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## **Prospectus Oikocredit, Ecumenical Development Cooperative Society U.A. (“Oikocredit”)**

**Dated 17 June 2011**

*(incorporated as a cooperative society with excluded liability under laws of The Netherlands and having its registered seat in Amersfoort, The Netherlands)*

### **In respect of the issuance of Shares in the capital of Oikocredit, Ecumenical Development Cooperative Society U.A. (“Oikocredit”)**

By continuously issuing Shares to its Members, numbering 595 Members as at 31/12/2010, Oikocredit mobilises the capital needed to carry out its mission of development financing through project funding.

The Shares are continuously offered to Members. There is no realistic estimation on the proceeds of the Share issue and how many Shares will be issued. New Shares issued are mentioned in the annual audited consolidated financial statements of Oikocredit, and in general not announced separately publicly.

Participation in Oikocredit is open only to Members, see for more information § 6.5 “Participation in Oikocredit”.

The Shares are in book entry form, meaning that Oikocredit holds a register stating the number of Shares registered in the name of the Shareholders. Upon issue of the Shares, the name and details of the Shareholder are entered into the Share register. Each Member may at any time apply for a certified extract from the Register stating the number of Shares registered in its name.

Shares are registered shares with a nominal value of EUR 200, GBP 150, SEK 2000, CAD 200, or USD 200. According to the Articles of Incorporation, the Board can decide to issue Shares in other currencies than in euro or in USD. Before issuing Shares in other currencies, the nominal value per Share will be determined for each additional currency in which the Shares are issued. Shares are continuously issued in euro as well as USD, or other currencies at their nominal value, at the discretion of the Board and there is no limit to the number of Shares that can be issued. In occurring events, the Board has also the discretion to revoke or suspend the offer or to reduce subscriptions. The offer might be revoked or suspended, if within the year the prospectus is valid, there would be an increase of more than 50 % in share capital, and the Oikocredit Board expects that it cannot invest the proceeds of the shares in development financing (in case the demand for new development financing is not sufficient or in case this development financing does not fit the criteria of Oikocredit) within the foreseeable future (in the next 3 years).

No interest will be paid on subscriptions returned. Shares are issued pursuant to a resolution of the Board. Changes in the offering price (if any) will be disclosed in an amendment to this Prospectus.

Prospective investors in the Shares are explicitly advised that such investment entails financial risks. In making an investment decision, investors must rely on their own examination of Oikocredit and its Shares, including the merits and risks involved. The risks summarised in this Prospectus are distinctive or characteristic of Oikocredit’s operations and organisation, which may have a material impact upon Oikocredit’s future financial performance and risks related to the Shares. Please refer to chapter 2 of this Prospectus for a detailed description of these risks.

This Prospectus has been approved by The Authority for the Financial Markets (“Autoriteit Financiële Markten”) in The Netherlands for the purposes of Directive 2003/71/EC of the European Parliament and of the Council (the “Prospectus Directive”) on 17 June 2011 (the “Publication Date”). Pursuant to this Prospectus, Shares can be offered by Oikocredit until 17 June 2012 ultimately. In the meantime, changes may occur in the financial position or the activities of Oikocredit. In accordance with article 5:23 of the Dutch Act on Financial Supervision (“Wet op het Financieel Toezicht”), Oikocredit shall make such information publicly available by issuing a supplement to this Prospectus.

**The Prospectus can be obtained as of the publication date at:**

Oikocredit, Ecumenical Development Cooperative Society U.A.  
Berkenweg 7  
3818 LA Amersfoort  
PO Box 2136  
3800 CC Amersfoort  
The Netherlands  
+31 (0)33 422 40 40  
[info@oikocredit.org](mailto:info@oikocredit.org)  
[www.oikocredit.org](http://www.oikocredit.org)

**The Prospectus is valid for a period of 12 months after the publication date.**

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# 1. Summary

This summary describes in a brief manner the essential characteristics and risks associated with Oikocredit and its Shares. This summary should be read as an introduction to the Prospectus. Any decision to invest in the Shares should be considered after studying the Prospectus as a whole by the investor including the documents incorporated by reference. If a claim relating to information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Oikocredit is only liable if the summary of this Prospectus read in conjunction with the other part of the Prospectus is misleading, inaccurate or inconsistent. Oikocredit U.A. prepared the Prospectus and is therefore responsible for the contents included in the Prospectus.

*Oikocredit, Ecumenical Development Cooperative Society U.A.*

Oikocredit was founded in 1975 at the initiative of the World Council of Churches to provide churches and church-related organisations with an investment tool aimed at supporting marginalized people in the Third World. It is Oikocredit's objective to make a lasting contribution to the struggle against poverty in developing countries.

The mission of Oikocredit is formulated as follows: **Oikocredit, as a worldwide cooperative society, promotes global justice by challenging people, churches and others to share their resources through socially responsible investments and by empowering disadvantaged people with credit.**

Its principal instrument to reach the mission is project funding: Oikocredit provides loans or other types of financing (equity, quasi equity, or guarantees) for the development of viable economic enterprises of groups of disadvantaged people, who are generally denied access to financial services. Thus, Oikocredit supports cooperatives and comparable organisations, as well as alternative trade organisations, financial Intermediaries (including Microfinance Institutions) – the latter enabling Oikocredit to reach individuals or small groups of people whom it cannot serve with direct loans.

- Funding of Cooperatives and other comparable organisations is aimed at financing productive investments that generate a sustainable income, for example a coffee-processing plant, a fishing boat or a small-scale milk factory.
- Microfinance Institutions provide loans to, for example, small enterprises, small scale producers and small scale farmers.

The loan -or financing- amounts range from a minimum of 50,000 euro to a maximum of 5,000,000 euro, or 2% of total equity (whatever is highest), with a loan repayment period up to ten years. Please refer to article 2 of the Articles of Incorporation for a formal description of the objectives of Oikocredit.

## *Participation in Shares*

Any interested party that meets the membership criteria of Oikocredit may submit an application for membership of Oikocredit to the Board at any time. After approval, Shares can be acquired accordingly against payment of the nominal value thereof. Shares are registered Shares and issued at a nominal value of EUR 200 per Share, US dollars 200 per Share GBP 150 per Share, SEK 2000 per Share and CAD 200 per Share, or any other currency approved by the Board. Before issuing Shares in other currencies, the nominal value per Share to be determined for each additional currency in which the Shares are issued.

Each Member is required to purchase at least one Share upon joining Oikocredit. Fractions of Shares may also be purchased thereafter. There is no limit to the number of Shares that can be issued. Shareholders are entitled to dividends. It is the policy of Oikocredit to pay out an annual dividend per Share with a percentage of the nominal value of a Share that was so far usually 2% of the nominal value, but this is up to the General Meeting of Members to decide per year what the exact dividend will be per Share. Up till 2010 Oikocredit did not pay a dividend higher than 2%. Dividends will be determined during the General Meeting of Members and will be lower than what is considered to be a normal dividend in the financial markets. The Shares are not listed on any stock exchange. Shares must be considered as illiquid. An objective price-fixing and -setting is not available. Each Member may exercise one vote at the General Meeting, irrespective of the number of Shares held. Please refer to § 6.5 for more details.

## *The offering and the period of subscription*

Participation in the international ecumenical cooperative society Oikocredit is open only to Members. Subscription is open continuously. Membership of Oikocredit is restricted to churches and church-related organisations, Support Associations and project members (please refer to § 6.5 for more details). Organisations and individuals that do not qualify for direct participation may participate indirectly in the work of Oikocredit through one of the Oikocredit Support Associations, or through the Stichting Oikocredit International Share Foundation (ISF). In the Netherlands this is possible through Oikocredit Nederland or through the Oikocredit Nederland Fonds. Dutch investors should contact Oikocredit Nederland<sup>1</sup> for more details.

## *Use of proceeds*

By continuously issuing Shares to its Members, numbering 595 Members as at 31/12/2010, Oikocredit mobilises the capital needed to carry out its mission of development financing through project funding.

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<sup>1</sup> Oikocredit Nederland, PO Box 85015, 3508 AA Utrecht, The Netherlands, +31 30 234 10 69, nederland@oikocredit.org

### *Tax position*

The Dutch tax authorities have granted Oikocredit an exemption from Dutch corporate income tax, provided certain conditions are met (see chapter 7 for details). Furthermore, dividends distributed by Oikocredit to its Shareholders are not subject to dividend withholding tax. Up to 31/12/2007 Oikocredit qualified as a charity in the sense of the Dutch Personal Income Tax Act. A request for renewal of the tax free status on gift and inheritance taxes for Oikocredit was rejected by the Dutch tax authorities in 2007. Oikocredit does not expect any consequences from this decision, as the tax free status for gift and inheritance tax for Oikocredit's related foundation Oikocredit International Support Foundation has been maintained. However, during 2011 the tax free status for gift and inheritance tax will again be discussed with the Dutch tax authorities. Members will generally not be subject to Dutch personal or corporate income tax on income or capital gains in respect of dividends and capital gains in respect of Shares (we refer to chapter 7 for more details). The Dutch tax authorities have confirmed that the activities of Oikocredit U.A. are exempt from VAT based on article 11, paragraph 1, sub i and j of the Dutch VAT Act.

### *Effective yield of the Shares*

So far the maximum dividend that has been paid out on the Shares amounted to 2% per year of the nominal value of the Shares. Please refer to § 6.10 for more details.

### *Risk Factors*

In view of the objectives of Oikocredit, the criteria for project funding (see Appendix 1) and the countries where Oikocredit carries out its work, it is clear that very real risks are present in the project funding portfolio. Oikocredit is subject to the usual commercial risks of any business and to that specific to its market in particular. These risks can affect the financial operational results of Oikocredit. These risks are set out under 'Risk factors' in chapter 2 and include risk factors relating to:

- Country risks
- Currency risks
- Project risks (*and the risk of concentration of project funding in certain sectors*)
- Legal risks
- Dependency on volunteers
- Market and Interest rate risks
- Liquidity risks
- Reputation Risks
- Credit crisis and crisis in Andra Pradesh and Cote d'Ivoire
- Risk that redemption of Shares will be below the nominal value

## **2. Risk Factors**

Interested parties are expressly advised to note that participation in Oikocredit entails financial risks.

In view of the objectives of Oikocredit, the criteria for project funding (see Appendix 1) and the countries where Oikocredit carries out its work, it is clear that very real risks are present in the project funding portfolio. Oikocredit is subject to the usual commercial risks of any business and to that specific to its market in particular. These risks can affect the financial operational results of Oikocredit. The following risks are a brief overview of the important risk factors involved.

Although Oikocredit believes that the risks and uncertainties described below are Oikocredit's material risks and uncertainties, they may not be the only ones that Oikocredit faces. Additional risks and uncertainties not presently known to Oikocredit, or that Oikocredit currently deems immaterial may also have a material adverse effect on Oikocredit's business, results of operations or financial condition and could negatively affect the price of the Shares.

### *Country risks*

Economic and/or political problems, sometimes in conjunction with extreme inflation or devaluation, can make it impossible for the recipients of the funding by Oikocredit to meet previously made commitments towards Oikocredit. Oikocredit's project funding portfolio in developing countries (development financing) may further be affected by existing governmental, economical and political problems (resulting into non payment as a result of a currency crisis, political measures taken to prevent payment to institutions situated outside their country, or a deteriorating internal economic situation).

A slow down in economic growth rates or recession in the USA and/or Europe may negatively influence Oikocredit's capital inflow over the coming period.

These events may negatively impact the growth possibilities of Oikocredit as well as the financial results and therefore may have a negative impact on the dividend to be paid out on the Shares as well as on the net asset value and the price of the Shares.

#### *Currency risks*

Significant currency risks exist, as Oikocredit's available capital (members' capital and loans) at the end of 2010 is for approximately 92 % denominated in euro while the amounts outstanding in development financing is denominated for 33% in USD, for 56% in local currencies and the remainder 11% in euros. The Term Investments (bond portfolio) are mainly denominated in euro.

Oikocredit also runs a risk of non payment of any amounts due by our project partners (development financing outstanding) in US Dollar or Euro as a result of a currency crisis in a country Oikocredit works in. Materialization of these currency risks (e.g. declining exchange rates of the US dollar or local currencies, versus the euro) may negatively impact the reserves and financial results and therefore may have a negative impact on the dividend to be paid out on the Shares, as well as on the net asset value and the price of the Shares.

#### *Project risks (or counterparty) and the risk of concentration of project funding in certain sectors*

Project risks, i.e. the risks of non payment of our project partners with as a result losses on our development financing portfolio, vary from projectpartner to projectpartner and depend on the nature of the project, the sector of activity, the quality of management and a variety of other factors. A part of our project funding may also be concentrated in certain sectors. If problems occur within a certain sector (e.g. natural disasters within the agricultural sector) this could have a negative impact on the project partners that are active within the sector. This may result in non payment of our project partners active within the sector, with as a result losses on our development financing portfolio. Any losses may negatively impact the financial results and therefore may have a negative impact on the dividend to be paid out on the Shares as well as on the net asset value and the price of the Shares.

#### *Legal risks*

As Oikocredit operates in various countries worldwide and concludes transactions and agreements subject to various laws, there is no absolute surety that such transactions and agreements cannot be invalidated. Losses due to invalidated contracts may negatively impact the financial results and therefore may have a negative impact on the dividend to be paid out on the Shares as well as on the net asset value and the price of the Shares.

#### *Dependency on volunteers*

As Oikocredit is for a significant part of its new share capital issues dependent on the efforts of volunteers working for its Support Associations, it may encounter difficulties attracting funding at the same volume if large numbers of volunteers decide to leave the Support Associations of Oikocredit. Losses due to a dramatic decrease of volunteers resulting in a decrease in share capital inflow, or significant costs to replace the volunteers, may negatively impact the financial results and therefore may have a negative impact on the dividend to be paid out on the Shares as well as on the net asset value and the price of the Shares.

#### *Market and Interest rate risks*

Oikocredit is investing a part of its long term capital in development financing outstanding and investment grade bonds and in share funds. Market developments which cause changes in interest rates, the creditworthiness of the bond issuers and share prices, will affect the value of Oikocredit's bond and share portfolio and may also affect the value of its project funding portfolio (development financing outstanding.) This may negatively impact the financial results and therefore may have a negative impact on the dividend to be paid out on the Shares as well as on then net asset value and the price of the Shares.

#### *Liquidity risks*

Taking into account that the Society enters into commitments for new financing, there is a risk that the Society is not able to meet these commitments in time when a substantial part of the project partners do not repay their loans in time. This may also negatively impact the liquidity of Oikocredit and therefore may have as a consequence that Oikocredit U.A. is not able to redeem all or part of the Shares and may have a negative impact on the dividend to be paid out on the Shares as well as on the net asset value and the price of the Shares.

#### *Illiquidity of shares*

Taking into account that the Shares are not listed on any stock exchange and there is no normal market available for the Shares, the Shares must be considered as illiquid. There is a possibility that a Member who wants to redeem or sell all or some of his Shares may (temporarily) not be able to find a buyer for his Shares, or Oikocredit U.A. is not able to redeem the Shares as a result of liquidity problems within Oikocredit. Accordingly, Members should consider their investment in Shares as "non current assets"

#### *Reputation risks*

As Oikocredit is for new share capital issues dependent on its members, damage to Oikocredits reputation could seriously affect future capital inflow and could affect ability to finance commitments and new projects for development.

#### *Crisis in Andra Pradesh India*

Oikocredit faces risks in the Indian state of Andra Pradesh (AP), where the impact of oversaturation of certain markets led to criticism and protests against the microfinance industry. Some borrowers took on too many loans and suffered the consequences of being unable to repay them. Collection practices of lenders and interest rates charged to borrowers by MFIs were also criticized. Following the protests, the government of Andra Pradesh implemented an ordinance tightening regulation on MFIs operating as Non Banking Financial Institutions (NBFCs).



Meanwhile a commission of the Reserve Bank of India assessed potential further regulation of MFIs and issued a report in the 3<sup>rd</sup> week of January. Based on this report, the Reserve Bank of India implemented changes in the regulation of MFIs in the beginning of May 2011.

These developments may have negative effects on the results of Oikocredit over the coming period, as this may affect the quality of Oikocredit's project funding portfolio (development financing outstanding) and may also lead to a reduced capital inflow. Around 2.5 % of Oikocredit's portfolio could be affected by the developments in Andra Pradesh

#### *Political problems in Cote d'Ivoire*

Political upheaval following the presidential elections in Cote d'Ivoire, represents a risk. The political stalemate could damage the country economically and have ramifications for the region. This may have negative effects on the results of Oikocredit over the coming period, as this may affect the quality of Oikocredit's project funding portfolio (development financing outstanding) and may also lead to a reduced capital inflow. Around 0.75 % of Oikocredit's portfolio could be affected by the developments in Cote d'Ivoire.

#### *Risk that redemption of Shares will be below the nominal value.*

Shares will be redeemed by Oikocredit taking into account the conditions mentioned in article 12 of the Articles of Incorporation being the following:

Shares shall be redeemed, if a Member has ceased to be a Member of Oikocredit, not later than five year after cessation of membership. Moreover, Shares can be redeemed, without prejudice to what has been provided in Article 9 of the Articles of Incorporation, without the Member ceasing its membership of Oikocredit. The redemption shall be decided upon by the Board. The redemption shall be at nominal value.

However, if the net asset value per share is lower than the nominal value per Share in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of Share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet.

In chapter 6.4 Oikocredit described its risk management system.

### **3. Important information**

#### *Responsibility statement*

Solely Oikocredit is responsible for the content of this Prospectus. Oikocredit declares that it has taken all reasonable care to ensure that the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

No person is authorised to give any information or to make any representation in connection with the offering of Shares that is not contained in this Prospectus. In the event such information has been provided or such representation has been made, it must not be relied upon as having been authorised by Oikocredit.

Neither the delivery of this Prospectus nor any sale on the basis thereof shall, under any circumstances, imply that the information contained in this Prospectus is correct as of a date subsequent to the date thereof.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Shares offered hereby, nor does it constitute an offer to sell or a solicitation of an offer to buy any securities offered hereby to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person. Neither the delivery of this Prospectus nor any sale on the basis thereof shall, under any circumstances, imply that the information contained in this Prospectus is correct as of a date subsequent to the date thereof. The availability and distribution of this Prospectus and the offering of the Shares may, in certain jurisdictions, in particular the United States of America and Canada, be restricted by law. Oikocredit requires persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. Oikocredit accepts no responsibility for any violation by any person, whether or not such person is a prospective investor of the Shares, of any such restrictions.

The Prospectus itself and all the documents incorporated by reference, the Articles of Incorporation and the last three annual accounts, can be obtained from Oikocredit (free of charge) at Oikocredit's website and at the Oikocredit office in Amersfoort, The Netherlands. All documents in this Prospectus that are referred to as 'on display' are available (free of charge) for viewing at the Oikocredit office in Amersfoort, The Netherlands.

Investors are advised to ascertain whether as from the date of this Prospectus, supplements have been made publicly available. This Prospectus, including all its supplements, is freely available at the Oikocredit office in Amersfoort, The Netherlands.

All qualifications of a legal nature contained in this Prospectus relate to the Dutch law, unless the context requires otherwise. References to “EUR” are to euro, the currency of The Netherlands, references to “USD” or “US dollar” are to United States dollars, the currency of the United States of America references to “GBP” or “British Pound” are to British Pound Sterling, the currency of the United Kingdom, references to “SEK” or “Swedish Kronor” are to Swedish Kronor, the currency of the Kingdom of Sweden and references to “CAD” or “Canadian Dollar” are to Canadian Dollar, the currency of Canada. Dutch law is applicable to this Prospectus. This Prospectus is only available in the English language. Unless explicitly stated otherwise, all financial information in this Prospectus is unaudited.

## 4. Definitions

These definitions apply to the whole Prospectus including the summary, risk factors and important Information chapters.

|   |  |
|---|--|
| <b>AGM</b>                                | the Annual General Meeting;  |
| <b>Articles of Incorporation</b>          | the Articles of Incorporation of Oikocredit, as incorporated by reference in this Prospectus;  |
| <b>Board</b>                              | the Board of Directors (“ <i>Bestuur</i> ”) of Oikocredit as mentioned in article 25 of its Articles of Incorporation;   |
| <b>General Meeting</b>                    | the general meeting of members (“ <i>algemene ledenvergadering</i> ”) of Oikocredit as mentioned in article 13 of the Articles of Incorporation;   |
| <b>International Support Office (ISO)</b> | the head office or central office of Oikocredit located in Amersfoort, the Netherlands;  |
| <b>ISUP</b>                               | Stichting Oikocredit International Support Foundation;   |
| <b>ISF</b>                                | Stichting Oikocredit International Share Foundation;   |
| <b>Managing Director</b>                  | the Managing Director (“ <i>President-directeur</i> ”) of Oikocredit as mentioned in article 30 (2) of the Articles of Incorporation;  |
| <b>Member</b>                             | a member of Oikocredit as mentioned in article 4 of the Articles of Incorporation;   |
| <b>MFI</b>                                | Microfinance Institutions, which provide financial services to the very poor;  |
| <b>Oikocredit</b>                         | Oikocredit, Ecumenical Development Cooperative Society U.A., having its registered seat in Amersfoort, the Netherlands;  |
| <b>Oikocredit Nederland</b>               | Oikocredit Support Association Netherlands (“ <i>Oikocredit Ontwikkelingsvereniging Nederland</i> ”), having its registered seat in Utrecht, the Netherlands;  |
| <b>Oikocredit Nederland Fonds</b>         | an investment fund incorporated by Oikocredit Netherlands having its registered seat in Utrecht, the Netherlands;  |
| <b>Projects/Project funding</b>           | projects financed by Oikocredit referred to in the Audited consolidated financial statements of Oikocredit as Development Financing Outstanding;   |
| <b>Project Partners</b>                   | the clients in developing countries to whom Oikocredit provided project funding;   |
| <b>Prospectus</b>                         | this Prospectus of Oikocredit including any supplements to be made publicly available;   |
| <b>Regional Development Center</b>        | Regional Development Center is a status a regional office of Oikocredit can receive, after having been accredited (through a formal accreditation process) by the management and Board of Oikocredit. The Regional Development Center can approve projects themselves but only up to certain limits; |



|                             |   |
|-----------------------------|---|
| <b>RM</b>                   | a regional manager or regional director of Oikocredit who manages a regional office or Regional Development Center of Oikocredit;   |
| <b>Shareholder</b>          | the holder of Shares;   |
| <b>Shares</b>               | the Shares in the capital of Oikocredit, as mentioned in article of the Articles of Incorporation;  |
| <b>Society</b>              | Oikocredit Ecumenical Development Cooperative Society U.A., as mentioned in article 1 of the Articles of Incorporation;   |
| <b>SRI</b>                  | socially responsible investments;   |
| <b>Support Associations</b> | Support Associations (legally separated from Oikocredit) that are established per country or per region within a country, to raise the awareness of people in their region about the importance of development and socially responsible investments and to offer individuals and church congregations or parishes, an opportunity to invest in Oikocredit. An example is the establishment of Support Associations in the Netherlands Oikocredit Nederland (OCN); |
| <b>TIP</b>                  | the Term Investment Portfolio of Oikocredit that consists of bonds and shares.  |

## 5. General details

### Issuer

Oikocredit, Ecumenical Development Cooperative Society U.A.  
 Berkenweg 7  
 3818 LA Amersfoort  
 PO Box 2136  
 3800 CC Amersfoort  
 The Netherlands  
 +31 (0)33 422 40 40

### Auditor

*Up to financial year 2010:*

PricewaterhouseCoopers Accountants N.V.  
 Of which the auditors are a member of the Nederlandse Beroepsorganisatie van Accountants ("NBA")  
 Thomas R. Malthusstraat 51066 RJ Amsterdam  
 The Netherlands

*From 2011:*

Ernst & Young Accountants LLP  
 Of which the auditors are a member of the Nederlandse Beroepsorganisatie van Accountants ("NBA")  
 Wassenaarseweg 80  
 2596 CZ The Hague  
 The Netherlands

### Tax advisor

PricewaterhouseCoopers Belastingadviseurs N.V.  
 Archimedeslaan 21  
 3584 BA Utrecht  
 The Netherlands

## 6. Oikocredit Ecumenical Development Co-operative Society U.A.

### 6.1. History and mission of Oikocredit

Oikocredit is an initiative inspired by the World Council of Churches and was founded (and incorporated) by the World Council of Churches together with the Council of Churches in the Netherlands on 4 November 1975 under the laws of The Netherlands.

#### *History and important events in the development of Oikocredit's business*

Oikocredit was founded to provide churches and church-related organisations with an investment tool aimed at supporting marginalized people in developing countries. It is Oikocredit's objective to make a lasting contribution to the struggle against poverty in developing countries. The aim was to invest in justice by giving credit to productive enterprises of disadvantaged people. The International Support Office (the head office or central office of Oikocredit) was established in Amersfoort, The Netherlands.

Oikocredit had a difficult start because many church treasurers did not believe in this alternative investment instrument. Some believed that it was unethical to lend instead of giving, or simply did not believe in the concept's success. Individual church members in Europe did, however, and started Support Associations. The First Support Association was established in 1976 in the Netherlands. At this moment, these Support Associations mobilise the largest part of the share capital and have contributed in this way to the success of Oikocredit. Support Associations raise the awareness of people in their region about the importance of development and socially responsible investments.

Support Associations are mainly set up by and composed of groups and individuals in the country of their origin (consisting mainly of volunteers). Support Associations are not legally part of the group of Oikocredit. The way Support Associations offer the opportunity to invest in Oikocredit differs per country and is amongst others dependent on the local regulatory environment. An example is the establishment of Support Associations in the Netherlands: Oikocredit Support Association Netherlands (Oikocredit Ontwikkelingsvereniging Nederland) and the Oikocredit Nederland Fonds (ONF) which respectively issue certificates for Shares in Oikocredit and offer participations in ONF.

Support Associations are located in Europe, Northern America and some developing countries. The 31 Support Associations have a joint membership of around 37,000 individuals, and 6,000 church parishes and congregations and other institutions. Together, they have contributed more than 80% of Oikocredit's total share capital as at 31/12/2010.

Support Associations were established in the following countries:

#### **Europe:**

Austria, Belgium, France, Germany, Italy, The Netherlands, Spain, Sweden, Switzerland

#### **South and Central America:**

Mexico, Uruguay

#### **Asia:**

Japan, Korea, the Philippines

#### **North America:**

Canada and United States

The first loan of Oikocredit was granted to a project partner in Ecuador in 1978.

In 1993 Oikocredit had a member's capital of 50 million euro. In 1998 the total share capital amounted to 100 million euro, in 2004 the share capital surpassed the 200 million euro, while in 2009 the share capital surpassed 400 million euros. During 1998 and 1999 projects financed by Oikocredit experienced some difficulties in repaying their interest and instalments to Oikocredit. This was a result of the "Asia" financial crisis in those years. As a result, Oikocredit only paid a one percent dividend instead of the usual 2% dividend in relation to the years 1998 and 1999.

During 1999 the Oikocredit Board decided to change its name from Ecumenical Cooperative Development Society U.A. (EDCS) into Oikocredit, Ecumenical Development Cooperative Society U.A.

In 2010 Oikocredit celebrated 35 years of credit for developing countries.

Oikocredit is in many aspects a unique organisation:

- Oikocredit operates like a development "bank", providing long term financing to disadvantaged people, people who would normally not get a loan from a commercial bank;
- Even though it is a small organisation, Oikocredit has a wide network of regional offices and country offices;
- Oikocredit is one of the few cooperative societies operating with a worldwide membership of investors and clients;
- Oikocredit manages to run its operations with an aim for a limited financial return as well as a social return for its investors;
- Oikocredit has a unique structure of: members, project partners, regional offices, international office.

The mission, vision and values of Oikocredit are formulated as follows:

### **Mission**

Oikocredit, as a worldwide Cooperative Society, promotes global justice by challenging people, churches and others to share their resources through socially responsible investments and by empowering disadvantaged people with credit.

### **Vision**

Oikocredit will be a highly respected and leading provider of opportunities for socially responsible investments and credit for development.

### **The Values & Guiding Principles of Oikocredit:**

- *Sharing*

An uneven distribution of resources, wealth and power lead to a world of conflict. When people in the North, South, East and West are prepared to share what they have, respect each other and co-operate, justice and peace can rule the world. Oikocredit provides a mechanism for meaningful sharing.

- *Ecumenical spirit*

Around the world people of faith are willing to share their resources. *Oikocredit forms part of that worldwide coalition of solidarity.*

- *Grassroots*

Development is most effective when it stems from the grassroots in the South and North. *In the cooperative culture of Oikocredit, people's initiative and participation are central in all acts and policies.*

- *People*

All people are created equal. Oikocredit thus extends credit to marginalized people irrespective of their faith, culture, age or gender and favours initiatives of women, as they are the backbone of their families and thus society as a whole.

- *Integrity*

Respect between people implies honesty and truthfulness. *Oikocredit's determination is to listen with an open mind and communicate in full transparency on all the parameters of its own policies. A code of conduct for those who determine the Oikocredit course is part and parcel of this principle.*

- *Creation*

A wholesome eco-system is the basis for life. Animals, species and bio-diversity should thus be preserved. Oikocredit believes that a healthy balance in nature can only be achieved in a world of evenly spread resources and power.

### **Objective of Oikocredit**

The objective of Oikocredit is to make the mobilized resources available to cooperatives or groups of marginalized people in order to further finance their income-generating activities. Oikocredit also manages third party funds of amongst other so called donor agencies for the risk and account of such third party (for example for ICCO) by investing and administering these funds in projects managed by Oikocredit (For further details about the objectives of Oikocredit, we refer to Article 2 of the Articles of Incorporation).

#### *Use of proceeds*

There is no restriction for purposes of the use of the capital: continuously issuing Shares to its Members, numbering 595 Members as at 31/12/2010, Oikocredit mobilises the capital needed to carry out its mission of development financing through project funding and to invest its reserves in the Term Investment Portfolio.

## **6.2. General structure**

Oikocredit forms the head of a group as defined in section 2:24b of the Dutch Civil Code and includes Oikocredit, its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in which Oikocredit exercises direct or indirect dominant control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account.

The group companies are listed below:

- Oikocredit Ecumenical Development Cooperative Society U.A., Amersfoort, the Netherlands
- Maanaveeya Holdings and Investments Private Limited in Hyderabad, India
- Financial Company Oikocredit Ukraine in Lviv, Ukraine
- Oikocredit International Support Foundation, Amersfoort, the Netherlands (Support Foundation)
- Oikocredit International Share Foundation, Amersfoort, the Netherlands (Share Foundation)

- Oikocredit Seed Capital Fund, Amersfoort, the Netherlands (OSCAP)
- Barefoot Power Trade Finance Fund, Amersfoort, the Netherlands (BTF)
- Fund for the Fair Future Euro Fund, Amersfoort, the Netherlands (4 F Euro Fund up to 31/12/2010)
- Fund for the Fair Future USD Fund, Amersfoort, the Netherlands (4 F USD fund up to 31/12/2010)

#### *Maanaveeya Holdings and Investments Private Limited in Hyderabad, India*

- A 100 % owned subsidiary of Oikocredit in India to deal with its development financing activities in India;

#### *Financial Company Oikocredit Ukraine in Lviv, Ukraine*

- A 100 % owned subsidiary of Oikocredit in Ukraine to deal with its development financing activities in Ukraine;

#### *The 4 F Funds*

Oikocredit has developed a portfolio of socially responsible investments in investment-grade bonds alongside its direct financing of development projects. This portfolio consists of fixed income investments and has the following characteristics:

- a focus on development: bonds issued by developing countries and by development banks and corporate bonds, whose issuers are active in developing countries and screened on their particular benefits in developing countries;
- the bond titles have a credit rating of at least Moody's investment grade;
- the investments have a high social / ethical profile, which is monitored by thorough screening done by Vigeo Group and guaranteed by the Ethibel label.

As of January 1, 2011 Oikocredit transferred the fund management (including the management of the track record) and the name of the 4-F fund was transferred to Institutional Management Services (IMS) in Leusden, the Netherlands. From 2011 onwards the 4 F Funds are not part of the Oikocredit group anymore.

#### *OSCAP and BTF*

Oikocredit has developed the OSCAP that invests in exceptionally risky projects with a big social impact in developing countries and the BTF for a specific project. These Funds are created as a restricted, tax transparent investment fund (*beleggingsfondsen*) with an open-end. The Funds are not an incorporated legal entity, but an unincorporated contract of its own nature. The Funds and the participations will not be listed on any stock exchange.

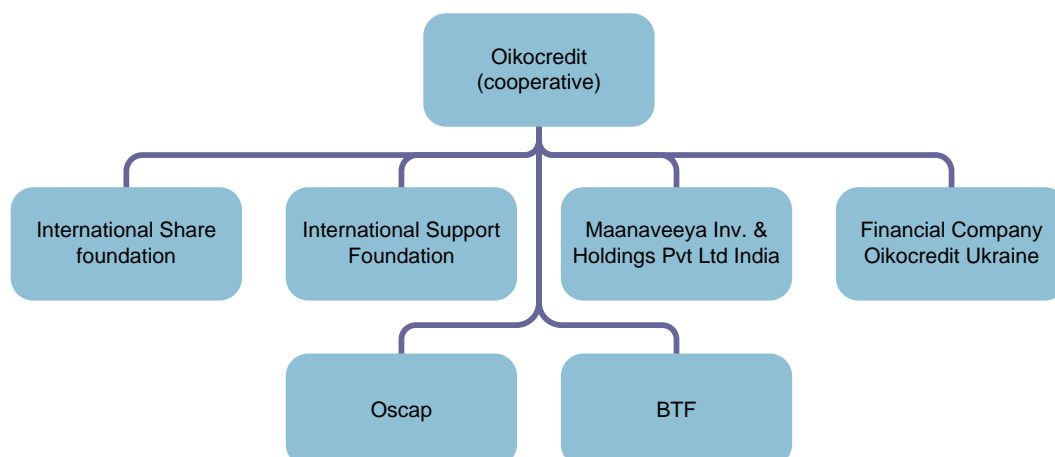
#### **OIKOCREDIT INTERNATIONAL SHARE FOUNDATION AND OIKOCREDIT INTERNATIONAL SUPPORT FOUNDATION**

The following foundations support the activities of Oikocredit Ecumenical Development Cooperative Society ("Oikocredit"):

- the Oikocredit International Share Foundation ("Share Foundation") was established on March 10, 1995, in Amersfoort, the Netherlands, according to the laws of the Kingdom of the Netherlands. The duration of the Share Foundation is unlimited. The main purpose of the Share Foundation is to provide investment opportunities in Oikocredit by issuing Depository receipts for non-church bodies, such as banks and development organizations and for individuals in countries where no support association exists or are not allowed to sell financial products themselves;
- the Oikocredit International Support Foundation ("Support Foundation") was established on March 10, 1995, in Amersfoort, in accordance with the laws of the Kingdom of the Netherlands. The duration of the Support Foundation is unlimited. The main purpose of the Support Foundation is to promote the provision of microfinance and other forms of development finance to support enterprise initiatives by local people in developing countries lacking an adequate banking network available to fund such initiatives, and the provision of anything which is above related or may be conducive. The foundation seeks to achieve its purpose - amongst others - by:
  - a. supporting the activities of Oikocredit, Ecumenical Development Co-operative Society U.A., a co-operative having its corporate seat at Amersfoort ("Oikocredit") and supporting its project partners and generating financial means by means of subsidies or otherwise to finance the above mentioned microfinance; and
  - b. placing financial means of Oikocredit at the disposal of support associations to finance their overhead costs insofar as these cannot be paid from own earnings, contributions, grants, legacies and so on.

The foundation is non-profit.

## Chart group structure Oikocredit as from 01/01/2011



As of January 1, 2011 Oikocredit transferred the management, the name and the track record to Institutional Management Services (IMS) in Leusden, the Netherlands. From 2011 onwards the 4 F Funds are not part of the Oikocredit group anymore.

The operational organisation of Oikocredit is structured to manage the Oikocredit primary processes of attracting capital in order to offer project funding (loans, guarantees and participations) with the corresponding loan and interest repayments with maximum efficiency.

Oikocredit has its international support office in Amersfoort, the Netherlands, and has regional offices in the following locations: Abidjan, Côte d'Ivoire; Hyderabad, India; Lima, Peru; Manila, the Philippines; Montevideo, Uruguay; Nairobi, Kenya and San José, Costa Rica. It has country representatives operating outside regional offices in Argentina, Benin, Bolivia, Brazil, Bulgaria, Cambodia, Colombia, Dominican Republic, Ghana, Ecuador, El Salvador, Guatemala, Honduras, Kyrgyzstan, Mali, Mexico, Moldova, Nicaragua, Nigeria, Romania, Russian Federation, Paraguay, Senegal, Slovak Republic, Tanzania, Uganda and the Ukraine.

Oikocredit has National Support Offices for assisting Oikocredit Support Associations in Germany, France, Sweden, United Kingdom, and USA.

The regional manager or director of Oikocredit (RMs) who manages a regional office or Regional Development Center of Oikocredit is responsible for identifying and reviewing projects that are presented for funding (generally in the form of loans, equity or guarantees). These funding proposals are forwarded to the international (support) office of Oikocredit in Amersfoort (ISO) for appraisal and approval. Funding proposals below a certain amount and with a low risk profile can be approved at regional level, while funding proposals above a certain amount, with a high-risk profile are to be approved by the Board. The Managing Director has established a Credit Committee, which approves projects that are presented for funding. Upon approval by the Credit Committee, the IO Legal Affairs department together with the RMs and the project partners (Oikocredit's clients to which loans, guarantees or equity funding are granted) and local lawyers draft loan agreements, establish collateral papers and take all necessary steps to obtain any government approval required, before payments can be made.

Because Oikocredit is financially dependent on timely payments of interest and loan repayments by the project partners, a great deal of attention is paid to monitoring. After the funds have been disbursed, the RMs pay regular visits to each project to identify potential problems and, if problems arise, offer pro-active assistance in solving them, if necessary by involving other (local or international) organisations. The RM's and Central Loans & Investment department of the IO in Amersfoort monitor project partners' payments of instalment and interest as well as their financial position very closely amongst others through Oikocredit's automated systems. The RMs concerned are closely involved and informed on the status of the projects. Detailed procedures are in place, determining which steps (reminders, final reminder, visit) are to be taken in the event of payments being delayed. The ISO Loans & Investment dpt, the department of Legal Affairs and the RMs in particular, play a crucial role in this process. Oikocredit also established a bad debt collecting unit, taking care of problem projects and difficult cases. Legal proceedings against our clients are started in the event of continuing default of the client in payment of interest or repayment of capital to Oikocredit, in order to be able to sell and/or collect on collateral (if applicable and considered necessary).

The following departments based at the ISO in Amersfoort have supervision on-, and offer active support to the rest of the organisation:

- Loans & Investments;
- Social Performance & Financial Analysis;
- Legal Affairs;
- Investor relations;
- Finance and Administration.

The average number of employees who were directly or indirectly employed by Oikocredit ultimo 2010 on the basis of Full Time Equivalents (FTEs) amounted to 210 (2009:183 2008:191). The growth in the number of employees of Oikocredit is a result of the continuing growth in the activities of Oikocredit.

### 6.3. Description of activities: Loans & Investments (development financing)

Oikocredit's primary activity is to make funding available to viable economic enterprises undertaken by economically disadvantaged groups of people in developing countries. This "lending for development model" was unique when Oikocredit started in 1975. It is based on the conviction that for productive business enterprises, loans stimulate sustainable development and self-reliance and are thus more effective than grants alone. In Oikocredit's experience, most of the project partners that received a loan proved that they can indeed develop and run their own businesses. In 2009 the approvals of new loans and disbursements of these loans to our project partners, were negatively affected by lower demand for new financing from micro finance institutions, partly resulting from the credit crisis.

The project funding by Oikocredit mainly takes the form of loans with an average loan repayment period of around 4 to 5 years. Equity participations account for the remaining funding.

| Project funding outstanding | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|-----------------------------|------------|------------|------------|
| Loans                       | 94%        | 93%        | 94%        |
| Equity                      | 6%         | 7%         | 6%         |

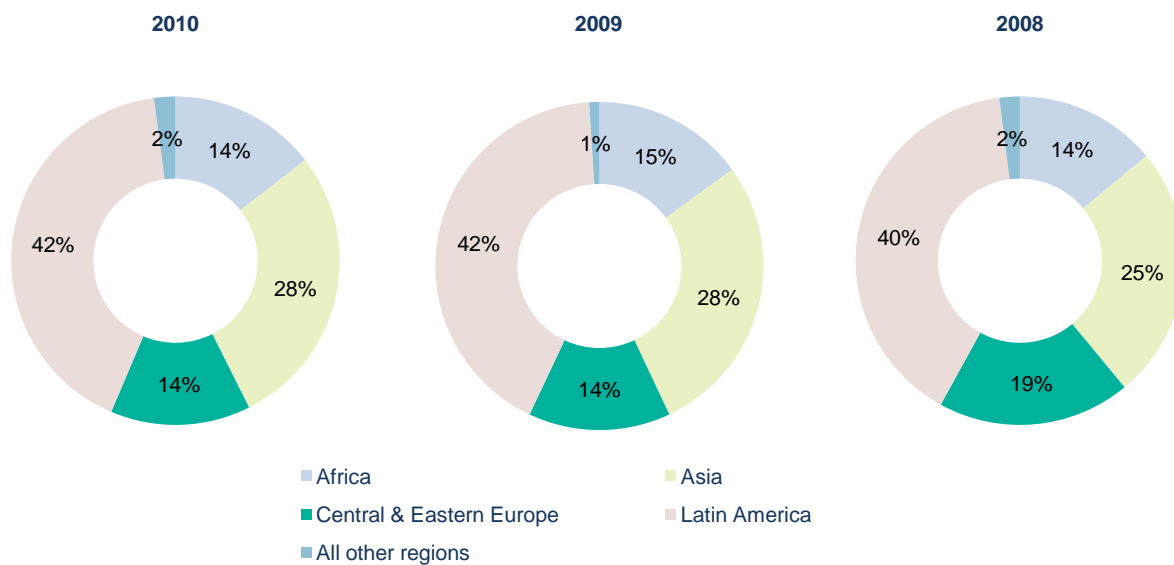
Most funding is in US Dollars (44%) and in local currencies (36%). The remainder of funding (20%) is offered in euros.

| Project funding outstanding | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|-----------------------------|------------|------------|------------|
| USD                         | 33%        | 39%        | 44%        |
| Euro                        | 11%        | 14%        | 18%        |
| Other currencies            | 56%        | 47%        | 38%        |

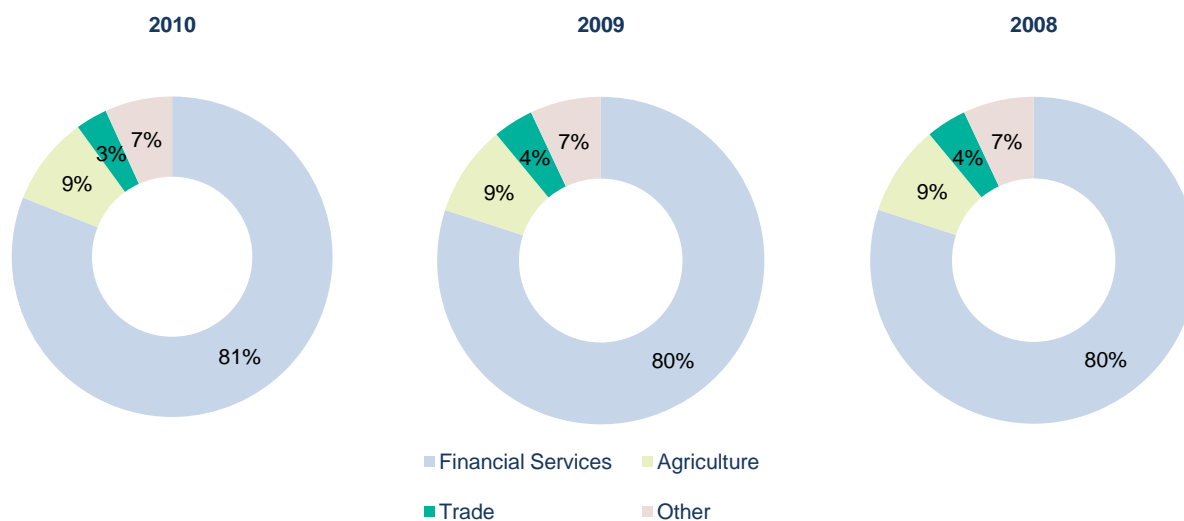
The active project portfolio of Oikocredit (consisting of approved and disbursed funding) amounted to approximately 863 projects in more than 60 countries for a total of approximately 569 million euro at 31/12/2010 (474 million as of 31/12/2009 and 433 million as of 31/12/2008), of which approximately 481 million euro was outstanding as at 31/12/2010 (394 million as of 31/12/2009 and 365 million as of 31/12/2008).



Project funding outstanding per region 31/12/2010, 31/12/2009 and 31/12/2008 are as follows:



Project funding outstanding per sector 31/12/2010, 31/12/2009 and 31/12/2008 are as follows:



The abovementioned graphs show the principal markets in which Oikocredit is operating. The countries where Oikocredit has invested the biggest percentage of total project funding as at 31/12/2010 are as follows: all other countries invested into were below 4%.

| Countries invested into (> 4% of total outstanding) | 31/12/2010 | 31/12/2009 | 31/12/2008 |
|---|------------|------------|------------|
| India   | 15 %       | 11 %       | 7%         |
| Bolivia   | 7 %        | 6%         | 7%         |
| Peru  | 5 %        | 6 %        | 5%         |
| Cambodia  | 5 %        | 5 %        | 4 %        |
| Bulgaria  | %          | 4 %        | 4%         |
| Ecuador   | %          | 4 %        | 4%         |
| Nicaragua   | %          | 4 %        | 5%         |
| Paraguay  | 5 %        | 4 %        | -          |
| Philippines   | 4 %        | 4 %        | 4%         |
| Costa Rica  | 4 %        | -          | -          |
| Bosnia  | -          | -          | 5%         |
| Mexico  | -          | -          | -          |
| Uruguay   | -          | -          | -          |

The loan sums range from a minimum of EUR 50,000 to a maximum of EUR 5,000,000, or 2 % of Oikocredit's equity (whatever is highest). The smaller loans are offered to groups that in most cases have been rejected by their local banks for being insufficiently creditworthy. One of the most common reasons for rejection is insufficient collateral.

The larger loans are generally offered to Microfinance Institutions (or MFI's) (i.e. local financial institutions and intermediaries that grant small loans), which use the funds to support large numbers of disadvantaged people directly with small loans. In specific cases, funds are also made available in the form of guarantees, or (direct or indirect) capital participations. Loan agreements and guarantees are drawn up in accordance with local law in the countries where the loans, respectively the guarantees, are provided and may vary in content.

The credit crisis evolving during 2008 and 2009 did not materially affect Oikocredit's development financing portfolio. No other exceptional factors influenced Oikocredit's activities and markets during those years. Oikocredit faces major challenges in the Indian state of Andra Pradesh (AP), where the impact of oversaturation of certain markets led to criticism and protests against the microfinance industry in the fourth quarter of 2010. Some borrowers took on too many loans and suffered the consequences of being unable to repay them. Collection practices of lenders and interest rates charged to borrowers by MFIs were also criticized. Following the protests, the government of Andra Pradesh implemented an ordinance tightening regulation on MFIs operating as Non Banking Financial Institutions (NBFCs).

These measures may affect the entire microfinance industry in the state of Andra Pradesh and may have negative effects on the results of Oikocredit over the coming period, as this may affect the quality of Oikocredit's portfolio and may also lead to a reduced capital inflow.

As Oikocredit is a well respected social investor in India, we could also benefit from new regulations aimed at strengthening the protection of borrowers. Meanwhile a commission of the Reserve Bank of India assessed potential further regulation of MFIs and issued a report in the 3<sup>rd</sup> week of January. Based on this report, the Reserve Bank of India implemented changes in the regulation of MFIs in the beginning of May 2011. Political upheaval following the presidential elections in Cote d'Ivoire in the fourth quarter of 2010, where two candidates claimed victory, represents a major challenge. The political stalemate could damage the country economically and have ramifications for the region, which might affect our results in West Africa.

Oikocredit's portfolio performance in developing countries may further be affected by existing governmental, economical and political problems (resulting into non payment as a result of a currency crisis, political measures taken to prevent payment to institutions situated outside their country, or a deteriorating internal economic situation).

#### *Competition*

Microfinance Institutions, who offer financial and other services as well as loans to (groups of) poor people, in principle had difficulties to finance their operations. However during the last couple of years more organisations and funds, all over the world, are offering financing possibilities (in the form of loans or equity participations) to especially the larger microfinance institutions. This means that for these institutions there are opportunities to get access to loans and equity participations from different national and international sources. Oikocredit therefore has - to some extent - to compete with these other organisations in offering loans and equity participations to Microfinance Institutions, although it has a focus on smaller MFI's and MFI's which are more difficult to reach for other institutions.

#### *Oikocredit:*

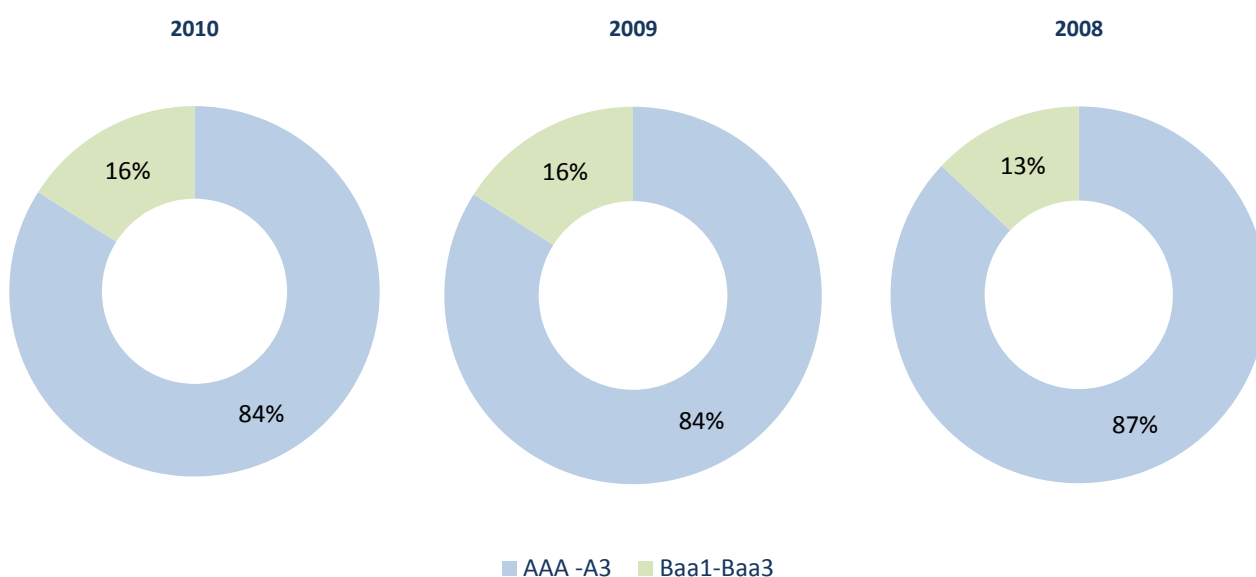
- has a history of 36 years in lending to the poor;
- offers products and conditions that differ to some extent from those offered by other institutions and organisations (for example loans in local currencies and long term loans to especially remote institutions which cannot be reached by others);
- has regional offices with local experts that have knowledge of the local markets and conditions;
- has a strong position to provide financing opportunities to all kind of microfinance Institutions, not only the larger ones, but also to the relatively small and not so well known microfinance Institutions.

In offering loans to non Microfinance Institutions (for example agricultural cooperatives and other initiatives to benefit poor people), Oikocredit experiences hardly any competition, as in principle normal commercial banks and other institutions who could provide funding to the poor, do not focus on financing these organisations. Other financing organisations and institutions mainly work in the field of micro finance.

#### **Term Investments**

In order to balance the total risks and for liquidity purposes, Oikocredit has invested a percentage of its financial resources in a Term Investment Portfolio (TIP). The TIP is for at least 90% invested in the 4 F Fund and no more than 10% invested in Shares in social responsible investment funds. The value of the TIP as of 31 December 2010 amounted to approximately 108 million euro. The graph below shows the rating categories of the investments in the 4 F Fund per 31/12/2010 and 31/12/2009.

**Term investment categories per 31/12/2010, 31/12/2009 and 31/12/2008 are as follows:**



#### **4 F Fund**

Oikocredit established the 4-F Fund – Fund for Fair Future – in 2006. This fund enables a select group of church-related investors to participate in the fund (alongside Oikocredit itself) and thus to invest in a socially responsible way with a special focus on development. The fund is created as a restricted, tax-transparent investment fund (beleggingsfonds) with an open-end for members / shareholders and future members / shareholders of Oikocredit.

Oikocredit acted as the manager of the 4-F Fund up to 31/12/2010.. As of January 1, 2011 Oikocredit transferred the management, the name and the track record to Institutional Management Services (IMS) in Leusden, the Netherlands.

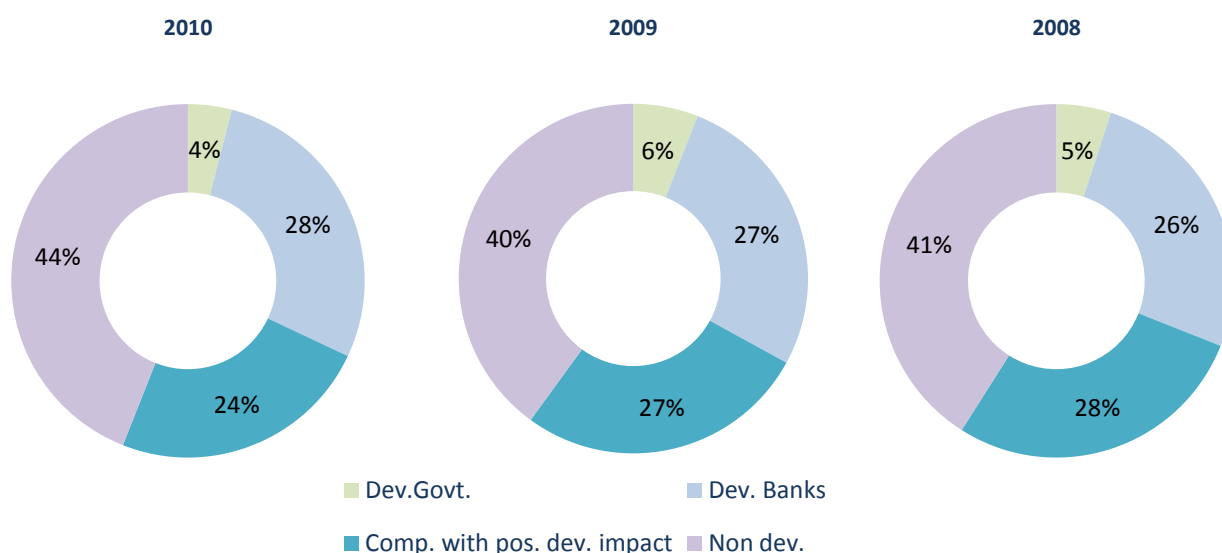
The investments in the 4 F Fund are screened by Ethibel. Ethibel is an independent advisory agency in the field of SRI, based in Brussels, Belgium. Ethibel developed Labels for SRI Funds. These labels are a visible and reliable guarantee for an investment based on strong SRI criteria. Based upon an extensive sustainability analysis, Ethibel selects companies and bond issuers that demonstrate their Corporate Social Responsibility at every level. The core of Ethibel's research methodology is the analysis of companies, policies and performances in the four fields of corporate Social Responsibility. In their analysis they also take into account the internal and external social policy of a company, their environmental policy and their economic policy. Oikocredit's TIP received the following Ethibel labels:

- For bonds issued by developing countries the Ethibel label for emerging markets and developing countries was received;
- For all other bonds the Ethibel Excellence label was received.

During 2006 we implemented a system together with Ethibel to provide us with additional information on the behaviour and impact of companies which are active in developing countries. This enabled us to select more corporations with a clear positive involvement and impact in developing countries for our TIP.

The graph below shows the sector division of the investments in the 4 F Fund per 31/12/2010 and 31/12/2009

**Term investment categories per 31/12/2010, 31/12/2009 and 31/12/2008 are as follows:**



## 6.4. Risk management

Chapter 2 describes the material risks and uncertainties that have been identified by Oikocredit and that Oikocredit faces. This paragraph describes if and how Oikocredit manages these financial risks. No specific additional risk management measures were taken for the legal risks and the risk of dependency on volunteers described in chapter 2, as this was not considered necessary out of a materiality point of view.

Definitions:

*Credit risk (including project-, counterparty and country risks)* – the risk that a change in the credit quality of a project partner or another counterparty to which we granted loans or invested in an equity stake, or bonds or shares will affect the value of Oikocredit positions. Changes in credit quality can occur due to specific counterparty risk or risks relating to the country in which the counterparty conducts its business.

*Market risks* – this risk includes:

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

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

*Credit risk (including project-, counterparty and country risks)*

Development Financing:

Country risk arises from country-specific events that have impact on the company's exposure in a specific country, such as events on a political or macroeconomic level. All investments in developing countries involve country risk. The assessment of country risk is based on a benchmark of external rating agencies and other external information.

All individual financing proposals (loans and equity) are assessed by our local management and staff in the developing countries we work in, as well as analysts in the international office in Amersfoort, the Netherlands. In assessing the financing proposals, predefined criteria should be met; a strengths, weaknesses, opportunities and threats, management-, financial-, legal-, as well as a social performance analysis takes place. Risks are evaluated through the Oikocredit risk score card. (This scorecard quantifies risks related to each financing proposal and adds up to a low/medium or high risk score for our project partners). Where appropriate, credit enhancement is available in the form of collateral or third party guarantees.

The Society's Credit Committee, consisting of the Managing Director, Director of Loans & Investments and his Deputy, Director of Finance, the Manager Social Performance as well as the General Counsel approve all projects above a pre defined risk level and amounts.

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

- amounts outstanding per country and per region (depending on a risk assessment of the countries Oikocredit works in)
- amounts outstanding per project partner; (usually euro 2 million, and a maximum of 5 million euro, if a partner meets the conditions Oikocredit set for these so called "premium loans")
- amounts outstanding to a group of companies

The observance to these limits, are monitored on a periodic basis.

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

Term investments:

The term investments in bonds are all rated "investment grade", by Moody's Investor Services, whereof at least 80% in AAA to A3 and 20% in Baa1 to Baa3. Moreover, in the Baa1 to Baa3 category, it is the Society's policy that not more than 2% of the portfolio should be invested in a single debtor. The Society's Investment Advisor is constantly monitoring for rating downgrades, and appropriate action will be taken where necessary. Despite this monitoring, a debtor can face sudden downgrades and / or price corrections. This credit risk must always be considered when investing. A maximum of 10% of the total amount available for term investments can be invested in Shares. The share portfolio is protected by a portfolio protection strategy.

*Currency risk*

Significant currency risks exist, as the amounts outstanding in development financing is denominated are mainly in US dollar and in domestic currencies and only for app 11 % in euros. The Term Investments (bond portfolio) are mainly denominated in euro.

The Society issues US dollar, British pound, Canadian dollar and Swedish kronor denominated Shares and has received long term loans in US and Canadian dollars and other currencies which reduces this currency exposure. The objective of issuing Shares and receiving loans in other currencies than in euros is to achieve a better match between assets and liabilities in the different currencies.

It is expected that Oikocredit US dollar and domestic currency exposure will increase as a result of further growth in development financing portfolio. This is because most newly issued member capital will be mainly in euros.

Taking into account the considerations in the above mentioned paragraphs, the Oikocredit board of directors decided that Oikocredit should hedge at least 50% to 75% of its exposure in US dollar, Canadian dollar, British pound and Swedish kronor with the view of maintaining the value of its member capital. Derivatives are used for this purpose.

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

Oikocredit also runs a risk of non payment of any amounts due by our project partners in developing countries (development financing outstanding) in US dollar or euro as a result of a currency crisis in a country Oikocredit works in. To manage this risk Oikocredit grants (insofar possible) domestic currency loans to our project partners, or reviews whether our partners are capable of handling loans in US dollar or euro.

#### *Interest rate risk*

##### *Development Financing:*

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

The interest rates on loans denominated in US dollars and euros granted to our project partners are usually fixed. The loans have an average maturity of around 4 years. Individual loans can have maturities from 1 up to 10 years. Each year a part of the loans we granted to our partners mature and are repaid. Oikocredit replaces these loans with new loans to new or existing project partners. The new loan agreements we enter into are spread over the year.

The risk of market interest rate changes influencing the market value of the portfolio is reduced, as each year new loans are added to the portfolio with fixed interest rates prevailing at the moment we enter into a new loan agreement.

The interest rates on loans denominated in the domestic currencies of the countries we work in granted to our project partners are usually variable and reprised semi annually. Therefore market interest rate developments hardly influence the value of our loan portfolio stated in domestic currencies.

The main focus of the society by concluding derivatives is currency hedging.

##### *Term investments:*

The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates. The Society aims for a duration of its bond portfolio of approximately five years and is not actively managing interest rate risks related to its bond portfolio.

##### *Liabilities:*

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

#### *Equity risk development financing*

The fair values of the equity investments are difficult to assess when market data are lacking or when the market is illiquid.

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

#### *Liquidity risk*

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



Furthermore, the Society is primarily funded by member capital. The Articles of Incorporation include provisions that Shares shall be redeemed, if a member has ceased to be a member of the Society, no later than five years after the cessation of membership. If a member has ceased to be a member of the Society, redemptions of capital due are transferred to current liabilities. Redemption (partial redemption) will be at the nominal value. So far the Society did not use these provisions for redemptions of its member capital. For more specific information we refer to § 6.5.

#### *History of Oikocredit's risk policy*

Note that most of these risks go hand in hand with the nature of the activities performed by Oikocredit and it is Oikocredit's core business to handle such risks. In the 36 years that Oikocredit has been in operation, experience in restricting such risks has been gained. Oikocredit uses for instance not only an acceptance policy for new projects, but also a process of intensive project monitoring and guidance as described above under project risks.

Of the total amounts disbursed to projects over Oikocredit's full history from 1975 up to 31 December 2010, less than 3 % of capital amounts had to be written off.

Of the total sum of project funding outstanding as at 31 December 2010, 7.6%, 31 December 2009 (6.2%) was more than three months overdue (principal), of which 4.7 % (3.8%) was overdue for more than a year.

## 6.5. Participation in Oikocredit

Participation in Oikocredit is open only to Members. Membership of Oikocredit is restricted to:

- the founders, being the World Council of Churches and the Council of Churches in the Netherlands;
- the member churches of the World Council of Churches;
- churches not belonging to the World Council of Churches;
- sub-divisions of churches;
- Councils of Churches;
- church-related organisations;
- Support Associations;
- project members and
- Other organisations that in addition to investing in the Society meet certain criteria.

Support Associations are established per country or per region within a country, to offer individuals and church congregations or parishes, an opportunity to invest in Oikocredit.

Project members are project partners (clients who obtained a loan or equity funding from Oikocredit).

Churches, Support Associations, organisations and others who want to become a Member of Oikocredit and would like to invest in Oikocredit, can contact the International Support Office in Amersfoort, The Netherlands tel nr +31334224040, fax nr +31334650336 or through the contact possibilities available at website of Oikocredit ([www.oikocredit.org](http://www.oikocredit.org)).

An application for membership in Oikocredit may be submitted to the Board at any time. Following approval by the Board, Shares can be acquired accordingly. The Board informs new Members of their acceptance in writing. Each new Member is required to purchase a minimum of one Share of CAD 200, GBP 150, SEK 2,000, USD 200 or EUR 200 or the nominal value of any other currency in which the Shares are issued by Oikocredit.

Provided at least one Share is held, fractions of Shares may also be purchased. Each Member may exercise one vote at the General Meeting, irrespective of the number of Shares held. All amounts received in excess of EUR 200 or the nominal value of any other currency in which the Shares are issued by Oikocredit are used for issuing new share capital if the members indicated that it is to be used for new share capital, therefore no refunds take place (as fractions of Shares may be purchased), unless a Member asks for redemption of its share capital, which is described further on in this paragraph 6.5. Shares are issued on the date the amounts for share capital are received by Oikocredit from its members.

In the case Shares are issued to new Members, the Shareholdings of the other Members immediately dilutes as a result thereof. The amount and percentage of the immediate dilution cannot be calculated as Shares are issued on a continuous basis and the number of Shares that can be offered is unlimited.

Shares are registered shares with a nominal value of EUR 200, CAD 200, GBP 150, SEK 2,000, USD 200 or the nominal value of any other currency in which the Shares are issued by Oikocredit.

Shares are governed by, and shall be construed in accordance with, the laws of The Netherlands. Shares are continuously issued at their nominal value, at the discretion of the Board and there is no limit to the number of Shares that can be issued. The Board has also the discretion to revoke or suspend the offer or to reduce subscriptions. The offer might be revoked or suspended, if within the year the prospectus is valid, there would be an increase of more than 50 % in share capital, and the Oikocredit Board expects that it cannot invest the proceeds of the shares in development financing (in case the demand for new development financing is not sufficient or in case this development financing does not fit the criteria of Oikocredit) within the foreseeable future (in the next 3 years).

No interest will be paid on subscriptions returned. Shares are issued pursuant to a resolution of the Board. The Board has delegated this authority to the Managing director. Consequently, the budget, stating amongst other things the financing plans, is approved by the Board on a yearly basis.

Oikocredit itself calculated the net asset value. The total net asset value of Oikocredit (the cooperative) was calculated as total net asset value according to the audited consolidated financial statements of Oikocredit Ecumenical Development Cooperative Society 31/12/2010 (as mentioned on page 59 of these statements) amounting to Euro 531,1 mln divided by the number of shares issued. Per 31 December 2010 the net asset value per Share amounts to EUR 222.52 for each Share with a nominal value of EUR 200, USD 222.52 for each Share with a nominal value of USD 200, CAD 222.52 for each Share with a nominal value of CAD 200, GBP 166.89 for each Share with a nominal value of GBP 150 and SEK 2,225,20 for each Share with a nominal value of SEK 2,000.

Changes in the offering price (if any) will be disclosed in an amendment to this Prospectus. Upon receipt of payment by a Member to the bank account of Oikocredit and approval of the Board, a corresponding number of Shares (and if applicable fractions of Shares) will be issued to such Member and a confirmation of receipt showing the quantity and nominal value of the Shares issued as well as an overview showing the total number of Shares held by such Member will be sent to the latter. Dividend and other shareholders' rights date from the moment the Shares are issued. The Shares are in book entry form, meaning that Oikocredit holds a register stating the number of Shares registered in its name. Upon issue of the Shares, the name and details of the Shareholder are entered into the Share register. Each Member

may at any time apply for a certified extract from the Register stating the number of Shares registered in its name. No mandatory take-over bid, squeeze-out and sell-out rules apply in relation to the Shares. A public takeover bid with respect to Oikocredit's equity has never occurred. Oikocredit has not the intention to have the Shares admitted to trading or distributed on a regulated market.

All Shares entitle the holder to a dividend proportional to the nominal value of the Shares. The AGM, having considered the recommendations of the Board, decides how the net profits will be allocated. Dividend is paid either by allotting additional fractions of Shares or in cash.

The Board at its discretion can decide upon transferability of Shares. As the Articles of Incorporation (article 4 and 8) determine that only Members may hold Shares, Members may freely transfer their Shares to other Members upon written notice to the Society, but the Board will obstruct to transfers of Shares by Members to non-Members.

Shares will be redeemed by Oikocredit taking into account the conditions mentioned in article 12 of the Articles of Incorporation being the following:

Shares shall be redeemed, if a Member has ceased to be a Member of Oikocredit, not later than five year after cessation of membership. Moreover, Shares can be redeemed, without prejudice to what has been provided in Article 9 of the Articles of Incorporation, without the Member ceasing its membership of Oikocredit. The redemption shall be decided upon by the Board. The redemption shall be at nominal value. However, if the net asset value per share is lower than the nominal value per Share in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of Share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet.

The reason for the continuous offering is to generate capital. The capital generated by the continuous issue of Shares is used for funding of activities in the ordinary course of business of Oikocredit, being financing of development projects and investments in the TIP (consisting of mainly investment grade bonds and two share funds).

The Shares are continuously offered to Members. There is no realistic estimation on the proceeds of the Share issue and how many Shares will be issued. New Shares issued are mentioned in the annual audited consolidated financial statements of Oikocredit, and in general not announced separately publicly.

As of the 31/3/2011 the following Members have a shareholding in Oikocredit of more than 5% of the total issued share capital:

- Oikocredit Westdeutscher Förderkreis e.V. ( 13.7%)
- Oikocredit Nederland Fonds ( 13.6%)
- Oikocredit Förderkreis Baden-Württemberg ( 12.2%)
- Stichting Oikocredit International Share Foundation (8.5 %)
- Oikocredit Nederland ( 8.1%)
- Oikocredit Förderkreis Bayern e. V ( 6.3%)
- Oikocredit Austria 5.2 %)

## **6.6. Legal structure**

Oikocredit is a cooperative society with excluded liability ("coöperatie met uitsluiting van aansprakelijkheid") incorporated and operating under Dutch law. Oikocredit has its statutory office in Amersfoort, The Netherlands and its head office at Berkenweg 7 3818 LA in Amersfoort, The Netherlands. Oikocredit is registered at the Gooi- Eem and Flevoland Chamber of Commerce in Amersfoort, The Netherlands, under number 31020744. The Dutch Corporate Governance Code is not applicable to Oikocredit as its Shares are not listed on a government-recognised stock exchange.

For a formal description of the objectives of Oikocredit, we refer to article 2 of the Articles of Incorporation. The Articles of Incorporation may be modified by the AGM as stipulated in article 13 of the same; however alteration of the Articles of Incorporation can at no time result in an increase in the liability of the Members (article 11). The members of the Board are elected and dismissed by the AGM. Members shall be liable only for the obligations imposed upon them by the Articles of Incorporation and liability of the Members for debts of Oikocredit is expressly excluded.

## 6.7. Financial position

The following financial information (i.e. the complete § 6.7) is, unless stated otherwise, extracted from the audited annual accounts of Oikocredit 2010, 2009 and 2008. The financial information must be read together with the presented annual accounts. The audited annual accounts for 2010, 2009 and 2008 including the relevant auditor's opinion are incorporated by reference in this Prospectus (please see the table in paragraph 6.12 for a reference to the information in the audited annual accounts). The audited consolidated financial statements of Oikocredit comply with Generally Accepted Accounting Principles in the Netherlands.

| <b>CONSOLIDATED BALANCE SHEET</b>       | <b>12/31/2010</b> | <b>12/31/2009</b> | <b>12/31/2008</b> |
|---|-------------------|-------------------|-------------------|
| (before appropriation of results)       | <b>EUR ,000</b>   | <b>EUR ,000</b>   | <b>EUR ,000</b>   |
| <b>NON CURRENT ASSETS</b>               |                   |                   |                   |
| <b>Financial fixed assets</b>           |                   |                   |                   |
| Development Financing:                  |                   |                   |                   |
| Project funding:                        |                   |                   |                   |
| Approved                                | 568,926           | 474,486           | 433,249           |
| Less: - Not yet disbursed               | (87,754)          | (80,684)          | (68,138)          |
| <b>Total Development Financing</b>      | <b>481,172</b>    | <b>393,802</b>    | <b>365,111</b>    |
| Less: - Loss provision                  | (49,814)          | (39,932)          | (34,378)          |
|   | <b>431,358</b>    | <b>353,870</b>    | <b>330,733</b>    |
| Term Investments                        | 133,464           | 121,749           | 114,244           |
| Other                                   | 8,924             | 6,699             | 3,220             |
| <b>Total financial fixed assets</b>     | <b>573,746</b>    | <b>482,318</b>    | <b>448,197</b>    |
| <b>Tangible fixed assets</b>            | <b>1,019</b>      | <b>777</b>        | <b>533</b>        |
| <b>Total</b>                            | <b>574,765</b>    | <b>483,095</b>    | <b>448,730</b>    |
| <b>CURRENT ASSETS</b>                   |                   |                   |                   |
| Receivables                             | 16,006            | 17,026            | 16,260            |
| Cash and Banks                          | 49,012            | 37,352            | 10,818            |
| <b>Total</b>                            | <b>65,018</b>     | <b>54,378</b>     | <b>27,078</b>     |
| <b>TOTAL</b>                            | <b>639,783</b>    | <b>537,473</b>    | <b>475,808</b>    |
| <b>GROUP EQUITY AND FUNDS</b>           |                   |                   |                   |
| Member capital in euros 1)              | 435,957           | 377,458           | 326,097           |
| General and other reserves and funds    | 81,881            | 54,436            | 43,436            |
| Undistributed net income for the year   | 12,706            | 18,308            | 12,553            |
|   | <b>530,544</b>    | <b>450,202</b>    | <b>382,086</b>    |
| Third party interest                    | <b>5,088</b>      | <b>4,478</b>      | <b>1,441</b>      |
| <b>Total Group Equity and Funds</b>     | <b>535,632</b>    | <b>454,680</b>    | <b>383,527</b>    |
| <b>LIABILITIES</b>                      |                   |                   |                   |
| Member capital in foreign currencies 1) | 37,435            | 28,768            | 24,567            |
| Non Current                             | 43,811            | 33,249            | 29,365            |
| Current                                 | 22,905            | 20,776            | 38,349            |
|   | <b>104,151</b>    | <b>82,793</b>     | <b>92,281</b>     |
| <b>TOTAL Liabilities</b>                | <b>639,783</b>    | <b>537,473</b>    | <b>475,808</b>    |

1) Beside its currency denomination, non-euro membership certificates have the same characteristics as euro denominated membership certificates. It is accounted for as a liability instead of equity, considering the stipulations of Dutch GAAP. For a detailed explanation refer to note 12 to the consolidated balance sheet. In the Society's accounts (not consolidated) this amount is included as equity.

| <b>CONSOLIDATED INCOME STATEMENT FOR THE YEAR</b>     | <b>2010</b>     | <b>2009</b>     | <b>2008</b>     |
|---|-----------------|-----------------|-----------------|
|   | <b>EUR ,000</b> | <b>EUR ,000</b> | <b>EUR ,000</b> |
| <b>FINANCIAL INCOME</b>                               |                 |                 |                 |
| Development financing income                          | 42,508          | 36,049          | 31,987          |
| Term investment income                                | 4,030           | 4,516           | 3,996           |
| <b>Total financial income</b>                         | <b>46,538</b>   | <b>40,565</b>   | <b>35,983</b>   |
| <b>FINANCIAL EXPENSES</b>                             |                 |                 |                 |
| Additions to loss provisions                          | (12,051)        | (8,123)         | (5,788)         |
| Revaluation term investments                          | 826             | 7,073           | (1,013)         |
| Other financial expenses                              | 3,368           | (4,969)         | (5,837)         |
|   | <b>(7,857)</b>  | <b>(6,019)</b>  | <b>(12,638)</b> |
| <b>TOTAL FINANCIAL INCOME LESS FINANCIAL EXPENSES</b> | <b>38,681</b>   | <b>34,546</b>   | <b>23,345</b>   |
| <b>GRANT INCOME</b>                                   | <b>4,593</b>    | <b>3,979</b>    | <b>4,035</b>    |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>            |                 |                 |                 |
| Personnel   | (10,149)        | (9,296)         | (8,325)         |
| Travel  | (834)           | (649)           | (752)           |
| General   | (6,889)         | (5,113)         | (3,973)         |
| <b>TOTAL EXPENSES</b>                                 | <b>(17,872)</b> | <b>(15,058)</b> | <b>(13,050)</b> |
| <b>NET INCOME BEFORE TAXATION</b>                     | <b>25,402</b>   | <b>23,467</b>   | <b>14,330</b>   |
| less; taxes   | (619)           | (616)           | (482)           |
| <b>NET INCOME AFTER TAXATION</b>                      | <b>24,783</b>   | <b>22,851</b>   | <b>13,848</b>   |
| less-third party interests                            | (82)            | (111)           | (53)            |
| less-additions to and releases from funds             | (11,995)        | (4,432)         | (1,242)         |
| <b>INCOME FOR THE YEAR AFTER ADDITION TO FUNDS</b>    | <b>12,706</b>   | <b>18,308</b>   | <b>12,553</b>   |

| <b>CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS</b> | <b>2010</b>     | <b>2009</b>     | <b>2008</b>     |
|--|-----------------|-----------------|-----------------|
|  | <b>EUR ,000</b> | <b>EUR ,000</b> | <b>EUR ,000</b> |
| <b>CASH FLOW FROM OPERATIONS</b>                       |                 |                 |                 |
| Development Financing                                  | 36,220          | 34,675          | 28,953          |
| Term Investments                                       | 3,425           | 3,829           | 4,912           |
| Grants and other                                       | 4,593           | 4,338           | 4,035           |
| Operating expenses                                     | (18,445)        | (18,366)        | (14,012)        |
| Taxes  | (253)           | (1,017)         | (5,272)         |
| Interest paid;   | (2,933)         | (3,249)         | (1,850)         |
| <b>Total cash from operations</b>                      | <b>22,607</b>   | <b>20,210</b>   | <b>16,766</b>   |
| <b>CASH USED FOR INVESTING ACTIVITIES</b>              |                 |                 |                 |
| <b>Project funding (net additions)</b>                 |                 |                 |                 |
| Disbursements  | (206,355)       | (141,326)       | (174,551)       |
| Less: - Repayments of principal                        | 141,957         | 108,067         | 77,504          |
|  | <b>(64,398)</b> | <b>(33,259)</b> | <b>(97,047)</b> |
| Disposals (net investments) in group companies         | 0               | 0               | (100)           |
| Disposals (net investments) in fixed assets            | (489)           | (207)           | (214)           |
| Disposals (net investments) in term investments        | (10,423)        | (3,299)         | 16,995          |
| <b>Total cash used for investing activities</b>        | <b>75,310</b>   | <b>(36,765)</b> | <b>(80,366)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |                 |                 |                 |
| Issue of shares (member capital)                       | 61,978          | 54,148          | 36,498          |
| Redemption of shares (member capital)                  | (1,231)         | (3,133)         | (892)           |
| Net investments third parties in group companies       | 70              | 4,283           | 498             |
| Net dividends paid                                     | (3,829)         | (3,217)         | (2,963)         |
| Term Loans   | 8,927           | (10,273)        | 18,316          |
| <b>Total cash from financing activities</b>            | <b>65,915</b>   | <b>41,808</b>   | <b>51,457</b>   |

|   |               |               |                 |
|---|---------------|---------------|-----------------|
| Exchange rate differences during the year | (1,552)       | 1,281         | (827)           |
| <b>CHANGES IN CASH AND BANKS</b>          | <b>11,660</b> | <b>26,534</b> | <b>(12,970)</b> |

|   | 2010     | 2009     | 2008     |
|---|----------|----------|----------|
|   | EUR ,000 | EUR ,000 | EUR ,000 |
| <b>Movements in Members' Equity and Reserves Society</b>  |          |          |          |
| Balance as of December 31 previous year   | 453,832  | 385,869  | 348,415  |
| Net adjustments as a result of change in accounting policies  | 0        | 0        | 513      |
| New members' capital issued (net)   | 64,324   | 54,992   | 33,310   |
| Exchange rate differences   | 4,171    | 201      | (1,955)  |
| Dividends to members  | (7,353)  | (6,578)  | (5,834)  |
| Undistributed net income for the year   | 16,094   | 19,348   | 11,420   |
| Balance as of December 31   | 531,068  | 453,832  | 385,869  |
|   |          |          |          |
|   | 2010     | 2009     | 2008     |
|   | EUR ,000 | EUR ,000 | EUR ,000 |
| <b>Reconciliation between Members Equity and Reserves Society and Consolidated Equity and Funds</b> |          |          |          |
| Members' Equity and Reserves according to Society Financial Statements                              | 531,068  | 453,832  | 385,869  |
| Reclassification of Members Capital to Non Current Liabilities                                      | (37,435) | (28,768) | (24,566) |
| Reserves and Funds Oikocredit International Support Foundation                                      | 36,846   | 25,102   | 20,786   |
| Reserves Oikocredit International Share Foundation  | 65       | 36       | (3)      |
| Group Equity and Funds according to Consolidated Financial Statements                               | 530,544  | 450,202  | 382,086  |

The most important long-term capital resource of Oikocredit is its member's capital (85 % of total long term capital resources by the end of 2010). The remaining funding is obtained from long term loans as well as reserves (not including undistributed net income).

More detailed information about Oikocredit's capital resources, cash flows and funding structure are included in the audited annual accounts. This information can be found under the section "Consolidated financial statements" on page 23 to 57 of the audited annual account 2010 (page 23 to 27 contain the balance sheet, income statement and cash flow statement, whereas page 28 to 56 contain explanatory notes). A reference to this information and the audited annual accounts 2009 and 2008 is available in the table in paragraph 6.12.

The information on material changes in revenues in line with the growth of the portfolio is available in the Oikocredit Consolidated Financial statements. These changes are the results of Oikocredit growth strategy. In the Board of Directors report included in the Oikocredit Financial Statements of 2010, 2009, 2008 there are comments on the results and specifically in changes in financial income and other income. There were specific comments on p. 7 of Consolidated Financial Statements 2010 under heading 'Income Statement 2010'. The same applies to p. 6 of Consolidated Financial Statements 2009 under heading 'Income Statement 2009'. And to p. 8 of Consolidated Financial Statements 2008 under heading 'Income Statement 2008'.

Additional Information on cash position: There are no material changes in Oikocredit's cash position up to 31/5/2011 when compared to 31/12/2010.

Oikocredit has entered into a rental agreement for seven years starting at 01/07/2007 for its head office in Amersfoort of in total 1953 m2. The total rent payments amount to € 306,000 per year and are indexed."

#### *Working capital statement*

Oikocredit has made an analysis of its working capital. Based on this analysis Oikocredit is of the opinion that there is sufficient working capital for Oikocredit's requirements for the forthcoming period of 12 months.

#### *Significant changes in the financial or trading position of the group*

There are no significant changes in the financial or trading position of the group which have occurred since 31 December 2010.



#### Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability during the previous 12 months.

#### Members' Capital

The issued and paid-up capital of Oikocredit as of 31 December 2010 exists of 2,179,785 Shares with a nominal value of EUR 200 each, 100,145 Shares with a nominal value of USD 200 each, 18,990 Shares with a nominal value of CAD 200 each, 18,987 Shares with a nominal value of GBP 150 each and 73,270 Shares with a nominal value of SEK 2,000 each. Per 31 December 2010 the members' capital and reserves per Share amounts to EUR 222.52 for each Share with a nominal value of EUR 200, USD 222.52 for each Share with a nominal value of USD 200, CAD 222.52 for each Share with a nominal value of CAD 200, GBP 166.89 for each Share with a nominal value of GBP 150 and SEK 2,225.20 for each Share with a nominal value of SEK 2,000 each.

| Movement schedule of the issued share capital in EUR'000: | 2010           | 2009           | 2008           |
|---|----------------|----------------|----------------|
| Balance of January 1                                      | 413,008        | 358,016        | 324,706        |
| New shares issued and redeemed during the year (net)      | 64,324         | 54,992         | 33,310         |
| <b>Balance as of December 31</b>                          | <b>477,332</b> | <b>413,008</b> | <b>358,016</b> |
| Of which:   |                |                |                |
| - euro Shares   | 435,957        | 377,458        | 326,097        |
| - Shares in other currencies                              | 41,375         | 35,550         | 31,919         |

| Reconciliation of numbers of shares as per 31/12/2010 | EUR       | USD     | SEK    | GBP    | CAD    |
|---|-----------|---------|--------|--------|--------|
| Shares issued and paid as per 01/01/2010              | 1,887,233 | 91,716  | 58,459 | 13,910 | 12,007 |
| Shares issued and redeemed during the year            | 292,552   | 8,429   | 14,811 | 5,077  | 6,983  |
| Shares issued and paid as per 31/12/2010              | 2,179,785 | 100,145 | 73,270 | 18,987 | 18,990 |

The nominal value of the Shares is EUR 200, CAD 200, GBP 150, SEK 2,000 or USD 200 each.

#### Statement of capitalization and indebtedness as at March 31, 2011

The information provided in the capitalisation and indebtedness statements below was updated as of 31 March 2011 and is unaudited and extracted from the accounting records of Oikocredit. The information below should be read together with the Society's and Consolidated Financial Statements as per December 31, 2010, December 31, 2009 and December 31, 2008.

| Capitalization as per 31 March 2011 (all amounts in EUR ,000)  | Society        | Consolidated  |
|--|----------------|---------------|
| Current debt   |                |               |
| Guaranteed   | -              | -             |
| Secured 1)   | -              | 10,899        |
| Unguaranteed/unsecured   | 14,419         | 9,930         |
| <b>Total current debt</b>  | <b>14,419</b>  | <b>20,828</b> |
| Non-current debt   |                |               |
| Guaranteed   | -              | -             |
| Secured 1)   | 1,554          | 12,983        |
| Unguaranteed/unsecured   | 27,257         | 25,224        |
| <b>Total non-current debt</b>  | <b>28,811</b>  | <b>38,206</b> |
| Members Equity and Reserves  |                |               |
| Members capital  | 483,436        |               |
| General Reserves; net income   | 43,814         |               |
| Dividend payable proposed by the Board to AGM to be approved in the Annual General Meeting of 17 June 2011 | 8,653          |               |
| Restricted Exchange fluctuation Reserve  | 339            |               |
| <b>Total equity and reserves</b>   | <b>536,241</b> |               |

|   |   |                |
|---|---|----------------|
| <b>Total members capital in foreign currency</b>  | - | <b>34,297</b>  |
| (Due to Dutch GAAP rules members capital in Foreign Currency is not included in Consolidated Equity, but as a separate item under Non Current debt. For further explanations we refer to note 12 page 44 of the Consolidated Financial Statements 2009 inc. by reference) |   |                |
| Group Equity and Funds  |   |                |
| Members capital in euros  |   | 442,739        |
| General Reserves; net income  |   | 47,822         |
| Dividend payable proposed by the Board to AGM to be approved in the Annual General Meeting of 17 June 2011  |   | 8,653          |
| Funds   |   | 36,843         |
| Restricted exchange fluctuation reserve   |   | 339            |
| <b>Total group equity and funds</b>   |   | <b>536,396</b> |

1) a) Loans granted by a Social Investment Fund to Oikocredit amounting to USD 20,5 Mln ( In total 15.5 mln Euro of which Eur 3,6 mln is current and Eur 11,9 mln is non current ) are secured by a negative pledge issued by Oikocredit amounting to USD 2,2 mln. Oikocredit has to keep investment grade bonds up to this amount free of liens, pledges or any other encumbrances); this negative pledge is valid up to 31 December 2012.

b) Loans granted in Indian Rupee by financial institutions to Oikocredits subsidiary in India (Maanaveeya Holdings & Investments Private Ltd) amounting to Euro 9,0 mln non current. As security Oikocredit has issued a guarantee to a financial institution of € 16 mln euros and a guarantee to another institution of maximum 985 million Rupee (appr. € 17 mln).

| <b>Indebtedness as per 31 March 2011 (all amounts in EUR ,000)</b> | <b>Consolidated</b> |
|--|---------------------|
| Liquidity  |                     |
| A. Cash and cash equivalents                                       | 46,052              |
| B. Cash equivalent   | -                   |
| C. Trading securities  | -                   |
| <b>D. Liquidity (A+B+C)</b>  | <b>46,052</b>       |
| <b>E. Current financial receivable</b>                             | <b>14,026</b>       |
| Current financial debt   |                     |
| F. Current bank debt   | -                   |
| G. Current portion of non-current debt                             | 16,662              |
| H. Other current financial debt                                    | -                   |
| <b>I. Current financial debt (F+G+H)</b>                           | <b>16,662</b>       |
| <b>J. Net current financial indebtedness (I-E-D)</b>               | <b>(43,416)</b>     |
| Non-current financial debt   |                     |
| K. Non-current bank loans  | 12,014              |
| L. Bonds issued  | -                   |
| M. Other non-current financial debt                                | 12,143              |
| <b>N. Non-current financial indebtedness (K+L+M)</b>               | <b>24,157</b>       |
| <b>O. Net financial indebtedness (J+N)</b>                         | <b>(19,259)</b>     |

#### **Other commitments not included in the Balance Sheet as per 31 March 2011**

Rental agreement from 1/7/2007 to 30/6/2013 with annual rental amounts of Euro 306,000 per year (indexed).

New loans and financing approved and committed for development financing, but not yet disbursed to project partners as at 31/3/2011 amounted to EUR 89 million.

#### *Investments*

The estimated figures for 2011 (principal investments and geographical distribution of the investments) are unaudited and extracted from the budget 2011 Oikocredit)

| Principal investments (in EUR 1,000)                               | 2011     | 2010     | 2009     | 2008     |
|--|----------|----------|----------|----------|
|  | Estimate |          |          |          |
|  | EUR ,000 | EUR ,000 | EUR ,000 | EUR ,000 |
| Invested (disbursed) development financing during the year 1):     | 195,000  | 206,355  | 141,718  | 177,809  |
| Term investments in bonds and shares:                              | 35,000   | 10,423   | 3,299    | (16,995) |
| Total (expected) investments                                       | 230,000  | 216,778  | 145,017  | 160,814  |
| The investments were- or are expected to be-, financed as follows: |          |          |          |          |
| - Cash from own operations   | 171,500  | 147,104  | 104,275  | 106,892  |
| - By issuing shares to members                                     | 55,000   | 60,747   | 51,015   | 35,606   |
| - Term loans   | 3,500    | 8,927    | (10,273) | 18,316   |
| Total (expected) financing   | 230,000  | 216,778  | 145,017  | 160,814  |

1) During 2011 expected new commitments for new financing to our project partners amount to 210 million euros (commitments in 2010 amounted to 214 million; 2009 154 million,). Of this amount 195 million euros is expected to be disbursed in 2011 while 206 million was disbursed in 2010 and 142 million in 2009 to our project partners.

Oikocredit currently has a credit line with banks that might be utilized (see for information page 43 of the financial statements 2010). Oikocredit does not expect any material borrowings from other parties. Please refer to the table in section 'principal investments' above, where it is stated how Oikocredit will finance the expected investments for 2011.

The geographical distribution of the investments that are in progress and the expected investments (disbursements) for 2011 to development financing projects is as follows in EUR 1,000.

|                            |    |
|----------------------------|----|
| Asia                       | 56 |
| Latin America              | 77 |
| Africa                     | 27 |
| Central and Eastern Europe | 35 |

For more information on the geographical distribution of the project funding in 2010, 2009 and 2008 see § 6.3.

The expected reinvestments of matured or sold bonds in 2011 will be mainly in issuers that issue bonds in euro.

## **6.8. Governance structure**

#### *General Meeting of Members*

The General Meeting is the highest power of Oikocredit. It has the following powers, which cannot be delegated to another corporate body:

- the alteration of the Articles of Incorporation;
- the election and removal of members of the Board and members of the auditing committee;
- the appointment of an expert as mentioned in article 33 of the Articles of Incorporation;
- the approval and confirmation of the annual accounts and the report of the Board;
- the allocation of profits and the declaration of dividends;
- the release of the Board;
- the decision of appeals of Members in relation to termination of membership;
- the determination of the remuneration of directors, to the extent that any remuneration shall be awarded to them;
- resolutions on all matters reserved to it by law;
- the right to appoint a committee to evaluate implementation of the policy. This committee shall reflect the ecumenical character of Oikocredit and one member shall always be a representative of the World Council of Churches.

Every Member has one vote at the General Meeting, regardless of the size of its shareholding in Oikocredit. Oikocredit is therefore not directly or indirectly owned or controlled by others. Members do not have different classes of voting rights. While exercising his/her voting right at the General Meeting, a Member may be represented by another person on the basis of a written power of attorney. No person may represent more than three Members.

Insofar as the law does not provide otherwise, the General Meetings shall be convened by the Board. One or more Members jointly representing at least one-tenth of the issued capital or such a number of Members as are empowered to cast one-tenth of the votes at a General Meeting, may request, with a written statement of its purpose, that an extraordinary General Meeting be convened.

The General Meeting shall be held at the time and place to be determined by the Board. Every year, at least one General Meeting shall be held within six months after the close of the financial year. Extraordinary General Meeting may be held whenever necessary, in particular in the cases provided for by law, as well as pursuant to a resolution of the General Meeting itself.

Notice of the General Meeting shall be given by letter sent to each Member at least sixty days before it is held, not counting the day on which notice of such meeting is given and the day appointed for the meeting.

For a complete description of the provisions with respect to the General Meeting, we refer to the articles 13 to 21 of the Articles of Incorporation.

#### *Board of Directors*

The members of the Board are elected and dismissed by the AGM. The Board takes (final) responsibility for all aspects of the administration of Oikocredit. The Board may delegate its power to a Managing Director, who is responsible for the day-to-day management of Oikocredit.

The Board consists of a minimum of 6 and a maximum of 16 persons; the majority of them must be associated with the Members of Oikocredit. The Board is composed entirely of volunteers whose remuneration consists of travel and hotel expenses incurred during their work as a member of the Board, or if applicable the loss of compensation when attending Oikocredit Board Meetings. The composition of the Board reflects the ecumenical character of Oikocredit and the interests of the groups that Oikocredit aims to support (the poor).

Members of the Board shall be elected to hold office for a period of three years and shall be eligible for re-election for one term. Upon completion of service as a member of the Board and a lapse of three years a former member shall be eligible for election again under the terms of this article. Even if a member of the Board has been appointed for a certain time, he may at any time be dismissed by the General Meeting.

The Board shall elect from its body a President.

1. The Board shall have the widest powers in regard to the management of Oikocredit. It shall have the authority to decide on all matters which are not specifically attributed and reserved to the General Meeting or other bodies of Oikocredit.
2. The Board has the power to delegate its powers to the Managing Director, which delegation can be made subject to conditions and limitations. The powers mentioned in Article 31 of the Articles of Incorporation under IX and X cannot be delegated to the Managing Director.
3. The Managing Director is responsible for the day-to-day management of Oikocredit. The Board shall give him/her instructions in respect of the financial, economical and social policies.

Members of the Board do not occupy a specific function, but each member of the Board maybe assigned to focus areas to be responsible for preparing matters to be discussed during the meeting of the Board.

The Board has full mandatory powers regarding the management of Oikocredit. It is empowered to make decisions on all matters which are not specifically attributed to the General Meeting or to other bodies within Oikocredit.

Oikocredit is represented by the Board or alternatively by two members of the Board, or by one member of the Board together with the Managing Director, or by the Managing Director together with another authorized person or by two other authorized persons.

#### *Frequency of Board meetings*

The frequency of Board meetings is three times a year: in February, May and November.

For a complete description of the provisions with respect to the Board, we refer to the articles 25 to 31 of the Articles of Incorporation.

#### *Audit Committee*

The General Meeting shall give to an expert as referred to in Article 2:393 of the Civil Code an instruction to audit the Annual Accounts, notwithstanding the provisions of the law. The General Meeting shall furthermore elect an Audit

Committee, consisting of three persons. The Audit Committee shall make and deliver a written report on the Annual Accounts. In its work the Audit Committee shall be assisted by the expert. The Audit Committee shall invariably be appointed for a period of three years and hold office until the next ordinary General Meeting. The Audit Committee shall be entitled, but not obliged, to be represented at the General Meeting by one of its members.

#### *Summary of terms of reference Audit Committee:*

##### **Membership:**

The Audit Committee will be comprised of a minimum of 3 members to be elected by the Annual General Meeting of Oikocredit. All members shall be non executive and be independent of board and management.

##### **Meetings:**

The Audit Committee will meet at least once a year following the closing of the accounts for the previous year. The chair of the audit committee (on request of one of the committee members), or external auditors may request additional meetings if deemed necessary. Special sessions will be held between the Audit Committee and the external auditors only.

##### **Roles and Responsibilities of Audit Committee:**

###### **Internal Control:**

- Evaluate whether management is setting the appropriate “control culture” and endeavour an adequate system of internal control and a system of risk management ensuring that all employees have an understanding of their roles and responsibilities;
- Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management and periodically monitor progress of the implementation of these recommendations.

###### **Financial Reporting:**

###### **a) General:**

- Gain an understanding of the current areas of greatest financial or other significant risks and exposures and how management is managing these effectively;
- Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues;
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the audited consolidated financial statements of Oikocredit;
- Ask management and the internal and external auditors about significant risks and exposures and the plans to minimize such risks;
- Review any legal and compliance matters which could significantly impact the financial statements or reputation of Oikocredit; Make sure that mechanisms are established within the organization, for receiving confidential concerns of employees, regarding accounting principles and other accounting issues in the Oikocredit financial statements.

###### **b) Annual Financial Statements:**

- Review the annual financial statements and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles;
- Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies;
- Meet with management and the external auditors to review the financial statements and the results of the audit;
- Review the other sections of the annual report (included in the financial statements) before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations.

###### **c) Internal Audit:**

- Review the scope and planning of the activities and organisational structure of the internal audit function and ensure no unjustified restrictions or limitations are made;
- Review the effectiveness of the internal audit function;
- Ensure that significant findings and recommendations made by the internal auditor are received and discussed on a timely basis;
- Ensure that management responds to recommendations by the internal auditor;
- Good Practices for Meeting Market Expectations.

###### **d) External Audit:**

- Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope;

- Review the performance of the external auditors;
- Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the company;
- Make recommendations to the board/management regarding the reappointment of the external auditors;
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately;
- Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- Ensure that management responds to recommendations by the external auditors;
- Review the non-audit work of auditors.

e) Compliance with Laws and Regulations:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance;
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- Review the findings of any examinations by regulatory agencies.

f) Reporting Responsibilities:

- Ensure the board is aware of matters, which may significantly impact the financial condition or affairs of the business;
- Prepare written minutes of all meetings;
- Report all main findings and recommendations to the Annual General Meeting of Oikocredit.

#### *Nomination Committee*

Oikocredit shall have a Nomination Committee consisting of five (5) persons, three (3) of which shall be elected by the General Meeting, one (1) of which shall be elected by the Board of Directors and one (1) will be the Managing Director.

Members of the Nomination Committee shall be appointed for a period of three years. If for any reason one or more positions on the Nomination Committee are vacant, the remaining members shall constitute a valid Nomination Committee.

The Nomination Committee shall:

- At least one hundred twenty (120) days before the General Meeting announce to the Members any vacant position(s) to be filled on the Board of Directors, the Nomination Committee and the Audit Committee together with needed qualifications for the positions. The announcement shall be published in the periodic "circular" of the Society or in a letter, and shall invite the Members to propose candidates at least ninety (90) days before the date of the General Meeting. A "vacant position to be filled" includes a position whose current occupant is eligible for re-election;
- Make best efforts to obtain at least two candidates for each vacant position to be filled;
- Review the qualifications and suitability of the proposed candidates for the Board of Directors and the Audit Committee. In the case of candidates for vacancies in the Nomination Committee, the Nomination Committee will collect the names and qualifications of the candidates and will distribute this information to the Members, without making recommendations and without reviewing the qualifications and suitability of the candidates;
- In connection with the mailing of the provisional agenda for the General Meeting, inform the Members on the outcome of the review and recommend at least one proposed candidate for each vacancy to be filled on the Board of Directors and the Audit Committee, which recommendation(s) should give clear reasons as to why the recommended candidates for the Board of Directors and Audit Committee are preferred;
- Develop criteria to evaluate a member of the Board of Directors or the Audit Committee for a second term of three years.

The provisional agenda, as described in Article 17, shall contain the definitive list of proposed candidate(s) for membership on the Board of Directors, the Audit Committee and the Nomination Committee.

The definitive list shall contain particulars in respect of the name, the age and the profession of every candidate, as well as the candidate's present and past functions insofar as these are of interest in connection with the performance of the duties of a member of the Board of Directors, the Nomination Committee or the Audit Committee.

At the General Meeting no persons shall be appointed other than the candidate(s) mentioned in the aforementioned definitive list.

Votes against a candidate shall be permitted in all cases.

At a General Meeting where voting takes place to elect members of the Board of Directors, Member-representatives on the Nomination Committee or members of the Audit Committee, the candidate will be appointed if she/he gets more positive votes than negative votes. In a case where multiple candidates receive more positive votes than negative votes



the candidate, or in the case of multiple vacancies to be filled, the candidates who received the highest number of positive votes, will be appointed. In the event candidates receive an equal number of positive votes, there shall be a run-off election between those candidates.

#### *Selection criteria of Board Members*

The most important criteria for the selection of Board Members is professional qualification. They should be specialists in the fields of economic development/projects (2), ecumenical relations (1), PR/fundraising/investor relations (1), investments/finance/banking (2) and other (3 - 5). (All figures between brackets mean the minimum Board Members that have to comply with the criteria set).

Oikocredit should aim for a proper geographical distribution. With a minimum of 11 Members, the geographical representation should be as follows: one (= minimum) Board Member each to come from South America, Central America, Africa, Asia, Eastern Europe, Western Europe, North America, Support Associations ("SAs"), Members (not SAs) and two others from emerging countries (which can be developing countries, Middle East etc.). There should be a proper gender balance (equal distribution, but minimum is 1/3).

#### *Remuneration of Board*

The members of the Board in general do not receive remuneration, but if applicable they will be reimbursed for the loss of compensation when attending Oikocredit Board Meetings. Travel and hotel expenses incurred during their work for Oikocredit are reimbursed.

#### *Composition of the Board*

The following persons are member of the Board as of June 10, 2010.

**Dr. Aris Alip PhD**, 20 M.L. Quezon street City Subdivision San Pablo City Laguna 4000, Philippines.  
Board Member since 2008; Resignation in 2011; eligible for re-election up to 2014.

#### *Current position:*

Managing Director Centre for Agricultural and Rural Development (CARD); mutually reinforcing institutions (CARD bank, Card NGO, CARD MBA (Insurance) and Card Training Institute.

#### *Organisations/supervisory bodies or partnerships:*

President of Risk based management solutions micro insurance association in South East Asia;  
Former president and Director of Microfinance council of the Philippines;  
Member International Advisory Board Institute of Development Evaluation Assistance and Solutions;  
Member International Advisory Board Grameen USA Foundation;  
Board member CHC MFI Ltd, Phenom Penh Cambodia;  
Board member Selainiithih, Phenom Penh Cambodia;  
Director Cashpor Malaysia;  
Member ICMIF Development Committee, Paris France;  
Special fellow Hihon Fukashi University Nagoya Japan.

#### *Specific areas of expertise and experience:*

Microfinance practitioner/Rural Banker holding a doctor in Philosophy in Organisational Development South East Asia Interdisciplinary Development Institute, Antipolo Metro Manila Philippines and a master in professional studies in agricultural marketing from University of the Philippines in Los Banos Philippines.

**Mrs Martha Judith Castaneda Amaya**, 8 av. 8-57 zona 2 Guatemala City, Guatemala.  
Board Member since 2006; Resignation in 2012.

#### *Current position:*

General Coordinator of Central American Evangelical Center for Pastoral Studies (CEDEPCA) (from 1982).

#### *Organisations/supervisory bodies or partnerships:*

Assistant Professor Economic Faculty San Carlos University Guatemala (1982 to 1987);  
Board Member of Fundacion de Apoyo a la pequena empresa (FAPE) 1986-1990; 2005-.

#### *Specific areas of expertise and experience:*

Her background is in economy (economist). She has a solid background in business management as well as commitment to global justice and ecumenical ministries.

**Mr Matt Christensen**, 8 rue Jules Valles, 75011 Paris, France.  
Board Member since 11 June 2008; Resignation in 2011; eligible for re-election up to 2014.

#### *Current position:*

Executive Director of Eurosif (European Social Investment Advisor).

#### *Organisations/supervisory bodies or partnerships:*

Non executive Director of Ludgate Environmental Technology Fund listed on AIM;



Non executive Director of Munro Fundamental Tracker Fund, privately held.

*Specific areas of expertise and experience:*

Investments and Fundraising; He holds a MBA from the Wharton School/University of Pennsylvania, USA.

Dr. **Nune Darbinyan**, Heratsistreet 18, apt 3, 0025 Yerevan, Republic of Armenia.

Board Member since 15 June 2007; Resignation in 2013.

*Current position:*

President NGO Eco-Globe; General Director Ecoglobe LLC. She holds a MS in Agronomy and Phytopathology from the Armenian Agricultural Academy Yerevan, Armenia and is a doctor of Agriculture, the Yerevan State University, Institute of plant protection Yerevan.

*Organisations/supervisory bodies or partnerships:*

Member of International Association of Impact Assessment (IAIA USA);  
Member of Executive Board of International Association of Agricultural Medicine and Rural Health (IAAM RH)  
Founder and member of Board of Trustees of Armenia Organic Agricultural Foundation;  
Member of Board of Directors of Association of Organic Producers and Consumers;  
Member of Board of Directors of Regional Environmental Center of Caucasus;  
Member and honoured ambassador of IHPA.

*Specific areas of expertise and experience:*

Management, economic development projects.

Mrs **Kristina Hengren**, Fastingsgatan 71, 129 38 Hagersten Sweden.

Board Member since 15 June 2007; Resignation in 2013.

*Current position:*

Director/ project leader of the Freja Foundation; She holds a MSc in Business Administration and Economics, French and English. Studies in Macro economics and marketing at the Concordia University Canada and Ecole Superiere de Commerce Reims.

*Organisations/supervisory bodies or partnerships:*

Member of the Board of Andrew Church (mission Covenant) in Stockholm;  
Member of the Board of Hand in Hand, for development cooperation in India; Member of the Board of the development fund of the Swedish Churches.

*Specific areas of expertise and experience:*

Management, development concepts, marketing and capital mobilisation.

Dr. **Fidon Rwezahula Mwombeki, (President as from 10 June 2010)** Rudolfstrasse 137, D-42285 Wuppertal, Germany. Board Member since 2006; Resignation in 2012.

*Current position:*

General Secretary of United Evangelical Mission, Wuppertal in Germany. He obtained a Ph. D at the Lutheran Seminary St Paul, USA and a Master in Business Administration of the California Coast University, Santa Ana, CA, USA.

*Organisations/supervisory bodies or partnerships:*

Chairperson Tanzanian Coalition on Debt and development (Jan 2000-Dec 2004);  
Affiliate consultant Growth Design Corporation, Milwaukee USA (Oct 2001 - 2004);  
Alternative Board Member Global Fund to Fight Aids, TB and Malaria (Jan 2002 – March 2004);  
Recipient of Gamaliel Chair in Peace and Justice from Lutheran Campus Ministry in Milwaukee, Wisconsin USA (2000).

*Specific areas of expertise and experience:*

His background is in both theology and administration/management. He was a leading expert and resource person during the debt campaign "Jubilee 2000". He was involved in the executive staff of United Evangelical Mission a communion of Churches in 3 continents. He has profound knowledge in the fields of economy and theology and has a broad experience in church work and in NGO's.

Mr **Sergio Roschel**, Rue dos Cajueiros 86, Demarchi –Sao Bernardo- Sao Paulo- Brazil 09820-550.

Board Member since 15 June 2007; resignation in 2013.

*Current position:*

Finance & Supply Director, Chief of the Presidents office and controller of the Methodist University of Sao Paulo, Brazil. He holds a MSc in Business Administration of the Methodist University of Sao Paulo.

*Organisations/supervisory bodies or partnerships:*

None.

*Specific areas of experience and expertise:*

Experience in management, economic development projects, microfinance and financial management.

Mrs **Salome Sengani, (Vice President as from 10 June 2010)** PO Box 31376, Braamfontein Johannesburg, Republic of South Africa. Board Member since 11 June 2008; resignation in 2011; eligible for re-election up to 2014.

*Current position:*

Business transformation programme of broadening affordable housing finance to poorer section of the Society.

*Organisations/supervisory bodies or partnerships:*

Board member of Johannesburg Development Agency;

Chairperson of the Board of Thubelisha Homes (a not for profit agency owned by the Republic of South Africa).

*Specific areas of experience and expertise:*

Corporate strategy, Banker, holding a MBA degree from the university of Pretoria South Africa; professional nurse.

Ms **Martina Straub**, Bürglistrasse 2, 8400 Winterthur, Switzerland.

Board Member since 10 June 2010; resignation in 2013; eligible for re-election up to 2016.

*Current position:*

Manager, Consultant and Coach at Changels GmbH, a small coaching and consulting enterprise for individuals leaders, teams or companies developing inspiring leadership or corporate culture.

Ms Straub is holding a Masters degree of Arts in Marketing, Services and Communication Management from the University of st. Gallen. BA Business Administration Bachelor Program from the University of Applied Sciences and Arts of Lucerne.

*Organisations/supervisory bodies or partnerships:*

Fundraising of the project Qlocks.

*Specific areas of experience and expertise:*

Executive Assistant, Membership and Investment Officer at Oikocredit International, the Netherlands.

Mr **Heinrich Wiemer**, Im Bodenholz 45 CH- 8340 Hinwil, Switzerland.

Board Member since 15 June 2007; Resignation in 2013.

*Current position:*

Founder of Capital Market Strategies GmbH, independent Strategy Consultant with focus on corporate development and capital market communication; He holds a MSc of the London School of Economics and a diplôme d' Etudes Supérieures Européennes de Management & Diplomkaufman (FH) of European Partnership of Business Schools and a Chartered European Financial Analyst, a diploma of the CSFB.

*Organisations/supervisory bodies or partnerships:*

None.

*Specific areas of expertise and experience:*

Finance and Accounting and investor relations.

The potential conflicts of interest of the members of the Board between their respective duties to Oikocredit and their private interests and other duties are mentioned in the next paragraph. None of the members of the Board have received loans or guarantees from Oikocredit.

No members of the Board or management team members are entitled to invest directly in Oikocredit shares. However it is possible for the members of the Board to obtain and hold indirectly a limited number of depository receipts via the Oikocredit International Share Foundation, which invests in the Shares in Oikocredit U.A. or Oikocredit Nederland Fund or another Support Association. Through this indirect shareholding no Board member holds more than 0.1% of the outstanding Shares, as they are not eligible of becoming a direct member of Oikocredit. A Board Member can only acquire certificates of shares or depository receipts through Support Associations, or the International Share Foundation. There are therefore no voting rights in respects of these shares.

*Potential conflicts of interest of Board Members.*

None of the Members of the Board have been convicted in relation to fraudulent offences for the previous five years.

None of the Members of the Board have been associated, as members of the administrative, management or supervisory bodies or as senior manager, to bankruptcies, receiverships or liquidations for the previous five years. None of the Members of the Board have been involved in official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) for the previous five years. None of the Members of the Board have been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

There are no family relationships between any of the Members of the Board and any of the members of the Management Team.

#### *Managing Director and Management Team*

The Board appoints a Managing Director, who is responsible for the day-to-day management of Oikocredit and has appointed the following persons as Managers, together forming the Management Team ("MT"). All MT members have their office at Berkenweg 7, 3818 LA, Amersfoort.

Mr **Tor G. Gull**, Managing Director (president-directeur), who has his office at Berkenweg 7, 3818 LA, Amersfoort, The Netherlands, has held the position of Managing Director since the 1st of July 2001. He graduated in accountancy from the Swedish School of Economics and Business Administration in Helsinki and continued his studies at the Helsinki School of Economics and at the University of South Carolina, gaining an MBA in the process. He worked in Tanzania and Kenya early in his career for DANIDA, the Danish International Development Association supporting the cooperative movement. In 1987 he moved to the Finnish Export Credit, later the Leonia Bank, in Helsinki. Amongst other things, he administered Leonia's Asian interests for three years from their Hong Kong office. He rose to the position of Senior Vice President of the Leonia Bank and was responsible for the Export and Project Finance department and global portfolio.

**Mr Tor G. Gull will resign per 30/6/2011.**

Ms **Rosalind Copisarow**, Managing Director (president-directeur) **from 1/7/2011**, who has her office at Berkenweg 7, 3818 LA, Amersfoort. Ms Copisarow has a MBA from the Wharton Business School, University of Pennsylvania. She serves on the Advisory Council of its international dual degree affiliate, the Lauder Institute, where she was a Fellow. She also has a MA & BA from Oxford University in Human Sciences. Ms Copisarow has 15 years experience as a commercial banker, with Citigroup, HSBC and JP Morgan, a major part of which was in Latin America and Eastern Europe, developing new business units, new alliances and partnerships. As first country director for JP Morgan in Poland, she established the bank's position in a new market; Lending responsibilities included project finance, corporate finance, syndicated loans, private banking, derivatives and general risk management, debt-equity swaps and innovative new credit structures for US investment partnerships and law firms. Furthermore, Ms Copisarow has 13 years experience in microfinance. She is the founder and CEO of two organizations (in E & W Europe) which she led to national scale and profitability. Ms Copisarow founded Fundusz Mikro, the first microfinance institution in Poland in 1994. The organization went on to serve more than 35,000 clients, and became financially sustainable in 1999. She left to embrace a new challenge the following year with Street UK – a UK-based microloan programme, now national and self-financing. In addition, Ms Copisarow was an investor in and consultant to 15 other microfinance institutions across Asia, Africa and Middle East. She is the co-founder of two regional trade associations undertaking research, knowledge publication and best practice exchange services; advocacy, particularly on regulatory issues; and marketplace services for microfinance organization borrowers and wholesale lenders, such as Oikocredit.

Later, Ms Copisarow held positions as senior vice president of international microfinance organization ACCION, and then as chief executive of International Development Enterprises UK (IDE). IDE is a development organization that works to empower subsistence farmers with irrigation equipment to access water in the dry season and support clients with training, seed, fertilizer and other input to increase crop production. The organization also supports the processing, packaging, transporting and sale of produce to agribusiness buyers.

Ms Copisarow has been a Policy Advisory Board Member of CGAP, the World Bank based centre of best practice development and dissemination for the microfinance industry worldwide.

Mr **Bernardus Henricus Johannes Simmes**, Director Membership and Investments up to 30/6/2009; From 1/7/2009, Director Social Performance and Financial Analysis and deputy to the Managing Director. Mr Simmes is working for Oikocredit since 1996 and has a degree in comparative sociology and economy of the State University of Utrecht. Mr Simmes is a Board Member of Kontakt der Kontinenten in Soesterberg and was a Board Member of the Fair Trade Organisation in Culemborg. Prior to working for Oikocredit he was employed with Central Mission Commissariaat as Head of department of Overseas Development Workers, as well as a staff member of Kinaiyahan Foundation (ecology organisation in the Philippines and development worker in Papua New Guinea).

Mr **Erik Heinen**, Director Loans & Investments. Mr Heinen is working for Oikocredit since 1993 and has a degree in economics, business of development, from the Free University of Amsterdam. Prior to working for Oikocredit he was employed with the Netherlands Economic Institute Rotterdam, division of Development Economics and Planning and working as an expert in credit and promotion of small enterprise for an integral rural development project in Benin.

Mr **Albert Hofsink**, Director Finance and Administration, is working for Oikocredit since 1998 and has a degree in accounting from the University of South Africa. Prior to working for Oikocredit, he was working in the auditing practice of the audit firms Moret Ernst & Young in Utrecht, The Netherlands and KPMG and Taylor & Geerling in Pretoria South Africa.

Ms **Ylse Cynthia van der Schoot**, Director Investor relations.

Ms van der Schoot works for Oikocredit since March 2007 and has the following education:

1988 – 1990 Propedeuse Franse taal- en letterkunde and 1990 - 1995 Beleid en Bestuur in Internationale Organisaties at Rijksuniversiteit Groningen and Development Administration and Government & Politics in Africa at University of Zimbabwe from March to September 1994.

She worked for Life & Peace Institute as a Regional Representative Horn of Africa from July 2006 – December 2006 and Country Representative Dem. Republic of Congo October 2004 – July 2006 and for Oxfam Novib as Programme Officer Central Africa from May 1997 – October 2004.

#### *Remuneration of management*

The remuneration policies, as well as the remuneration of the Managing Director, are determined by the personnel committee of the Board. The personnel committee of the Board consists of the President and the Vice-President of the Board. All Management Team members have an employment contract for an indefinite period of time. In case Oikocredit decides to terminate the employment agreement with the Managing Director, without cause, she will be entitled to compensation under Dutch law..

The Managing Director and all personnel at the Amersfoort office and the regional offices reporting to her, receive a full salary and related benefits (pension and social security contributions, cost allowances, etc).<sup>2</sup>

#### *Conflicts or potential conflict of interest of Management Team members*

There are no potential conflicts of interest of the members of the Management Team and the Managing Director between their respective duties to Oikocredit and their private interests and other duties.

One member of the Management Team received loans with a balance of EUR 32,000 with normal commercial interest rates and repayment conditions.

Members of the Management Team and other employees hold a very limited number of depository receipts in one of the Support Associations or the Oikocredit International Share Foundation, which invests in the shares in Oikocredit U.A. No member of the Board or Management Team or other employee holds any of the outstanding Shares of Oikocredit U.A., as they are not eligible of becoming a direct member of Oikocredit. Members of the Board or Management Team can only acquire certificates of shares or depository receipts through Support Associations, or the International Share Foundation.

Neither the members of the Management Team nor the Managing Director have been convicted in relation to fraudulent offences for the previous five years. Neither the members of the Management Team nor the Managing Director have been associated, as members of the administrative, management or supervisory bodies or as senior manager, to bankruptcies, receiverships or liquidations for the previous five years. Neither the members of the Management Team nor the Managing Director have been involved in official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) for the previous five years. Neither the members of the Management Team nor the Managing Director have been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

The organisational chart of Oikocredit is as follows:



<sup>2</sup> Details are included in the Financial Statements 2010 (note 30, page 55 and 56) incorporated by reference in this Prospectus

## 6.9. Costs

### *Costs related to continuing issue of Shares*

The Shares are continuously offered to Members. There is upfront no realistic estimation on the proceeds of the Share issue and how many Shares will be issued. The reason for this is that Shares are issued on a continuous basis and Oikocredit can not assess upfront how many subscriptions will be placed each year for the continuous offer.

The last 3 years new Shares issued amounted to:

2008: Euro 33.3 million

2009: Euro 55.0 million

2010: Euro 64.3 million

The issue of Shares incurs annual costs consisting of acquisition costs of share capital such as capital mobilization, members' relations, promotions and so on, amounted to appr EUR 4.0 mln for 2010 including share administration costs within the International Office of Oikocredit..

The one-off costs associated with producing the present Prospectus are budgeted at EUR 20,000. These costs are and will be reflected in the profit and loss account under operating costs. The direct costs of issuing Shares are not separately charged to the Members.

The costs (annual costs of capital mobilisation and one-off costs associated with producing the present Prospectus) are estimated at EUR 4.8 mln for 2011.

## 6.10. Net Income and dividends

The annual net income is calculated by subtracting all operating costs, loan losses and depreciation from the gross income of Oikocredit, in accordance with generally accepted accounting practices in the Netherlands.

Net income available for distribution is calculated by correcting the annual net income with any extraordinary costs or income not arising from normal operations and an addition to the general reserves. The remaining net income available for distribution is paid out as dividend. The policy of Oikocredit is to pay out as dividend a maximum of 2% of the nominal value of a Share. In accordance with a Board resolution of November 27, 2002 distribution of dividends will be calculated as follows: all Shares outstanding at the end of the dividend year that were already outstanding at the start of such year will receive 100% of the dividend payable per Share. Shares outstanding at the end of the year that were issued between January 1 and 30 June of that year will receive 50% of the dividend payable per Share. Shares outstanding at the end of the year but issued after 30 June of the year will receive 25% of dividend payable per Share. Shares outstanding at the end of the previous year but sold (meaning: bought back by, or redeemed by the Society) between July 1 and December 31 of the year will receive 50% of dividend payable per Share. Dividends made available in cash which is not claimed within 5 years, shall be forfeited for the benefit of Oikocredit. This dividend calculation method is applicable for the dividend 2010, 2009 and 2008.

### **Dividend proposal 2010**

The total proposed dividend for 2010 amounts to EUR 8.7 mln. The proposed dividend per Share for 2010 amounts to:

- For Shares that were already held at 31 December 2009 and held up to 31 December 2010:
  - EUR 4 per Share for Euro denominated shares,
  - USD 4 per Share for USD denominated shares,
  - CAD 4 per Share for CAD denominated Shares,
  - GBP 3 per Share for GBP denominated Shares
  - SEK 40 per Share for SEK denominated Share
- For Shares that were not yet held as at 31 December 2009, but held as at 30 June 2010 and held up to 31 December 2010, or for Shares that were held as at December 31, 2009 and held up to June 30, 2010, but sold (redeemed) between July 1, 2010 and December 31, 2010.
  - EUR 2 per Share for Euro denominated shares,
  - USD 2 per Share for USD denominated shares,
  - CAD 2 per Share for CAD denominated Shares,
  - GBP 1.50 per Share for GBP denominated Shares
  - SEK 20 per Share for SEK denominated Share
- For Shares that were not yet held as at 31 December 2009, or as at 30 June 2010, but held as at 31 December 2010
  - EUR 1 per Share for Euro denominated shares,
  - USD 1 per Share for USD denominated shares,
  - CAD 1 per Share for CAD denominated Shares,
  - GBP 0.75 per Share for GBP denominated Shares
  - SEK 10 per Share for SEK denominated Share



Please also refer to the dividend proposal to page note 47 page 72, in the Oikocredit Consolidated Financial Statements 2010.

#### **Dividend proposal 2009**

The total dividend for 2009 amounted to EUR 7.4 mln. The dividend per Share for 2009 amounted to :

- For Shares that were already held at 31 December 2008 and held up to 31 December 2009:
  - EUR 4 per Share for Euro denominated shares,
  - USD 4 per Share for USD denominated shares,
  - CAD 4 per Share for CAD denominated Shares,
  - GBP 3 per Share for GBP denominated Shares
  - SEK 40 per Share for SEK denominated Shares
- For Shares that were not yet held as at 31 December 2008, but held as at 30 June 2009 and held up to 31 December 2009, or for Shares that were held as at December 31, 2008 and held up to June 30, 2009, but sold (redeemed) between July 1, 2009 and December 31, 2009.
  - EUR 2 per Share for Euro denominated shares,
  - USD 2 per Share for USD denominated shares,
  - CAD 2 per Share for CAD denominated Shares,
  - GBP 1.50 per Share for GBP denominated Shares
  - SEK 20 per Share for SEK denominated Shares
- For Shares that were not yet held as at 31 December 2008, or as at 30 June 2009, but held as at 31 December 2009
  - EUR 1 per Share for Euro denominated shares,
  - USD 1 per Share for USD denominated shares,
  - CAD 1 per Share for CAD denominated Shares,
  - GBP 0.75 per Share for GBP denominated Shares
  - SEK 10 per Share for SEK denominated Shares

Please also refer to the dividend proposal for 2009 on page note 47 page 72, in the Oikocredit Consolidated Financial Statements 2009.

#### **Dividend proposal 2008**

The total dividend for 2008 amounted to EUR 6.6 mln. The proposed dividend per Share for 2008 amounted to:

- For Shares that were already held at 31 December 2007 and held up to 31 December 2008:
  - EUR 4 per Share for Euro denominated shares,
  - USD 4 per Share for USD denominated shares,
  - CAD 4 per Share for CAD denominated Shares,
  - GBP 3 per Share for GBP denominated Shares
  - SEK 40 per Share for SEK denominated Shares
- For Shares that were not yet held as at 31 December 2007, but held as at 30 June 2008 and held up to 31 December 2008, or for Shares that were held as at December 31, 2007 and held up to June 30, 2008, but sold (redeemed) between July 1 2008 and December 31, 2008.
  - EUR 2 per Share for Euro denominated shares,
  - USD 2 per Share for USD denominated shares,
  - CAD 2 per Share for CAD denominated Shares,
  - GBP 1.50 per Share for GBP denominated Shares
  - SEK 20 per Share for SEK denominated Share
- For Shares that were not yet held as at 31 December 2007, or 30 June 2008, but held as at 31 December 2008
  - EUR 1 per Share for Euro denominated shares,
  - USD 1 per Share for USD denominated shares,
  - CAD 1 per Share for CAD denominated Shares,
  - GBP 0.75 per Share for GBP denominated Shares
  - SEK 10 per Share for SEK denominated Share

Please also refer to the dividend proposal for 2008 on page 43, included in the Oikocredit Consolidated Financial Statements 2008.

The General Meeting, after consideration of the Board's proposal, decides on the allocation of annual net income in June of the year following the financial year, upon which the dividend payable is made available as (fractional) Shares issued to the Members or in cash (see also article 36 of the Articles of Incorporation).

## 6.11. Reporting

Oikocredit aims to have its annual accounts prepared, audited by its external auditors and reviewed by the Oikocredit audit committee within 3 months after year-end, but must have this done no later than 6 months after the end of the financial year. The financial year is equal to the calendar year. The Oikocredit audit committee is a committee appointed by the General Meeting and consists of 3 persons. The annual accounts, including the audit report, is presented to the General Meeting ultimately the 30th of June of the year following the financial year concerned and shall be made available in print to the members immediately afterwards.

Assets and liabilities are valued in the annual accounts of Oikocredit in accordance with generally accepted accounting practices in the Netherlands.

Oikocredit prepares its half-year figures within four months following the first six months of each financial year. Upon preparation, the half-year figures will be published within a week by filing these figures with the relevant Chamber of Commerce in the Netherlands.

Every Member receives annually:

- the annual review and audited consolidated financial statements of Oikocredit;
- a members' circular in January detailing the resolutions of the Board during the November meeting of the Board of the previous year and the latest information on Oikocredit;
- a provisional agenda with a proxy attached in anticipation of the General Meeting;
- Request for Board and Audit committee nominations;
- the final agenda of the General Meeting;
- a dividend announcement: a letter detailing the dividend which has been made payable per Share and
- a members' circular in September including the minutes of the last General Meeting and a circular detailing the most important resolutions made by the Board during the June meeting.

Each member also has access to Oikocredit's website [www.oikocredit.org](http://www.oikocredit.org).

## 6.12. Information incorporated by reference

The following information is incorporated in and forms part of this Prospectus:

- Oikocredit's Articles of Incorporation (by deed executed on 19 October 2009) as per the publication date (in the original Dutch language version as well as in the English translation);
- Oikocredit's Audited Annual report 2010;
- Oikocredit's Audited Annual report 2009;
- Oikocredit's Audited Annual report 2008.

These documents are on display (available for viewing) for the life of the Prospectus and can be obtained free of charge at the office of Oikocredit in Amersfoort, The Netherlands, as set out under chapter 5, General details. In addition the articles (available on [www.oikocredit.org/documents/pdf/articles%20of%20incorporation%20english\\_0.pdf](http://www.oikocredit.org/documents/pdf/articles%20of%20incorporation%20english_0.pdf) in English, and on <http://www.oikocredit.org/documents/articles%20of%20incorporation%20dutch.pdf> in Dutch) and audited consolidated financial statements of Oikocredit (available on [www.oikocredit.org/en/publications/annual-report/](http://www.oikocredit.org/en/publications/annual-report/)) are available on Oikocredit's website.

Information Incorporated by Reference Cross Reference checklist

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| Information on fixed assets                  | p. 35 to 42 of Oikocredit's Audited Annual Accounts 2010<br>p. 35 to 42 of Oikocredit's Audited Annual Accounts 2009<br>p. 48 to 54 of Oikocredit's Audited Annual Accounts 2008                 |
| Information on financial condition           | P 5 to 9 and .23-74 Oikocredit's Audited Annual Accounts 2010<br>p. 4 to 8 and 23-74 Oikocredit's Audited Annual Accounts 2009<br>p. 6 to 10 and 24-65 Oikocredit's Audited Annual Accounts 2008 |
| Reasons for changes in net sales or revenues | p. 5-9 of the Board of Directors report of Oikocredit's Audited Annual Accounts 2010 (There were specific comments on p. 7 under heading   |



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|   | <p>'Income Statement 2010')</p> <p>p. 5 to 9 of the Board of Directors report of Oikocredit's Audited Annual Accounts 2009 (There were specific comments on p. 7 under heading 'Income Statement 2009')</p> <p>p. 4 to 8 of the Board of Directors report of Oikocredit's Audited Annual Accounts 2008 (There were specific comments on p. 8 under heading 'Income Statement 2008')</p>   |
| Information concerning capital resources                        | <p>p. 25 and p 44-48 of Oikocredit's Audited Annual Accounts 2010</p> <p>p 25 and p 44-48 of Oikocredit's Audited Annual Accounts 2009</p> <p>p 45 and p 55-59 of Oikocredit's Audited Annual Accounts 2008</p>   |
| Description of cash flows                                       | <p>The cash flow statement can be found on p. 27 of Oikocredit's Audited Annual Accounts 2010; the description and explanation can be found on p. 8 and 29 of the Annual Report 2010.</p> <p>The cash flow statement can be found on p. 27 of Oikocredit's Audited Annual Accounts 2009; the description and explanation can be found on p. 7 of the Annual Report 2009</p> <p>The cash flow statement can be found on p. 47 of Oikocredit's Audited Annual Accounts 2008; the description and explanation can be found on p. 9 of the Annual Report 2008</p> |
| Explanation of sources and amounts of cash flows                | <p>p. 27 of Oikocredit's Audited Annual Accounts 2010</p> <p>p. 27 of Oikocredit's Audited Annual Accounts 2009</p> <p>p. 77 of Oikocredit's Audited Annual Accounts 2008</p>   |
| Borrowing requirements and funding structure                    | <p>p. 23-57 of Oikocredit's Audited Annual Accounts 2010</p> <p>p. 23-57 of Oikocredit's Audited Annual Accounts 2009</p> <p>p. 46- 65 of Oikocredit's Audited Annual Accounts 2008</p>   |
| Amount of remuneration paid and benefits granted                | <p>Note 23 page 50 and Note 30, page 55 and 56 of Oikocredit's Audited Annual Accounts 2010</p> <p>Note 23 page 50 and Note 30, page 55 and 56 of Oikocredit's Audited Annual Accounts 2009</p> <p>Note 20 page 60 and Note 17 and 18, page 42 of Oikocredit's Audited Annual Accounts 2008</p>   |
| Amount set aside or accrued to provide benefits                 | <p>Note 23, page 50 of Oikocredit's Audited Annual Accounts 2010</p> <p>Note 23, page 50 of Oikocredit's Audited Annual Accounts 2009</p> <p>P. 25 Balance sheet, Note 9 p. 39 ,Note 20, page 60 of Oikocredit's Audited Annual Accounts 2008</p>   |
| Information on audit committee                                  | <p>Note 31, page 56 of Oikocredit's Audited Annual accounts 2010</p> <p>Note 31, page 56 of Oikocredit's Audited Annual accounts 2009</p> <p>Note 24, page 64 of Oikocredit's Audited Annual accounts 2008</p>  |
| Description of arrangements involving employees in the capital. | <p>Note 30, page 55 and 56 of Oikocredit's Audited Annual Accounts 2010</p> <p>Note 30, page 55 and 56 of Oikocredit's Audited Annual Accounts 2009</p> <p>Note 17, page 42 of Oikocredit's Audited Annual Accounts 2008</p>  |

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| Historical financial information  | <p>p. 23-74 Oikocredit's Audited Annual Accounts 2010</p> <p>p. 23-74 Oikocredit's Audited Annual Accounts 2009</p> <p>p. 23-66 Oikocredit's Audited Annual Accounts 2008</p>  |
| Financial statements  | <p>p. 23-74 Oikocredit's Audited Annual Accounts 2010</p> <p>p. 23-74 Oikocredit's Audited Annual Accounts 2009</p> <p>p. 23-66 Oikocredit's Audited Annual Accounts 2008</p>  |
| Description of conditions governing the manner in which annual meetings and extraordinary meeting of shareholder are called | Articles 13-24 Articles of Incorporation   |
| Information on holdings   | <p>Consolidated and Society Balance sheet, Income Statement and Cash flow statements p 24-27 and p 58 to 60, p. 28, p.30, p 31, p 37, p.38, Note 34 on page 62 to64 of Oikocredit's Audited Annual Accounts 2010</p> <p>Consolidated and Society Balance sheet, Income Statement and Cash flow statements p 24-27 and p 58 to 60, p. 28, p.30, p 31, p 37, p.38, Note 34 on page 62 to64 of Oikocredit's Audited Annual Accounts 2009</p> <p>Consolidated and Society Balance sheet, Income Statement and Cash flow statements p 44-47 and p 24 to 27, p. 28, p.31, p 35, p.36 p48 p51, of Oikocredit's Audited Annual Accounts 2008</p> |
| Related party transactions  | <p>Page 28-29 and Note 46 page 71 Oikocredit's Audited Annual Accounts 2010</p> <p>Page 28-29 and Note 46 page 71 Oikocredit's Audited Annual Accounts 2009</p> <p>Page 28-29 and Note 19 page 42 Oikocredit's Audited Annual Accounts 2008</p>  |
| A description of Oikocredit's object and purposes   | Article 2 of the Articles of Incorporation   |

### 6.13. Subscription and sale

Participation in Oikocredit is open only to Members. Membership of Oikocredit is restricted to:

- the founders, being the World Council of Churches and the Council of Churches in the Netherlands;
- the member churches of the World Council of Churches;
- churches not belonging to the World Council of Churches;
- sub-divisions of churches;
- Councils of Churches;
- church-related organisations;
- Support Associations; and
- project members;
- other organisations that in addition to investing in the Society meet certain criteria.

Project members (f) are project partners (clients who obtained a loan or equity funding from Oikocredit).

Support Associations are established per country or per region within a country, to offer individuals and church congregations or parishes, an opportunity to invest in Oikocredit.

The distribution of this Prospectus and the offering, sale and delivery of the Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any are required by the Oikocredit to inform themselves about and to observe any such restrictions. In particular, Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Shares may not be offered, sold or delivered within the United States of America to U.S. persons.

## European Economic Area

In relation to each Member State of the European Economic Area which has implemented the prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no offers of Shares to the public in that Relevant Member State may be made, except that, with effect from and including the Relevant Implementation Date, an offer of Shares may be made to the public in that Relevant Member State in the period beginning on the date of publication of a Prospectus in relation to those Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication.

For the purposes of this provision, the expression “an offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## Belgium, Germany, France, United Kingdom, Spain, Italy, Austria, Sweden

This Prospectus has been approved by The Authority for the Financial Markets (“Autoriteit Financiële Markten”) in The Netherlands on June 2011 for the purposes of the Prospectus Directive.

Oikocredit has requested The Authority for Financial Markets (Autoriteit Financiële Markten) in The Netherlands to provide the competent authorities in the following Relevant Member States:

- Belgium (Commission Bancaire, Financière et des Assurances),
- Germany (Federal Financial Supervisory Authority),
- France (Autorité des marchés financiers),
- United Kingdom (the Financial Services Authority),
- Ireland (the Central Bank of Ireland)
- Spain (Comisión Nacional del Mercado de Valores),
- Italy (Commissione Nazionale per le Società e la Borsa),
- Austria (the Financial Market Authority),
- Sweden (Finansinspektionen)

with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Wet financieel toezicht and related regulations which implement the prospectus Directive in Dutch law (“Notification”). Oikocredit may request the AFM to provide competent authorities in additional Member States within the European Economic Area with a Notification.

Other than in The Netherlands, Belgium, Germany, France, United Kingdom, Spain, Italy, Austria and Sweden, Oikocredit does not represent that this Prospectus may be lawfully distributed, or that Shares may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available under it, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Oikocredit which would permit a public offering of the Shares or distribution of this document in any jurisdiction where action for that purpose is required, other than in certain Member States of the European Economic Area.

## 7. Tax aspects of participation in Oikocredit

This section provides a brief summary of the most relevant Dutch tax implications of being a Member and holder of Shares. The summary of the Dutch tax implications is based on current Dutch tax laws, case law and policy rules, all as in effect on the date of publication of this Prospectus. Future changes in the Dutch tax legislation, with or without retroactive effect, could affect the tax implications as described.

The information below is not to be regarded specific tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Shares. Prospective investors are strongly advised to inform themselves as to the overall tax consequences of purchasing, holding and/or selling Shares.

### 7.1. Tax position of Oikocredit

#### **Corporate income tax**

It has been agreed with the Dutch tax authorities that Oikocredit is exempt from Dutch corporate income tax, provided that the following conditions continue to be met by Oikocredit:

- The nature of the activities of Oikocredit remains unchanged;
- Funds attracted from non-Members do not exceed 10% of the funds contributed by the Members.

### ***Dividend withholding tax***

The Dutch tax authorities have confirmed that no dividend withholding tax is due on dividends distributed by Oikocredit to its Shareholders, either Dutch residents or non-Dutch residents.

### ***Gift and inheritance tax***

As of the year 2008 Oikocredit does not qualify as a so called 'ANBI' (a charity in the sense of the Dutch Income Tax Act). This means that donations and inheritances received by Oikocredit are subject to gift or inheritance tax. The applicable tax rates vary from 30 up to 40 percent (percentages applicable in 2011). For inheritances or donations an amount of EUR 2,000 per donor or deceased is exempt from inheritance or gift tax. If in a calendar year the total amount of donations received from an individual donor exceeds this amount of EUR 2,000, the surplus is subject to gift tax. The same applies to inheritances or bequests received by Oikocredit.

Donations and inheritances received by Oikocredit are generally exempt from Dutch gift and inheritance tax, in case the donor or deceased is not a (deemed) resident of the Netherlands.

### ***VAT***

The tax-authorities stated that the activities of Oikocredit U.A. are VAT-exempted based on article 11, paragraph 1, sub i and j from the Dutch VAT Act.

## **7.2. Tax position of shareholders**

### ***Dutch residents***

As the (prospective) Shareholders are mainly churches and church-related organizations, these Shareholders will not be subject to Dutch corporate income tax on income in respect of dividends and capital gains in respect of the Shares, provided that they

- (i) are not subject to corporate income tax as a consequence of their legal form, and
- (ii) do not carry on a trade or business to which the Shares are attributable.

If a Shareholder is subject to Dutch corporate income tax, profits from the Shares should not be taxable because of the participation exemption (article 13 (2) (c) of the Dutch corporate income tax Act). It is not definitely clear, however, whether the participation exemption applies, as, in contrast to its legal form, Oikocredit is regarded as an association that does not carry on a trade or business for Dutch corporate income tax purposes rather than a cooperative association. In case the participation exemption should not apply, dividend received from Oikocredit and capital gains realised on the disposal of Shares will be taxable at the standard Dutch corporate income tax rates of up to 25% (rates applicable in 2011).

In view of article 4 of the Articles of Incorporation, individuals are in practice excluded from becoming or being a Member. Therefore we will refrain from describing the tax aspects for such a person of owning Shares.

### ***Non-Dutch residents***

(Prospective) Shareholders who are tax resident outside The Netherlands should consult their own professional advisors as to the implications of their subscribing for, purchasing, holding, and/or selling Shares under the tax laws of their jurisdiction.

In general, Dutch corporate income taxation will only arise in case the Shareholder holds a substantial interest in Oikocredit and this interest is not attributable to a trade or business. A substantial interest will be present if a Shareholder has an interest of at least 5% in the annual profit or the liquidation proceeds of Oikocredit. The tax due may be mitigated if a tax treaty is in place between The Netherlands and the resident country of the Shareholder.

Furthermore, Dutch taxation will arise in cases where the Shareholder is engaged in or participates in a trade or business carried out through a permanent establishment or a permanent representative in the Netherlands to which the Shares are attributable.

## Appendix 1

### Project funding criteria

- The enterprise supported must benefit poor and disadvantaged people.
- Benefits must be widely spread and not result in the enrichment of a few organizers or investors.
- The enterprise must contribute to the social and economic advancement of the larger community in which it is located.
- Special attention is paid to the ecological impact and the protection of animals and species.
- The cooperative structure is favoured where applicable because poor people can participate directly in the operation and management of the business.
- Preference is given to enterprises in which women are direct beneficiaries and in which they participate in decision-making, in structures and procedures related to the concept, organisation, implementation, control and evaluation.
- The enterprise must be economically viable, with appropriate management and technical leadership, and become self-sustaining within a reasonable period of time, thus allowing Oikocredit's capital participation, loan or guarantee to be phased out.
- There must be a clear need for foreign investment which can be provided within terms that can secure the necessary government approvals and that are beneficial to the project partners.