at 31 December 2021, US$ 1 equalled € 0.879507 (31 December 2020: US$ 1 equalled € 0.817996).

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 registered in Amersfoort, the Netherlands, and is registered under number 31020744. The legal address of its registered office is Berkenweg 7, 3818 LA Amersfoort. 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 the Society 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 are:
- Oikocredit International Support Foundation, Amersfoort, the Netherlands
- Maanaveeya Development & Finance Private Limited, Hyderabad, India
- Up until the year 2020 Finance Company Oikocredit Ukraine, Lviv, Ukraine (formally liquidated as per 4 February 2021)

The Society is at the head of the Oikocredit group.

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 that 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, 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.

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 promote and support the development of low-income people and communities' capacities on an individual and organisational basis and to enable them in gaining access to necessary resources to help them improve their quality of life. The Support Foundation does this, for example, by (i) receiving and providing donations and subsidies, (ii) promoting standards and best practices that are aimed at the protection and promotion of low-income people and their communities' well-being and (iii) providing resources for innovative solutions to the challenges/needs of low-income people and their communities, with the potential for scale-up and replication.

Due to the changes in the Articles of Association and the Master Service Agreement between the Society and the Support Foundation, the 'model costs' and the Category A and B costs that were in place were removed as of 2021.

Guarantee funds are included in the Support Foundation. The guarantee funds are available to cover the Society's partners deemed to carry higher risks than on average.

Basis of preparation

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 accounting policies applied for measurement of assets and liabilities and determination of results are based on the historical cost convention, unless otherwise stated in the accounting principles mentioned in chapter 2 below.

Basis of consolidation

The consolidated financial statements include the financial information of the Society, its group companies and other entities over which it exercises control or whose central management it conducts. Group companies are entities over which the Society 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 the Society exercises control or whose central management it conducts are consolidated in full. Minority interests in group equity and group net income are disclosed separately.

Application of Section 402, Book 2, of the Dutch Civil Code
As the income statement for 2021 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.

Going concern
These financial statements have been prepared under the going concern assumption. The Covid-19 crisis has affected our partners and therefore also the performance of Oikocredit in 2020, which resulted in a loss for that year.

In the year 2021 the Society was able to grow the development financing portfolio on the back of stable member capital, which resulted in a profit in the income statement. Although the Covid-19 crisis is still ongoing the expectation for 2022 performance is positive. Based on the composition of the balance sheet and more specifically the liquidity position, the Society will continue as a going concern for the foreseeable future and expects to realise its objectives in the normal course of business.

Related parties
All Oikocredit group companies mentioned above under *Description of the organisation* 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 the Society 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 of, extent of and other information about transactions are disclosed if this is required to provide a true and fair view.

2 Accounting policies for the balance sheet

General information
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.

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

Estimates and judgements
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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively, e.g. in the period in which the estimate is revised and in any future periods affected. The areas where estimates and judgments have the most significant impact are:
- Loan loss provision and impairments on equity investments
- Tax accrual
- Other provisions

Change in accounting estimate
For the calculation of the loan loss provisioning, the Society applies the incurred loss model that conforms with the Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP). This calculation comprises three layers. See paragraph Provision and impairments for possible losses on development financing below. One of the layers is the collective provision based on country ratings. From March 2021 on, a parameter in the calculation method of this country provision changed. The quantitative assessment is based on the implied expected loss, which derives by holding a pure sovereign exposure (i.e. government bonds). The country provision percentage is then calculated as a product of a one-year sovereign PD (Probability of Default, as assessed by Bloomberg per rating bucket) and an average LGD (Loss Given Default) number (based on Basel III). The average LGD applied by the Society was 80%, which was based on a conservative estimate. In March 2021 it had been agreed to apply a LGD that is commonly applied in the market coming from the Basel III regulatory framework of 45%. This change in LGD percentage resulted in a release of the country provision of € 9.5 million.

Foreign currencies
Transactions in 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.

Foreign operations

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 transaction date 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.

Hedging of the net investment in foreign operations

Currency translation differences arising from the translation of a financial liability considered as a hedge of the net investment in a foreign group company, are directly recognised in equity (in the restricted exchange fluctuation reserve) to the extent that the hedge is effective. The ineffective part is recognised as an expense in profit and loss.

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 and impairment. Expenditure for additions, renewals and improvements (only if it is adding value or if it is extending the lifetime of the asset) 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.

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: financial instruments held for trading (financial assets and liabilities), loans and receivables (both purchased and issued), equity instruments, other financial liabilities and derivatives.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate. Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

Financial and non-financial contracts may contain terms and conditions that meet the definition of derivative financial instruments. Such an agreement is separated from the host contract if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value with changes in fair value recognised in the profit and loss account.

Financial instruments embedded in contracts that are not separated from the host contract are recognised in accordance with the host contract. Derivatives separated from the host contract are, in accordance with the measurement policy for derivatives for which no cost price hedge accounting is applied, measured at cost or lower fair value.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition. After initial recognition, financial instruments are valued in the manner described below.

Development financing

Receivables disclosed under development financing are valued at amortised cost.

Associates

Equity investments in companies in which the Society has significant influence but does not control (associates) are accounted for under the equity accounting method. Significant influence is normally evidenced when the Society has from 20% to 50% of a company's voting rights.

In addition, the Society takes into consideration the factual circumstances, such as:

- the Society'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 the Society and the company; and
- the Society making essential technical assistance available.

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

The Society 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, the Society 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, the Society 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, discounted cash flows 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 measured 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 and impairments 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. A general provision was calculated by looking at the historical loss data of the Society. This general provision is calculated separately for partners in the financial services sector and other sectors. To calculate the percentage for the general provision an analysis is made that calculates what part of the portfolio with labels On-time (OT), Not Delayed (ND), PAR 30 and PAR 90 move into default (labels PAR 180, PAR 360 and PAR 360 days and more) within a year after the balance sheet date. The percentage we use to calculate this provision is based on the average of three years' experience with these projects (migrating to default within one year); the percentage is then corrected for the historical average recovery rate.
- 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. To calculate the country provision the IHS Market sovereign ratings are used. Based on the sovereign rating, the risk unit determines a country provision percentage. The country provision percentage is calculated as product of the one year sovereign ratings and the average Loss Given Default (LGD) percentage (based on Basel III). This percentage per country is applied over the entire development financing portfolio.
- If a partner is deemed 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 provisions 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.

Loans are generally written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety. This is generally the case when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Due to the nature of the Society's business, this assessment is carried out at homogeneous portfolio level and applied to the individual financial asset. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the income statement.

Loans that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

Non-performing partners are partners that are structurally in arrears, often with their loan 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. The Society operates in countries where there is in general 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 charged directly to the income statement.

Transaction costs related to financial assets carried at fair value are expensed through the income statement.

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 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 of the Dutch GAAP rules 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. The Articles of Association of the Society provide the same terms and conditions to the Society's holders and no preferential terms are provided, irrespective the currency denomination. This means that the Society shares are identical in subordination. The foregoing also applies 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.

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.

Non-current and current liabilities and other financial commitments
Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account. 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.

Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Derivative financial instruments
Derivatives are financial instruments embodied in contracts. The derivative's value depends on one or more underlying assets or indices.

Derivative financial instruments are stated at cost or lower market value, except for derivative contracts concluded to mitigate currency risks, where the Society has applied cost price hedge accounting. The Society has documented (generic) 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. For non-performing partners, the Society assesses on a case-by-case basis if interest should be accrued or invoiced.

Transactions between 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 and 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. For benefits with accumulating rights, sabbatical leave, the projected costs are taken into account during the employment.

Dutch pension plans

The Society has pension plans to which the conditions of the Dutch Pension Act are applicable. The pension plan is a defined contribution plan with a.s.r. (Amersfoortse and Stad Rotterdam). The Society pays premiums to a.s.r. on a monthly basis. Premiums are recognised as personnel costs when they are due. 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. Contributions that are due but have not yet been paid are presented as liabilities.

For its pension plan for employees in the Netherlands, in 2021 the Society paid contributions to the insurance company a.s.r. 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 for 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 of the Society. In recent years, the collective labour agreement salary index (CAO loonindex) supplied by Statistics Netherlands (CBS) has been used as a reference.

The main provisions of the agreement are:

- The Society pays a certain percentage over the pensionable salary. The percentage paid depends on the age of the employee.
- There are no specific agreements relating to reduction or refund of contributions.
- The pension contribution for the employee is voluntary. According to Dutch Law, the advised optimal pension is 75% of the sum of one's average annual salary on a year-by-year basis. In order to reach this optimal pension, an additional contribution of 3.35% is advised.

Foreign pension plans

For employees outside the Netherlands, contributions to pension schemes are paid as per local legal requirements. Employees outside the Netherlands receive a monthly payment for use towards their pensions.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of the employment. A termination benefit is recognised as a liability and an expense when the Society is demonstrably and unconditionally committed to make the payment of the benefit. If the termination is part of a restructuring, the costs of the termination benefits as part of the restructuring provision. See the policy under the heading 'Provisions'. Termination benefits are measured in accordance with their nature. When the termination benefit is an enhancement to post-employment benefits, measurement is done according to the same policies as applied to post-employment plans. Other termination benefits are measured at the best estimate of the expenditures required to settle the liability.

Leasing

The Society may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

Operating leases as a lessee

If the Society acts as lessee in an operating lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments and benefits regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits from the use of the leased asset.

Corporate income tax

The Society is liable to corporate income tax in the Netherlands at a rate of 25%, with an initial rate of 15% for the first € 245,000 of taxable income. No tax has to be withheld on dividends distributed by the Society to its members. The growth of the organisation in past years led the Society to thoroughly review its operational set-up in the countries where it has offices, to ensure that there is a structure in place to pay the Society's fair share of taxes. An amount has been included in the Society's liabilities (in the form of an accrual) for possible tax payments relating to previous years.

For taxable temporary differences, a provision for deferred tax liabilities is recognised. For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset in the balance sheet if the Society has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable entity.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Society expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

Discontinued operations

In order to recognise a business segment as a discontinued operation upon disposal of the segment in question, the Society defines a business segment as part of a unit in which the activities and cash flow are largely dependent on other activities. Gains or losses from the disposal of a business segment, with the results from these activities, are measured separately as result on terminated activities until the date of disposal.

Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

4 Accounting policies for the 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.

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. Interest paid and received, dividends received and income taxes are included in cash from operating activities.

Cash flow from investing activities

The net cash flow from investing activities includes the movements in the term investments 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. Dividends paid are recognised as cash used in financing activities.

5 Comprehensive income statement

The comprehensive income statement shows the direct movements in the group equity and funds.

6 Risk management

Organisation

Three lines of defense model

As an organisation, the Society applies a three lines of defense model in order to ensure that staff are aware of their role with respect to the management of risks. In this model, the business departments and offices act as the first line and are responsible for adhering to processes and internal controls suitable for managing the risks inherent to their activities and operations.

The Society assigns the responsibility of ensuring that relevant risks are properly identified and monitored to the Portfolio & Business Control unit; part of the Integrated Reporting & Control department, reporting to the Director of Finance & Risk. Acting in coordination with the other units bearing second line responsibilities, such as Compliance, the Portfolio & Business Control unit assesses the adequacy of the internal control environment and whether sufficient risk-mitigation procedures are in place within the first line of defense to manage the relevant risks.

Internal Audit, as the third line, provides independent and objective assurance on the governance processes, internal controls and risk management systems, including the effectiveness of the internal controls within the first and second lines. Financial assurance is out of scope as for this the Society relies on an external 'Big Four' audit firm.

Risk governance
The Society maintains a formalised Risk Management & Governance Framework for the risk management activities and responsibilities within the organisation.
The 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

The framework also comprises the structure and functioning of the Society's risk committees, upon which the organisation relies for testing and assessing its internal control environment and monitoring relevant risks. The Society has the following risk committees in place for overseeing the financial and non-financial risk categories outlined in the table above:

- 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 the Society, and in particular the FX, interest rate, counterparty 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 Equity Portfolio Specialist, the Global Social Performance Specialist, the HR Manager, the General Counsel, the Compliance Officer, 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 the Society, 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 Director of Social Performance Innovation, the Investments Operations Officer, the Equity Portfolio Specialist, the Portfolio & Business Control Manager, the Integrated Investments Analysis Manager and the Senior Integrated Investments Analyst. The purpose of this committee is to ensure the efficient and effective management of the consolidated sector, product and country related risks in the development financing portfolio (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 (Outflow Product & Process Committee – OPPC) and one for inflow products (Inflow Product & Process Committee – IPPC). In these committees, first and second line functions review product and process changes and make recommendations for decisions to change existing products or processes, or to create new ones.

Financial risk
Credit risk
Credit risk is defined as the risk that a partner does not pay their outstanding amounts and other obligations (e.g. interest payments and fees) on the agreed due dates. Credit risk includes all the potential reasons why a partner cannot or will not 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; and 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 Society 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 the Society, the risk of non-repayment is described as counterparty risk.

Assessing credit risk can be considered at the core of the Society's activities. A solid risk assessment of a partner's business activities is of mutual interest, as it helps both the Society 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, the Society 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)
The Society 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 several aspects of business soundness and financial stability.

Loss given default (LGD)
The Society estimates LGD by taking the historical average recovered amounts (the amounts collected on defaulted loans either because of the migration of the partner back to performing or after debt collection activities have been carried out) that have been achieved on the total overall portfolio over the last five years. Risk mitigants like collateral, parent guarantees and external guarantees are also considered.

Exposure at default (EaD)
The EaD is the most recent amount outstanding of the same instrument, without adjustments.

The Society's Managing Board Credit Committee, consisting of the Managing Director, Director of Investments, Director of Finance & Risk, and Director of Social Performance Innovation, approves loan proposals. At least three members of this committee, representing the three core lines of expertise (Investments, Risk and Social Performance) must be present at the meeting to constitute a valid quorum. For specific discussion on engagements and other proposals, the following attendees also participate in the committee on a case by case basis: Regional Director, Senior Investment Officer or Investment Officer, Global Social Performance Specialist, Special Collections Manager, Integrated Investments Analysis Manager, and Integrated Investments Analyst (who acts as secretary of the committee).

The Managing Board Credit Committee works alongside the Integrated Investments Analysis Credit Committee (IIA Credit Committee), to which the decision of low risk and low exposure proposals is delegated (for example, repeated and new financial inclusion partner proposals with project viability risk (PVR) of less than or equal to 25% and exposure of less than or equal to € 3 million; or repeated agriculture partner proposals with PVR of less than or equal to 30% and exposure of less than or equal to € 2 million).

To ensure a diversification of the investment portfolio and reduce concentration risk and 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.

2021 gross credit exposure

As at 31 December 2021	**Financial inclusion**	**Agriculture**	**Renewable energy**	**Other**	**Total**	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	109,768	53,910	7,290	2,602	173,570	20.4%
Asia	226,311	4,560	19,287	606	250,763	29.5%
South America	180,846	44,451	-	2,460	227,757	26.8%
Central America	134,585	34,893	5,948	12	175,439	20.6%
Other	20,119	841	2,100	550	23,610	2.8%
Total	**671,629**	**138,656**	**34,625**	**6,230**	**851,139**	**100%**
%	**78.9%**	**16.3%**	**4.1%**	**0.7%**	**100%**	

2020 gross credit exposure

As at 31 December 2020	**Financial inclusion**	**Agriculture**	**Renewable energy**	**Other**	**Total**	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	84,304	29,144	6,816	3,185	123,449	17.6%
Asia	164,512	3,970	15,974	303	184,758	26.4%
South America	162,747	43,524	-	2,552	208,822	29.8%
Central America	118,898	26,320	9,452	241	154,911	22.1%
Other	24,773	1,750	1,000	593	28,118	4.0%
Total	**555,234**	**104,708**	**33,242**	**6,874**	**700,058**	**100%**
%	**79.3%**	**15.0%**	**4.7%**	**1.0%**	**100%**	

There is a difference between the numbers in the tables above and the regional and sector numbers in the Managing Board report. This is due to a difference between the methods used to calculate the numbers from a risk perspective and from a reporting perspective. These different methods do not affect the total numbers.

The total development financing credit portfolio in the table above does not reconcile with the loan portfolio as disclosed in Note 9. The difference is caused by a financial lease construction regarding solar panels, which are classified as fixed assets in the balance sheet. It is 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 2021 amounted to € 167.7 million (2020: € 147.1 million).

Non-performing loans – portfolio at risk overdue by more than 90 days (PAR 90)
As part of managing credit risk, the Society 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 (excluding payment holidays provided to partners) was 5.5% as at 31 December 2021 (2020: 5.8%).

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 (financial inclusion partners larger than € 1 million and partners larger than € 500,000 from other sectors) 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. These specific provisions are reviewed each quarter.

During 2020 the Society found itself facing the side effects of the Covid-19 pandemic on the repayment behaviour of some of its partners. As a consequence, the Society in order to bolster these partners' business continuity and in line with the actions undertaken by several governments on a regulatory perspective has granted them the possibility to request a payment moratorium below referred as 'payment holiday'. The standard provisioning procedures were not suited for this particular payment status category hence potentially leading to an underestimation of the expected losses arising from credit risk. For this reason, an ad-hoc procedure for assessing the provisioning levels was developed in 2020 and applied to all the instruments that are comprised in the payment holiday category. This procedure continued throughout 2021. However, during 2021 there were only two new payment holidays granted to partners. Management's focus and efforts were directed to improve the remaining portfolio. At year-end, five payment holiday partners remained. Four of these partners fall in the payment holiday category due to covenant breaches and only one partner is making use of a revised repayment schedule. Overall, loan loss provisioning returned to pre-Covid-19 levels.

Overview of credit portfolio at risk (PAR) split and overdue receivables

As at 31 December	2021		2020	
	€ ,000	%	€ ,000	%
On time	757,002	88.9%	503,571	71.93%
Payment holiday	9,757	1.1%	136,443	19.49%
PAR 1-30	22,498	2.6%	17,777	2.54%
PAR 31-90	15,392	1.8%	1,947	0.28%
PAR 91-180	12,372	1.5%	4,291	0.61%
PAR 181-360	5,629	0.7%	8,366	1.20%
PAR > 360	28,490	3.3%	27,663	3.95%
Total	**851,139**	**100.0%**	**700,058**	**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, the Society 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. The forward-looking component is made up of the average expected loss that would be charged to the sovereign for each rating grade.

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. For country risk, the Society uses sovereign ratings as assessed by IHS Markit.

Gross development financing portfolio exposure grouped by sovereign rating						
As at 31 December			2021		2020	
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	338,524	33.8%	280,805	33.1%
BB	Speculative grade	Speculative grade	279,548	27.9%	243,233	28.6%
B	Speculative grade	Highly speculative	209,355	20.9%	167,508	19.7%
CCC	Speculative grade	Extremely speculative	173,990	17.4%	157,728	18.6%
CC	Speculative grade	Imminent default	-	0.0%	-	0.0%
D	Speculative grade	In default	-	0.0%	-	0.0%
Total [1]			**1,001,418**	**100.0%**	**849,274**	**100.0%**

[1] The totals include the financial lease construction regarding solar panels and guarantees that are treated differently from an accounting perspective. These totals are therefore different from the total development financing portfolio presented in the consolidated balance sheet and notes.

Due to the Society'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, and the fact that our financial inclusion partners have a diversified portfolio, helps mitigate exposure to individual 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 around 62.9% 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		2021				2020	
	Sovereign rating	**€ ,000**	**%**		**Sovereign rating**	**€ ,000**	**%**
India	BBB	199,812	20.0%	India	BBB	147,068	17.3%
Cambodia	BB-	62,968	6.3%	Mexico	BBB+	55,685	6.6%
Bolivia	CCC+	59,582	5.9%	Bolivia	CCC+	54,898	6.5%
Ecuador	CCC+	59,275	5.9%	Multinational	BB	51,912	6.1%
Mexico	BBB+	51,620	5.2%	Ecuador	CCC+	51,578	6.1%
Kenya	B-	51,266	5.1%	Cambodia	BB-	40,869	4.8%
Multinational	BB	43,571	4.4%	Paraguay	BB+	37,952	4.5%
Paraguay	BB+	36,086	3.6%	Kenya	B+	33,626	4.0%
Côte d'Ivoire	B+	33,812	3.4%	Honduras	BB-	31,009	3.7%
Indonesia	BBB-	32,345	3.2%	Indonesia	BBB-	25,175	3.0%
Total		**630,335**	**62.94%**	**Total**		**529,772**	**62.68%**
Total portfolio [2]		**1,001,418**	**100.0%**			**849,274**	**100.0%**

[2] The totals include the financial lease construction regarding solar panels and guarantees that are treated differently from an accounting perspective. These totals are therefore different from the total development financing portfolio presented in the consolidated balance sheet and notes.

Credit risk in term investments
In order to enhance the return from the liquidity that is required by the type of business, the Society currently has an open investment mandate with AXA Investment Managers based in 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

The measures that the Society takes to ensure that asset managers show high ESG standards in their own operations include selection criteria such as:

- The Society will employ an ESG rating system from a reputable ESG rating company to rank asset managers.
- The Society gives preference to asset manager(s) ranking in the top 50% of ESG practices in their sector.
- The Society gives preference to managers providing transparency in their active engagement and voting activities.
- The Society will engage with an asset manager that is flexible, in the sense that the asset manager must implement our demands regarding the ESG criteria and not only apply its own discretionary framework for negative screening.

An Investment Advisory Committee is in place with the purpose of overseeing and advising the ALCO on the Bond Portfolio Policy. The Bond Portfolio is part of the liquidity buffer of Oikocredit and the external asset manager (AXA Investment Managers) is responsible for adhering to the policy.

Risk management periodically monitors the compliance of the asset manager to the limits set in the IMA which was fully compliant throughout the year. Presented below is an overview of the portfolio according to the credit quality of the instruments. The ‘not rated’ category contains cash and derivatives (market value).

Credit quality of term investments						
As at 31 December			**2021**		**2020**	
			€ ,000	**%**	**€ ,000**	**%**
AAA	Investment grade	Prime	-	0.00%	-	0.00%
AA	Investment grade	High grade	8,783	4.07%	14,701	8.42%
A	Investment grade	Upper medium grade	83,788	38.85%	63,532	36.39%
BBB	Investment grade	Lower medium grade	118,469	54.93%	90,213	51.67%
NR - not rated			4,645	2.15%	6,137	3.52%
Total			**215,685**	**100.00%**	**174,583**	**100.00%**

Counterparty risk
Counterparty risk constitutes the risks run by the Society 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 the Society’s bank counterparties.

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

As this is a minor risk exposure for the Society and related to the development of its local business activity, the exposure to this risk is mitigated as much as possible by the establishment of solid contracts with the bank counterparties (i.e. contracts that include an International Swaps and Derivative Association (ISDA) Master Agreement and credit annexes (CSA)), and by diversifying the cash and deposit exposures 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. A financial counterparties policy is in place to manage the Society's exposure with financial counterparties on the basis of their creditworthiness, ESG and service level criteria for contracting counterparties. The credit rating of any of the Society'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 as published by 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 meets all the criteria mentioned above. The amounts kept in these bank accounts must be minimal and shall not exceed the equivalent of € 1 million.

The rules and limits for the management of counterparty risk are comprised in an internal, counterparty risk management policy, which is endorsed by the ALCO and approved by the Managing Board. It is a responsibility of the ALCO to approve new financial counterparties, 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 related to holding a particular equity investment. This includes the risk that the investment fails to generate an appropriate, financial risk-adjusted return, especially taking into account the implicit illiquidity of the equity investment that can arise if no buyer can be found to finance the exit from the investment. An equity participation can 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 participations do not generate steady cash flows (i.e. dividends).

In order to mitigate equity risk in the first line of defense, all individual investment proposals (equity and equity-related products) are assessed by specialist Equity team members in the countries in which the Society works, as well as by the Equity team members in the central office in Amersfoort. This 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 consists of the Managing Director, the Director of Finance & Risk and the Director of Investments as voting members, plus an external independent equity advisor as a non-voting member. (In the absence of the Director of Finance & Risk, a representative of the Risk function attends as a substitute. If any the other voting members cannot attend, they are replaced by the Director of Social Performance Innovation.) The quorum for the Investment Committee is three voting members.

The Investment Committee works in tandem with the Equity Investment Committee, which consists of the Equity Director and another representative from the Investments Department. The Equity Investment Committee has the authority to reject a new proposal from the Equity unit or put it forward for independent analysis by the Integrated Investments Analysis unit prior to review by the Investment Committee. The Equity Investment Committee also has delegated authority to decide on matters such as the decrease or cancellation of investment amounts for existing investments. Such decisions by the Equity Investment Committee are documented by an independent back-office function and shared with the Investment Committee once a quarter. The Investment Committee retains authority over decisions related to existing investments which fall out of the scope of the Equity Investment Committee's delegated authority, as well as over any new investments (with the exception of large exposure investments, which are escalated to the Supervisory Board).

The equity risk mitigation entails an asset class exposure limit on the overall portfolio. This is currently set at around 15% of the total investable capital.[15] 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.

[15] The Society's total investable capital is equal to total assets minus the target liquidity ratio.

2021 equity exposure						
As at 31 December 2021	**Financial inclusion**	**Agriculture**	**Renewable energy**	**Other**	**Total**	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	3,964	14,872	1,216	1,870	21,921	14.7%
Asia	35,470	17,541	-	-	53,011	35.6%
South America	29,735	175	1,157	-	31,067	20.9%
Central America	11,020	5,366	-	-	16,386	11.0%
Other	9,542	6,002	10,806	4	26,355	17.7%
Total	**89,731**	**43,956**	**13,180**	**1,874**	**148,740**	**100.0%**
%	**60.3%**	**29.6%**	**8.9%**	**1.3%**	**100.0%**	

2020 equity exposure						
As at 31 December 2020	**Financial inclusion**	**Agriculture**	**Renewable energy**	**Other**	**Total**	
Region	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**%**
Africa	6,282	14,889	-	2,281	23,451	15.7%
Asia	25,036	17,541	7,061	-	49,638	33.3%
South America	29,597	175	5,393	-	35,166	23.6%
Central America	15,584	5,366	-	-	20,950	14.0%
Other	9,965	6,001	3,877	167	20,010	13.4%
Total	**86,464**	**43,972**	**16,331**	**2,448**	**149,215**	**100.0%**
%	**57.9%**	**29.5%**	**10.9%**	**1.6%**	**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 2021 was € 12.9 million (2020: € 11.2 million). The tables also do not include impairments. Impairments amounted in a release of € 0.4 million in 2021 (2020: addition of € 1.1 million). The dividend received in 2021 amounted to € 1.5 million (2020: € 2.2 million). The results from the sale of equity stakes amounted to a € 3.5 million loss (2020: € 2.9 million loss).

Foreign currency (FX) risk

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

Although the functional currency of the Society is the euro, a significant part of the Society'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 krona, 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 2021, 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. The United States dollar is not included in the table below because it is fully hedged.

Foreign currency exposure - net foreign currency asset positions							
As at 31 December 2021		**FX gross credit assets**	**FX cash**	**FX LLP**	**FX member capital + FX liabilities**	**FX hedging**	**Net foreign currency asset exposure**
		€ ,000	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**
XOF	West African CFA franc	30,593	27,676	2,060	-	21,113	35,096
GTQ	Guatemalan quetzal	15,227	1	257	-	10,698	4,273
PHP	Philippine peso	129	2,686	81	-	-	2,734
ZMW	Zambian kwacha	5,881	-	347	-	2,813	2,721
PEN	Peruvian sol	7,069	-	2,068	-	2,730	2,270
PYG	Paraguayan guaraní	4,791	-	358	-	2,301	2,132
UGX	Ugandan shilling	4,781	1,051	962	-	2,803	2,067
KES	Kenyan shilling	7,192	2	620	-	4,903	1,671
CRC	Costa Rican colón	1,578	-	20	-	-	1,557
IDR	Indonesian rupiah	28,771	2,356	182	-	29,717	1,228
Other		709,448	14,660	58,801	36,267	628,755	-286
Total		**815,459**	**48,432**	**65,756**	**36,267**	**705,833**	**55,464**

Foreign currency exposure - net foreign currency liability positions							
As at 31 December 2021		**FX gross credit assets**	**FX cash**	**FX LLP**	**FX member capital + FX liabilities**	**FX hedging**	**Net foreign currency liability exposure**
		€ ,000	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**
CHF	Swiss franc	550	264	331	10,223	-10,697	957
CAD	Canadian dollar	-	159	-	2,265	-	-2,106
GBP	British pound	-	113	-	10,335	-	-10,222
SEK	Swedish krona	-	30	-	66,530	-	-66,500
Total		**550**	**566**	**331**	**89,353**	**-10,697**	**-77,871**

Foreign currency exposure - net foreign currency asset positions							
As at 31 December 2020		**FX gross credit assets**	**FX cash**	**FX LLP**	**FX member capital + FX liabilities**	**FX hedging**	**Net foreign currency asset exposure**
		€ ,000	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**	**€ ,000**
XOF	West African CFA franc	27,284	22,438	2,226	-	29,106	18,389
PHP	Philippine peso	1,123	3,897	617	-	-	4,402
BRL	Brazilian real	15,678	-	1,696	-	9,714	4,267
IDR	Indonesian rupiah	20,474	4,494	3,071	-	18,751	3,146
NGN	Nigerian naira	5,650	279	764	-	2,027	3,137
ZAR	South African rand	2,492	1,330	209	-	1,004	2,609
ZMW	Zambian kwacha	2,899	-	512	-	-	2,386
KES	Kenyan shilling	8,537	3,162	731	-	8,956	2,013
KHR	Cambodian riel	970	973	21	-	-	1,922
UGX	Ugandan shilling	6,671	1,184	926	-	5,043	1,886
Other		578,593	24,777	60,576	26,456	524,543	(8,205)
Total		**670,370**	**62,534**	**71,349**	**26,456**	**599,145**	**35,954**

Foreign currency exposure - net foreign currency liability positions							
As at 31 December 2020		FX gross credit assets	FX cash	FX LLP	FX member capital + FX liabilities	FX hedging	Net foreign currency liability exposure
		€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
CHF	Swiss franc	-	694	-	67,773	(68,816)	1,737
CAD	Canadian dollar	-	186	-	5,914	(6,445)	717
GBP	British pound	592	142	357	11,549	(10,560)	(612)
SEK	Swedish krona	-	449	-	10,887	(8,684)	(1,754)
Total		**592**	**1,470**	**357**	**96,122**	**(94,505)**	**88**

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 Society's exposure to foreign currency risk is assessed through a value at risk (VaR) estimation model. The VaR figure obtained is then compared with the value of 1% of the Society's totals assets, which represents the Society's FX risk appetite. The excess exposure that could generate an unacceptable result compared to the level of reserves held to cover FX results, is hedged externally with FX derivatives through selected counterparties.

At reporting date, the Society is discussing with the Central Bank of West African States (BCEAO) and the Ministry of Finance in Côte d'Ivoire how cash can be converted and repatriated from West Africa. This is visible in the level of XOF reported in the table above. As the XOF is subject to a currency peg with the Euro, the exchange rate risk is within our risk tolerance. A currency peg is a policy in which a national government sets a specific fixed exchange rate for its currency with foreign currency.

Sensitivity of member capital to main foreign currency		
Change of value to the euro	2021	2020
	Sensitivity of member capital	Sensitivity of member capital
	€ ,000	€ ,000
USD value increase of 1.0%	64	(220)
USD value decrease of 1.0%	(64)	220

Due to our increased hedging position, net income is less volatile and the sensitivity of the nominal value of the shares has been reduced to changes in the Euro-United States dollar rate.

Transfer and conversion risk

There are two subtypes of FX risk to which the Society is inevitably exposed in its investment activity: transfer risk and conversion risk. 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 by-product of the capital controls, which many emerging and frontier countries adhere to. 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 the Society in limiting the potential losses 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 the Society arises from exposure to the Euro, resulting in 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 the Society 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 approximately one year, hence synthetically exposing the company to the fluctuations of the short-term European money market benchmark, the Euro Interbank Offered Rate (Euribor). In 2021 the six-month Euribor averaged -0.55%. The Society 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 the Society. 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 unavoidably affect 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 United States dollar 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 wide in a way that could significantly 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 the Society 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, the rates used 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, 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 the Society encounters in the local currency hedging market in terms of derivatives product availability. This could potentially lead to a reduction of the contractual net interest income. However, the variety of currencies in the local currency portfolio limits the exposure to the risk of individual losses that can result from local currency interest rate risk.

Duration of interest rate sensitive assets

As at 31 December 2021	**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	358,904	32%	0.80	0.96	0.22
USD credit products	453,134	40%	1.50	0.31	0.32
EUR credit products	36,670	3%	0.89	None	0.89
EUR term investments	214,352	19%	4.00	None	4.00
EUR cash and liquidity	55,853	5%	0.20	None	0.20
Totals (weighted average)	**1,118,912**	**100%**			**1.00**

Duration of interest rate sensitive assets					
As at 31 December 2020	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	320,468	29%	0.58	0.83	0.23
USD credit products	350,493	32%	1.46	0.17	0.17
EUR credit products	29,096	3%	0.62	None	0.62
EUR term investments	182,811	17%	4.00	None	4.00
EUR cash and liquidity	207,651	19%	0.20	None	0.20
Totals (weighted average)	**1,090,519**	**100%**			**0.85**

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 ratio above 12.5% of total assets. The main source of liquidity is new member capital shares that can be issued by the Society. On the reporting date and during the year 2021, the Society holds a sufficient liquidity buffer, including a term investment portfolio.

The largest part of the term investment portfolio is liquid and not subject to legal or contractual restrictions on trading. 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 raise liquidity on a contingency basis. Most of the term investments can be easily acquired or disposed of at market value.

Some of the volatility on the liquidity available arises from the margin calls that could derive from the FX and interest rate hedging portfolio held by the Society. 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 hedge providers 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 could be significant, especially for the hedges on the United States dollar investment portfolio, where a sharp appreciation of the United States dollar to the Euro could trigger a margin call.

This liquidity buffer enables the Society to meet its commitments to contracts it has already entered into and to 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	2021		2020	
	€ ,000	%	€ ,000	%
Cash and banks	60,136	21.5%	236,482	55.2%
Term investments	214,352	76.7%	182,811	42.6%
Other securities	0	0%	0	0%
Unused credit lines	4,926	1.8%	9,457	2.2%
Gross liquidity	**279,414**	**22.2%**	**428,749**	**34.5%**
Pledged term investments	**8,558**		**17,964**	
Net liquidity	**270,856**	**21.5%**	**410,785**	**33.1%**
Total assets	**1,258,134**		**1,241,713**	

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 (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 is following the share issuance and redemption policy adopted by the Managing Board and approved by the Supervisory Board in 2019. The policy sets out a standardised and transparent process for the issuance and redemption of shares across the Society's members and investors. This policy was implemented in 2020.

Non-financial risk

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, actions by people (e.g. human error) and systems, or from external events. The Society'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, the Society 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 within processes, the Society is paving the way towards a more rational and effective approach to operational risk management. The Society relies on an internal process for incident reporting, which enables the timely reporting of potential losses and near misses occurring in the course of day-to-day operations, and also enhances consistency and timeliness in responding to incidents. The purpose of this process is to derive lessons learned for avoiding future incidents while enabling the absorption of potential losses through appropriate capital planning. No incidents with a material impact on the Society's financial condition took place in 2021.

Compliance risk

Compliance risk encompasses both the risk of losses as a result of the Society's failure to comply with relevant laws, regulations, rules, internal policies, standards and code of conduct applicable to its business activities, and the risk of losses due to integrity-related events.

The Society makes it its explicit target to be a compliant organisation: all of the Society's commercial actions are tailored and it is continuously further enhancing its policies and procedures in order to meet statutory obligations and act in accordance with market practices. An example is the Society's 'know your customer' (KYC) practices (KYC screening and scoring of 'customers' and documentation checks) to verify the suitability and risks involved with entering and maintaining a business relationship, including but not limited to anti-money laundering (AML) and combating the financing of terrorism (CFT) risks.

The Society has a very low appetite for incidental breaches of laws and regulations, internal rules and policies governing its operations, and good business practices. The Society has zero tolerance when a legal or ethical red line has been crossed.

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

Compliance risks (such as fraud risk, money laundering risk, financing terrorism risk, corruption or bribery risk, business practices risk and circumvention of sanctions risk) are governed by a set of policies and associated control activities, including but not limited to KYC policies, a conflict of interest policy, a personal trading policy, a whistle-blower policy, an anti-bribery and anti-corruption policy, a personal data protection policy, a transfer pricing policy and the code of conduct.

Reputational risk
Reputational risk is the risk of losses due to negative perception of the Society's commercial practices and financing activities by its direct stakeholders (e.g. partners, members and investors) or by the general public and other business counterparties.

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 the Society 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 was to be scrutinised and exposed to negative media coverage, as this may negatively reflect on the Society's reputation as well.

The Society consistently updates its standards for ESG scoring and new sectors, to ensure that only the partners that meet the Society's very high standards are selected. Once a partner is financed, the Society monitors the developments of the partner's activity and ESG scores, as well as its adherence to social covenants (in case of credit deals, namely requirements in the loan agreement with respect to improvements or minimum criteria for impact and social conduct) or to social performance indicators (in the case of equity deals).

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 the Society's financial situation and ability to meet its strategic objectives. The Society distinguishes three types of strategic risks: business model, operating model and regulatory.

Business model risk
Business model risk is the risk of losses, declined market share, worsened competitive position or reduced financial sustainability due to proposing mispriced or unsuitable financial solutions to potential clients or an undesirable product to prospective members or investors.

As part of its 2018-2022 strategy, the Society identified two distinct sets of products and markets, namely:
- Products and markets relating to the development financing portfolio ('outflow') in which the Society shifted from 70+ to 33 outflow focus countries that were selected based on our past performance, the need for social investing and the Society's ability to be successful.
- Products and markets relating to the funding of these activities ('inflow') which currently comprise 9 countries in which the Society actively attracts investments from non-members. To ensure that the Society raises capital in the most effective and efficient way, the two national support offices covering Canada, Ireland and the United Kingdom were closed in 2018 as a result of the 2018-2022 strategy. Members and investors in these countries continue to be served from the Society's central office.

In 2021, the Society continued to monitor the gradual withdrawal of product and markets aligned to the implemented business model (e.g. refocus of geographical scope and emphasis on three sectors). The society will review the business model as part of the future strategy for 2022-2026.

Operating model risk
Operating model risk is the risk of losses, declined market share or worsened competitive position or reduced financial sustainability due to suboptimal efficiency and scalability of the Society's operating model, or because of excessive complexity in the execution of its strategy.

By the end of 2020, the Society had implemented most of the intended changes to the operating model. As part of the 2018-2022 strategy, the Society introduced the balanced scorecard which closely tracks the implementation of the strategy based on a selection of key performance indicators (KPIs). 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% which was again accomplished this year (2021: 2.3%).

Regulatory risk
Regulatory risk is the risk of losses; declined market share or reputation amongst stakeholders; worsened competitive position or reduced financial sustainability due to changes in law; and regulations affecting the Society's ability to execute its strategy.

In late 2020, the Society initiated a process to review our capital-raising model and look for possibilities to make it more resilient in the face of evolving financial markets regulation, especially in the European Union. This process continued throughout 2021 and an Extraordinary General Meeting (EGM) was held in December 2021 to seek a mandate for next steps, which will be carried out in 2022. The Society relies on funding from its members globally, as well as from investors via support associations and the Share Foundation, in the European Union and other European countries. We have built our model organically over the past 45 years, and it has proven to work successfully to date.

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

The Corporate Sustainability Reporting Directive (CSRD) is expected to come into effect on early 2023. Oikocredit meets two out of three criteria for applicability of the CSRD and therefore the reporting requirements of the CSRD will also apply to Oikocredit as of early 2023. The CSRD will require Oikocredit to provide more detailed reporting to its stakeholders on sustainability factors and its impact on the environment. Oikocredit considers this regulation an opportunity to continue to report to its stakeholders on Oikocredit's ESG standards and the impact it has on partners, and to be transparent on the related sustainability risks.

7 Intangible fixed assets

Changes in intangible fixed assets in 2021 and in the costs of acquisition and accumulated depreciation as at 31 December 2021 can be specified as follows:

	31/12/2021	31/12/2020
	€ ,000	€ ,000
Historical cost price as at 1 January	2,843	2,303
Accumulated depreciation as at 1 January	(2,060)	(1,987)
Balance as at 1 January	**783**	**316**
Investments	544	540
Disposals	-	-
Depreciation	(339)	(73)
Movements in the year	**205**	**467**
Historical cost price as at 31 December	3,387	2,843
Accumulated depreciation as at 31 December	(2,399)	(2,060)
Balance as at 31 December	**988**	**783**

The intangible assets consist of acquired software. The software relates to an online portal for investors, a data warehouse and software to develop an online partner portal to enhance our cooperation with and monitoring of partners. Software is depreciated in three years. The investment relates to the monitoring software and the data warehouse.

8 Tangible fixed assets

Changes in tangible fixed assets in 2021 and in the costs of acquisition and accumulated depreciation as at 31 December 2021 can be specified as follows:	IT equipment	Furniture	Installation solar assets	Total 2021	Total 2020
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Historical cost price as at 1 January	2,208	2,091	3,813	8,112	8,582
Accumulated depreciation as at 1 January	(2,077)	(1,474)	(1,164)	(4,715)	(4,373)
Balance as at 1 January	**131**	**617**	**2,649**	**3,397**	**4,209**
Investments	458	598	1	1,057	94
Disposals	(35)	(39)	-	(74)	-
Depreciation	(402)	(497)	(149)	(1,051)	(906)
Depreciation disposals	(2)	-	-	-	-
Prior year adjustment depreciation	-	3	728	731	-
Exchange rate adjustment historical cost	2	2	248	251	-
Exchange rate adjustment accumulated	(1)	(1)	(28)	(30)	-
Movements in the year	**20**	**66**	**799**	**884**	**(812)**
Historical cost price as at 31 December	2,631	2,650	4,062	9,659	8,676
Accumulated depreciation as at 31 December	(2,481)	(1,968)	(614)	(5,378)	(5,279)
Balance as at 31 December	**150**	**683**	**3,488**	**4,281**	**3,397**

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.

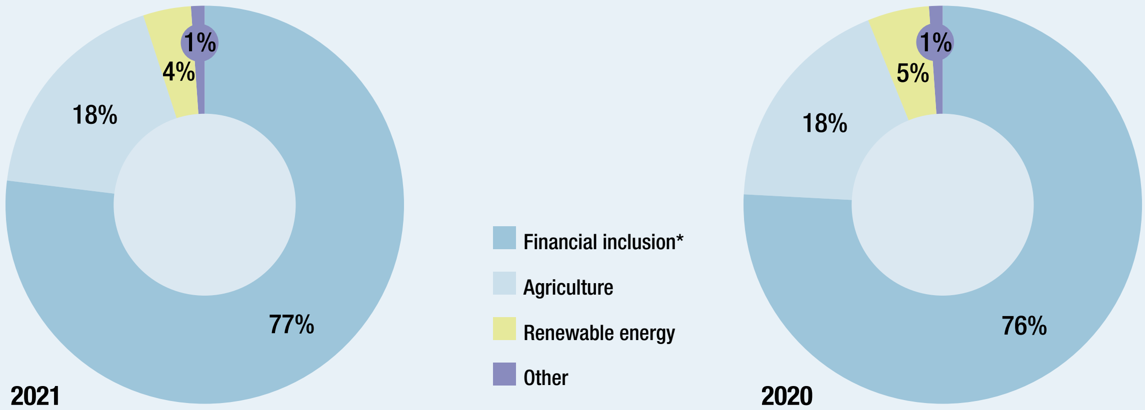
In previous years the installation of solar assets was depreciated using a written down value (WDV) method, but this is not in line with the Dutch GAAP rules. We now use the straight line method and created a prior year adjustment of € 0.7 million.

9 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Outstanding as at 1 January	845,063	1,064,591
Disbursements	474,120	243,478
Capitalised interest and dividends	(1)	148
Less: - repayments	(341,171)	(364,792)
- write-offs	(12,800)	(12,900)
Equity divestments	(9,106)	(7,539)
Exchange rate adjustments	39,785	(77,923)
Outstanding as at 31 December	**995,890**	**845,063**

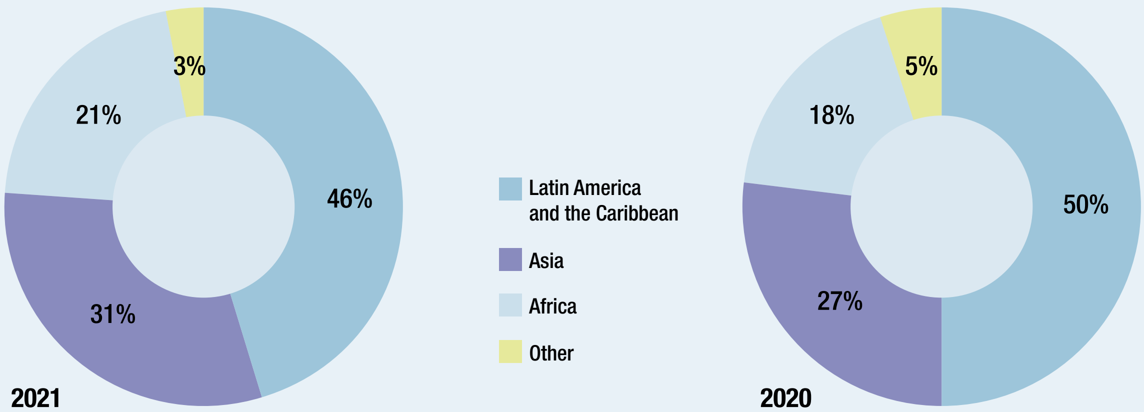
Breakdown of development financing outstanding

Development financing outstanding by sector as at 31 December

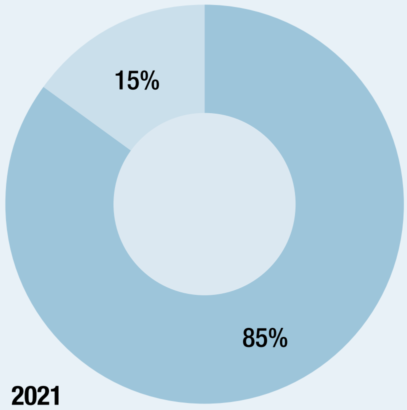


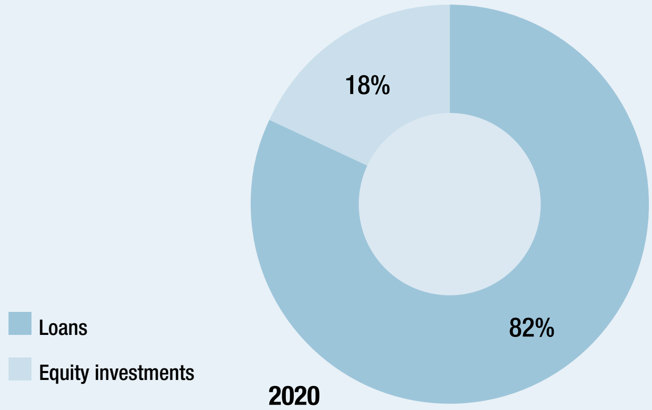
* including microfinance and SME finance

Development financing outstanding by region as at 31 December

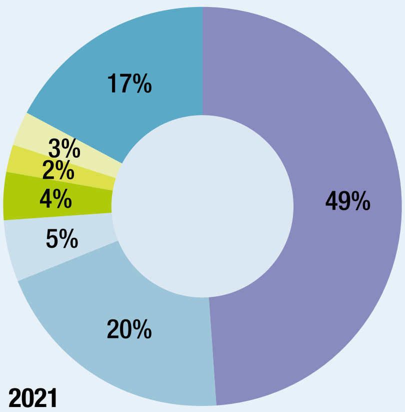


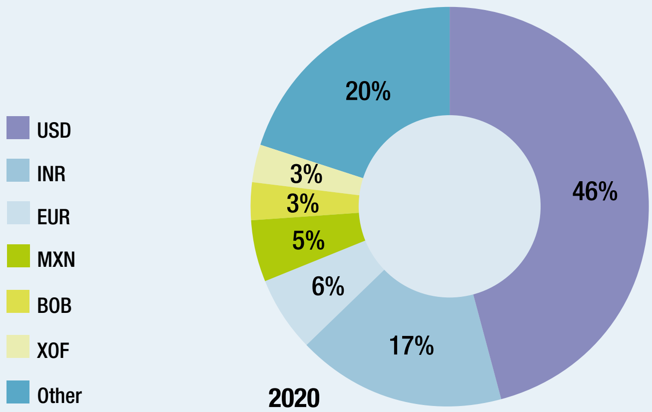
Development financing outstanding by type of financing as at 31 December





Development financing outstanding by type of currency as at 31 December





Maturity of development financing outstanding		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Instalments maturing < 1 year	334,971	306,667
Instalments maturing > 1 < 5 years	497,275	370,561
Instalments maturing > 5 years	14,904	18,620
Equity investments	148,740	149,215
Balance as at 31 December	**995,890**	**845,063**

Movement schedule loans		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	695,848	915,928
Disbursements	461,252	235,387
Repayments	(341,171)	(364,792)
Capitalised interest and dividends	(1)	148
Write-offs	(8,563)	(12,900)
Exchange rate adjustments	39,785	(77,923)
Balance as at 31 December	**847,150**	**695,848**

Movement schedule equity investments		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	149,215	148,663
Additions	12,868	8,091
Write-offs	(4,237)	-
Disposals	(9,106)	(7,539)
Balance as at 31 December	**148,740**	**149,215**

Schedule equity investments < 20% and > 20%				
Can be specified as follows:	**< 20%**	**> 20%**	**Total 2021**	**Total 2020**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost value	115,873	32,867	148,740	149,215
Impairments	(18,267)	(9,128)	(27,395)	(32,042)
Net value as at 31 December	**97,606**	**23,739**	**121,345**	**117,173**

In the table above the equity investments are split into equity investments where the Society holds less than 20% of the shares and equity investments where the Society holds more than 20% of the shares. In the table below the equity investments where the Society has significant influence are disclosed.

Associate equity				
The Society had significant influence in the following equity investments as at 31 December 2021:	**Participation**	**Participation**	**Net equity [1] (latest available)**	**Result [1] (latest available)**
	2021	**2020**	**€ ,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%		
Cafedirect Plc, United Kingdom	27.8%	27.8%	4,307	223
Sempli S.A.S. Columbia	23.3%	23.3%		
Inclusive Guarantee, France	33.4%	33.4%		

[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 the Society.
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 (European and International Financial Reporting Standards (IFRS) reporting requirements are comparable for the Society), of the Netherlands Civil Code and may not be available in a timely manner (reporting should take no longer than one year). As such all the equity investments in which the Society has significant influence are valued at cost less impairment as at 31 December 2021.

Total loan loss provision and impairments equity	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Loan loss provision	(66,006)	(74,414)
Impairments equity	(27,395)	(32,042)
Balance as at 31 December	**(93,401)**	**(106,456)**

Loan loss provision		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	(74,414)	(62,223)
Additions	(28,587)	(44,275)
Releases	23,236	14,423
One-off release country provision	9,459	-
Exchange rate adjustments	(4,221)	4,955
	(74,527)	(87,120)
Less: - write-offs	8,521	12,706
Balance as at 31 December	**(66,006)**	**(74,414)**

In the year 2021 there was a one-off release of € 9.5 million early in the year due to an update of our provisioning method for country risk, which is one of the layers in the loan loss provision. We aligned with best practices in the financial sector and with Dutch GAAP and applied a LGD of 45% that is commonly applied in the market. This resulted in the one-off release of € 9.5 million. The impact of the adjustment on the loan loss provision of interest is described under note 13.

Impairments equity investments		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	(32,042)	(30,972)
Additions	(4,712)	(4,181)
Reversals	5,122	3,111
	(31,632)	(32,042)
Less: - write-offs	4,237	-
Balance as at 31 December	**(27,395)**	**(32,042)**

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 offerings. The majority of the Society's local currency loans are floating rate based.
- 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. The Society uses the applicable base rates of the currencies the Society offers (Euribor, Libor, swap rates and similar rates).
- The loans have an average contractual maturity of approximately four years and five months (2020: four years and five 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 made.
- 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 2020.

The fair value of the development financing loan portfolio at least equals the book value, which is estimated at € 777.8 million (2020: € 621.4 million).

Fair value of development financing equity portfolio

- Equity investments are in practice valued at the lower of cost or realisable value.
- The Society operates in countries where there is no active market for these equity investments. 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 € 121.3 million (2020: € 117.2 million).

The Society has the intention to include the fair market value amount of the equity investments in the disclosure note as of annual closing year 2022. The Society is currently building valuation models and updating its policies and procedures to be able to report the fair market value of the equity investments.

10 Other securities

Changes in other securities can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	35,168	35,270
Investments during the year at cost	-	252
Disinvestments/redemptions during the year	(11,782)	-
Impairment	-	(354)
Balance as at 31 December	**23,386**	**35,168**

The other securities consist of:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
GLS Alternative Investments Microfinance Fund, Germany	9,539	9,539
ASN-Novib Microcredit Fund, the Netherlands	-	11,242
TCX, The Currency Exchange Fund N.V., the Netherlands	13,138	13,138
GLS Gemeinschaftsbank, Germany	500	500
Banca Popolare Etica, Italy	100	100
Ekobanken, Sweden	10	10
Other	99	639
Total other securities	**23,386**	**35,168**

The Society held shares in TCX on behalf of Stichting Oxfam Novib, the Netherlands, for an amount of € 1.7 million. The legal title of these shares were transferred by the Society to Stichting Oxfam Novib in March 2021.

Fair value of other securities

The fair value of the investment in TCX as at 31 December 2021 amounted to US$ 20.9 million (€ 18.4 million) for 27 shares (2020: US$ 18.5 million (€ 15.2 million) for 27 shares). With respect to the other investments in the portfolio, the fair value at least equals the carrying amount.

11 Other financial assets

Summary of other financial assets:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Hedge contracts financial institutions [1]	2,158	4,934
Staff loans [2]	54	65
Tax asset Maanaveeya	509	-
Total	**2,721**	**4,999**

[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.

12 Term investments

Changes in term investments can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	182,811	139,821
Investments during the year at cost	45,930	42,390
Disinvestments/redemptions during the year	(10,090)	-
Revaluation to market value as at 31 December	(4,299)	600
Balance as at 31 December	**214,352**	**182,811**

The term investments portfolio consists of:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Buy and Maintain ESG Credit Portfolio [1]	214,352	172,808
Portfolio managed by Alternative Bank Schweiz (ABS), Switzerland [2]	-	10,003
Total term investments	**214,352**	**182,811**

[1] 'Buy and Maintain Environmental Social Governance (ESG) Credit Portfolio' is the name of the bond portfolio managed by AXA.
[2] Since 2017 the Society has held a number of company bonds managed by ABS. These bonds were sold in 2021.

The Society can sell the bonds at any time and the bonds are therefore liquid, although the Society needs to take into account the conditions mentioned in Note 14. The term investments in bonds have been rated 'investment grade' by Moody's, S&P and/or Fitch in line with the policy.

13 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		**31/12/2021**		**31/12/2020**
		€ ,000		**€ ,000**
Collateral related to hedging contracts		20,474		4
Accrued interest on development financing net of allowance		13,142		12,930
Hedging contracts (refer to Note 33)		7,544		17,678
Hedging receivable		3,422		1,841
Receivables Share Foundation		1,930		1,271
Interest receivable		900		2,234
- Nominal value	4,169		5,709	
- Less: allowance for uncollectability	(3,269)		(3,475)	
Value added tax and wage taxes		280		541
Amounts prepaid		55		176
Staff loans [1]		8		24
Sundry receivables		2,026		2,767
Balance as at 31 December		**49,781**		**39,466**

Changes in the allowance for uncollectability (loan loss provision on interest income) are specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Balance as at 1 January	(3,475)	(4,186)
Additions	(3,325)	(2,744)
Releases	688	644
Write-offs from allowance	2,908	2,631
One-off release country provision	50	-
Exchange rate adjustment	(115)	179
Balance as at 31 December	**(3,269)**	**(3,475)**

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

As described under note 9, there was a one-off release of € 0.05 million due to the update of our provisioning method for the country provision. The impact on the loan loss provision of capital is described under note 9.

14 Cash and banks

Can be specified as follows:	31/12/2021	31/12/2020
	€ ,000	**€ ,000**
Cash and banks including time deposits maturing within one year	60,136	236,482
Balance as at 31 December	**60,136**	**236,482**

The Society maintains its funds in banking institutions in Africa, Asia, Europe, Latin America and the United States. At reporting date, the Society is discussing with the Central Bank of West African States (BCEAO) and the Ministry of Finance in Côte d'Ivoire, how a cash balance of € 27.7 million can be converted and repatriated from West Africa. The time deposits included in cash and banks as at 31 December 2021 all mature in 2022.

The Society has a credit facility agreement with a Dutch bank. The facility with the Dutch bank amounts to € 5.0 million. This facility is 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% (2021: 96%).
- 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 agreement with the Dutch bank (€ 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. The facility of €5.0 million with the Italian bank ended in the year 2021.

15 Member capital

The Society issues shares in euro, British pounds, Canadian dollars, Swedish krone, 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 potential liability (puttable shares). 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 2021, the net asset value per share amounted to € 213.58 (2020: € 210.50). Following the implementation of the member share issuance and redemption policy on 1 September 2020, the decision to honour issuance and redemption requests received in a calendar month is made on the fifth working day of the following month, and the issuance and redemption orders are registered as of the first of that month. This means that requests for issuance and redemption of shares received during December 2021 will be registered as of 1 January 2022. There was € 7.4 million of shares to be issued and € 4.7 million of shares to be redeemed to members as at 31 December 2021. On 7 January 2022 the Managing Board decided to issue and redeem the requests submitted in December 2021.

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

New capital-raising model
The task of identifying Oikocredit's future-proof capital-raising model has been a major undertaking during the past year. Changes are required to make the capital-raising model more resilient in general and specifically to adapt to changes in German regulations that will become effective in Q3 of 2022. The new model will need to safeguard our mission, including our current proposition to our partners; decrease complexity and regulatory risk; increase transparency to investors, regulators and ourselves; prove effective in our main inflow markets; and be replicable elsewhere. We have undertaken this task in close collaboration with our support associations in Belgium, Germany, the Netherlands and Switzerland, and with other stakeholders. Having identified potential new models, we shortlisted those most suitable and selected what we consider the best way forward, which will retain Oikocredit's legal form and identity as a cooperative. At our December 2021 EGM, members mandated the Managing Board to continue to gather input and work out the model in more detail and put a proposal to the General Meeting.

Can be specified as follows:		**31/12/2021**	**31/12/2020**
		€ ,000	**€ ,000**
Member capital			
Balance as at 1 January		1,104,070	1,129,832
New euro shares issued		35,442	36,833
New shares in other currencies issued		5,792	5,494
Redemption of euro shares		(8,511)	(63,328)
Redemption of shares in other currencies		(7,903)	(5,256)
Exchange rate adjustments		86	495
Balance as at 31 December		**1,128,976**	**1,104,070**
Of which	- euro shares	1,030,456	1,003,548
	- shares in other currencies	98,500	100,522

16 General reserve

Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	95,837	80,548
Appropriation of the prior-year results	(22,182)	14,274
Prior-year adjustment	(57)	1,015
Balance as at 31 December	**73,598**	**95,837**

For the restricted exchange fluctuation reserve please refer to the Society financial statements in Note 45.

The prior year adjustment is related to an unadjusted difference in the result of the year 2020. The adjustment was not significant enough to change the annual report of 2020, therefore it has been added as a prior year adjustment to the 2021 figures.

17 Funds for subsidised activities and model costs

The funds below originate from grants received for purposes described for each separate fund below.

Funds for subsidised activities and model costs, capacity building and guarantee funds		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Funds for subsidised activities and model costs	-	1,164
Capacity building and guarantee funds	3,891	2,880
Balance as at 31 December	**3,891**	**4,044**

Funds for subsidised activities and model costs	Donated investments [1]	Funds for subsidised activities and model costs [2]	Total 2021	Total 2020
	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	539	625	1,164	1,164
Addition to/released from fund	(539)	(625)	(1,164)	-
Balance as at 31 December	**-**	**-**	**-**	**1,164**

[1] This fund was established to account for donated shares. In the year 2021 all donated shares have been redeemed and the fund has been added to the Capacity building fund.

[2] This fund was set up in 1999 to cover the subsidised activities and model costs of the Society. As of 2021 this fund has been dissolved.

Capacity building and guarantee funds	Capacity building fund [1]	Capacity building Rwanda Tea Seedling Fund [2]	Capacity building USAID [3]	Corona solidarity fund [4]	Capacity building SSNUP Project [5]	Capacity building Outreach to Impact [6]	Capacity building The Primate's World Relief [7]	Capacity Building We Effect [8]	General guarantee fund [9]	Guarantee fund for Africa [9]	Total 2021	Total 2020
	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000	€ ,000
Balance as at 1 January	686	-	-	-	-	-	-	-	323	1,871	2,880	3,577
Addition to/released from fund [10]	1,134	-	-	-	-	-	-	-	-	(123)	1,012	(708)
Allocation of prior year result	-	-	-	-	-	-	-	-	-	-	-	11
Balance as at 31 December	**1,820**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**323**	**1,748**	**3,891**	**2,880**

[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] In Rwanda, the Support Foundation has begun working with Karongi and Muganza Kivu tea factories to produce two million high-quality tea seedlings. The ongoing project will continue to distribute the seedlings and provide training in tea cultivation to Rwandan smallholder farmers via two cooperatives.

[3] A follow-up to the Prise Risk Management (PRM) project mentioned above was initiated with USAID's support to further develop and consolidate the parts of the PRM programme dealing with information management. Another project was our disaster risk reduction initiative for Southeast Asian partners.

[4] The Support Foundation created the coronavirus solidarity fund with an initial € 25,000 from Oikocredit. This was augmented by contributions from members and investors.

[5] The Society has been selected to participate in the Smallholder Safety Net Upscaling Programme (SSNUP), coordinated by the Swiss Agency for Development and Cooperation, the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs, and Ada Microfinance. This is a 10-year public-private partnership intending to support at least 10 million smallholder farmers in Africa, Asia and Latin America by boosting the development of agricultural value chains.

[6] Oikocredit initiated a digital survey project with five partner organisations in inclusive finance to investigate the changes their clients have experienced over 2021 and the requirements in the regions. The result of the project is to produce a report detailing the most significant insights relating to income, savings, business development, access to basic facilities and ability to cover health and medical needs. The aim to expand the project has been realised in the form of grant funding worth € 137,000.

[7] PWRDF/FPSDM is aimed at forming partnerships and relationships of mutual support rooted in a shared commitment to a more just and peaceful world. The purpose of this fund is to ensure data driven decision making and digital inclusion.

[8] The objective of the Innovative Finance Pilot Project is to address capacity weaknesses of farmer-based organisations (FBOs) by recognising the various challenges faced by FBOs in Kenya and Uganda. By providing debt finance, the project aims to help FBOs gauge their readiness for commercial loans and identify capacity gaps.

[9] The two guarantee funds were established to enable institutional donors and individuals to participate in a fund that insures part of the counterparty risk (equity or loan and accumulated interest) of partners to be financed by Oikocredit.

[10] For the additions to and releases from these funds, refer to Note 32.

18 Provisions

Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Restructuring provision [1]	216	328
Total provisions	**216**	**328**

[1] This provision as at 31 December 2021 reflects costs associated with the implementation of the strategic plan 2018-2022 to focus on 33 countries.

19 Non-current liabilities

Can be specified as follows:	**2021**	**Remaining term > 1 year < 5 years**	**Remaining term > 5 years**	**2020**
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Bank loans	14,434	14,434	-	13,453
Hedge contracts (refer to Note 33)	1,184	1,184	-	114
Total other non-current liabilities	**15,618**	**15,618**	**-**	**13,567**

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

Changes in bank loans can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	13,453	60,838
New loans	10,662	12
Repayments	(1,488)	(3,905)
Reclassification to current liabilities	(9,615)	(46,072)
Exchange rate adjustments	1,422	2,582
Balance as at 31 December	**14,434**	**13,453**

Bank loans consist of the following:
- Loans with a total principal amount of INR 1.9 billion from financial institutions in India maturing in 2022 for INR 810.0 million (included under current liabilities), in 2023 for INR 460.0 million and for the years after 2023 for INR 600.0 million. The loans carry an average interest rate of 7.83%.
- A loan granted by a Swedish bank amounting to € 1.8 million (2020: € 2.0 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 2021: 0.00%) plus an agreed margin (as at 31 December 2021: 0.57%). The loan is secured by a pledge on the Society's bond portfolio for a maximum of € 6.3 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. Bank loans for investment in development financing have been invested in the Society's development financing portfolio for risk and account of the funders.

20 Current liabilities

All current liabilities mature within one year and can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Hedge contracts (refer to Note 33)	14,070	3,940
Long-term loans expired or expiring within one year [1]	9,619	46,206
Other taxes payable [2]	3,019	4,494
Accrued personnel expenses	1,304	483
Hedge premiums payable	1,270	1,232
Accounts payable	832	739
Provision hedges	109	-
Accrued expenses, sundry liabilities [3]	6,685	5,288
Balance as at 31 December	**36,908**	**62,382**

[1] Consists of amounts maturing within one year from loans taken from financial institutions in India for € 9.6 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. In 2021 a release of € 1.0 million has been accounted for. The total tax accrual amounts to € 4.0 million.
[3] Mainly consists of account payables and accruals.

Fair value of current liabilities

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

21 Commitments and contingencies not included in the balance sheet

Rental agreement

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 € 73,754.

Hedging agreements

The hedging agreements with Rabobank, Standard Chartered Bank and TCX contain an obligation to post eligible collateral under a credit support annex. This means the change in market value of the derivative portfolio can lead to a debit or credit daily from the current account.

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 the Society and TCX. In the contract with Rabobank, the threshold is set at € 0 for both the Society and Rabobank. As at 31 December 2021 the market value of the hedge contracts with Standard Chartered Bank was US$ 81,000 negative. As at 31 December 2021 the market value of the hedge contracts with TCX was US$ 2.8 million positive. The market value of the derivative portfolio with Rabobank was € 10.9 million negative. The market value of the hedge contracts with NatWest was GBP 0.5 million negative. For posted cash collateral, refer to Note 13.

Operational lease agreement

Maanaveeya Development & Finance Private Limited in India has three operational lease agreements. The leased assets are solar panels that are visible on our balance sheet (refer to Note 8). The expected cash flows from the lease agreements amount in total to € 4.1 million. The last contract will end in 2028.

Pledges

The Society pledged in total € 8.6 million of its bond portfolio to guarantee loans from financial institutions.

India tax

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 74.37 million (€ 0.88 million). This amount is not recorded as a tax liability.

Committed not yet disbursed

The Society had committed € 155.6 million (2020: € 158.4 million) to its partners as at 31 December 2021 that was not yet disbursed in 2021.

22 Interest and similar income

Can be specified as follows:	2021	2020
	€ ,000	€ ,000
Interest on development financing portfolio	**69,332**	**77,084**
Interest on term investments:		
- Interest unrealised (accrued interest)	(237)	428
- Interest realised	2,558	2,002
Total interest on term investments	**2,321**	**2,430**
Revaluation term investments	**(4,299)**	**600**
Total interest and similar income	**67,354**	**80,114**

23 Interest and similar expenses

Can be specified as follows:	2021	2020
	€ ,000	€ ,000
Interest payable on long-term loans, current accounts and other short-term liabilities	(2,398)	(2,522)
Total	**(2,398)**	**(2,522)**

24 Income from equity investments

Can be specified as follows:	2021	2020
	€ ,000	€ ,000
Result from sale of equity investments		
Vehículos Líquidos Financieros	(2,514)	-
Musoni Microfinance Limited	(1,248)	-
Tujijenge Tanzania Financial Services Limited	(386)	-
Les Saveurs du Sud	(17)	-
Vision Banco	323	-
Africinvest II	360	-
Divine Chocolate	-	(1,528)
Equip Plus	-	(686)
People Tree	-	(673)
Total result from sale of equity investments	**(3,482)**	**(2,887)**
Dividends	1,540	2,209
Total dividend	**1,540**	**2,209**
Management fees funds	**(397)**	**(257)**
Total income from equity investments	**(2,340)**	**(935)**

25 Grant income

Grants		
Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Grants received from Fintrac Inc. (USAID)	81	-
Grants received from Appui au développement autonome a.s.b.l.	61	-
Grants received from Oikocredit Westdeutscher Förderkreis, Germany	28	77
Grants received from Wise	21	-
Grants received for Coronavirus solidarity fund	-	185
Grants received from Evangelical-Lutheran Church in Württemberg, Germany	-	61
Grants received from Act Church of Sweden	-	19
Other grants received	183	142
Total grants	**374**	**484**

Grants are received according to contractual agreements with partners or from other parties in the form of general donations. Grant income from partners means that they were spent during the year. Unused grants (from contractual agreements) are accounted for under current liabilities (non-allocated grants). The general grants are not repayable if underutilised, in the event of unutilised grants they will be deployed to other capacity building related causes. Therefore these grants have been disclosed in full and are not treated as part of the non-allocated grants. Other grant income is recognised in the year received. There is a slight decline in grants due to the effects of the coronavirus pandemic. Also, new projects mainly commenced during the year; the grants are therefore expected to be realised in 2022.

From the Stichting Oikocredit International Share Foundation and Oikocredit Stiftung Deutschland, the Support Foundation received € 538,432 and € 167,000 in 2021 respectively.

26 Other income and expenses

Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Exchange rate differences	822	(11,866)
Hedge premiums	(16,899)	(24,239)
Hedge provision	(109)	2
Dividends and sales from other securities	194	255
Impairment from other securities	-	(354)
Management fees	39	39
Total	**(15,953)**	**(36,165)**

27 Personnel

The number of employees who were directly or indirectly employed by the Society at the end of 2021 on the basis of full-time equivalents (FTE) amounted to 206 (2020: 192). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2021: 109 FTE, 2020: 107 FTE). Of the total FTEs (206), 55% were women and 45% men. Of the total Managing Board FTEs (four), 50% were women and 50% men. Of the Supervisory Board (six), 83% were women and 17% men. The Supervisory Board members do not count as employees.

Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Salaries	(10,712)	(10,386)
Expenses temporary staff	(1,788)	(1,093)
Social security charges	(1,443)	(1,401)
Pension charges	(1,440)	(895)
Other allowances (13th month, holiday allowance)	(857)	(1,058)
Settlements	(12)	37
All other personnel costs	(1,724)	(1,124)
Total personnel expenses	**(17,976)**	**(15,920)**

In the pension charges there is a one-off loss accounted for in the amount of € 0.5 million. This loss incurred due to the fact that the pension invoices and deductions from salaries from staff were accounted on a suspense account and not booked through the income statement for the years 2019, 2020 and 2021. This has been corrected now.

28 General and other expenses

Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Contribution to support associations and Share Foundation	(3,249)	(3,639)
Office expenses	(2,082)	(2,217)
IT-related expenses	(1,729)	(1,311)
Consultancy expenses including audit fees	(1,161)	(1,799)
Marketing expenses	(619)	(663)
Capacity building expenses	(417)	(736)
Expenses AGM and Supervisory Board	(164)	(146)
Legal expenses	(125)	(618)
All other general expenses	(1,878)	(1,866)
Total general and other expenses	**(11,424)**	**(12,995)**

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:	**2021** **€ ,000**	**2020** **€ ,000**
Audit of financial statements	(232)	(177)
Assurance services	(29)	(16)
Consulting services	(21)	(4)
Total audit fees	**(282)**	**(197)**

29 Additions to loss provisions and impairments

Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Additions to and releases from provisions against loan losses and equity impairments		
- equity impairments	408	(1,067)
- on principal of loans	(5,343)	(29,852)
- on interest	(2,736)	(2,099)
- one-off release country provision on principal	9,459	-
- one-off release country provision on interest	50	-
Total	**1,838**	**(33,018)**

The equity impairments compared to 2020 decreased with € 1.5 million. In 2021 a total of six equity investments were sold, four of which resulted in a loss of € 4.1 million (refer to Note 24) and two that resulted in a gain of € 0.6 million. All four investments were 100% impaired and therefore released from the equity impairments when the sale was recognised. The total amount of release was € 5.1 million. Next to that, the performance of one of our equity investments improved structurally and the impairment was therefore reduced, which resulted in a release of €1.0 million. And last we increased the impairments for 10 equity investments compared to 2020, which resulted in an addition of € 4.7 million. The additions and releases to the loan loss provision were mainly driven by a one-off release of the country provision as explained in notes 9 and 13 and in increases still resulting from the coronavirus pandemic.

30 Taxes

The tax rate in the Netherlands is 25% with an initial rate of 15% on the first € 245,000 of taxable income. 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. Due to the consolidated fiscal loss for the year no income taxes are expected to be due in the Netherlands. The tax amount in the profit and loss statements largely relates to Maanaveeya and is € 3.5 million.

Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Taxes regional and country offices	(122)	(113)
Taxes Maanaveeya Development & Finance Private Limited	(3,494)	(1,643)
Additions and releases to Taxes accrual	1,028	-
Total taxes	**(2,588)**	**(1,756)**

31 Result from discontinued operations

As per 4 February 2021, the Ukraine entity has been formally liquidated. In April 2021 the subsidiary Ukraine repaid the capital to the Society. With this repayment of capital, the subsidiary value is zero (refer to note 39). A restricted exchange fluctuation reserve was built up for the Ukraine subsidiary of € 1.6 million. By the repayment of capital, this reserve was released, which resulted in a loss of € 1.6 million.

Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Result liquidation Ukraine	(1,636)	-
Total result from group companies	**(1,636)**	**-**

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 27.

Can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Revolving fund		
Transfer between funds	539	-
Addition to/(released from) fund	539	-
Subsidised activities and model costs		
Transfer between funds	625	-
Addition to/(released from) fund	625	-
Capacity building funds		
Grants received	(87)	(19)
Transfer between funds	(1,164)	-
Non-allocated grants	35	260
Interest received/(paid)	-	-
Management fee	(27)	-
Other costs	109	179
Addition to/(released from) fund	(1,134)	420
Capacity building Evangelical-Lutheran Church in Württemberg client outcomes		
Grants received	-	(110)
Non-allocated grants	-	49
Other costs	-	61
Addition to/(released from) fund	-	-

	2021	2020
	€ ,000	€ ,000
Capacity building Bread for the World – Protestant Development Service		
Grants received	-	-
Non-allocated grants	-	(10)
Other costs	-	10
Addition to/(released from) fund	-	-
Capacity building Inter-American Development Bank Group (IDB)		
Grants received	-	-
Non-allocated grants	-	(154)
Other costs	-	154
Addition to/(released from) fund	-	-
Capacity building Act Church of Sweden geographic programmes		
Grants received	-	-
Non-allocated grants	-	(17)
Transfer between funds	-	-
Other costs	-	17
Addition to/(released from) fund	-	-
General guarantee funds		
Guarantee calls	-	-
Transfer between funds	-	-
Interest added/(paid)	-	6
Addition to/(released from) fund	-	6
Guarantee fund for Africa		
Guarantee calls	-	-
Transfer between funds	-	-
Interest added/(paid)	122	282
Addition to/(released from) fund	122	282
Corona solidarity fund		
Grants received	-	(165)
Non-allocated grants	(77)	94
Other costs	77	71
Addition to/(released from) fund	-	-
Capacity building USAID		
Grants received	(94)	-
Non-allocated grants	54	(113)
Other costs	40	113
Addition to/(released from) fund	-	-
Rwanda tea seedling project		
Grants received	(74)	(30)
Non-allocated grants	19	(25)
Other costs	55	55
Addition to/(released from) fund	-	-
SSNUP project		
Grants received	(28)	(306)
Non-allocated grants	(48)	306
Other costs	76	-
Addition to/(released from) fund	-	-

	2021	2020
	€ ,000	€ ,000
We Effect – Small credit facility		
Grants received	(48)	-
Non-allocated grants	48	-
Other costs	-	-
Addition to/(released from) fund	-	-
The Primate's World Relief and Development Fund		
Grants received	-	-
Non-allocated grants	(15)	-
Other costs	15	-
Addition to/(released from) fund	-	-
Outreach to Impact		
Grants received	(137)	-
Non-allocated grants	137	-
Other costs	-	-
Addition to/(released from) fund	-	-
Total addition to/(released from) funds	**152**	**707**

33 Use of financial instruments

Balance sheet item	**Product**	**2021 Notional € ,000**	**2021 Carrying amount € ,000**	**2020 Carrying amount € ,000**
Oikocredit has entered into the following derivatives to cover its exposure:				
Non-current assets				
FX derivatives	Under hedge accounting	-	-	240
Cross currency swaps	Under hedge accounting	26,994	2,158	4,694
	Total		**2,158**	**4,934**
Current assets				
FX derivatives	Under hedge accounting	138,887	7,544	10,627
Cross currency swaps	Under hedge accounting	20,077	-	7,051
	Total		**7,544**	**17,678**
Non-current liabilities				
FX derivatives	Under hedge accounting	-	-	-
Cross currency swaps	Under hedge accounting	48,812	(1,184)	(114)
	Total		**(1,184)**	**(114)**
Current liabilities				
FX derivatives	Under hedge accounting	425,612	(14,070)	(3,823)
Cross currency swaps	Under hedge accounting	26,824	(109)	(117)
	Total		**(14,179)**	**(3,940)**

The total book value of the hedge contracts as at 31 December 2021 was € 5.6 million positive (2020: € 19,000 positive) and the market value was € 9.0 million negative (2020: € 17.6 million positive). The hedge-effectiveness test established that some hedge contracts were ineffective during 2021, for which a provision was formed of € 109,000 (2020: € 0). The hedge provision is under the current liabilities (refer to Note 28).

34 Related party transactions

For transactions with the Managing Board and Supervisory Board, please refer to Note 36 of the consolidated financial statements.

Transactions with Oikocredit International Support Foundation during the year
The Society has charged an administration fee to the Support Foundation amounting to € 30,250 (2020: € 57,000).

In 2021 the Articles of Association of the Support Foundation and the service level agreement between the Support Foundation and the Society has been updated. A material change in these documents is that the Society will not charge Category B costs (refer to Note 1 on general information under the notes to the consolidated financial statements) to the Support Foundation and the Support Foundation will act more independently from the Society. This will also mean that actual spend costs for capacity building will be charged from the Society to the Support Foundation.

In the year 2020 the Support Foundation transferred the term investment portfolio to the Society for an amount of € 25.1 million.

Transactions with Oikocredit International Share Foundation
The Society and Oikocredit International Share Foundation entered into a new service level agreement on 1 January 2021. Pursuant to this agreement the Society will perform all back-office activities and bear the related costs as its own costs. This means the Society will no longer grant a yearly contribution for costs to the Oikocredit International Share Foundation.

In 2021 the total costs accounted in the Society related to the Share Foundation amounted to € 165,000 (2020: € 189,000).

The Oikocredit International Share Foundation donated € 129,000 to the Stichting Oikocredit International Support Foundation from dividends and investments in depository receipts.

Transactions with Maanaveeya Development & Finance Private Limited
The Society charged interest to Maanaveeya on external commercial borrowing totalling € 4.7 million (2020: € 5.9 million).

Transactions with support associations and members
The Society granted a contribution for costs to the support associations during 2021 for € 3.2 million (2020: € 3.6 million).

The Support Foundation finalised the coronavirus solidarity fund activities by disbursing € 13,000. No new donations were received. Oikocredit Stiftung Deutschland donated € 137,000 to the ‘Outreach to impact’ initiative commenced in 2021.

The Society has members that are also partners of the Society. The members who are also partners and where there were transactions in the year 2021 are listed below. The transactions consist of disbursements, interest and capital repayments in the year 2021:

Name of partner	Country	Sum of disbursements, interest and capital repayments in 2021
Alternativa, Centro de Investigación Social y Educación Popular	Peru	102,403
Chajul, Asociación Chajulense Va'l Vaq Quyol	Guatemala	1,446,962
Calcar, Cooperativa Agraria de Responsabilidad Ltda Carmelo	Uruguay	8,593
CLU, Central Lanera Uruguaya	Uruguay	270,031
Crecer, Crédito con Educación Rural	Bolivia	4,254,233
Fundación Sembrar Sartawi	Bolivia	1,010,620
Idesi Huánuco, Instituto de Desarrollo del Sector Informal	Peru	120,343
Unaitas Sacco Society Ltd	Kenya	8,406,766
Total		**15,619,951**

Amounts owed by and to Oikocredit [1]	31/12/2021 € ,000	31/12/2020 € ,000
Oikocredit International Support Foundation	(4,229)	(4,675)
Maanaveeya Development & Finance Private Limited (owed to Oikocredit)	72,910	61,275

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

35 Remuneration policies

Supervisory Board remuneration policy

The Society 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 Supervisory 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 the Society's activities, provided that these expenses are documented (e.g. travel and communication).

The total compensation/remuneration in 2021 amounted to € 116,000 (2020: € 144,700).

Remuneration Managing Board

The remuneration can be specified as follows:	**2021**	**2020**
	€ ,000	**€ ,000**
Gross salary, holiday and year-end allowance	963	966
Expense allowances	-	-
Pension contributions	182	181
Total	**1,145**	**1,147**

Staff of Oikocredit globally

The Society 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 Society, 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 2020 and 2021 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.

Cresol Tenente Portela, Brazil
Jonas Salla and his wife Simone own a 29 hectare farm and produce things like soy, corn, wheat and hay. They have been members of Oikocredit partner Cresol Tenente Portela since 2007. The Brazilian cooperative has more than 11,000 members. It offers its members financial solutions to develop their businesses and benefit the communities in which they live. Cresol Tenente Portela recently helped the couple further develop their business when they needed the working capital to start up a brunch service.

Society financial statements

Society **balance sheet**

(Before appropriation of net income)

Notes	Balance sheet	31/12/2021 € ,000	31/12/2020 € ,000
	NON-CURRENT ASSETS		
7	**Intangible fixed assets**	**988**	**783**
38	**Tangible fixed assets**	**833**	**748**
	Financial assets		
39	Development financing		
	Total development financing outstanding	853,524	744,805
	Less: - loss provision and impairments	(87,510)	(101,156)
		766,014	**643,649**
	Consists of:		
	Loans (net of loss provision)	*641,311*	*526,476*
	Equity (net of impairments)	*121,343*	*117,173*
40	Investments in group companies	52,851	48,266
41	Other securities	25,466	36,709
42	Other financial assets	61,229	62,263
	Total financial assets	**139,546**	**147,238**
	Total non-current assets	**907,381**	**792,418**
	CURRENT ASSETS		
43	Term investments	214,352	182,811
44	Receivables and other current assets	59,990	39,093
45	Cash and banks	50,456	213,383
	Total current assets	**324,798**	**435,287**
	TOTAL	**1,232,179**	**1,227,705**

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

Society **balance sheet**

(Before appropriation of net income)

Notes	Balance sheet	31/12/2021	31/12/2020
		€ ,000	€ ,000
	MEMBER CAPITAL AND RESERVES		
46	Member capital	1,128,976	1,104,070
47	General reserve	73,897	95,834
47	Restricted exchange fluctuation reserve	(16,330)	(16,333)
	Undistributed net income for the year	15,257	(22,182)
		1,201,800	**1,161,389**
20	**PROVISIONS**	**216**	**328**
49	**NON-CURRENT LIABILITIES**	**3,031**	**2,092**
50	**CURRENT LIABILITIES**	**27,132**	**63,896**
	TOTAL	**1,232,179**	**1,227,705**

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

Society **income statement**

Notes	Income statement	2021	2020
		€ ,000	€ ,000
	RESULTS		
40	Results participation in group companies after taxes	6,241	7,813
	Other results	8,110	(29,882)
	INCOME BEFORE TAXATION	**14,351**	**(22,069)**
	Taxes	906	(113)
	INCOME AFTER TAXATION	**15,257**	**(22,182)**

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

Notes to the **Society financial statements**

36 General

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

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

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

37 Tangible fixed assets

Changes in tangible fixed assets in 2021 and in the costs of acquisition and accumulated depreciation as at 31 December 2021 can be specified as follows:

	IT equipment	Furniture	Total 2021	Total 2020
	€ ,000	**€ ,000**	**€ ,000**	**€ ,000**
Historical cost price as at 1 January	2,179	2,067	4,246	4,168
Accumulated depreciation as at 1 January	(2,042)	(1,457)	(3,499)	(3,291)
Balance as at 1 January	**137**	**611**	**748**	**877**
Investments	458	598	1,056	78
Disposals	(35)	(33)	(68)	-
Depreciation	(406)	(497)	(902)	(208)
Movements in the year	**17**	**68**	**85**	**(130)**
Historical cost price as at 31 December	2,602	2,632	5,234	4,246
Accumulated depreciation as at 31 December	(2,448)	(1,953)	(4,401)	(3,499)
Balance as at 31 December	**154**	**679**	**833**	**748**

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

38 Development financing

Changes in development financing outstanding		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Outstanding as at 1 January	744,805	933,558
Disbursements	360,592	203,551
Capitalised interest and dividends	(1)	148
Less: - repayments	(276,249)	(306,216)
- write-offs	(9,407)	(12,900)
Equity divestments	(9,106)	(7,539)
Exchange rate adjustments	42,890	(65,797)
Outstanding as at 31 December	**853,524**	**744,805**

Total loan loss provision and impairments equity	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Loan loss provision	(60,115)	(69,114)
Impairments equity	(27,395)	(32,042)
Balance as at 31 December	**(87,510)**	**(101,156)**

Loan loss provision		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	(69,114)	(60,295)
Additions	(22,601)	(40,266)
Releases	20,976	14,150
One-off release country provision	9,311	-
Exchange rate adjustments	(3,817)	4,593
	(65,245)	(81,818)
Less: - write-offs	5,130	12,704
Balance as at 31 December	**(60,115)**	**(69,114)**

Impairments equity investments		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	(32,042)	(30,972)
Additions	(4,712)	(4,181)
Reversals	5,122	3,111
	(31,632)	(32,042)
Less: - write-offs	4,237	-
Balance as at 31 December	**(27,395)**	**(32,042)**

Refer to Note 9 of the consolidated financial statements for further detailed information on consolidated development financing.

39 Group companies

Net asset value investments in group companies		
	31/12/2021	31/12/2020
	€ ,000	€ ,000
Maanaveeya Development & Finance Private Limited, Hyderabad, India [1]	52,851	48,042
Financial Company Oikocredit Ukraine, Lviv, Ukraine [2]	-	224
Balance as at 31 December	**52,851**	**48,266**

[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.

Maanaveeya Development & Finance Private Limited		
Can be specified as follows:	31/12/2021	31/12/2020
	€ ,000	€ ,000
Balance as at 1 January	48,042	50,608
Result for the year	6,241	7,830
Interest paid to Oikocredit on compulsory convertible debentures	(4,659)	(5,913)
Prior year adjustment	(748)	(271)
Exchange rate adjustments	3,975	(4,212)
Balance as at 31 December	**52,851**	**48,042**

Financial Company Oikocredit Ukraine		
Can be specified as follows:	31/12/2021	31/12/2020
	€ ,000	€ ,000
Balance as at 1 January	224	356
Capital payments [1]	(224)	-
Net result for the year	-	(17)
Exchange rate adjustments	-	(115)
Balance as at 31 December	**-**	**224**

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

40 Other securities

Can be specified as follows:	31/12/2021	31/12/2020
	€ ,000	€ ,000
Balance as at 1 January	36,709	36,811
Investments during the year at cost	-	252
Impairment	-	(354)
Disinvestments/redemptions during the year	(11,243)	-
Balance as at 31 December	**25,466**	**36,709**

Can be specified as follows:	31/12/2021	31/12/2020
	€ ,000	€ ,000
GLS Alternative Microfinance Fund	9,539	9,539
ASN-Novib Microcredit Fund	-	11,242
TCX, The Currency Exchange Fund N.V., the Netherlands	15,218	15,218
GLS Gemeinschaftsbank, Germany	500	500
Banca Popolare Etica, Italy	100	100
Ekobanken, Sweden	10	10
Other	99	100
Total other securities	**25,466**	**36,709**

41 Other financial assets

Summary of other financial assets:	31/12/2021	31/12/2020
	€ ,000	€ ,000
Loans to group companies	59,017	57,264
Staff loans [1]	54	65
Hedge contracts financial institutions	2,158	4,934
Balance as at 31 December	**61,229**	**62,263**

[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 (€ 17.8 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 (€ 17.8 million). The loan carries an interest of 9.60%. The first repayment of the loan is due in October 2022, which is presented under receivables (note 43), 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 2.14 billion (€ 25.4 million). The loan carries an interest of 9.70%. The next repayment of the loan is due in June 2022, which has been presented under receivables, and the last repayment is due in December 2024. Between 2021 and 2024, half-yearly repayments are scheduled.

- ECB loan 4 with Maanaveeya Development & Finance Private Limited with a total principal amount of INR 1.0 billion (€ 11.9 million). The loan carries an interest of 9.83%. The first repayment of the loan is due in December 2025 and the last repayment in December 2027.

42 Receivables and other current assets

The receivables maturing within one year can be specified as follows:		**31/12/2021**		**31/12/2020**
		€ ,000		**€ ,000**
Collateral related to hedging contracts		20,474		4
Loans to group companies expiring within one year		13,893		4,011
Accrued interest on development financing net of allowance		10,003		9,751
Hedging contracts (refer to Note 33)		7,544		17,678
Hedging receivable		3,422		1,841
Receivables Share Foundation		1,930		1,271
Interest receivable:		1,646		2,535
- Face value	4,169		5,709	
- Less: allowance for uncollectability	(2,523)		(3,174)	
Value added tax and wage taxes		280		541
Amounts prepaid		55		176
Staff loans [1]		8		24
Sundry receivables		735		1,261
Balance as at 31 December		**59,990**		**39,093**

[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. At reporting date, the Society is discussing with the Central Bank of West African States (BCEAO) and the Ministry of Finance in Côte d'Ivoire, how a cash balance of € 27.7 million can be converted and repatriated from West Africa. The time deposits included in cash and banks as at 31 December 2021 all mature in 2022.

The Society has a credit facility agreement with a Dutch bank. The facility with the Dutch bank amounts to € 5.0 million.
This facility is 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% (2021: 96%).
- The Society should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amount of the credit facility agreement with the Dutch bank (€ 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.

The facility of € 5.0 million with the Italian bank ended in the year 2021.

44 Member capital

For details about the member capital, please refer to Note 15 of the consolidated financial statements.

45 General and other reserves

General reserves [1]		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	95,834	80,545
Appropriation of prior-year results	(22,182)	15,289
Prior year adjustment	245	-
Balance as at 31 December	**73,897**	**95,834**

[1] The Society's Supervisory Board allocated the full result of 2020 to the general reserve. The prior year adjustment is related to an unadjusted difference in the result of the year 2020. The adjustment was not significant enough to change the annual report of 2020, therefore it has been added as a prior year adjustment to the 2021 figures.

Restricted exchange fluctuation reserve [1]		
Can be specified as follows:	**31/12/2021**	**31/12/2020**
	€ ,000	**€ ,000**
Balance as at 1 January	(16,333)	(11,875)
Exchange rate differences	3	(4,458)
Balance as at 31 December	**(16,330)**	**(16,333)**

[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:	**31/12/2021** **€ ,000**	**31/12/2020** **€ ,000**
Equity according to the Society financial statements	1,201,800	1,161,389
Reserves Oikocredit International Support Foundation	3	3
Funds for subsidised activities and model costs Support Foundation	3,891	4,044
Prior year adjustment	(302)	-
Group equity and funds according to consolidated financial statements	**1,205,392**	**1,165,436**

47 Non-current liabilities

Can be specified as follows:	2021	Remaining term > 1 year < 5 years	Remaining term > 5 years	2020
	€ ,000	€ ,000	€ ,000	€ ,000
Bank loans	1,847	1,847	-	1,978
Hedge contracts (refer to Note 33, consolidated financial statements)	1,184	1,184	-	114
Total non-current liabilities	**3,031**	**3,031**	**-**	**2,092**
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 Swedish bank amounting to € 1.8 million (2020: € 2.0 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 2021: 0.00%) plus an agreed margin (as at 31 December 2021: 0.57%). The loan is secured by a pledge on the Society's bond portfolio for a maximum of € 6.3 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 Society's 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:	31/12/2021	31/12/2020
	€ ,000	€ ,000
Hedge contracts	14,070	3,940
Accrued expenses, sundry liabilities	4,434	4,319
Group companies (refer to Note 34)	4,230	4,675
Other taxes payable [2]	3,019	4,494
Hedging premiums payable	1,270	1,232
Provision hedges	109	-
Long-term loans expired or expiring within one year [1]	-	45,236
Balance as at 31 December	**27,132**	**63,896**

[1] For the year 2021, there are not long-term loans that will expire within one year. For 2020, €45.2 million of long-term loans matured within one year from loans taken from a German bank amounting to € 36.0 million, a loan taken from a Swiss bank amounting to € 9.2 million and loans taken from financial institutions in India for € 0.8 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. In 2021 a release of € 3.0 million has been accounted for. The total tax accrual amounts to € 4.0 million.

Fair value of current liabilities

Applicable 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

Rental agreement

With effect from 1 July 2019 the Society renewed its rental agreement for the office building in Amersfoort, 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 € 73,754.

Hedge agreements

The hedging agreements with Rabobank, Standard Chartered Bank and The Currency Exchange Fund N.V. (TCX) contain an obligation to post eligible collateral under a credit support annex. This means the change in market value of the derivative portfolio can be debited/credited daily from the current account.

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 the Society and TCX. In the contract with Rabobank, the threshold is set at € 0 for both the Society and Rabobank. As at 31 December 2021 the market value of the hedge contracts with Standard Chartered Bank was US$ 81,000 negative. As at 31 December 2021 the market value of the hedge contracts with TCX was US$ 2.8 million positive. The market value of the derivative portfolio with Rabobank was € 10.9 million negative. The market value of the hedge contracts with NatWest was GBP 0.5 million negative. For posted cash collateral, refer to Note 13.

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.

Pledges

The Society pledged in total € 8.6 million of its bond portfolio to guarantee loans from financial institutions.

Committed not yet disbursed

The Society had committed € 144.6 million (2020: € 148.0 million) to its partners as at 31 December 2021 that was not yet disbursed in 2021.

50 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. There are no subsequent events that are not recognised in the financial statements.

The war in Ukraine can be seen as a subsequent event, which we would like to highlight. We do not foresee a big impact on our business. Our exposure at year-end 2021 amounted to approximately € 0.6 million, which is around 0.05% of the total balance sheet.

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 proposal of the Managing Board.'

The Managing Board will make the following proposal to the Annual General Meeting in 2022 with regard to 2021 net income.

Allocation of net income 2021	
The Managing Board proposes to appropriate the net income as follows:	**2021**
	€ ,000
Dividend distribution	**5,626**
Net income 2021	*15,256*
Proposal to be added to the general reserve	**9,631**

In the Annual Report 2020 the below table was included:

Allocation of net income 2020	
The Managing Board proposes to appropriate the net income as follows:	**2020**
	€ ,000
Dividend distribution	**-**
Net income 2020	*(22,182)*
Proposal to be deducted from general reserve	**(22,182)**

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 audit of the accompanying consolidated financial statements

Our opinion

We have audited the consolidated financial statements for the year ended as at 31 December 2021 of Oikocredit, Ecumenical Development Cooperative Society U.A., based in Amersfoort.

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 2021 and of its result for the year ended on 31 December 2021 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 2021;

2 the consolidated and separate income statement for the year ended on 31 December 2021;

3 the consolidated cash flow statement for the year 2021; 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: Resilience, solidarity, loyalty;

— Supervisory Board report: Steering through the storm;

— 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; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code regarding the management report and the other information.

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 management 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 company'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 Cooperation 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 company's ability to continue as a going concern in the consolidated financial statements.

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

Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit engagement 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 among others:

- 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 Cooperation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board;
- evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and
- evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Amstelveen, 24 March 2022

KPMG Accountants N.V.

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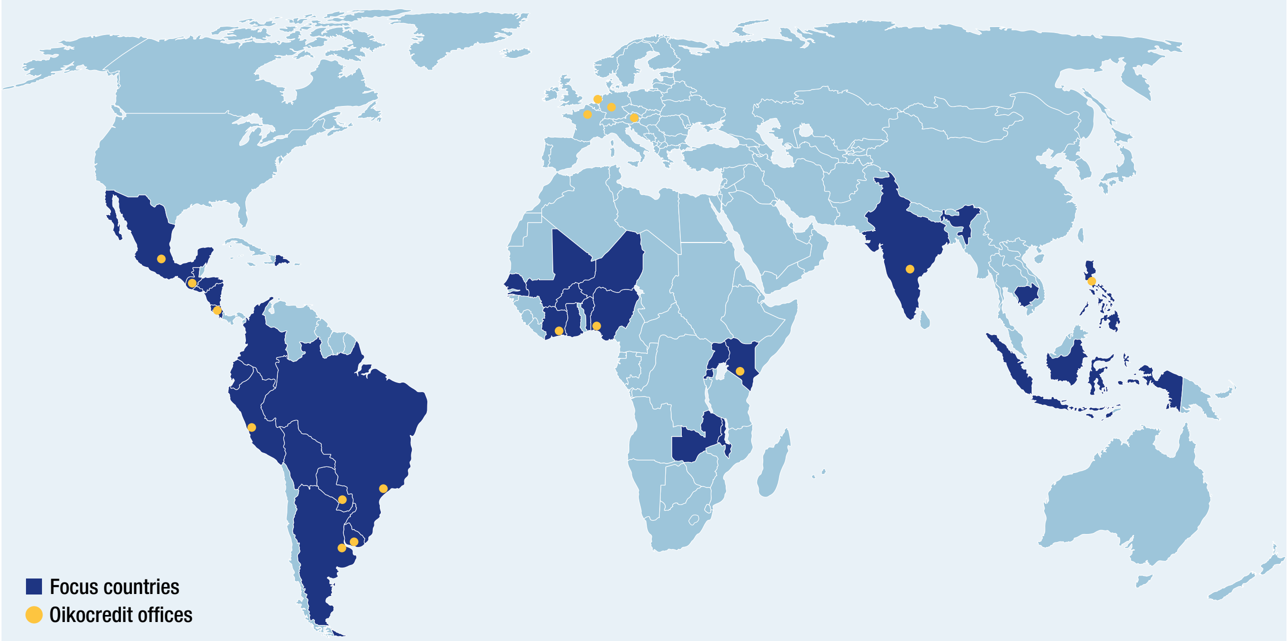
Oikocredit's presence and focus countries



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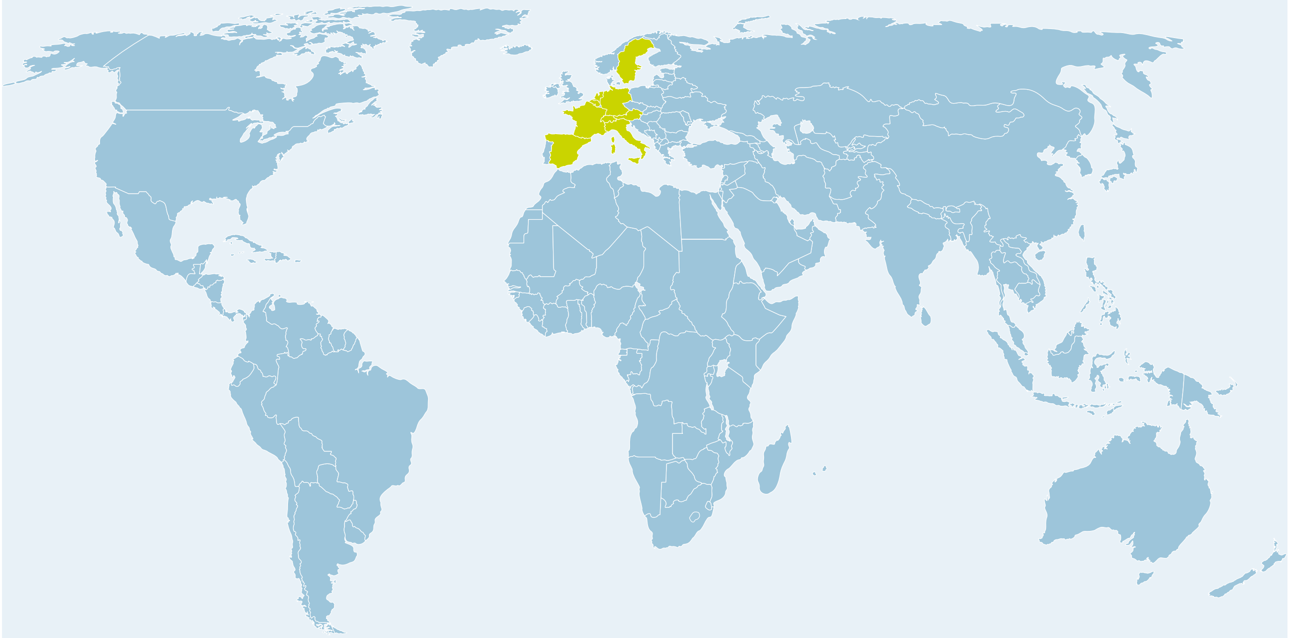
Countries in which Oikocredit actively attracts investments



In these countries individuals and organisations can invest in Oikocredit via its network of support associations and the Oikocredit International Share Foundation (OISF).

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

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

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