

## Alterfin CVBA

**Investing in the Shares involves certain risks. An investor is exposed to the risk of losing all or part of its investment. Before making any investment in the Shares, we strongly recommend investors to read the whole Prospectus carefully, especially the Risk Factors as described on pages 12-15 (Summary) and on pages 20-27 (Section 1). Each of these risk factors must be carefully studied and assessed before investing in the Shares.**

**Offering of New Shares of Alterfin CVBA (the "Company") for the amount of EUR 5.000.000,00, extendable to a maximum of EUR 15.000.000,00**

**Per New Share, either €250,00 for a Class A Share (for which only legal entities may subscribe) or €62,50 for a Class B share (for which only private persons may subscribe)**

This prospectus (the "Prospectus") relates to an offering to the public in Belgium (the "Offering") to subscribe for new ordinary shares in the Company (the "New Shares"). The Offering takes place in the context of a continuous issue and therefore remains valid for as long as the prospectus is valid, unless closed early. The subscription period for the New Shares will run from 01 December 2015 to 30 November 2016 (the "Subscription Period"), subject to early closure (the "Subscription Period").

The New Shares are not being offered or sold in any country other than Belgium. Potential investors should note that there is no secondary market other than the possibility of transfer or withdrawal as set out in Chapter 5 (*Information on the Offering*).

The New Shares have not been and will not be registered in accordance with any regulations relating to securities other than Belgian regulations. The distribution of this document and the offering and delivery of shares may be restricted by law in certain jurisdictions. Persons who come into possession of this document should seek information about any such restrictions and must comply with them. For a description of these and other limitations, see Chapter 2 (*Warnings and points of information*).

This Prospectus will be made available to investors free of charge at the Company's registered office at Chaussée de Haecht 159, B-1030 Schaerbeek, Belgium. This Prospectus may also be consulted on the Internet for free on the following website: [www.alterfin.be](http://www.alterfin.be).

Prospectus dated 01 December 2015

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Defined terms are placed inside inverted commas or are identified by a capital letter. Numerical expressions in this Prospectus follow the convention by which a (.) separates the thousands and a (,) separates the decimals.

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## Summary

This Summary is prepared in accordance with Annex XXII of Commission Regulation (EC) No 809/2004 of April 29, 2004 (as amended) implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (hereinafter the "Prospectus Regulation").

Pursuant to the aforementioned Annex XXII of the Prospectus Regulation, summaries are made up of disclosure requirements known as "Elements" which are numbered in Sections A – E (A.1 – E.7). Because some Elements are not required to be addressed for Shares, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the nature of the transaction or the Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary and marked as "Not applicable".

### Section A. Introduction and warnings

Elements	Disclosure Requirement	Disclosure
A.1	Warning	<p>This Summary must be read as an introduction to the Prospectus with respect to the public offering to subscribe to New Shares. It includes certain important information contained in the Prospectus. It does not include all the information that may be important to investors.</p> <p>Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole and on any and all information provided in the Prospectus (including information by reference) by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant member state, have to bear the costs of translating the Prospectus before the legal proceedings are initiated</p> <p>Civil liability attaches only to those persons who have tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the New Shares.</p>

A.2	Use of the Prospectus for subsequent resale of final placement of securities by financial intermediaries	Not applicable
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## Section B. Issuer

Elements	Disclosure Requirement	Disclosure
B.1	Legal and commercial name of the Issuer	Alterfin cvba/scrl
B.2	Domicile and legal form of the Issuer	<p>Legal form: Coöperatieve vennootschap met beperkte aansprakelijkheid (CVBA)/ Société Coopérative à Responsabilité Limitée (SCRL) under Belgian law.</p> <p>Alterfin is registered in the register of legal entities of Brussels with company registration number 0453 804 602.</p> <p>Its registered office is located at: Chaussée de Haecht 159, B-1030 Schaerbeek, Belgium.</p> <p>Date of incorporation: November 16th, 1994</p> <p>Duration: indefinite</p>
B.3	Key factors relating to the Issuer's current operations and principal activities	<p>The cooperative society Alterfin was established in 1994 as a partnership between North-South organizations (including 11.11.11, Oxfam Solidarity &amp; Wereldwinkels, Vredeseilanden, FOS, ...) and banks (Triodos Bank and the former HBK Spaarbank). Later, other social organizations (including SOS Faim, FairFin, Réseau Financement Alternatif), a bank (BNP Paribas Fortis), a number of companies and more than 5.000 individuals joined the cooperative.</p> <p>Alterfin is a social financier that aims to contribute to a sustainable financial support of the development initiatives of economically and socially marginalized groups in societies in the South.</p> <p>The emphasis is on the social component and is such that the investments of shareholders in Alterfin contribute to socio-economic development in the South. Specifically, Alterfin mobilizes capital in the North (in the case of the Offering: in Belgium) that is then channelled to organizations in the South.</p> <p>As an alternative financier Alterfin does not make donations, but investments. Whereas the notion of development cooperation used to be nearly exclusively linked to charity and donating money, nongovernmental development organizations in the nineties started to look for new methods to make development cooperation more sustainable.</p> <p>Alterfin basically invests in two types of organizations:</p>

		<ul style="list-style-type: none"> <li>• Microfinance Institutions (MFIs): thanks to the financing by Alterfin the MFIs are able to grant many small (micro)credits to their members or clients; and</li> <li>• Producers' associations involved in sustainable agriculture (mainly Fair Trade): in this case the loan of Alterfin is used to finance the crops of the producers and the marketing of their produce.</li> </ul> <p>As of 30 June 2015, EUR 26.215.360 were invested in microfinance institutions and EUR 15.443.959 were invested in producers' associations or other agriculture partners.</p> <p>Alterfin invests in organizations in Latin America, Africa, Asia and in the Middle-East.</p>
B.4a	Most significant trends affecting the Issuer and the industries in which it operates	<p><b>Microfinance:</b></p> <p><i>"[...]there is still substantial variation in the diversity, quality, and use of financial services available in the market, with 2 billion adults remaining without access. Poor and low income people—particularly women, youth, and those living in rural areas—are the most excluded and must depend on less reliable and often more costly informal mechanisms to manage their financial needs. At the same time micro, small, and medium enterprises (MSMEs ) are limited in their ability to sustain and grow their businesses due to a lack of working capital. Seventy percent of MSMEs in developing countries lack access to formal financial services [...]. This leaves much work to be done toward achieving the vision for universal financial inclusion."</i> Source: A Market Systems Approach to Financial Inclusion, Deena M. Burjorjee and Barbara Scola (CGAP), September 2015.</p> <p><b>Sustainable Agriculture:</b></p> <p><i>"The vast majority of smallholder farmers are financially underserved. Providing these smallholders with access to appropriately structured financial products and services can help bridge the smallholder finance gap and, in turn, combat extreme poverty by supporting over two billion of the world's poorest people who live in households that depend on agriculture for their livelihood. Globally, over 150 finance providers currently offer direct-to-farmer finance. These providers use a range of approaches to address core challenges associated with lending directly to these smallholders, but their lending activities still remain small in scale when compared to the vast demand for smallholder finance."</i> Source: Lending a hand: how direct-to-farmer finance providers reach smallholders, a research by Dalberg Global Development Advisors for the Initiative for Smallholder Finance, October 2014.</p>
B.5	Issuer's group and the	Not applicable



	Issuer's position within the group																																																																	
B.6	Major Shareholders	<p>Overview of shareholder structure on 30 September 2015:</p> <table border="1"> <thead> <tr> <th rowspan="2">Situation on 30/09/2015</th> <th colspan="2">Category A</th> <th colspan="2">Category B</th> <th rowspan="2">Total</th> </tr> <tr> <th>Legal entities</th> <th></th> <th>Private persons</th> <th></th> </tr> </thead> <tbody> <tr> <td><b>Number of shareholders</b></td> <td>211</td> <td>4%</td> <td>4.995</td> <td>96%</td> <td><b>5.206</b></td> </tr> <tr> <td><b>Share capital in EUR</b></td> <td>7.777.250</td> <td>16%</td> <td>40.473.313</td> <td>84%</td> <td><b>48.250.563</b></td> </tr> <tr> <td><b>Number of shares</b></td> <td>31.109</td> <td>5%</td> <td>647.573</td> <td>95%</td> <td><b>678.682</b></td> </tr> </tbody> </table> <p>Each member may cast a number of votes equal to the number of shares owned. However, no member may cast more than 10% of the total number of votes present at the general meeting. Alterfin is therefore not being controlled in the sense of Article 5 of the Belgian Companies Code.</p>	Situation on 30/09/2015	Category A		Category B		Total	Legal entities		Private persons		<b>Number of shareholders</b>	211	4%	4.995	96%	<b>5.206</b>	<b>Share capital in EUR</b>	7.777.250	16%	40.473.313	84%	<b>48.250.563</b>	<b>Number of shares</b>	31.109	5%	647.573	95%	<b>678.682</b>																																				
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B.7	Selected historical key financial information	<p>The following key figures are from the annual financial reports that have been controlled by the auditor:</p> <table border="1"> <thead> <tr> <th>Portfolio</th> <th>2012</th> <th>2013</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Portfolio Alterfin</td> <td>25.305.003</td> <td>28.189.189</td> <td>42.882.575</td> </tr> <tr> <td>Growth portfolio Alterfin</td> <td>18,39%</td> <td>11,40%</td> <td>52,12%</td> </tr> <tr> <td>Net write-downs on portfolio Alterfin</td> <td>1,29%</td> <td>1,78%</td> <td>1,75%</td> </tr> <tr> <td>Portfolio third parties</td> <td>18.907.853</td> <td>10.525.452</td> <td>14.099.739</td> </tr> <tr> <td>Growth portfolio third parties</td> <td>-24,01%</td> <td>-44,33%</td> <td>+33,96%</td> </tr> <tr> <td>Total portfolio</td> <td>44.212.856</td> <td>38.714.641</td> <td>52.982.313</td> </tr> <tr> <td>Growth total portfolio</td> <td>-4,42%</td> <td>-12,44%</td> <td>+ 47,19</td> </tr> <tr> <td>Number of partners Alterfin</td> <td>97</td> <td>101</td> <td>108</td> </tr> <tr> <td>Growth of number of partners</td> <td>3,19%</td> <td>4,12%</td> <td>6,93%</td> </tr> <tr> <td>Average Alterfin portfolio per partner</td> <td>260.876</td> <td>279.101</td> <td>397.061</td> </tr> <tr> <td><b>Capital</b></td> <td><b>2012</b></td> <td><b>2013</b></td> <td><b>2014</b></td> </tr> <tr> <td>Share capital</td> <td>25.004.000</td> <td>34.225.188</td> <td>43.734.063</td> </tr> <tr> <td>Growth share capital</td> <td>31,93%</td> <td>36,88%</td> <td>27,78%</td> </tr> <tr> <td>Number of shareholders</td> <td>3.398</td> <td>4.403</td> <td>5.002</td> </tr> <tr> <td>Growth of number of shareholders</td> <td>34,15%</td> <td>29,58%</td> <td>13,60%</td> </tr> </tbody> </table>	Portfolio	2012	2013	2014	Portfolio Alterfin	25.305.003	28.189.189	42.882.575	Growth portfolio Alterfin	18,39%	11,40%	52,12%	Net write-downs on portfolio Alterfin	1,29%	1,78%	1,75%	Portfolio third parties	18.907.853	10.525.452	14.099.739	Growth portfolio third parties	-24,01%	-44,33%	+33,96%	Total portfolio	44.212.856	38.714.641	52.982.313	Growth total portfolio	-4,42%	-12,44%	+ 47,19	Number of partners Alterfin	97	101	108	Growth of number of partners	3,19%	4,12%	6,93%	Average Alterfin portfolio per partner	260.876	279.101	397.061	<b>Capital</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	Share capital	25.004.000	34.225.188	43.734.063	Growth share capital	31,93%	36,88%	27,78%	Number of shareholders	3.398	4.403	5.002	Growth of number of shareholders	34,15%	29,58%	13,60%
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<b>Debt</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Debt	22.325.976	25.117.015	37.732.123
Debt/capital ratio	89,29%	73,39%	86,28%
<b>Total</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Balance sheet total	49.734.065	61.802.293	83.865.987
Growth of the balance sheet	23,23%	24,27%	35,70%
<b>Results</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Gross operating and financial margin	1.259.925	1.367.393	1.908.639
Net profit	834.214	779.369	753.634

In 2014, Alterfin's own portfolio increased by 52 % compared to 2013.

The third party portfolio, which includes FEFISOL's portfolio (since October 2011), FOPEPRO's portfolio (since October 2011) and Calvert's portfolio (since July 2012), increased by 34% compared to 2013.

In 2014, Alterfin welcomed 599 new shareholders (+14% compared to 2013) with an increase in capital of 28% compared to 2014 (+ EUR 9,5 million).

On 31 December 2014, the capital of Alterfin amounted to EUR 43.734.063 (audited). The debt amounted to EUR 37.732.123 (audited).

Because most of the credits that Alterfin provides are in U.S. dollars, Alterfin's strategy is to use a substantial part of its share capital (in EUR) as a guarantee for obtaining lines of credit in U.S. dollars. Alterfin then lends the borrowed U.S. dollars to the partners in the South. The increased amount of debt is therefore directly related to the size of the portfolio invested in USD.

In 2014, Alterfin ended the year with a positive financial margin. The gross operating and financial margin amounted to EUR 1.91 million, which is 40% more than in 2013. The net result after taxes stood at EUR 753.634 which is 3% less than in 2013. The net result was affected by the amount of impairments on our portfolio.

In 2014, defaults were concentrated mainly on the agricultural portfolio (as opposed to the microfinance portfolio). The prices of many commodities, including coffee, have been very volatile over the past few years. This has contributed towards putting a growing number of our partners in difficulty.

Regarding the details of the portfolio written down in 2014, please refer to Chapter 8.3 (Simplified consolidated income statement).

The following table provides an overview of the interim financial results on 30 September 2015 (not audited figures):

	30/09/2014	30/09/2015
<b>Portfolio</b>	<b>4</b>	<b>5</b>
Portfolio Alterfin	36.462.699	42.623.500
Growth portfolio Alterfin	41,60%	16,90%
Portfolio third parties	12.197.858	13.317.384
Growth portfolio third parties	49,56%	9,18%
Total portfolio	48.660.556	55.940.884
Growth total portfolio	43,51%	14,96%
Number of partners Alterfin	107	103
Growth of number of partners	9,18%	-3,74%
Average Alterfin portfolio per partner	340.773	413.820
<b>Capital</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
	<b>4</b>	<b>5</b>
Share capital	40.974.500	48.250.563
Growth share capital	35,30%	17,76%
Number of shareholders	4.702	5.206
Growth of number of shareholders	24,23%	10,72%
<b>Debt</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
	<b>4</b>	<b>5</b>
Debt	34.784.540	37.013.004
Debt/capital ratio	84,89%	76,71%
<b>Total</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
	<b>4</b>	<b>5</b>
Balance sheet total	78.105.177	87.675.042
Growth of the balance sheet	40,70%	12,25%
<b>Results</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
	<b>4</b>	<b>5</b>
Gross operating and financial margin	1.350.087	1.627.255
Net profit	670.754	618.747

Alterfin's portfolio and share capital still showed strong growth. The share capital gained an additional EUR 7,3 million with 504 new shareholders (+11% compared to 30/09/2014). Compared with September 2013, Alterfin's portfolio grew by 17%.

		<p>The third party portfolio includes FEFISOL's portfolio, FOPEPRO's portfolio and Calvert's portfolio.</p> <p>The unaudited figures on 30 September 2015 were as follows: capital of EUR 48.250.563 and debts amounting to EUR 37.013.004.</p> <p>The unaudited income statement of 30/09/2015 shows a positive net profit for the period. The gross operating and financial margin is higher than in September 2014 (+20,5%). The net profit is lower than in September 2014 (-8%).</p>
B.8	Selected key pro forma financial information	Not applicable
B.9	Profit forecast or estimate	Not applicable. Alterfin has not made any profit forecast or estimate.
B.10	Qualifications in the audit report on the historical financial information	<p>Not applicable. The auditor of Alterfin has not qualified its reports on the Alterfin financial statements for 2012, 2013 and 2014. The auditor's report on the statutory financial statements as per December 31, 2014 contains the following explanatory paragraph:</p> <p><i>"In our opinion, the annual accounts give a true and fair view of the company's equity and financial position as at December 31, 2014 and of its financial performance for the year then ended in accordance with the financial reporting framework applicable in Belgium."</i></p> <p>Statutory Auditors: KPMG Bedrijfsrevisoren, represented by Erik Clinck</p>
B.11	If the Issuer's working capital is not sufficient for the Issuer's present requirements an explanation should be included.	Not applicable. Alterfin states that, in its view, its working capital is sufficient for its present requirements and, at least for a period of 12 months following the date of the publication of this Prospectus.

## Section C. Securities

Elements	Disclosure Requirement	Disclosure
C.1	Type and class of the securities being admitted to trading	<p>The Prospectus relates to the issuance of two categories of shares:</p> <ul style="list-style-type: none"> <li>• Category A-Shares: shares with a nominal value of 250,00 EUR per share. The Shares of category A can only be subscribed to by legal entities; and</li> <li>• Category B-Shares: shares with a nominal value of 62,50 EUR per share. The Shares of category B can only be subscribed to by private persons (and those treated as such).</li> </ul> <p>All New Shares will be issued according to Belgian law. The New Shares are ordinary shares representing the registered capital, fully paid up, and attaching voting rights. They attach the same rights as the Existing Shares.</p>
C.2	Currency of the securities issue	Euro
C.3	Number of shares issued and fully paid up and issued but not fully paid up. The par value per share, or that the shares have no par value.	<p>As of 30 September 2015, Alterfin's registered capital is represented by 678.682 shares (31.109 A-shares and 647.573 B-shares), fully paid up.</p> <ul style="list-style-type: none"> <li>• Category A-Shares: nominal value of EUR 250,00 per share.</li> <li>• Category B-Shares: nominal value of EUR 62,50 per share.</li> </ul>
C.4	Rights attached to the securities	<p>Below is a summary of the rights attached to all the shares (including the New Shares) of the Company.</p> <p><b>Dividend rights.</b> Each shareholder is entitled to an annual dividend on condition that the general assembly of the Issuer decides to pay out a dividend. The dividend is expressed as a percentage of the nominal value of the Shares. Accession of a shareholder during the financial year entitles this shareholder to enjoy a dividend calculated in proportion to the number of (calendar) days effective membership of that year. For more information, please refer to Element C.7 ("Dividend Policy").</p> <p><b>General meeting of shareholders and voting rights.</b> The general meeting has authority over the appointment and dismissal of directors, a statutory auditor and controlling members. Furthermore, the general meeting must approve the annual financial statements and grant discharge to the directors and the statutory auditor. The general meeting must also decide on any amendments to the by-Laws and on the dissolution of the Company.</p>

		<p>The general meeting may validly deliberate, irrespective of the number of members present, provided that there is no stipulation to the contrary in Company Code and by-Laws. Each member may choose to be represented by a maximum of one other member (by simple written proxy).</p> <p>Each member may cast a number of votes equal to the number of shares owned (whether they belong to Class A or B). However, no member may cast more than 10% of the total number of votes present at the general meeting. In this way a democratic decision-making process is guaranteed.</p> <p><b>Liquidation.</b> After the payments of debts, expenses, and liquidation costs, the proceeds of the liquidation are distributed pro rata amongst all shareholders, in proportion to their participation.</p>
C.5	Restrictions on the free transferability of the securities	Shares may only be transferred between members with the approval of the board of directors.
C.6	Application for admission to trading on a regulated market	The Shares are not the subject of an application for admission to trading, with a view to their distribution in a regulated market or an equivalent market.
C.7	Dividend Policy	<p>In accordance with Article 48 of Alterfin's by-Laws, the distributable profit for the financial year is by decision of the general meeting allocated as follows:</p> <ul style="list-style-type: none"> <li>• At least five percent to constitute the legal reserve;</li> <li>• A payment to shareholders (whether they belong to Class A or B), which may amount at most to the interest rate determined in accordance with the Royal Decree of 8 January 1962 establishing the conditions for recognition of the national associations of cooperatives and of the cooperative companies by the National Council of Cooperation (the current maximum is 6%), applied to the amount actually paid up for the shares, and</li> <li>• The surplus to be carried forward or transferred to the reserves.</li> </ul> <p>The Company's general meeting is free to decide to transfer the entire profit to the reserves. If there is a loss, the negative balance may be carried forward.</p> <p>If in some financial years no remuneration is made to the paid-up capital, then in the following years, insofar as the profit permits, a certain percentage per financial year without return may be allocated to the paid-up capital for the financial year concerned.</p>

		<p>No distribution may be made if on the closing date of the last financial year the net assets as shown in the financial statements are or would become as a result of a distribution lower than the sum of the fixed portion of the capital or of the paid-up capital, when this is less than the fixed portion of the capital plus all reserves which by the law or according to these by-Laws may not be distributed. Any return may only be distributed to the shareholders in proportion to the transactions they have made with the company.</p>
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**Section D. Risks**

Elements	Disclosure Requirement	Disclosure
D.1	Key risks specific to the Issuer	<p>The formulated objectives in the by-Laws of Alterfin and the nature of the activities resulting from these objectives bring forth a number of risks. The policy and management of Alterfin is designed to mitigate these risks as much as possible, without of course being able to totally eliminate these risks.</p> <p>The risks and uncertainties that Alterfin is currently aware of and presently considers material are listed below. These risks and uncertainties may not be the only ones faced by the Company and are not intended to be presented in any assumed order of priority.</p> <p><b>Debtor risk:</b> This is the risk associated to defaults on loans provided by Alterfin. This risk is significant, as through these loans, funds are made available to organizations in the South (the "Partners"), mainly microfinance institutions (MFIs) and farmer organizations. The end-recipients of Alterfin's funds may not necessarily receive the same terms at local financial institutions for financing their businesses. Furthermore, guarantees and securities are not presented in all cases. It can therefore not be excluded that the partners in the South in which Alterfin invests at a certain point could appear insolvent, in which case the investment of Alterfin would be lost.</p> <p>Such risk is managed in a twofold manner. First and foremost, of course, there is risk assessment. This is done by means of a detailed dossier created for each partner that forms the basis on which credit decisions are made. In addition there is monitoring of the partner both at a distance and in situ, so that any risks can be assessed and monitored more effectively.</p> <ul style="list-style-type: none"> <li>• In situ: all partners are allocated to one of the investment managers at Alterfin. The investment managers plan visits and travel to their respective countries in order to visit and evaluate the partners. As a rule, all partners are visited on average once every 18 months. Producers' organisations are visited more frequently because of the characteristics of these loans (shorter periods, more harvest-related).</li> <li>• From a distance: The MFI partners provide quarterly reports on their activities and contact is maintained in an ad hoc manner by telephone and email. They report on the financial and operational indicators and provide information about institutional changes. Because of the characteristics of loans financing agriculture (shorter periods, more harvest-related), the sustainable agriculture partners</li> </ul>



provide a monthly update on their activities and are closely monitored by the investment managers.

Additionally, wherever possible, guarantees are built into the loan agreements. These guarantees are, where possible, proportionate to the perceived risk. However, it is clear that even with these guarantees the credit risk cannot be entirely eliminated.

In addition, a part of Alterfin's portfolio is ensured by the vzw Alterfin Guarantee Fund, a Belgian non-profit association with registered office at Chaussée de Haecht 159, B-1030 Schaerbeek, Belgium and VAT number 0474.048.797. On 30 September 2015, the guarantees granted by Alterfin Guarantee Fund amounted to EUR 1.411.844 (18 dossiers were guaranteed by Alterfin Guarantee Fund). Out of a total outstanding portfolio of EUR 42.623.500, 3.31% of Alterfin's portfolio (EUR 1.411.844 /EUR 42.623.500) was covered by Alterfin Guarantee Fund.

**Currency risk:** This is the risk that arises as a result of transactions made in foreign currency in order to finance the organizations in the South.

A significant portion of the loans provided to partner organizations in the South is made in U.S. dollars. This means that the value of these receivables denominated in EUR fluctuates with the exchange rate. If the U.S. dollar drops against the EUR, then the value of these claims is worth less. Alterfin generally covers this risk in the following way: for each loan granted in U.S. dollars, Alterfin acquires a loan for the same amount in U.S. dollars with a credit institution. The influence of the exchange rate on the balance sheet of Alterfin is thus limited. The exchange rate however still has an influence on the income statement, i.e. on the difference between the earnings on the U.S. dollar loans and the interest Alterfin has to pay on its U.S. dollar debt.

Besides U.S. dollar loans, Alterfin also has loans and equity investments in other (soft) currencies (non EUR or U.S. dollar currencies). Some of these currencies, such as the Lempira (Honduras) can be hedged with financial instruments, other currencies cannot. In this case, Alterfin uses other solutions in order to mitigate the currency risk.

First, since July 2010, Alterfin is a shareholder in MFX Microfinance Currency Risk Solutions for the amount of 200.000,00 U.S. dollars. Through MFX, Alterfin has gained access to risk hedging possibilities for financing in local currency. This implies that the portfolio in local currency can be built up without an increased risk as the local currencies are hedged by MFX Microfinance Currency Risk Solutions. Secondly, there is an agreement with the vzw Alterfin Guarantee Fund, made in June 2013, under which the

Guarantee Fund can cover the currency risk related to a local currency loan.

**Interest rate risk:** If a longer-term credit provided to one of our partner is financed with a shorter-term loan, there is uncertainty and risk related to the impact of interest rate changes. To reduce the interest rate risk to a minimum, short term USD liabilities are raised to fund short term USD assets, and long term USD liabilities are raised on and off balance sheet to fund long term USD assets. For the shortfall, the funding comes from short term USD liabilities and the interest rate refixing risk is hedged with “plain vanilla” derivatives.

**Country risk:** Alterfin works in developing countries which by definition bear certain risks from economic, social, legal, political and climatic point of view. Although the country risk represents a significant risk, Alterfin tries to control certain aspects of it.

The political risk of Alterfin’s portfolio invested in microfinance partners is globally insured with the Belgian export credit agency, Credendo (formerly called ONDD).

When financing a sustainable agriculture partner, Alterfin requires export contracts with foreign buyers as collateral which reduce the risk factors inherent to the partner’s country.

In addition, Alterfin tries to further reduce the country risk by setting internal limits to the size of investments in a specific country.

**Risks related to the dependence on people in key positions:** If people in key positions would leave Alterfin without the Issuer being able to provide for their immediate replacements, it could have on the short and longer term a negative impact on the development of Alterfin and its results.

**Risks related to the dependence on income through services provided to third parties:** The possibility cannot be excluded that third parties might stop working with Alterfin, which would have a negative impact on Alterfin’s income stream. However, the risk of dependence significantly decreased these last three years. The part of Alterfin’s operational and financial income deriving from service to others progressively decreased from 26% in 2010 to 4% in 2014.

Alterfin also mitigates the risk by developing several partnerships in order to diversify the sources of income.

- In July 2012, Alterfin started to recruit and monitor sustainable agriculture partners for Calvert Social Investment Foundation. The

		<p>future collaboration with Calvert foundation was renegotiated and will be adapted by the end of 2015: on one hand, Alterfin will progressively stop recruiting and monitoring sustainable agriculture partners; on the other hand, Calvert will provide additional long term USD funding to Alterfin.</p> <ul style="list-style-type: none"> <li>• Alterfin has finalized the terms of collaboration with ImpactAssets and plans to start recruiting and monitoring partners for ImpactAssets at the end of 2015.</li> <li>• In 2015, Alterfin was nominated as portfolio manager for the Kampani fund that was created in March 2015.</li> <li>• In addition, the services provided to FEFISOL and FOPEPRO are also expected to generate more income.</li> </ul> <p>Alterfin also mitigates the risk of dependence, albeit to a limited extent, by signing multiannual contracts with its microfinance partners in the South. This goes some way towards limiting the risk that Alterfin might completely lose its income from one day to the next.</p> <p><b>Risks related to the dependence on the social goal of investors:</b> Investors will consider when investing in Shares of Alterfin that, given its social purpose, Alterfin does not pursue profit maximization. If the interest of investors in Shares would decline, or if major shareholders would decide to reduce their participation, the operational resources of Alterfin could be affected.</p> <p><b>Risks related to the reputation of the market in which Alterfin operates:</b> It is possible that a change in the reputation of Alterfin or similar institutions and the market in which it operates, can have a disproportionate impact on the prospects of Alterfin.</p> <p><b>Regulatory Risk:</b> Changes in legislation or regulations, both in Belgium and the countries where Alterfin is active, may have an impact on the activities of Alterfin.</p>
D.3	Key risks specific to the securities	<p><b>Risks associated with investing in shares:</b> An investment in Shares of Alterfin, as with any investment in shares, is related to economic risks: before making an investment decision, investors should consider that their entire investment in Shares can be lost.</p> <p><b>Risks related to the limited liquidity of the Shares:</b> There is no secondary market on which the Shares can be traded. Although it is possible for a shareholder to withdraw, in accordance with the procedure stated in Alterfin's</p>

		<p>by-Laws, this causes a limited liquidity.</p> <p><b>Risks related to the fluctuations in share value and future dividend:</b> Past performances are no guarantee for the future and no guarantee is given regarding future performances.</p>
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## Section E. Offer

Elements	Disclosure Requirement	Disclosure
E.1	Total net proceeds and estimate of total expenses of the Issue/Offer	The costs for the offering include the fees to consultants, the fee to the FSMA and the cost of preparing and printing the Prospectus. The total costs are estimated at EUR 6.000.
E.2.a	Reasons for the Offer, use of proceeds, estimated net amount of proceeds	<p>The purpose of the Issuance of New Shares is to support the growth of the Company's activity. Demand for micro-credits and sustainable agriculture financing continues to rise and Alterfin receives more and more requests from existing and new partners to finance their activities. The financial base needed to carry out Alterfin's investments is its share capital. Alterfin wants therefore to drive its growth by attracting additional own resources in order to better respond to these requests.</p> <p>The shareholders' capital is used to finance Microfinance Institutions (MFIs): which in turn are able to provide many small (micro) credits to their members or clients; and to finance producers' associations involved in sustainable agriculture which in turn finance the crops of the producers and the marketing of their produce on the market.</p> <p>The capital can be used either directly or indirectly to finance a partner. In the latter case, Alterfin uses its share capital (in EUR) as a guarantee for obtaining a line of credit (in U.S. dollars) from its banking partners. Alterfin itself then lends the borrowed U.S. dollars to the partners in the South.</p> <p>Alterfin is co-founder of the FEFISOL fund that was inaugurated in July 2011. The fund specifically focuses on providing financing in Africa (microfinance institutions and producer's organisations), and is supported by institutional investors. Alterfin has pledged a total amount of EUR 1.050.000,00 to the fund, of which EUR 855.877,72 were already drawn down. Since Alterfin's capital forms the basis of all the financing it carries out, it is thus possible that all or part of the capital raised during the Subscription Period will be invested in FEFISOL.</p> <p>Alterfin is also co-founder of the Kampani fund which was inaugurated in March 2015. The fund specifically focuses on investing in businesses of producer organisations or smallholder farmers located in selected countries in the South. Alterfin currently has a participation of 50.000,00 EUR. Since Alterfin's capital forms the basis of all the financing it carries out, it is possible that part of the capital raised during the Subscription Period will be invested in Kampani.</p>
E.3	Terms and conditions of the Offer	<p><b>Requirements.</b> In accordance with the Company Code, Article 8 of Alterfin's by-Laws states that in order to be accepted as a shareholder, the investor must meet the following conditions:</p> <ul style="list-style-type: none"> <li>• Being approved by the board of directors. The board of directors may not refuse the accession of a candidate shareholder for speculative reasons unless the latter fails to comply with the general conditions of accession or performs actions which conflict with the Company's interests; and</li> </ul>

- Subscribing for at least one Share.

The status of shareholder implies unconditional acceptance of the Company's by-Laws and internal regulations.

**Period.** The subscription period, during which investors, whether they already hold Existing Shares or not, can subscribe to the Offering, will run from 01 December 2015 to 30 November 2016, subject to early closing.

**Subscription Procedure.** The subscription to the Shares of both category A and category B is organized directly and exclusively through Alterfin. The procedure for subscription is as follows:

- For new shareholders: The potential shareholder completes online through the website of Alterfin ([www.alterfin.be](http://www.alterfin.be)) the registration form, including personal details, the number of Shares and the category of Shares subscribed to (whether Shares of category A or Shares of category B). Simultaneously, the subscriber transfers the amount of the subscribed Shares to the bank account of Alterfin indicating his or her name and surname. Upon receipt of the transfer, the applicant will be sent an attestation of the shareholder register in duplicate form of which one signed copy should be returned to Alterfin.
- For investors that already hold one or more Existing Shares: Existing shareholders transfer the amount of the subscribed Shares to the bank account of Alterfin indicating shareholder number, name and surname. Upon receipt of the transfer the shareholder will be sent an attestation of the shareholder register.

Payment for the Shares is completed through a transfer to the bank account of Alterfin: IBAN number BE85 5230 4527 2706 with BIC code TRIO BE BB.

The Shares are in registered form and are not physically delivered. Upon receipt of the transfer, the applicant will be sent an attestation of the shareholder register in duplicate form of which one signed copy should be returned to Alterfin.

**Issue Price.** The Prospectus relates to the issuance of two classes of Shares:

- A-Shares: shares with a nominal value of EUR 250,00 per share. Only legal entities may subscribe for these Class A Shares; and
- B Shares: shares with a nominal value of EUR 62,50 per share. Only private persons and those treated as such may subscribe for these Class B Shares.

The Shares shall be fully paid up. Subscribers must subscribe for at least one Share. There is no limit on the maximum value of Shares that may be subscribed for.

There is no registration fee associated with subscription for the Shares.

		<p><b>Expected timetable of the Offering.</b> On 01 December 2015, the Prospectus was published on Alterfin's website (www.alterfin.be). This date is also the start date of the Subscription Period. Throughout the Subscription Period, applicant shareholders are continuously able to subscribe for the Shares, insofar as the maximum amount of the Offering is not exceeded. Unless the Subscription Period is closed early, the Offering ends on 30 November 2016.</p> <p>The results of the subscription will be published after the closing of the Subscription Period. Alterfin publishes an annual report which includes a description of changes to its capital. The total capital raised will be mentioned in the 2016 annual report.</p>															
E.4	Interest material to the Issue/Offer including conflicting interests	Not applicable.															
E.5	Name of the person or entity offering to sell the security. Lock-up agreements	Not applicable.															
E.6	Amount and percentage of immediate dilution resulting from the Offer	<p>Existing shareholders who does not subscribe to the Offer may be subject to a proportional dilution regarding voting rights and dividend rights.</p> <p>The dilution with respect to voting rights is however limited by the fact that no shareholder/member may cast more than 10% of the total number of votes present at the general meeting. The dilution regarding dividend rights is also expected to be limited as Alterfin expects that the increase in share capital will help developing its financing activities and increase its net profit.</p> <p>The impact of the issue on an existing shareholder who holds 1.000 shares and does not subscribe to the Offer is described below:</p> <table border="1"> <thead> <tr> <th>% of the total share capital owned by</th> <th>As of 30/09/2015</th> <th>with additional 5 million EUR capital</th> <th>with additional 10 million EUR capital</th> <th>with additional 15 million EUR capital</th> </tr> </thead> <tbody> <tr> <td>a shareholder who holds 1.000 A-Share</td> <td>0,52%</td> <td>0,47%</td> <td>0,43%</td> <td>0,40%</td> </tr> <tr> <td>a shareholder who holds 1.000 B-Share</td> <td>0,13%</td> <td>0,12%</td> <td>0,11%</td> <td>0,10%</td> </tr> </tbody> </table>	% of the total share capital owned by	As of 30/09/2015	with additional 5 million EUR capital	with additional 10 million EUR capital	with additional 15 million EUR capital	a shareholder who holds 1.000 A-Share	0,52%	0,47%	0,43%	0,40%	a shareholder who holds 1.000 B-Share	0,13%	0,12%	0,11%	0,10%
% of the total share capital owned by	As of 30/09/2015	with additional 5 million EUR capital	with additional 10 million EUR capital	with additional 15 million EUR capital													
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a shareholder who holds 1.000 B-Share	0,13%	0,12%	0,11%	0,10%													
E.7	Estimated expenses charged to the investor by the Issuer	Not applicable. The Company will not charge any expenses to the investor for subscriptions to the Offer.															

## Definitions

The following terms have the meanings indicated below in the Prospectus, unless otherwise indicated:

Offering	: offering to the public in Belgium to subscribe for New Shares in the Company
Shares	: the shares representing the capital of the Company
Alterfin	: Alterfin, founded as a cooperative company with limited liability (CVBA), with registered office at Chaussée de Haecht 159, B-1030 Schaerbeek, Belgium and registered under company number 0453.804.602. Alterfin is recognised as a cooperative company by the National Council of Cooperatives
Existing Shares	: the shares existing up to the date of the prospectus
FSMA	: the Financial Services and Markets Authority
EEA	: the European Economic Area
Subscription Period	: the period during which investors, whether or not they already hold Existing Shares, can subscribe for the Offering; this period runs from 01 December 2015 to 30 November 2016, subject to early closure
MFI	: a microfinance institution
FT	: Fair Trade
New Shares	: the Shares to be issued under the Offering
Prospectus	: this prospectus
Prospectus Directive	: Directive 2010/73/EU of the European Parliament and of the Council of 4 November 2003 amending Directive 2001/34/EC on the prospectus to be published when securities are offered to the public or admitted to trading
Prospectus Regulation	: Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2010/73/EU of the European Parliament and of the Council as regards information contained in prospectuses as well as the format of the prospectus, the incorporation by reference and



publication of such prospectuses and dissemination of advertisements

Prospectus Law : The Law of 16 June 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market

Company : Alterfin

Company Code : the Belgian Company Code of 7 May 1999

# 1 Risk factors

An investment in the New Shares involves risks. You should consider the following information about certain of these risks carefully, along with the information contained in this Prospectus, before deciding to subscribe for the New Shares. If any of the following risks actually occurs, this may have a substantial adverse effect on the activities, operating results, financial condition and prospects of the Company and its activities. In such a case the value of the Company's shares may fall and subscribers for the New Shares may lose all or part of their investment.

An investment in the New Shares is only suitable for investors who are capable of judging the risks and merits of such an investment, and who have sufficient resources to bear any losses that may result from it. A potential investor who has doubts about what action to take should contact a professional adviser who specialises in giving advice on the acquisition of shares and other securities.

The risks and uncertainties that Alterfin is currently aware of and presently considers material are listed below. These risks and uncertainties may not be the only ones faced by the Company and are not intended to be presented in any assumed order of priority.

Alterfin distinguishes between the following risks:

## 1.1 Risk factors specific to the Offering and to ownership of the Shares

### 1.1.1 *Risks associated with investing in shares*

There are economic risks associated with investing in Shares in Alterfin, as with any equity investment: when taking an investment decision investors must bear in mind that they could lose their entire investment in the Shares.

### 1.1.2 *Risks related to the limited liquidity of the Shares*

There is no secondary market on which the Shares are traded. Although it is possible for a shareholder to withdraw, in accordance with the procedure given in Alterfin's by-Laws, this means that there is relatively limited liquidity. This lack of liquidity means among other things that shareholders may have to hold the Shares for longer than they wish and that their take-back value may not be the same as that at the time of the request for withdrawal.

Under Article 13 of Alterfin's by-Laws, Class A shareholders (legal entities only) may only withdraw or request a partial take-back of their Shares during the first three months of the financial year. Class B shareholders (private persons only) may only withdraw or request a partial take-back of their Shares during the first six months of the financial year. The Company may spread all or part of the take-back over a maximum period of three years. The Company's board of directors may refuse to allow the withdrawal or take-back of shares if the shareholder has obligations towards or

current contracts with the Company or if, through the withdrawal or take-back of Shares: (a) the authorised capital would be reduced to an amount less than the proportion defined in the by-Laws plus the non-distributable reserves, and/or (b) the Company's financial situation would be endangered. The decision of the board of directors in this matter is final. Finally, the shares may only be transferred between members with the prior approval of the board of directors (Article 9 of the by-Laws).

### **1.1.3 Risks related to fluctuations in value and future dividend changes**

Past returns are no guarantee of future performance and no guarantee is offered regarding future returns. The dividend may rise or fall and it is possible that you may not recover the full amount that you invested. Alterfin makes no predictions or estimates about the value of its Shares after the expiry of this Offering, or about changes in the dividend yield.

## **1.2 Risk factors specific to Alterfin's activities**

Under its by-Laws Alterfin has:

*"[...] the goal of contributing to a sustainable financial basis for development initiatives in economically and socially marginalized groups in societies in the South, and thus helping to achieve the objectives of its partners"*

*"[...] In Belgium: Alterfin raises the awareness of people and official bodies about the role of money in the development of a more inclusive and nature- and culture-friendly global society. In cooperation with its banking partners, the NGOs and the government, it mobilises funds for this purpose. In the South: Alterfin uses these funds to develop or support a local target-group-oriented financial fabric. Depending on the circumstances, guarantees, loans or investments are made available to this end. In addition, Alterfin grants or mobilises technical support [...]"*

(Article 3, Paragraphs 1 and 3 of Alterfin's by-Laws).

The formulated objectives in the by-Laws of Alterfin and the nature of the activities resulting from these objectives bring forth a number of risks. The policy and management of Alterfin is designed to mitigate these risks as much as possible, without of course being able to totally eliminate these risks.

### **1.2.1 Debtor risk**

This is the risk of non-repayment of the loans made by Alterfin. This risk is significant, since the loans are used to provide funds to organisations (the "partners"), mainly microfinance institutions

(MFIs) and farmer organizations. The end-recipients of Alterfin's funds may not necessarily receive the same terms at local financial institutions for financing their businesses. Furthermore, guarantees and securities are not presented in all cases. It can therefore not be excluded that the partners in the South in which Alterfin invests at a certain point could appear insolvent, in which case the investment of Alterfin would be lost.

If such a risk was to materialise or increase on a large scale, which cannot be excluded and may also be partly dependent on other risks such as country risk, this could have a negative impact on Alterfin's growth and the continuation of its activities.

Such risk is managed in a twofold manner. First and foremost, of course, there is risk assessment. This is done by means of a detailed dossier created for each partner which forms the basis on which credit decisions are made. In addition there is monitoring of the partner both at a distance and in situ, so that any risks can be assessed and monitored more effectively.

- In situ: all partners are allocated to one of the investment managers at Alterfin. The investment managers plan visits and travel to their respective countries in order to visit and evaluate the partners. As a rule, all partners are visited on average once every 18 months. Sustainable agriculture partners are visited more frequently because of the characteristics of these loans (shorter periods, more harvest-related).
- From a distance: The MFI partners provide quarterly reports on their activities and contact is maintained in an ad hoc manner by telephone and email. They report on the financial and operational indicators and provide information about institutional changes. Because of the characteristics of loans made to producers' organisations (shorter periods, more harvest-related), the sustainable agriculture partners provide a monthly update on their activities and are closely monitored by the investment managers.

Additionally, wherever possible, guarantees are built into the loan agreements. These guarantees are, where possible, proportionate to the perceived risk. However, it is clear that even with these guarantees the credit risk cannot be entirely eliminated.

In addition, a part of Alterfin's portfolio is ensured by the vzw Alterfin Guarantee Fund, a Belgian non-profit association with registered office at Chaussée de Haecht 159, B-1030 Schaerbeek, Belgium and VAT number 0474.048.797. Using the guarantee provided by Alterfin Guarantee Fund, Alterfin seeks to arrange the financing of weaker partner organisations, which lack the necessary guarantees, without also jeopardising the Company's financial situation. Beyond the coverage of the debtor risk related to certain weaker partners, the resources of Alterfin Guarantee Fund can also be used to finance technical assistance or to cover the country or currency risk.

On 30 September 2015, the guarantees granted by Alterfin Guarantee Fund amounted to EUR 1.411.844 (18 dossiers were guaranteed by Alterfin Guarantee Fund). Out of a total outstanding portfolio of EUR 42.623.500, 3.31% of Alterfin’s portfolio (EUR 1.411.844 /EUR 42.623.500) was covered by Alterfin Guarantee Fund.

**1.2.2 Foreign exchange rate risk**

This mainly concerns the risk that arises as a result of transactions made in foreign currency to finance organisations located in the South.

A significant portion of the loans to partner organisations in the South are given in U.S. dollars. This means that the value of these amounts receivable expressed in euros fluctuates with the value of the U.S. dollar against the euro. If the U.S. dollar falls against the euro, the value of these receivables decreases. Alterfin attempts to cover this risk in the following way: for each loan granted in U.S. dollars, Alterfin acquires a loan for the same amount in U.S. dollars with a credit institution. If the value of the U.S. dollar falls against the euro, the value of the receivable from the partner falls, but so does that of the amount payable to the credit institution. In this way a change in the exchange rate between U.S. dollars and euros does not in principle have any further effect on Alterfin’s balance sheet.

The value of Alterfin’s share capital which is used as collateral to obtain credit lines in U.S. dollars from the partner banks is in principle put into investment products with a minimum of associated risks. These include savings and deposit accounts at the partner banks and bonds issued by the banks themselves.

On 30/06/2015 the situation was as follows:

Total Liabilities in USD	Total Assets in USD	Difference
42.399.869,42 USD	42.663.262,57 USD	263.393,15 USD
USD loans from banks, financial institutions and shareholders	USD Portfolio (equity investments included)	Financed by net USD income

Changes in the rate of the U.S. dollar still affect the income statement; since the income from the loans in U.S. dollars is only partially hedged by the interest that Alterfin itself pays on its debts in U.S. dollars. The balance is not hedged and fluctuations in the exchange rate do affect this balance. Because Alterfin is a net U.S. dollar earner, the balance sheet tends to show a U.S. dollar surplus, giving rise to an exchange rate risk that remains limited to the net margin. This includes the net income in U.S. dollars on Alterfin’s dollar portfolio and the U.S. dollar fee from Calvert Social Investment Foundation for followed credit applications. In order to keep this under control, U.S. dollars are converted into EUR at appropriate times.

In addition to loans expressed in U.S. dollars, Alterfin also has loans and participations in other (soft) currencies (not EUR or U.S. dollar currencies). Some of these currencies, such as the Lempira (Honduras) can be hedged with financial instruments, other currencies cannot. In this case, Alterfin uses other solutions in order to mitigate the currency risk.

First, since July 2010, Alterfin is a shareholder in MFX Microfinance Currency Risk Solutions for the amount of 200.000,00 U.S. dollars. Through MFX, Alterfin has gained access to risk hedging possibilities for financing in local currency. This implies that the portfolio in local currency can be built up without an increased risk as the local currencies are hedged by MFX Microfinance Currency Risk Solutions.

Secondly, there is an agreement with the vzw Alterfin Guarantee Fund, made in June 2013, under which the Guarantee Fund can cover the currency risk related to a local currency loan.

### **1.2.3. Interest Rate Risk**

If a longer-term credit provided to one of our partner is financed with a shorter-term loan, there is uncertainty and risk related to the impact of interest rate changes. To reduce the interest rate risk to a minimum, short term USD liabilities are raised to fund short term USD assets, and long term USD liabilities are raised on and off balance sheet to fund long term USD assets. For the shortfall, the funding comes from short term USD liabilities and the interest rate refixing risk is hedged with "plain vanilla" derivatives.

### **1.2.4 Country risk**

It is probable that in the countries where Alterfin is active, events will occur which will have a significant negative impact on the repayment capacity of its partners there. Alterfin works in developing countries which by definition present significant economic, social, legal, political and climatic risks. This country risk includes, among other things, the risk of war, corruption, instability, arbitrary government action, transfer problems (such as the inability to repatriate invested funds), nationalisation and inflation. This country risk is inevitable because it is linked to Alterfin's social mission.

Although this country risk is significant, Alterfin seeks to manage certain aspects of it.

First, the political risk of Alterfin's portfolio invested in microfinance partners is insured with the Belgian export credit agency, Credendo (formerly called ONDD). Credendo is the Belgian public credit insurer, whose role is to promote international economic relations. Credendo performs this task as an autonomous public institution guaranteed by the State. Credendo insures companies and banks against the political and commercial risks of international trade transactions primarily relating to capital goods, industrial projects, contracting works and services. Credendo additionally

insures against political risks associated with direct investment abroad and directly finances commercial transactions of limited size.

The scope of its coverage extends to Alterfin’s loans, guarantee deposits and participations. Credendo assigns a degree of risk to each country, and on this basis determines whether an investment in a specific country falls within the scope of its insurance. Credendo insures the following list of countries up to 4,35 million EUR per country: Cambodia, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Kenya, Nicaragua, Niger, Peru, Togo. The portfolios in Bolivia and Ecuador are insured up to 3,26 million EUR

When financing a sustainable agriculture partner, Alterfin requires export contracts with foreign buyers as collateral which reduce the risk factors inherent to the partner’s country. The portfolio invested in sustainable agriculture partners is therefore not insured with Credendo.

The situation on 30/09/2015 was as follows:

Situation on 30/09/2015	EUR	Countries/Sector
<b>Portfolio insured by Credendo.</b>	21.193.144,47	<b>Microfinance:</b> Bolivia, Cambodia, Colombia, Costa Rica, Côte d’Ivoire, El Salvador, Ecuador, Guatemala, Honduras, Kenya, Nicaragua, Niger, Peru, Togo.
<b>Portfolio not insured by Credendo.</b>	21.430.355,99	<b>Sustainable agriculture:</b> all dossiers
		<b>Microfinance:</b> Democratic Republic of Congo, Laos + some dossiers in Ecuador and Nicaragua

The portfolio invested in MFI in Ecuador amounted to 5.107.538 EUR. As the policy limits the maximum amount covered in Ecuador to 3,26 million EUR, part of this portfolio was therefore not covered by Credendo. Since 2015, the insurance policy covers Nicaragua again. All the contracts initiated in 2015 are covered, older contracts are not. The insurance policy, including the limit per country, is annually renegotiated.

In addition, Alterfin tries to further reduce the country risk by setting internal limits to the size of investments in a specific country on the basis of two indicators:

- Alterfin limits the concentration per country to a certain percentage of Alterfin’s share capital, looking at the total volume of loans and participations that are not covered by European guarantees (or similar).
- In addition, Alterfin also limits the concentration per country to a certain percentage of the portfolio. This concentration percentage also depends on the perceived country risk.

The limits for each country is partly determined by the perceived country risk, which is divided into three categories (see table below). These categories are determined on the basis of Alterfin's own information and information from specialised agencies such as Standard & Poor's (S&P) and Credendo.

The table of both indicators for 2015 is defined as follows.

Category	Max. country/capital ratio	Max. country/portfolio ratio
<b>Minimal risk</b>	15% of the capital	20% of total portfolio
	Chile, Costa Rica, Mexico, Morocco, Peru, Uruguay	
<b>Modest risk</b>	10% of the capital	15% of total portfolio
	Colombia, El Salvador, Guatemala	
<b>Increased risk</b>	5% of the capital	10% of total portfolio
	Argentina, Benin, Bolivia, Burundi, Cambodia, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Dominican Republic, Ecuador, Honduras, Kenya, Laos, Nicaragua, Niger, Palestine, Paraguay, Senegal, Tanzania, Togo, Uganda, Zambia.	

Below, an example is given of risk control on the basis of the two indicators.

Country	S&P's	Credendo Commercial risk	Credendo Transfer	Alterfin Risk category	Maximum country/capital ratio	Maximum country/portfolio ratio
Chile	AA+	B	3	Minimum risk	15% of capital	20% of portfolio
Guatemala	BB+	B	4	Moderate risk	10% of capital	15% of portfolio
Honduras	B	C	5	Increased risk	5% of capital	10% of portfolio

Situation on 30 June 2015:

	Country/Portfolio Ratio
Chile	3,00%
Guatemala	4,20%
Honduras	7,50%

The table below gives an overview of the share (in terms of portfolio and income) of the five main countries on 30 June 2015:



	Portfolio share 30/06/2015	Income share 30/06/2015
Peru	19,46%	19,63%
Ecuador	13,14%	10,33%
Honduras	7,50%	14,94%
Nicaragua	8,86%	8,39%
Bolivia	9,27%	7,76%
<b>Total</b>	<b>58,23%</b>	<b>61,04%</b>

In June 2015, the country concentration were beyond the limits in Ecuador (with a portfolio share of 13,14% and a limit set at 10%). Most of the investments in Ecuador were disbursed during the first part of 2014 under the condition that, except renewals of current credit lines to producers' organizations, no additional investment will be made in Ecuador until the outstanding credits do not exceed the concentration limit. We expect the concentration in Ecuador to decrease as Alterfin's portfolio is being developed in other countries.

#### ***1.2.5 Risk of dependence on people in key positions***

The continuation and growth of Alterfin's activities depends to no small extent on people in key positions, such as the directors or the management, and their network. These individuals may leave Alterfin without it being possible to find immediate replacements for them. In the short and somewhat longer term this may have a negative impact on the future development of Alterfin and its results.

#### ***1.2.6 Risk of dependence of income on services to third parties***

The possibility cannot be excluded that third parties might stop working with Alterfin, which would have a negative impact on Alterfin's income stream. However, the risk of dependence significantly decreased these last three years. The part of Alterfin's operational and financial income deriving from service to others progressively decreased from 26% in 2010 to 4% in 2014.

Alterfin also mitigates the risk by developing several partnerships in order to diversify the sources of income.

- In July 2012, Alterfin started to recruit and monitor sustainable agriculture partners for Calvert Social Investment Foundation. Calvert Social Investment Foundation is an American NGO founded in 1988 which invests in social projects. In 2015, it is estimated that the income from service to Calvert Foundation will amount to +/- EUR 60.000. The future collaboration with Calvert foundation was renegotiated and will be adapted by the end of 2015: on one hand, Alterfin will progressively stop recruiting and monitoring sustainable

agriculture partners; on the other hand, Calvert will increase the current loan from 5 million to 8 million USD, providing additional long term USD funding to Alterfin.

- Alterfin finalizing the terms of collaboration with ImpactAssets and plan to start to recruit and monitor sustainable agriculture partners for ImpactAssets by the end of 2015. ImpactAssets, Inc is an American nonprofit financial services company created in late 2009 to catalyze investment capital for maximum environmental, social and financial impact. First income from loan origination and loan servicing is expected in 2015.
- The services provided to FEFISOL and FOPEPRO are also expected to generate more income.

FOPEPRO (*Fondo Para Los Pequeños Productores Rurales En América Latina*) is a fund set up in 2009 by Alterfin and SIDI<sup>1</sup>. The purpose of this fund is to finance smallholder farmers in the Andean countries and Central America (Bolivia, Peru, Ecuador and Colombia) and Central America (Nicaragua, Guatemala, Honduras and El Salvador). Since October 2011, Alterfin provides consultancy services regarding the monitoring of FOPEPRO's portfolio. In 2015, it is estimated that the income from service to FOPEPRO will amount to +/- EUR 55.000. The income consists of fees for proposing and monitoring the financing of partners and for the general management of the fund.

FEFISOL (*Fonds Européen de Financement Solidaire*) is a SICAV set up in 2008 by Alterfin, in collaboration with SIDI and Etimos<sup>2</sup>, and which is dedicated to Africa. The fund was launched in July 2011 and mainly aims to provide credit and guarantees to microfinance institutions and producer's organizations active in fair trade in Africa. Since October 2011, Alterfin recruits and monitors partners for FEFISOL. In 2015, it is estimated that the income from service to FEFISOL will amount to +/- EUR 155.000.

Alterfin also mitigates the risk of dependance, albeit to a limited extent, by signing multiannual contracts with its microfinance partners in the South. This goes some way towards limiting the risk that Alterfin might completely lose its income from one day to the next.

Although Alterfin always strives for the utmost care in its service provision, the possibility cannot be ruled out that Alterfin might be held liable for errors attributable to it in services to third parties, should such errors occur.

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<sup>1</sup> SIDI, the International Solidarity for Development and Investment company, was established in 1983 in France by CCFD-Terre Solidaire (French Committee against Hunger and for Development), a French NGO, to strengthen and diversify its actions in the economic field.

<sup>2</sup> Etimos is an international financial consortium with Headquarters in Padua, Italy, and three regional offices in Sri Lanka, Argentina and Senegal. It collects savings in Europe and invests in developing and emerging countries financing microfinance institutions, producers cooperatives linked to Fair trade markets and social enterprises.

### ***1.2.7 Risk of dependence on investors' social aims***

Alterfin depends on the interest of investors in this type of product, as investors will take into consideration when investing in the Shares that Alterfin, with its social mission, does not pursue profit maximisation. If, for example as a result of a prolonged economic recession in Western Europe, investors' interest in the Shares were to permanently decrease, Alterfin's operating funds could be affected. If Alterfin's major existing shareholders decide for these or other reasons to reduce their participation or give it up entirely, this would affect Alterfin's operating means and consequently its financial position.

### ***1.2.8 Reputational risks related to the market in which Alterfin is active***

Alterfin's reputation and activities, as well as the reputation of institutions which are active in the field of microfinance and sustainable agriculture, have an important influence on the continuation and growth potential of Alterfin and the market in which it operates. This reputation is important both to investors in Alterfin and to the partners who apply for loans or investments. The possibility cannot be excluded that a change in the reputation of Alterfin or comparable institutions and the market in which they operate might have a disproportionate impact on Alterfin's prospects.

### ***1.2.9 Regulatory risks***

Alterations to laws or regulations, either in Belgium or in the countries where Alterfin operates, could have an impact on Alterfin's activities, and more specifically on its profitability and the value of its portfolio. For example, this would be the case if such a change increased the debtor risk, or if the Belgian tax system (including the tax exemption) changed.

The Law transposing Directive 2011/61/EU on Alternative Investment Fund Managers (introducing a harmonized European regulatory regime for managers of Alternative Investment Funds) into Belgian law entered into force on 27 June 2014. The implementation of this law is limited for Alterfin for two reasons:

- Alterfin is recognised as a development fund such as defined in article 2, 1° of the Belgian law of 1 June 2008;
- The Company remains below the thresholds specified in Article 3 (2) (a) and (b) of the AIFMD<sup>3</sup>.

The situation as of 30/06/2015 was as follows:

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<sup>3</sup> Assets under management, including any assets acquired through use of leverage, in total do not exceed a threshold of EUR 100 million. Assets under management in total do not exceed a threshold of EUR 500 million when the portfolios of AIFs consist of AIFs that are unleveraged and have no redemption rights exercisable during a period of 5 years following the date of initial investment in each AIF.

Alterfin cumulative assets under management	Thresholds	
	Article 3 (2) (a): Including any assets acquired through use of leverage	Article 3 (b) (a) No leverage and no redemption rights exercisable during a period of 5 years following the date of initial investment.
EUR 5.288.076	EUR 100.000.000	EUR 500.000.000

## **2 Warnings and points of information**

### **2.1 Preliminary warning**

The Offering is a public offering in Belgium. The Offering and this Prospectus have not been and will not be submitted for approval to any supervisory authority outside Belgium. Therefore, no steps may be taken to publicly offer the New Shares outside Belgium or to engage in a process that could result in this. The Company is not making any offer of sale of the New Shares and is not seeking to offer the New Shares for sale to persons in any jurisdiction where such an offer or solicitation is not authorised. The Company reserves the right to refuse any offer to purchase the New Shares if the Company believes that this may give rise to a violation of laws, rules or regulations.

The distribution of this Prospectus and the Offering may in certain jurisdictions be restricted by law, and this Prospectus may therefore not be used for or in connection with any offer or solicitation by any person in any jurisdiction where such an offer or such a solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Consequently, the New Shares may not be directly or indirectly offered or sold, nor may this Prospectus or any other document relating to the Offer be distributed or published in any jurisdiction except in circumstances where all applicable laws and regulations are complied with. Investors should find out about any such restrictions and comply with them.

### **2.2 Decision on whether or not to invest**

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offering, including the potential benefits and risks described in this Prospectus. Investors should rely only on the information contained in this Prospectus. The Company has not approved any other person to provide other information to investors. If anyone provides different or inconsistent information, this should not be relied upon.

The information contained in this Prospectus may only be regarded as correct on the date indicated on its cover page. The business, financial situation and operating results of the Company and the information given in this Prospectus may have changed since that date.

In accordance with Belgian law, any significant new development, material oversight or inaccuracy relating to the information given in this Prospectus which may have an influence on the assessment of the New Shares and which arises or is noticed between the time when the Prospectus is approved and the final closing date of the Offering will be included in a supplement to the Prospectus. Additions must be approved in the same manner as this Prospectus by the Financial Services and Markets Authority (the "FSMA") and must be made public in the same manner as this Prospectus.

None of the information contained in this Prospectus should be regarded as investment, legal or tax advice. Investors should consult their own advisor, accountant and other advisors for legal, tax, business, financial and related advice regarding the assessment of this Offering and the purchase of the New Shares. The Company makes no representation to any beneficiary or purchaser regarding the legality of an investment in the New Shares by the said beneficiary or purchaser under applicable investment or similar laws.

### **2.3 Presentation of financial and other information**

This Prospectus contains the Company's audited financial statements for the years ending in 2012, 2013 and 2014, prepared on each occasion in accordance with Belgian accounting standards. This Prospectus contains the reports of the Company's auditor on its audited consolidated financial statements for the years ending in 2012, 2013 and 2014. It also contains figures for the third quarter of 2015 which have not been subject to either a full or limited review.

Certain figures in this Prospectus have been adjusted by rounding. Consequently, figures shown as totals in certain tables may not be the exact arithmetical sum of the figures that precede them.

### **2.4 Information about foreign currencies**

In this Prospectus, "EUR", "euro" and "€" refer to the currency of the Member States of the European Union which are part of the European Monetary Union, and "U.S. dollars" or "\$" or "U.S. \$" refer to the currency of the United States of America.

### **2.5 Information about third parties**

Certain information on markets and other sectoral data relating to the Company's activities in this Prospectus have been obtained from sectoral sources, publicly available information and/or other external sources (such sources are listed in this Prospectus). The Company accepts responsibility for the correct reproduction of information obtained from such external or public sources, and as far as the Company is aware and has been able to ascertain on the basis of the information published in sectoral publications or public sources, no facts have been omitted which would make the reproduced information inaccurate or misleading. However, the Company has not independently verified the information obtained from such sources.

Certain other information in the Prospectus relating to the sector and its activities reflects the Company's best estimates. Information from internal estimates and research conducted by the Company has not been verified by independent sources.

### **2.6 Forward-looking statements**

Certain statements in this Prospectus are not historical facts, but are forward-looking statements.

Forward-looking statements include statements about plans, objectives, strategies, future events, future income or performance, capital expenditure, financing needs, plans for or intentions relating to acquisitions, competitive advantages and disadvantages, business strategies and the trends that

the Company expects in the sector and in the political and legal environment in which it operates, and other information which is not historical information. Words such as "believe", "anticipate", "estimate", "expect", "intend", "predict", "estimate", "could", "possibly", "will", "plans" and similar expressions are intended to identify forward-looking statements but are not the only means of identifying such statements.

Although such forward-looking statements by the Company are considered reasonable, because of their nature they contain inherent risks and uncertainties, both general and specific, and it is possible that predictions, forecasts, projections and other forward-looking statements will not in reality be achieved. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, goals, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in the light of the political, economic, financial, social, industrial and legal environment in which the Company operates. Such forward-looking statements are valid only on the date they are made. The Company therefore does not place itself under any obligation to update or revise them on the basis of new information, future events or other information, except as required by the applicable laws, rules or regulations. The Company has not made any representation or forecast or given any guarantee that the anticipated results as expressed in such forward-looking statements will be achieved, and such forward-looking statements represent, in any case, only one of many possible scenarios and should not be regarded as the most probable or the standard scenario.

## **3 General information and information about responsibility for the prospectus and the auditing of the accounts**

### **3.1 Responsibility for the contents of the Prospectus**

The Company, whose registered office is at Chaussée de Haecht 159, B-1030 Schaerbeek, represented by its board of directors, takes responsibility for the contents of this Prospectus. The Company declares, having taken all reasonable measures to ensure this, that the information in this Prospectus is, to its knowledge, in accordance with the facts and that no information has been omitted that would change the tenor of this Prospectus.

This Prospectus is intended to provide information to potential investors in the context of and for the sole purpose of evaluating a possible investment in the New Shares under the Offering. It does not express any commitment, acknowledgment or waiver and does not create any right, express or implied, with respect to persons other than potential investors. It may only be used in connection with the Offering.

### **3.2 Statutory auditor**

At the general meeting of 28 March 2015, KPMG Bedrijfsrevisoren, a professional partnership in the form of a cooperative company with limited liability incorporated under Belgian law, whose registered office is at Avenue du Bourgetlaan 40 B-1130 Brussels, Belgium, represented by Mr Erik Clinck, was reappointed as the Company's statutory auditor, for a period of three years, to end immediately after the conclusion of the ordinary general meeting which will be held in March 2018.

### **3.3. Approval of the Prospectus**

On 01 December 2015, the FSMA approved the English version of this Prospectus for the public offering in Belgium of the New Shares in accordance with Article 23 of the Prospectus Law. The approval of the FSMA does not imply an assessment of the opportunities and quality of the Offering or the New Shares.

The summary of this Prospectus is also translated into Dutch and French. The Company is responsible for checking the consistency of the translations into French and Dutch with the original English version. In the event of any inconsistency between the different language versions, the original English version shall prevail.

The Offering and this Prospectus have not been submitted for approval to any supervisory body or authority outside Belgium.

### **3.4 Available information**

#### **3.4.1 Prospectus**



This Prospectus will be made available to investors free of charge at the Company's registered office at Chaussée de Haecht 159, B-1030 Schaerbeek, Belgium. It can also be consulted free of charge on the Internet on the following website: [www.alterfin.be](http://www.alterfin.be).

The electronic version may not be copied, made available or printed for distribution. Other information on the Company's website or any other website does not form part of this Prospectus.

### **3.4.2 Company documents and other information**

The Company must deposit its by-Laws and all other deeds which must be published in the Annexes to the Belgian Official Gazette at the registry of the Commercial Court in Brussels (Belgium), where they are available to the public. A copy of the Company's most recent consolidated by-Laws is also available on the Company's website.

In accordance with Belgian law, the Company must draw up audited financial statements in accordance with Belgian accounting standards. These statements and the reports of the board of directors and the statutory auditor relating to them are deposited with the National Bank of Belgium, where they are available to the public.

The Company's website, [www.alterfin.be](http://www.alterfin.be), also mentions a number of additional documents, such as:

- Alterfin s' annual reports
- Reports on Alterfin's social performance. (The 2014 social performance results are included in the 2015 annual report).

## **4 Reasons for the offering and use of proceeds**

The purpose of the Issuance of New Shares is to support the growth of the Company's activity. Demand for micro-credits and sustainable agriculture financing continues to rise and Alterfin receives more and more requests from existing and new partners to finance their activities.

The financial basis needed to carry out Alterfin's investments is its share capital. Alterfin wants to drive its growth by attracting additional resources of its own in order to better respond to these requests.

The shareholders' capital is used to finance Microfinance Institutions (MFIs): which in turn are able to provide many small (micro) credits to their members or clients; and to finance producers' associations involved in sustainable agriculture which in turn finance the crops of the producers and the marketing of their produce on the market.

The capital can be used either directly or indirectly to finance a partner. In the latter case, Alterfin uses its share capital (in EUR) as a guarantee for obtaining a line of credit (in U.S. dollars) from the banking partners. This line of credit can be greater than the share capital, so that Alterfin creates a leverage effect. Alterfin has a hedging rate between 90% and 100% depending on the banks where it borrows U.S. dollars. This means that in some banks, for every U.S. dollar borrowed, Alterfin only has to provide guarantees (share capital) for 90% of the amount, thus creating a leverage effect. Alterfin itself then lends the borrowed U.S. dollars to the partners in the South.

The Shares are a continuous source of financing for the South: once a loan is repaid, the share capital can be reused to finance other groups of people in the South.

The sums raised through this Offering will be invested in new or existing partners in the South on the basis of evaluation of the introduced financing applications and the decisions made by the credit committees.

Alterfin is co-founder of the FEFISOL fund which was inaugurated in July 2011. The fund specifically focuses on providing financing in Africa (microfinance institutions and producer's organisations), and is supported by institutional investors. Alterfin has pledged a total amount of EUR 1.050.000,00 to the fund of which EUR 855.877,72 were already drawn down. Since Alterfin's capital forms the basis of all the financing it carries out, it is thus possible that all or part of the capital raised during the Subscription Period will be invested in FEFISOL.

The distribution of projects between Alterfin and FEFISOL is as follows: financing of partners in Africa can take place via Alterfin or FEFISOL. FEFISOL has more opportunities for local currency financing and providing technical assistance. To the extent that Alterfin wishes to make use of these additional capabilities for partner financing in Africa, this will be proposed to FEFISOL. Financing of capital investments will also be first proposed to FEFISOL. FEFISOL financing will also

be used to increase Alterfin's financing when Alterfin is itself unable to take on any additional risk. FEFISOL has independent investment committees that make decisions about financing.

Alterfin is also co-founder of the Kampani fund which was inaugurated in March 2015. The fund specifically focuses on investing in businesses of producer organisations or smallholder farmers located in selected countries in the South. Alterfin currently has a participation of EUR 50.000,00. Since Alterfin's capital forms the basis of all the financing it carries out, it is possible that part of the capital raised during the Subscription Period will be invested in Kampani.

Kampani's investment in the businesses will typically consist of (convertible) subordinated loans and equity while Alterfin focuses on senior loans and credit lines. Kampani has independent investment committees that make decisions about financing.

## **5 Information about the offering**

### **5.1 Decisions relating to the Offering**

The Company's board of directors decided to approve the Offering and the Prospectus on 13 November 2015.

### **5.2 Requirements for the Offering**

In accordance with the Company Code, Article 8 of Alterfin's by-Laws that in order to be accepted as a shareholder, the investor must meet the following conditions:

- Being approved by the board of directors. The board of directors may not refuse the accession of a candidate shareholder for speculative reasons unless the latter fails to comply with the general conditions of accession or performs actions which conflict with the Company's interests; and
- Subscribing for at least one Share.

The status of shareholder implies unconditional acceptance of the Company's by-Laws and internal regulations. In particular, although these points are not exhaustive, the investor's attention is drawn to the following provisions of the by-Laws: "*Members shall be liable only to the extent of their contribution. Up to this amount, each member has individual liability*" (Article 7) and "*The board of directors shall make all decisions relating to the acceptance, withdrawal and exclusion of members and all decisions relating to additional subscriptions to or the take-back or transfer of shares. Shares may only be transferred between shareholders with the prior approval of the board of directors*" (Article 9);

### **5.3 Amount of the capital increase**

The intended maximum total amount of the capital increase during the Subscription Period is EUR 5.000.000,00, extendable to a maximum of EUR 15.000.000,00.

### **5.4 Issue price**

The Prospectus relates to the issuance of two classes of Shares:

- Class A Shares: shares with a nominal value of EUR 250,00 per share. Only legal entities may subscribe for these Class A Shares; and
- Class B Shares: shares with a nominal value of EUR 62,50 per share. Only private persons and those treated as such may subscribe for these Class B Shares.

The Shares shall be fully paid up.

Subscribers must subscribe for at least one Share. There is no limit on the maximum value of Shares that may be subscribed for.

There are no registration fees associated with subscription for the Shares.

## **5.5 Subscription Period**

The Subscription Period during which investors, whether or not they already hold Existing Shares, can subscribe to the Offering, runs from 01 December 2015 to 30 November 2016, subject to early closing.

## **5.6 Subscription procedure**

Subscription for both Class A and Class B Shares proceeds directly and exclusively through Alterfin. The arrangements for subscription through Alterfin are as follows:

- For new shareholders: The applicant shareholder must fill in the subscription form (which is included as Appendix 1 to the Prospectus) online on the Alterfin website ([www.alterfin.be](http://www.alterfin.be)), giving personal data and stating the number and class of Shares to be subscribed for (either Class A or Class B Shares). The subscriber must simultaneously pay the amount for the Shares subscribed for into Alterfin's account, quoting his/her surname and first name. On receipt of payment, the subscriber will be sent two copies of the entry in the Company register, one of which he/she must sign and return. In the unlikely event of the Board refusing the accession of an applicant shareholder, the money received will be returned without interest and without costs.
- For investors who already hold one or more Existing Shares: existing shareholders should pay the amount for the Shares subscribed for into Alterfin's bank account, quoting their shareholder number, name and surname. Upon receipt of the transfer the shareholder will receive an extract from the Company register.

## **5.7 Publications in the context of the Offering**

The following publications shall be made in the context of the Offering: publication of the Prospectus, any supplements (if legally required), the decision to close the Offering early and/or increase the maximum amount of the Offering, and any press releases.

In accordance with Article 34 of the Prospectus Law, a supplement to this Prospectus will be published with regard to any significant new factor, material oversight or inaccuracy relating to the information in the Prospectus which may affect the assessment of the New Shares, insofar as this arises or is noticed between the time of approval of the Prospectus and the final closing of the Offering. This supplement to the Prospectus will be published within a maximum of seven working days. There is no right of retraction since the Offering relates to a continuous issuance.

All publications will take place on the Alterfin website ([www.alterfin.be](http://www.alterfin.be)).

## **5.8 Payment for and delivery of the New Shares**

Payment for the Shares will be made by transfer to Alterfin's bank account, IBAN number BE85 5230 4527 2706, BIC code TRIO BE BB.

The Shares are in registered form and are not physically delivered. Upon receipt of payment, the subscriber will receive two copies of an excerpt from the Company register, one of which must be signed and returned.

## **5.9 Dividend entitlement**

All shareholders are entitled to an annual dividend insofar as and to the extent that the Company's general meeting decides to pay a dividend. The dividend is expressed as a percentage of the nominal value of the Shares.

If a shareholder joins the Company in the course of the Company's financial year, he/she will receive a dividend on a *pro rata* basis, calculated in proportion to the number of (calendar) days of effective membership during that year.

## **5.10 Expected timetable of the Offering**

On 01 December 2015, the Prospectus was published on Alterfin's website ([www.alterfin.be](http://www.alterfin.be)). This date is also the start date of the Subscription Period. Throughout the Subscription Period, applicant shareholders are continuously able to subscribe for the Shares, insofar as the maximum amount of the Offering is not exceeded. Unless the Subscription Period is closed early, the Offering ends on 30 November 2016.

The results of the subscription will be published after the closing of the Subscription Period. Alterfin publishes an annual report which includes a description of changes to its capital. The total capital raised will be mentioned in the 2016 annual report.

## **5.11 Plan for the distribution and allocation of securities**

The Shares will be allocated in order of subscription. Once the maximum amount of the Offering has been achieved, Alterfin will refuse all further subscriptions.

## **5.12 Classes of potential investors**

The Offering is a public offering in Belgium reserved for the persons specified below:

- For Class A Shares: Legal entities; and
- For Class B Shares: Private persons and those treated as such (de facto associations).

## **5.13 Placement and underwriting**

No institutions or persons have undertaken to underwrite the issue on a firm commitment basis, or to place the issue without a guarantee or commission basis.

## **5.14 Secondary market and liquidity**

The Shares are not the subject of an application for admission to trading, with a view to their distribution in a regulated market or an equivalent market. With regard to the limited liquidity, applicants should refer to the section on liquidity risk above, under *Risk factors*.

### **5.15 Financial services**

Alterfin itself is responsible for collecting the acceptances of its public offering. It has not appointed any external financial service provider for this purpose.

### **5.16 Costs in connection with the Offering**

The costs for the offering include the fees to consultants, the fee to the FSMA and the cost of preparing and printing the Prospectus. The total costs are estimated at EUR 6.000.

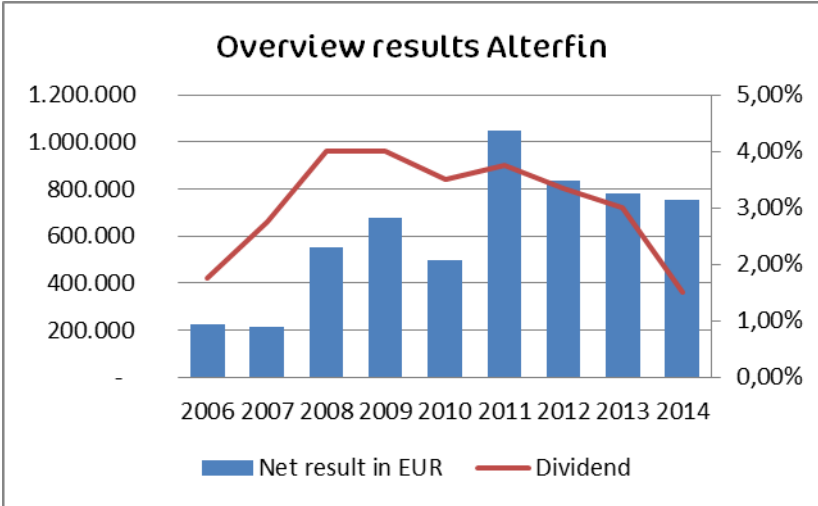
## 6 Dividends and dividend policy

### 6.1 Dividends

Alterfin has in all recent years between 2000 and 2014 been able to pay an annual dividend on the basis of its results (see also table below):

- 1,50% in 2005;
- 1,75% in 2006;
- 2,75% in 2007;
- 4,00% in 2008;
- 4,00% in 2009;
- 3,50% in 2010;
- 3,75% in 2011;
- 3,35% in 2012;
- 3,00% in 2013 and
- 1.50% in 2014.

In this way Alterfin has shown that, as a social investor, it is seeking to use its entrusted capital in a sustainable manner. Although its social objective means that Alterfin does not primarily pursue profit or maximised returns, it nevertheless aims to pursue its financing activities according to sound economic principles.



With regard to this historical information, it should however be noted that past returns are no guarantee of future performance, and that no guarantee is therefore made regarding future returns. The dividend may rise or fall and it is possible that you may not recover the full amount that you invested. Alterfin makes no predictions or estimates about the value of its Shares after the expiry of this Offering, or about changes in the dividend yield.



## 6.2 Dividend policy

In accordance with Article 48 of Alterfin's by-Laws, the distributable profit for the financial year is by decision of the general meeting allocated as follows:

- At least five percent to constitute the legal reserve;
- Alterfin uses any exchange rate gains to form reserves to deal with any future exchange rate losses. All exchange rate results are therefore added to/subtracted from the general risk reserve;
- A payment to shareholders (whether they belong to Class A or B; see Chapter 5), which may amount at most to the interest rate determined in accordance with the Royal Decree of 8 January 1962 establishing the conditions for recognition of the national associations of cooperatives and of the cooperative companies by the National Council of Cooperation (the current maximum is 6%), applied to the amount actually paid up for the shares, and
- The surplus to be carried forward or transferred to the reserves.

The Company's general meeting is free to decide to transfer the entire profit to the reserves. If there is a loss, the negative balance may be carried forward.

If in some financial years no remuneration is made to the paid-up capital, then in the following years, insofar as the profit permits, a certain percentage per financial year without return may be allocated to the paid-up capital for the financial year concerned.

No distribution may be made if on the closing date of the last financial year the net assets as shown in the financial statements are or would become as a result of a distribution lower than the sum of the fixed portion of the capital or of the paid-up capital, when this is less than the fixed portion of the capital plus all reserves which by the law or according to these by-Laws may not be distributed. Any return may only be distributed to the shareholders in proportion to the transactions they have made with the company.

## 7 Capitalisation & indebtedness statement on working capital

### 7.1 Statement on working capital

Alterfin states that, in its view, its working capital is sufficient for its present requirements and, at least for a period of 12 months following the date of the publication of this Prospectus..

### 7.2 Capitalisation and indebtedness

The following table shows the situation with regard to the debt and capitalisation at 30 June 2015 (unaudited):

Debt and capitalisation (EUR) as of 30/06/2015:

<b>Short term debt</b>	<b>37.481.648</b>
Depending on security rights (collateral) *	32.630.377
Depending on pledge	0
Without collateral or pledge	4.851.271
<b>Long-term debt</b>	<b>438.786</b>
Depending on collateral	0
Depending on pledge	0
Without collateral or pledge	438.786
<b>Equity</b>	<b>49.710.426</b>
Share capital	47.749.125
Legal reserves	305.373
Other reserves	1.247.042
Retained earnings	30.503
Net result of the period	378.382
Other	0

In 2014, Alterfin welcomed 599 new shareholders with an increase in capital of EUR 9,5 million compared to 2013. This increase in capital is the result of marketing actions partly supported by the fiscal stimulus offered to private persons buying shares of Alterfin.

Because most of the credits that Alterfin provides are in U.S. dollars, Alterfin's strategy is to use most of its share capital (in EUR) as a guarantee for obtaining lines of credit in U.S. dollars. Alterfin then lends the borrowed U.S. dollars to the partners in the South. The amount of debt is therefore directly related to the size of the portfolio invested in USD.

The following table gives the details of the evolution of the debt (unaudited) between 30/06/2014 and 30/06/2015.

	30/06/2014	30/06/2015
<b>Short term Debt</b>	<b>24.992.822</b>	<b>37.481.648</b>
Rabo Bank Netherlands	10.830.303	10.190.487
BNP Paribas Fortis	3.673.180	11.143.564
KBC	7.457.151	11.296.327
Royal Bank of Scotland	2.950.065	0
Calvert Foundation	0	4.506.778
FOGAL	0	216.469
OTHER (shareholders)	82.124	128.024
<b>Long term Debt</b>	<b>4.708.278</b>	<b>438.786</b>
Calvert Foundation	3.664.292	0
Everence	366.429	0
FOGAL	354.363	225.339
OTHER (shareholders)	323.193	213.447

Calvert Foundation is an American NGO founded in 1988 that invests in social projects. Monarch Community Fund and Everence Community Investments are American private funds managed by Calvert Foundation that also invest in social projects. FOGAL (Latin American guarantee fund) is an organisation specialising in granting guarantees to cooperatives of producers in Latin America.

In 2015, Royal Bank of Scotland decided to refocus their services to their home market capabilities in the UK and Ireland. For this reason they progressively reduced and then stopped the credit facility provided to Alterfin.

The USD 500.000 loan from Everence, managed by Calvert Foundation was fully repaid in June 2015. The refinancing of this loan is now part of the discussion of an increased USD loan with Calvert foundation for a total amount of USD 8 million, replacing the Everence loan, the current 5 million USD Calvert foundation loan and providing additional long term USD financing to Alterfin.

#### Overview of short term liabilities (EUR) as of 30/06/2015

Short term debt	Outstanding debt in EUR	Maturity	Interest rate
RABO BANK NETHERLANDS	€ 4.506.778	10/09/2015	2,29%
RABO BANK NETHERLANDS	€ 4.506.778	17/09/2015	2,28%
RABO BANK NETHERLANDS	€ 1.176.930	roll-over	variable
BNP PARIBAS FORTIS	€ 676.017	17/09/2015	1,77%
BNP PARIBAS FORTIS	€ 2.704.067	2/09/2015	1,87%
BNP PARIBAS FORTIS	€ 4.056.100	2/09/2015	1,87%
BNP PARIBAS FORTIS	€ 901.356	20/08/2015	1,86%

BNP PARIBAS FORTIS	€ 2.028.050	30/07/2015	1,79%
BNP PARIBAS FORTIS	€ 777.974	30/06/2015	variable
KBC	€ 11.266.945	2/07/2015	1,10%
KBC	€ 29.382	30/06/2015	variable
CALVERT FOUNDATION	€ 4.506.778	30/11/2016	4,25%
FOGAL	€ 216.469	30/04/2016	4,00%
LOANS BY SHAREHOLDERS 1	€ 20.000	31/07/2015	0,00%
LOANS BY SHAREHOLDERS 2	€ 12.500	24/09/2015	0,00%
LOANS BY SHAREHOLDERS 3	€ 24.789	13/07/2015	0,00%
LOANS BY SHAREHOLDERS 4	€ 20.000	5/11/2015	0,00%
LOANS BY SHAREHOLDERS 5	€ 4.789	18/12/2016	0,00%
LOANS BY SHAREHOLDERS 5	€ 6.436	13/07/2015	0,00%
LOANS BY SHAREHOLDERS 6	€ 39.509	recoverable in 7 days	0,00%
<b>TOTAL</b>	<b>€ 37.481.648</b>		

Alterfin's share capital is used to finance partners in the South that will then provide credit to farmers and entrepreneurs. The capital can either be used directly to finance a partner or indirectly. In the latter case, Alterfin uses its share capital (in EUR) as a guarantee for obtaining a USD credit line with banking partners.

Net financial debt analysis (EUR) as of 30/06/2015:

A	Cash	0
B	Cash equivalents	689.169
C	Short term investment (savings accounts, short-term deposits and bonds)	22.069.955
<b>D (A+B+C)</b>	<b>Liquidity</b>	<b>22.759.124</b>
<b>E</b>	<b>Current financial receivables</b>	<b>22.400.643</b>
F	Bank indebtedness	32.630.377
G	Medium-term debt, portion at less than one year	0
H	Other financial short term debt	4.851.271
<b>I (F+G+H)</b>	<b>Current financial liabilities</b>	<b>37.481.648</b>
<b>J (I-E-D)</b>	<b>Net current financial liabilities</b>	<b>-7.678.119</b>
K	Bank debt with a maturity longer than one year	0,00
J	Bonds issued	0
M	Other debt with a maturity longer than one year	438.786
<b>N (K+L+M)</b>	<b>Non-current financial liabilities</b>	<b>438.786</b>
<b>O (J+N)</b>	<b>Net financial liabilities</b>	<b>-7.239.333</b>

Current financial receivables relate to the short-term loan portfolio and to income to be collected from credit operations (income portfolio, fee from third party). Bank indebtedness are the total of the short-term financial liabilities at Rabo Bank Netherlands (EUR 10.190.487), BNP Paribas Fortis (EUR 11.143.564) and KBC (EUR 11.296.327). Other financial short term debt is the USD 5 million loan from Calvert Foundation. Non-current financial liabilities are liabilities incurred with the non-banking institutions FOGAL and with shareholders.

## 8 Selected historical financial information about the company

### 8.1 Key figures

2014 audited financial statements, including the notes, are included as Appendix 2. The following table shows the evolution of key financial figures in EUR for 2012, 2013 and 2014:

Portfolio	2012	2013	2014
Portfolio Alterfin	25.305.003	28.189.189	42.882.575
Growth portfolio Alterfin	18,39%	11,40%	52,12%
Net loss on portfolio Alterfin	1,29%	1,78%	1,75%
Portfolio third parties	18.907.853	10.525.452	14.099.739
Growth portfolio third parties	-24,01%	-44,33%	33,96%
Total portfolio	44.212.856	38.714.641	56.982.313
Growth total portfolio	-4,42%	-12,44%	47,19%
Number of partners Alterfin	97	101	108
Growth of number of partners	3,19%	4,12%	6,93%
Average Alterfin portfolio per partner	260.876	279.101	397.061
Capital	2012	2013	2014
Share capital	25.004.000	34.225.188	43.734.063
Growth share capital	31,93%	36,88%	27,78%
Number of shareholders	3.398	4.403	5.002
Growth of number of shareholders	34,15%	29,58%	13,60%
Debt	2012	2013	2014
Debt	22.325.976	25.117.015	37.732.123
Debt/capital ratio	89,29%	73,39%	86,28%
Total	2012	2013	2014
Balance sheet total	49.734.065	61.802.293	83.865.987
Growth of the balance sheet	23,23%	24,27%	35,70%
Results	2012	2013	2014
Gross operating and financial margin	1.259.925	1.367.393	1.908.639
Net profit	834.214	779.369	753.634

Over the years Alterfin welcomed a significant increasing number of shareholders and share capital. This results into a growing balance sheet.

In 2014, Alterfin welcomed 599 new shareholders (+14% compared to 2013) with an increase in capital of 28% compared to 2014 (+ EUR 9,5 million). The increase in capital is the result of marketing actions partly supported by the fiscal stimulus offered to private persons buying shares of Alterfin. On 12 October 2010, Alterfin was recognised as a development fund within the

meaning of the Law of 1 June 2008 introducing a tax relief for shares in development funds for microfinance in developing countries. This agreement was renewed for 5 years in December 2014 (see Chapter 14).

The share capital constitutes the financial basis that enables Alterfin to finance its various partners in the South. Therefore this increase of capital made it possible to raise the portfolio and extend the cooperation with partners. In 2014 Alterfin's portfolio increased by 52 % compared to 2013.

The third party portfolio includes responsAbility's portfolio (until December 2013), FEFISOL's portfolio (since October 2011), FOPEPRO's portfolio (since October 2011) and Calvert's portfolio (since July 2012).

In 2011 responsAbility decided to limit its cooperation with Alterfin in order to build up its own internal capacity. This means that the portfolio that Alterfin was monitoring for responsAbility progressively decreased since 2011 and came to an end in 2013.

In 2012, Alterfin has started to search for new collaborations and has also developed the portfolios monitored for Fefisol and Fopepro. At the end of 2014, these collaborations didn't fully compensate the end of the partnership with responsAbility.

On 31 December 2014, the capital of Alterfin amounted to EUR 43.734.063 (audited). The debt amounted to EUR 37.732.123 (audited).

Because most of the credits that Alterfin provides are in U.S. dollars, Alterfin's strategy is to use most of its share capital (in EUR) as a guarantee for obtaining lines of credit in U.S. dollars. Alterfin then lends the borrowed U.S. dollars to the partners in the South. The increased amount of debt is therefore directly related to the size of the portfolio invested in USD.

In 2014 Alterfin ended the year with a positive financial margin. The gross operating and financial margin amounted to EUR 1.91 million, which is 40% more than in 2013. The net result after taxes stood at EUR 753.634 which is 3% less than in 2013. The net result was seriously affected by the amount of impairments on our portfolio.

In 2014, defaults were concentrated mainly on the agricultural portfolio (as opposed to the microfinance portfolio). The prices of many commodities, including coffee, have been very volatile over the past few years. This has contributed towards putting a growing number of our partners in difficulty

Regarding the details of the portfolio written down in 2014, please refer to Chapter 8.3 (Simplified consolidated income statement).

The following table shows an overview of the (unaudited) financial figures in EUR as at 30 September 2015:

<b>Portfolio</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
Portfolio Alterfin	36.462.699	42.623.500
Growth portfolio Alterfin	41,60%	16,90%
Portfolio third parties	12.197.858	13.317.384
Growth portfolio third parties	49,56%	9,18%
Total portfolio	48.660.556	55.940.884
Growth total portfolio	43,51%	14,96%
Number of partners Alterfin	107	103
Growth of number of partners	9,18%	-3,74%
Average Alterfin portfolio per partner	340.773	413.820
<b>Capital</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
Share capital	40.974.500	48.250.563
Growth share capital	35,30%	17,76%
Number of shareholders	4.702	5.206
Growth of number of shareholders	24,23%	10,72%
<b>Debt</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
Debt	34.784.540	37.013.004
Debt/capital ratio	84,89%	76,71%
<b>Total</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
Balance sheet total	78.105.177	87.675.042
Growth of the balance sheet	40,70%	12,25%
<b>Results</b>	<b>30/09/2014</b>	<b>30/09/2015</b>
Gross operating and financial margin	1.350.087	1.627.255
Net profit	670.754	618.747

Alterfin's portfolio and share capital still showed growth figures. The share capital still showed a strong growth (+7,3 million EUR) with 504 new shareholders (+11% compared to 30/09/2014). Compared with September 2013, Alterfin's portfolio grew with 17%.

The third party portfolio includes FEFISOL's portfolio, FOPEPRO's portfolio and Calvert's portfolio.

The unaudited figures on 30 September 2015 were as follows: capital of 48.250.563 EUR and debts amounting to 37.013.004 EUR.



The unaudited income statement of 30/09/2015 shows a positive net profit for the period. The gross operating and financial margin is higher than in September 2014 (+20,5%).The net profit is lower than in September 2014 (-8%).

## 8.2 Simplified consolidated balance sheet

The following table shows the evolution of the (audited) balance sheet in EUR for 2012, 2013 and 2014:

	2012	2013	2014
<b>Fixed Assets</b>	<b>1.473.906</b>	<b>2.017.082</b>	<b>1.632.850</b>
Intangible fixed assets	285	185	86
Tangible fixed assets	18.261	460.337	170.508
Financial fixed assets	1.455.360	1.556.560	1.462.256
<b>Current Assets</b>	<b>47.148.651</b>	<b>58.649.908</b>	<b>80.702.547</b>
Credit portfolio	23.676.266	27.301.377	42.500.201
Write-downs on portfolio	-731.726	-1.202.302	-2.157.365
Investments in EUR	23.961.652	32.184.610	39.879.856
Other accounts receivable	242.459	366.224	479.855
<b>Transitory Accounts</b>	<b>1.111.508</b>	<b>1.135.302</b>	<b>1.530.590</b>
Accrued dividend/interests	1.111.508	1.135.302	1.530.590
<b>Total Assets</b>	<b>49.734.065</b>	<b>61.802.293</b>	<b>83.865.987</b>
<b>Equity</b>	<b>27.202.960</b>	<b>36.502.201</b>	<b>45.900.272</b>
Paid-in capital	25.004.000	34.225.188	43.734.063
Legal reserve	187.013	228.723	267.692
General risks reserve	1.100.000	1.087.612	1.129.924
Accumulated results	77.733	181.309	14.960
Result of the period	834.214	779.369	753.634
<b>Liabilities</b>	<b>22.325.975</b>	<b>25.117.015</b>	<b>37.732.123</b>
Long Term Liabilities (>1 year)	4.463.705	4.686.011	5.022.216
Short Term Liabilities (<1 year)	17.862.270	20.431.005	32.709.907
<b>Transitory Accounts</b>	<b>205.129</b>	<b>183.077</b>	<b>233.592</b>
Interests/tax due	205.129	183.077	233.592
<b>Total Liabilities</b>	<b>49.734.064</b>	<b>61.802.293</b>	<b>83.865.987</b>

As at 31 December 2014, Alterfin's total assets amounted to EUR 83.86 million, up 36% compared with the previous year. On the same date, the cooperative's equity amounted to EUR 45.90 million, compared with EUR 36.50 million as at 31 December 2013. The share capital increased from EUR 34.23 million to EUR 43.73 million thanks to the entry of new shareholders and the increase in the holdings of current shareholders.

Most of Alterfin's partners need financing in US dollars. Alterfin therefore puts most of its share capital (collected in euros) into savings accounts, deposit accounts and bonds which are used as collateral to obtain credit lines in dollars from commercial banks. Alterfin develops its portfolio by lending the dollars borrowed to partners in the South.

Thanks to the growth in its capital in 2014, Alterfin was able to offer the banks higher guarantees and consequently obtain additional credit lines in dollars. This explains the 50% increase in debts in 2013, which is directly related to the 56% increase in the credit portfolio.

The amount of write-downs results from the cumulative amounts of credits that are written down at the end of each year.

End of 2014, Alterfin took write-downs according to the policy approved by the Board of Directors in December 2012. Regarding the write down policy of Alterfin, please refer to Chapter 8.5 (Provisions and reserves policy).

The following table shows the evolution of the (unaudited) balance sheet in EUR as at 30 September 2015:

		30/09/2014	30/09/2015		
<b>ASSETS</b>	<b>Fixed Assets</b>	<b>2.011.686</b>	<b>1.935.845</b>		
	Intangible fixed assets	111	21		
	Tangible fixed assets	326.104	20.070		
	Financial fixed assets	1.685.471	1.915.754		
	<b>Current Assets</b>	<b>74.700.885</b>	<b>84.487.299</b>		
	Credit portfolio	37.674.860	42.810.405		
	Write-downs on portfolio	-1.949.852	-3.628.027		
	Investment in EUR	38.527.387	44.806.647		
	Other accounts receivable	448.490	498.274		
	<b>Transitory Accounts</b>	<b>1.392.606</b>	<b>1.251.897</b>		
	Accrued dividend/interests	1.392.606	1.251.897		
	<b>Total Assets</b>	<b>78.105.177</b>	<b>87.675.042</b>		
	<b>LIA</b>	<b>BIL</b>	<b>ITI</b>	<b>Equity</b>	<b>43.057.830</b>

Paid-in capital	40.974.500	48.249.875
Legal reserve	267.692	305.373
General risks reserve	1.129.924	1.247.042
Accumulated results	14.960	30.503
Result of the period	670.754,12	618.747,09
<b>Liabilities</b>	<b>34.784.540</b>	<b>37.013.004</b>
Long Term Liabilities (>1 year)	5.083.414	533.164
Short Term Liabilities (<1 year)	29.701.126	36.479.840
<b>Transitory Accounts</b>	<b>262.807</b>	<b>210.497</b>
Interests/tax due	262.807	210.497
<b>Total Liabilities</b>	<b>78.105.177</b>	<b>87.675.042</b>

### 8.3 Simplified consolidated income statement

The following table provides a comparison between the (audited) profit and loss accounts in 2012, 2013 and 2014:

	2012	2013	2014
<b>Operating income and costs</b>			
Gross margin	106.924	-102.669	-84.794
Remunerations, social security charges and pensions	649.119	815.449	894.162
Depreciation and devaluations on formation expenses, on intangible and tangible fixed assets	15.280	20.596	14.630
Increase/(decrease) in amounts written down stocks, contracts in progress and trade debtors	386.821	652.078	679.383
Increase/(decrease) in Provisions for risks and liabilities	-60.603	0	0
Other operating costs	9.386	11.473	8.624
<b>Operating profit (loss)</b>	<b>-893.079</b>	<b>-1.602.264</b>	<b>1.681.594</b>
Financial income	3.076.384	4.095.008	6.377.619
Financial costs	1.303.444	1.780.595	3.474.162
<b>Profit (loss) before taxes and extraordinary result</b>	<b>879.861</b>	<b>712.150</b>	<b>1.221.863</b>
Extraordinary income	40.165	67.044	71.473
Extraordinary costs	14.345	-175	538.734
<b>Profit (loss) for the period, before tax</b>	<b>905.681</b>	<b>779.369</b>	<b>754.601</b>
Taxes on income	71.467	0	967
<b>Profit (loss) for the period</b>	<b>834.214</b>	<b>779.369</b>	<b>753.634</b>

Profit of the period to be allocated	834.214	779.369	753.634
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Between 2012 and 2013, the evolution of the gross margin was mainly related to the decreasing income from services offered to responsAbility (from EUR 305.810 in 2012 to EUR 145.482 in 2013). In 2014, this loss is partly compensated by the income from services offered to other parties (Calvert, Fopepro, Fefisol).

The increasing amount of remunerations is directly related to the number of staff employed by Alterfin. At the end of 2012, the Alterfin team consisted of 12 employees. At the end of 2013, the Alterfin team consisted of 13 employees and, at the end of 2014, the Alterfin team consisted of 14 employees.

The increase of the financial income is explained by 3 factors:

- The increase of the income from the investments portfolio. The portfolio is growing which means that the interests and dividends paid to Alterfin are also increasing (from EUR 2.177.785 in 2013 to EUR 2.727.316 in 2014);
- The increase of the income from Alterfin's investments and more especially from the term deposits related to the guarantees that Alterfin provides to obtain lines of credit in U.S. dollars. The income from investments rose from EUR 942.760 in 2013 to EUR 1.092.238 in 2014.
- The increase of the income related to the currency exchange (from EUR 974.464 in 2013 to 2.558.065 in 2014).

The amount of the notional interest resulting from the substantial capital increase in 2014 means that we had to pay a very limited amount of taxes in 2014.

The amount of written off stocks, contracts in progress and trade debtors relates to the amount of Alterfin portfolio that was written down and/or recovered in the period.

The following table gives more details about the evolution of this account:

	2011	2012	2013	2014
Amount portfolio written down	105.174	433.757	585.367	881.706
Amount portfolio recovered	-	-88.435	83.403	-130.198
<b>Net portfolio written down</b>	<b>105.174</b>	<b>345.321</b>	<b>501.965</b>	<b>751.508</b>
Total Portfolio	21.374.463	25.305.003	28.189.189	42.882.575
<b>% Net portfolio written down/Total Portfolio</b>	<b>0,49%</b>	<b>1,36%</b>	<b>1,78%</b>	<b>1,75%</b>

End of 2014, Alterfin took write-downs according to the policy approved by the Board of Directors in December 2012. Regarding the write down policy of Alterfin, please refer to Chapter 8.5 (Provisions and reserves policy).

In 2014, defaults were concentrated mainly on the agricultural portfolio (as opposed to the microfinance portfolio). The prices of many commodities, including coffee, have been very volatile over the past few years. This has contributed towards putting a growing number of our partners in difficulty. The following table gives more details about the write-downs taken in 2014:

Partner	Country	Product	Cause of default	Write-down
Ucosemun	Nicaragua	Coffee	Liquidity problems related to coffee rust	€ 291.140
La Florida	Peru	Coffee	Very bad commercial campaign in 2009 (distortion of market) and 2010 (distortion of market + speculation) and impact of the coffee rust.	€ 142.907
Apavam	Peru	Coffee	Low level of production, lower quality of coffee and governance issue	€ 93.350
Consorcio Vinicola	Chile	Wine	Market price volatility and unstable governance, weak management	€ 206.644
CABF	Cocoa Cashew nuts	Ivory Coast	Weak management: did not comply with all administrative requirements of the new commercialization scheme in Ivory Coast. Then big quality loss and had to sell at a loss.	€ 39.218
20 abril	Nicaragua	Coffee	Volatility of coffee prices (speculation), coffee rust climate change, still some problems with 'no pago' movement	€ 45.665
Cafepsa	Coffee	Honduras	Effect of the rust in the plantations and the use of the (short time) funds for an investment project.	€ 16.021
Benjamin Aceval	Sugar	Paraguay	In 2013 sugar price decreased and sales decreased considerably.	€ 46.761
<b>Total write-downs 2014</b>				<b>€ 881.706</b>
Partner	Country	Product	Reason for recovery	Recovery
Uirevi	Côte d'Ivoire	Cocoa	Alterfin seeks solutions with the partners in default to enable them to recover from the crisis and to progressively pay back their credit.	€ 116.777
Iturbe	Paraguay	Sugar	Alterfin seeks solutions with the partners in default to enable them to recover from the crisis and to progressively pay	€ 4.479

			back their credit.	
CABF	Ivory Coast	Cocoa Cashew nuts	Alterfin seeks solutions with the partners in default to enable them to recover from the crisis and to progressively pay back their credit.	€ 6.749
Copabo	Ivory Coast	Cocoa	Alterfin seeks solutions with the partners in default to enable them to recover from the crisis and to progressively pay back their credit.	€ 1.064
Diverse partners in default shareholders of Alterfin			Deduction of the shares and dividends that they hold in Alterfin cvba.	€ 1.129
<b>Total recoveries 2014</b>				<b>€ 130.198</b>
<b>Net Portfolio written-down</b>				<b>€ 751.508</b>
Total Portfolio				€ 42.882.575
<b>% Net portfolio written down/Total Portfolio</b>				<b>1,75%</b>

Measures have been taken to reduce the number of defaulting partners. On the one hand, we keep a close eye on the way the situation of each defaulting partner develops and in some cases we have restructured the financing. On the other hand, we have set up an internal working group whose role is to improve our risk assessment tools and our fund recovery process.

The following table shows the (unaudited) profit and loss account as at 30 September 2015:

	30/09/2014	30/09/2015
<b>Operating income and costs</b>		
Gross margin	-43.448,08	-88.883,84
Remunerations, social security charges and pensions	650.672,12	804.160,35
Depreciation and devaluations on formation expenses, on intangible and tangible fixed assets	137.053,10	9.690,61
Increase/(decrease) in amounts written down stocks, contracts in progress and trade debtors	671.414,36	1.506.595,94
Increase/(decrease) in Provisions for risks and liabilities	0,00	0,00
Other operating costs	4.576,01	5.635,67
<b>Operating profit (loss)</b>	<b>-1.507.164</b>	<b>-2.414.966</b>
Financial income	2.975.324,61	7.994.856,27
Financial costs	867.850,93	5.332.788,14
<b>Profit (loss) before taxes and extraordinary result</b>	<b>600.310</b>	<b>247.102</b>

Extraordinary income	70.894,25	378.236,50
Extraordinary costs	-0,17	6.226,98
<b>Profit (loss) for the period, before tax</b>	<b>671.204</b>	<b>619.111</b>
Taxes on income	450,31	364,15
<b>Profit (loss) for the period</b>	<b>670.754</b>	<b>618.747</b>
Profit of the period to be allocated	670.754	618.747

The unaudited income statement of 30/09/2015 shows a positive net profit for the period. The net profit, impacted by the level of write downs on our credit portfolio, is lower than in September 2014.

## 8.4 Summary cash flow statement

The following table summarizes the cash flows in 2012, 2013 and 2014:

EUR	2012	2013	2014
<b>Operating cash flow</b>			
Result	834.214,17	779.369,13	753.634,05
Transitory Assets Accounts	-695.172,27	-23.794,69	-395.287,95
Transitory Liability Accounts	-235.311,89	-22.052,17	50.515,50
Depreciations	10.598,37	18.310,93	4.996,28
Provisions	-60.603,42	0,00	0,00
Write-down	386.820,73	652.077,52	679.383,17
Changes in reserves	0,00	0,00	0,00
Year-1 result allocated	-609.535,70	-701.315,52	-864.437,92
Other debts	29.068,23	124.565,25	79.514,03
Other receivables	622.341,10	-123.765,57	-113.630,79
Other operating cash flow adjustments	0,00	0,00	
	<b>282.419,32</b>	<b>703.394,88</b>	<b>194.686,37</b>
<b>Investment cash flow</b>			
Tangible fixed assets	2.308,32	-460.287,10	284.931,49
Financial fixed assets	-282.595,55	-101.157,63	90.362,64
Other changes in financial fixed assets	0,00	0,00	0,00
	<b>-280.287,23</b>	<b>-561.444,73</b>	<b>375.294,13</b>
<b>Financing cash flow</b>			
	-		
Credit portfolio	3.397.099,20	-3.806.611,19	-14.923.144,35
Debt financing	3.366.915,20	2.666.473,95	12.535.593,64
	<b>-30.184,00</b>	<b>1.140.137,24</b>	<b>-2.387.550,71</b>
<b>Capital flows</b>			
	<b>6.051.187,50</b>	<b>9.221.187,50</b>	<b>9.508.875,00</b>
<b>Cash and cash equivalents</b>			
	<b>5.703.704,46</b>	<b>8.223.000,41</b>	<b>7.691.304,79</b>

The amount of write-downs relates to the amount of Alterfin portfolio and interests that were written down and/or recovered in the period.

The amount of other debts relates to the shareholders individual accounts, suppliers debt and holiday allowances to be paid to the employees.

## 8.5 Provisions and reserves policy



## Provisions

There is no systematic provision policy.

Since 2009, an important part of the country risk is covered by Credendo.

## Write-down policy

The table below gives the minimum portion of interest and capital to be written down according to the type of partner and its situation (number of days of delays and previous restructuring).

The application of the general rule is subject to the assessment of the Investment Manager, in the sense that she/he can request a higher write-down. The Board of Directors takes the final decision.

Microfinance partners			Sustainable agriculture partners		
# days of delays on capital	interests	capital	# days of delays on capital	interests	capital
<b>not restructured</b>			<b>not restructured</b>		
30-60 days	20%		60-90 days	20%	
61-180 days	50%		91-180 days	50%	
181-360 days	100%	50%	181-360 days	100%	50%
More than 360 days	100%	100%	More than 360 days	100%	100%
<b>restructured once</b>			<b>restructured once</b>		
30-60 days	50%		60-90 days	50%	50%
61-180 days	100%	50%	91-180 days	100%	50%
More than 180 days	100%	100%	More than 180 days	100%	100%
<b>restructured twice or more</b>			<b>restructured twice or more</b>		
at the date of the restructuration	50%	50%	at the date of the restructuration	50%	50%
More than 60 days	100%	100%	More than 60 days	100%	100%

In case of delays on interest only accrued interests will be written down at 100%.

The basis for the write-down is the non-guaranteed outstanding balance. Guarantees are taken into account as follows:

Guarantee	Value
Alterfin Guarantee Fund	100%
European bank guarantee or similar	100%

European institutional guarantee or similar	100%
FOGAL	100%
Local institutional guarantee	50% - 25%
Local mortgage	50%
Other fixed assets pledged	0%
Warrant on commodities	50% - 25%

As an example, if, on 31/12/2014, a sustainable agriculture partner restructured for the second time with an outstanding loan of 540.000 USD and a local mortgage of 300.000 USD had no delay. According to the rule, 50% of the non-guaranteed outstanding was written-down:

Write-down on 31/12/2014:  $50\% * (540.000 \text{ USD} - 50\% * 300.000 \text{ USD}) = 195.000 \text{ USD}$

### Reserves

Every year 5% of the profit is set aside in reserves in accordance with applicable legal requirements. Alterfin uses any exchange rate gains to form reserves to deal with any future exchange rate losses. All exchange rate results are therefore added to/subtracted from the general risk reserve.

With regard to its reserve policy, Alterfin aims to completely cover at least 3% of the outstanding portfolio (total cover = reserve for general risks + legal reserve). It is expressly stated that the reserve for general risks may also be used should a country risk materialise.

## **8.6 Accounting principles**

### Non-financial non-current assets

The following are depreciated pro rata:

- Registration of "Alterfin" trademark: linear over 10 years;
- Telecom equipment: linear over 5 years;
- Furniture and other office equipment: linear over 5 years, and
- Computer equipment: linear over 3 years.

### Financial non-current assets

Financial non-current assets are valued at their historical value (purchase cost), unless there is clear evidence of significant (> 15%) and lasting losses or gains of value. In the event of loss of value, the asset concerned is written down, and the write-down is recognised in the income statement (via a 63 account). In the event of a gain in value, the asset concerned is stated at its new value and the gain is recorded in equity (through a 122 account).

Where the asset is in a foreign currency, the corresponding value is converted into EUR at the historical rate at the time of acquisition, unless the currency concerned is systematically hedged or the rate on the balance sheet date shows significant (> 15%) and lasting depreciation or appreciation. In such cases the value of the asset is converted at the exchange rate on the balance sheet date. The resultant currency translation differences are accounted for as specified below.

#### Current assets

Current assets are shown at the value indicated by the underlying documents (face value). However, when a loss of value of the current asset can be documented, the asset in question is downgraded to a doubtful condition, its value is written down and the write-down is recognised in the income statement (via a 63 account). If the value of the current asset is indicated in a currency other than the euro, it is converted into euros at the exchange rate on the balance sheet date. The resultant currency translation differences are accounted for as specified below. Fees for bond loans are capitalised and amortised on a pro rata basis over the term of the loan.

#### Liabilities

Liabilities are shown at the value indicated by the underlying documents (face value). If this value is indicated in a currency other than the euro, it is converted at the exchange rate on the balance sheet date. The resultant currency translation differences are accounted for as further specified.

#### Currency translation differences

The treatment of currency translation differences depends on the currency to which the currency translation difference applies. For foreign currencies which are not hedged, negative translation differences are added to the exchange results (account 654) and positive translation differences are included in the balance sheet (account 49). For foreign currencies that are systematically hedged, both positive and negative translation differences are added to the exchange results (accounts 654/754). At present only the U.S. dollar meets this condition.

## **9 Description of the market in which the company is active**

### **9.1 The microfinance market**

#### **9.1.1 *What is microfinance?***

Microfinance is often defined as financial services for poor and low-income households. In practice, the term is often used more narrowly to refer to loans and other services offered by partners in the South, namely the microfinance institutions (MFIs). These institutions often use new methods developed over the past 30 years in order to offer very small loans to borrowers who would be considered non-creditworthy by traditional financial institutions. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group. The use of these methods (group loans), reduces the need for physical collateral, which these borrowers often do not have.

In general, microfinance refers to a movement that aims to achieve a world in which low-income households have permanent access to financial services to finance their income-generating activities and build assets. These services are not limited to credit, but also include savings accounts, insurance and payment services and so on.

Microfinance is then a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses.

#### **9.1.2 *Brief history***

The pioneering work in modern microfinance as we now know it, is often attributed to Dr Mohammad Yunus. In the 1970s he started a project involving loan provision to poor women in Bangladesh. The programme's success led to the establishment of the Grameen Bank, which today is one of the largest microfinance institutions in the world. This sustainable way of alleviating poverty spread to other continents and received even more attention in 2005, designated by the United Nations as the Year of Microcredit. In 2006, Yunus and the Grameen Bank received the Nobel Peace Prize.

The microfinance market has continued to evolve since then, with a growing number of actors. According to the Microcredit Summit Campaign Report, microfinance reaches around 204 million clients in the world.

#### **9.1.3 *Interest rates in a sustainable development model***

The worldwide median interest rate applied by MFIs is approximately 28% per year (source: median portfolio yield 31/12/2014, MixMarket). However, it varies considerably from one country to another. Operating costs (relative to loan size) form the main component of the applied interest rate.

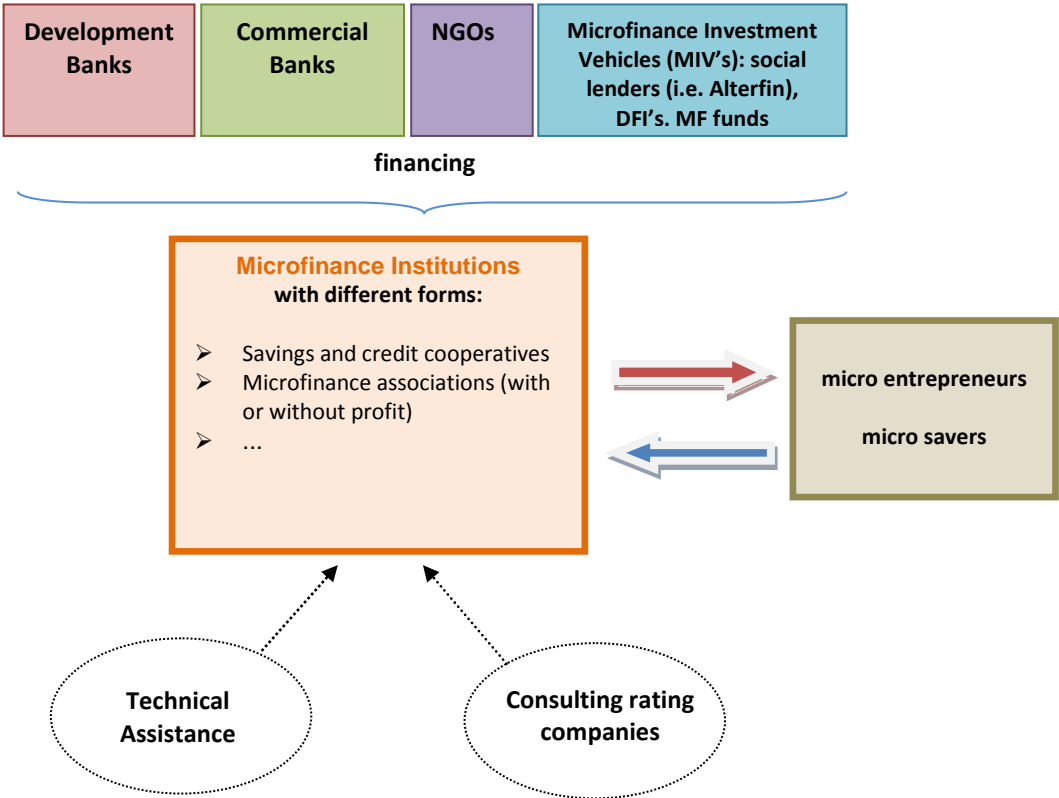
The administrative costs of providing microloans are inevitably higher than for normal bank loans. A loan of EUR 100.000 divided into 1.000 transactions of EUR 100 has more associated costs than a loan for the same amount made in a single transaction.

To be able to continue offering their services, microfinance institutions therefore need to charge interest rates that are higher than those at conventional financial institutions. These higher interest rates are nevertheless far below the rates that moneylenders charge in the informal markets.

This does not mean that all high interest charges are justified. There should be an emphasis on efficiency in order to reduce operating costs and hence keep interest rates as low as possible.

**9.1.4 The different actors in the microfinance market**

The following figure provides a simplified visualisation of the players on the microfinance market.



Source: CGAP

### **9.1.5 Trends and growth**

*"After years of expansion, punctuated by the setbacks of the 2008 global financial crisis and the subsequent over-indebtedness crises in some leading microfinance markets, global microfinance continues on its growth trajectory. What began as micro-credit some 40 years ago has evolved to include a broader portfolio of financial services, and this portfolio is still expanding, both in terms of services and client reach. Today's leading microfinance institutions (MFIs) are leveraging the micro-credit platform to expand their offering of financial services to a broadening population base".* Global microscope on the microfinance business environment 2013, The Economist (Intelligence Unit), 2013

*"[...] there is still substantial variation in the diversity, quality, and use of financial services available in the market, with 2 billion adults remaining without access. Poor and low income people—particularly women, youth, and those living in rural areas—are the most excluded and must depend on less reliable and often more costly informal mechanisms to manage their financial needs. At the same time micro, small, and medium enterprises (MSMEs) are limited in their ability to sustain and grow their businesses due to a lack of working capital. Seventy percent of MSMEs in developing countries lack access to formal financial services [...]. This leaves much work to be done toward achieving the vision for universal financial inclusion."* Source: A Market Systems Approach to Financial Inclusion, Deena M. Burjorjee and Barbara Scola (CGAP), September 2015.

According to the Microcredit Summit Campaign Report, microfinance reaches around 205 million clients in the world, whereas according to the World Bank, around 2.5 billion people worldwide still do not have any access to formal financial services. The growth potential of the market is therefore real.

In this growing market it is important to pursue the "double bottom line" objectives of microfinance. Double bottom line implies a focus on both financial sustainability and social impact. Financial sustainability is critical for guaranteeing the services of microfinance institutions in the long term. Yet this must not be at the expense of the social objectives. Recent developments in the microfinance capital market have led to controversy about the excessive profits of certain organisations. Alterfin does not seek profit maximisation and belongs to a movement that keeps the social benefits central, within the framework of sound economic principles.

## **9.2 The sustainable agriculture market**

### **9.2.1 The sustainable agriculture market**

Around half of Alterfin's investments are made to producer's organisations or to small and medium enterprises related to sustainable agriculture (SMEs). The other half is investments made to microfinance institutions. Although the ultimate aim in both sectors is the same, namely to finance economic activities of poor people in the South, loans made to associations of producers have a number of specific characteristics.

Firstly, the financing of producer groups is more "direct" in the sense that it usually involves a smaller group of people who are also all engaging in the same activity, namely the cultivation of a particular agricultural product (this is somewhat in contrast to a microcredit institution, which typically has far more customers and provides credit to different types of businesses such as weavers, cheesemakers, barbers, restaurant owners, fruit sellers, shoemakers, etc.).

A second feature of the sustainable agriculture sector is of course the specific focus on rural populations, although some microcredit institutions are also active in rural areas.

*"Smallholder farmers occupy an increasingly important segment of the global agricultural value chain. Multinational buyers increasingly will rely on smallholders to secure their supply of agricultural commodities and to help satisfy consumer sustainability preferences. Donors consider the world's 450 million smallholders a linchpin in poverty-reduction strategies because more than two billion of the world's poorest live in households that depend on agriculture for their livelihood. [...] At an estimated size of \$450 billion, the global demand for smallholder agricultural finance is large—and largely unmet. Social lenders and local state sources currently satisfy less than two percent of the demand. With \$350 million in disbursements, social lenders are small, but they play a catalytic role in driving financing into untapped markets. "* Source: Catalyzing Smallholder Agricultural Finance, Dalberg Global Development Advisors, September 2012.

*"The vast majority of smallholder farmers are financially underserved. Providing these smallholders with access to appropriately structured financial products and services can help bridge the smallholder finance gap and, in turn, combat extreme poverty by supporting over two billion of the world's poorest people who live in households that depend on agriculture for their livelihood. Globally, over 150 finance providers currently offer direct-to-farmer finance. These providers use a range of approaches to address core challenges associated with lending directly to these smallholders, but their lending activities still remain small in scale when compared to the vast demand for smallholder finance."* Source: Lending a hand: how direct-to-farmer finance providers reach smallholders, a research by Dalberg Global Development Advisors for the Initiative for Smallholder Finance, October 2014.

In contrast to the microfinance sector, there are only a few financial organisations active in the market. While there are more than 100 funds around the world actively investing in microfinance,

there are only around ten investments funds specialised in sustainable agriculture. This market therefore still offers considerable opportunities for growth.

Coffee is the second most traded commodity in the world (after oil), and is therefore dominant in the market. However other commodities (cocoa, soy...) are now seen as investments with interesting growth opportunities.

### **9.2.3 Alterfin finances Fair Trade**

80% of the producer's organisations financed by Alterfin are Fair Trade (FLO) certified. In this case, Alterfin provides working capital to the producers' organizations (usually cooperatives) to export or pre-finance their harvests. They use this working capital to finance their members along the value chain from cultivation to sale.

#### ***Why fair trade?***

The way in which international trade currently takes place means that small farmers in developing countries are unable to live in a dignified manner from their farming activities. Fair trade proposes a new model, based on more balanced relationships between the trading partners:

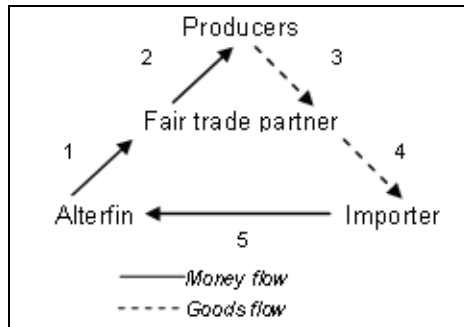
- The producers group together in cooperatives or associations which work in a democratic manner;
- Work takes place in dignified conditions and with respect for human rights;
- The price paid to producers is a "fair" price, meaning a price that is related to the production costs, rather than a price determined by conditions on the international market. The use of intermediaries is avoided;
- Buyers usually pay in advance so that producers do not have to look for other sources of funding;
- Respect for the environment and organic production is encouraged; and
- Consumers receive information about the origin of the product.

The fair trade standards are laid down by the international non-profit organisation FLO (Fairtrade Labelling Organizations International). Producers and dealers are inspected on the basis of these standards in order to be granted a fair trade label.

#### ***How does Alterfin finance fair trade?***

Alterfin usually works with importers for the concrete provision of finance to fair trade partners. More specifically, Alterfin uses fair trade partners' export contracts as a guarantee for the loans we provide. The diagram below illustrates the flow of goods and finance in such a set-up, and the players involved:





In such cases Alterfin typically makes a loan to a farmers' cooperative in the South (1) which, in turn, gives prefinancing to its members in the form of an advance (2). The producers undertake to deliver their produce to the cooperative after the harvest (3) and are paid the balance on delivery. After the necessary processing, the cooperative exports the produce to an importer (4) so that the goods enter the fair trade circuit. The contract states that the importer must pay Alterfin, and not the partner (5). In this way the loan is repaid to Alterfin. Once Alterfin has received its money back we proceed to make a new loan to the partner (1).

#### **9.2.4 Other type of investments in sustainable agriculture**

Beyond the financing of fair trade producers' organizations, Alterfin is also developing more broadly investments in agricultural value chain. The value chain approach emphasizes support to rural entrepreneurs and finance for all segments of the rural market. Alterfin is also exploring investments in commodities to be sold on local markets.

Although those partners do not have a Fair Trade label, they share the same values as Alterfin. By supporting them, Alterfin confirms its support for the development of sustainable family agriculture.

# 10 The company's activities

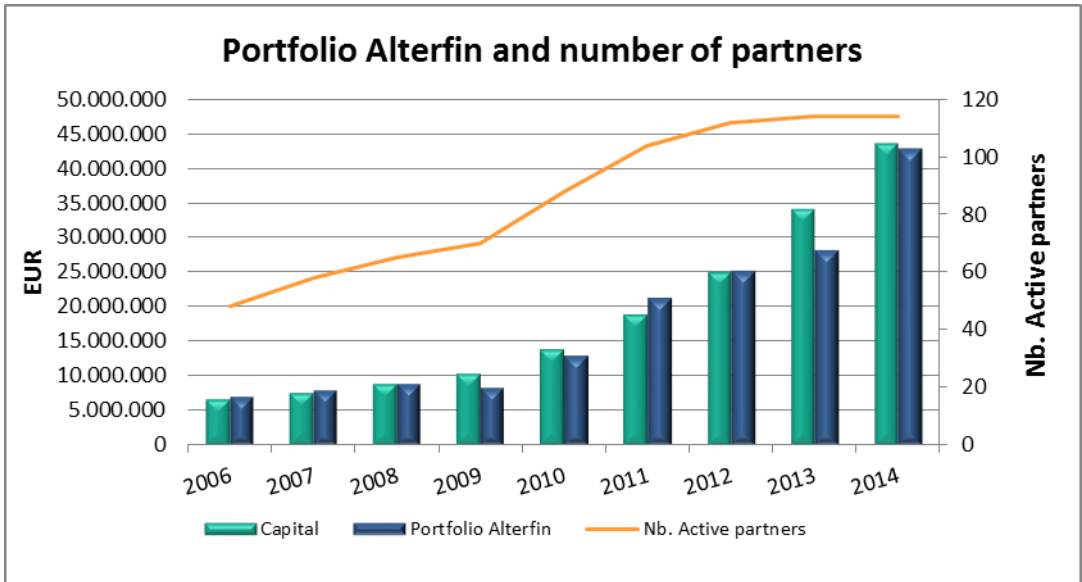
## 10.1 Overview

### 10.1.1 Share capital

Alterfin's goal is not the collective investment of publicly raised funds. Alterfin is a company with a social mission. Alterfin does not aim to maximise profits for its shareholders, but has a clear social objective. The emphasis is on the social component, with Alterfin shareholders' investments contributing to socio-economic development in the South.

Alterfin's share capital is the cornerstone of the entire funding stream, being used directly to build up the portfolio of financing to the partners. Alterfin invests in two types of organizations: microfinance Institutions (MFIs) and producers' associations involved in sustainable agriculture (mainly Fair Trade).

The following graph shows changes in Alterfin's capital, portfolio and the number of partners:



### 10.1.2 Guarantee fund

On 20 December 2000, Alterfin, together with a number of its members (11.11.11, the former HBK savings bank, Oxfam Solidariteit, Oxfam Wereldwinkels, Triodos Bank, Vredeseilanden and SOS Faim) founded the vzw Alterfin Guarantee Fund which is a Belgian non-profit association, whose registered office is at Chaussée de Haecht 159, B-1030 Schaerbeek, Belgium, phone number 0474.048.797. This association – unlike the Company – is funded by donations, mainly from members.

According to its by-Laws the purpose of the Guarantee Fund is as follows:

*"The association aims to: Contribute to poverty alleviation and equitable distribution of wealth in developing countries by encouraging economic initiatives by socially and economically marginalised groups. The association aims to do this primarily by providing guarantee facilities and technical advice to organisations eligible for financing from the cooperative society Alterfin. The association may engage in any activities that may be conducive to the achievement of its corporate goal and may participate in such activities in any manner. The association may also, through subscription, capital contribution, participation or otherwise have an interest in any company or association with similar or complementary goals to the association."*

Using the guarantee provided by Alterfin Guarantee Fund, Alterfin seeks to arrange the financing of weaker partner organisations, which lack the necessary guarantees, without also jeopardising the Company's financial situation. Beyond the coverage of the debtor risk related to certain weaker partners, the resources of Alterfin Guarantee Fund can also be used to finance technical assistance.

In order to optimize the use of the fund, a new agreement was made in June 2013 and adapted in April 2014. This agreement allows the Guarantee Fund to cover the currency risk related to a local currency loan under certain conditions:

- The total amount of potential losses related to currency hedging (for the Garantiefonds) is limited to 1/3 of the fund (defined as in the last balance sheet approved by the Board).
- The amount covered must be distributed on min. 3 different currencies and with a maximum concentration per currency of 60% of the total potential losses.
- The maximum potential losses per credit file (for the Garantiefonds) will be defined as a percentage of the total credit amount that will vary according to the currency.
- The percentages will be defined for each currency depending on a risk assessment that will be made in a later stage, regularly reviewed and sent by email to the Board for notification.
- Alterfin cvba will bear any additional currency losses. As compensation, the cvba will earn 10% of the profits of each profitable contract.
- The maximum credit amount that can be covered is 300.000 EUR per partner.
- The maximum period of coverage is 5 years.

Every year a budget is established for providing guarantees covering individual dossiers, country risk and now exchange rate risk. Alterfin's credit committee may assign guarantees within the available budget.

On 31 December 2014, the Guarantee Fund held EUR 1.517.172. The guarantees granted amounted to EUR 1.298.842 (11 partners were guaranteed by Alterfin Guarantee Fund against commercial/country risk and 4 files were guaranteed against currency risk). Out of a total outstanding portfolio of EUR 42.882.575, 3.03% of Alterfin's portfolio (EUR 1.298.842/EUR 42.882.575) was covered by Alterfin Guarantee Fund.

Partner	Amount guarantee EUR	Sector	Product	Country
ECOOKIM	20.833,50	Agriculture	Cocoa	Ivory Coast
SOPACDI	57.590,42	Agriculture	Coffee	Ivory Coast
Wanigu	5.142,00	Microfinance	Microfinance	Honduras
Paidek	113.124,03	Microfinance	Microfinance	RD congo
Comako	8.114,51	Agriculture	Mangos	Ivory Coast
PAMF	76.224,51	Microfinance	Microfinance	Ivory Coast
ANED	82.272,02	Microfinance	Microfinance	Bolivia
Forest Fruits	82.272,02	Agriculture	Honey	Zambia
Idesi Nacional	82.272,02	Microfinance	Microfinance	Peru
MFX	164.544,05	Funds	Funds	International
FEFISOL	339.775,30	Funds	Funds	International
Edaprospro (PEN/USD)	41.530,92	Microfinance	Microfinance	Peru
APACOOOP (CRC/USD)	101.551,54	Microfinance	Microfinance	Costa Rica
PAMF (XOF/EUR)	94.143,94	Microfinance	Microfinance	Ivory Coast
Musoni (KES/EUR)	29.451,41	Microfinance	Microfinance	Kenya
<b>TOTAL</b>	<b>1.298.842,20</b>			

#### Maximum commitment

The guarantees provided by the Guarantee Fund cannot exceed 150% of the total fund. The table and chart below show that, with a total amount of EUR 1.298.842 in 2014, the provided guarantees didn't reach the maximum, i.e. EUR 2.023.598.

	2010	2011	2012	2013	2014
Guarantees	891.077	1.387.886	906.248	1.071.747	1.298.842
Total Fund	1.319.531	1.404.015	1.397.005	1.480.248	1.517.172
%Guarantee/Fund	68%	99%	65%	72%	86%
Maximum commitment	1.903.834	1.903.793	1.893.279	1.977.842	2.023.598
Available	1.012.757	515.907	987.031	906.096	724.756
%Guarantee/Maximum commitment	47%	73%	48%	54%	64%

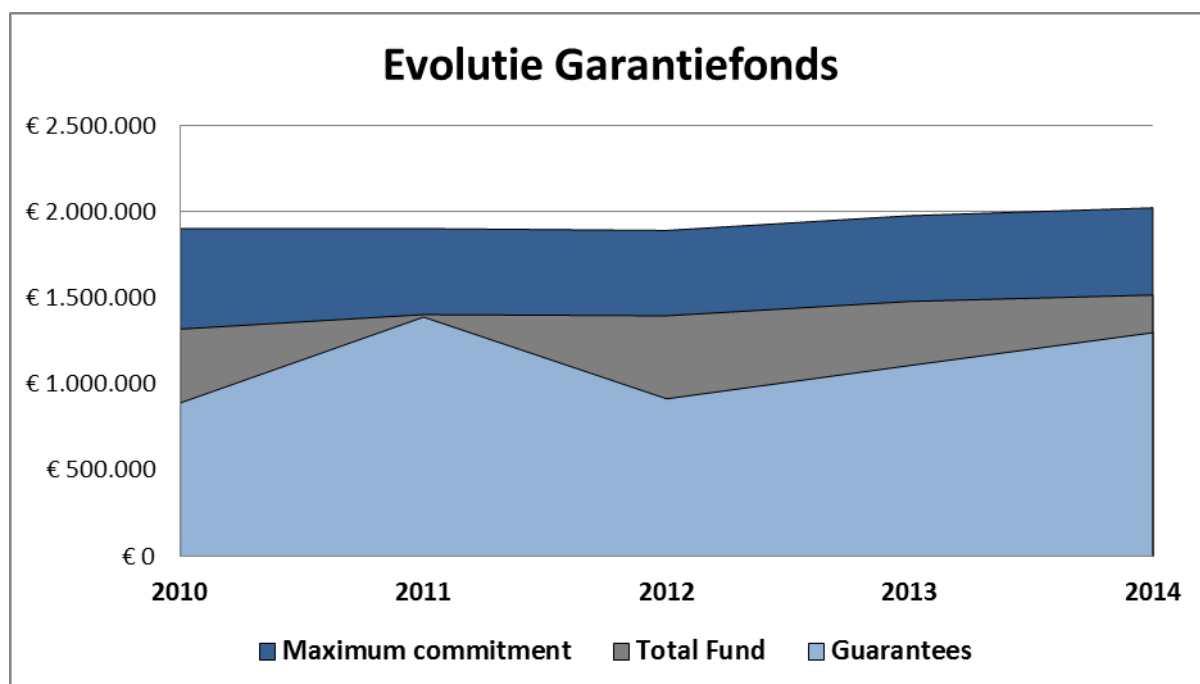
2012: Decrease of the level of guarantees related to the defaults and payments of the guarantees for some partners. The credits (and therefore the guarantees) were not renewed for these partners.

2013: Increase of the level of guarantees related to:

- 2 new partners of Alterfin cvba could benefit from a guarantee from the Alterfin Guarantee Fund.
- Increased amount of credit and guarantee for Ecookim
- Increased amount of participation and guarantee for Fefisol
- 1 new hedging operation.

2014: Evolution of the level of guarantees related to:

- Factors decreasing the level of the outstanding guarantees:
  - Some guarantees were effectively paid to Alterfin cvba (CABF, COMUEL, CAFEPSA, KPD).
  - Some credits were fully or partially repaid to Alterfin cvba (as planned) which means the underlying guarantees were not required anymore.
  - One hedging operation came to an end which means the underlying guarantee was not required anymore.
- Factors increasing the level of the outstanding guarantees:
  - New guarantees for the commercial risk of PAIDEK, PAMF, ANED, Forest Fruits, Idesi Nacional.
  - New hedging operations for Apacoop, PAMF, Musoni



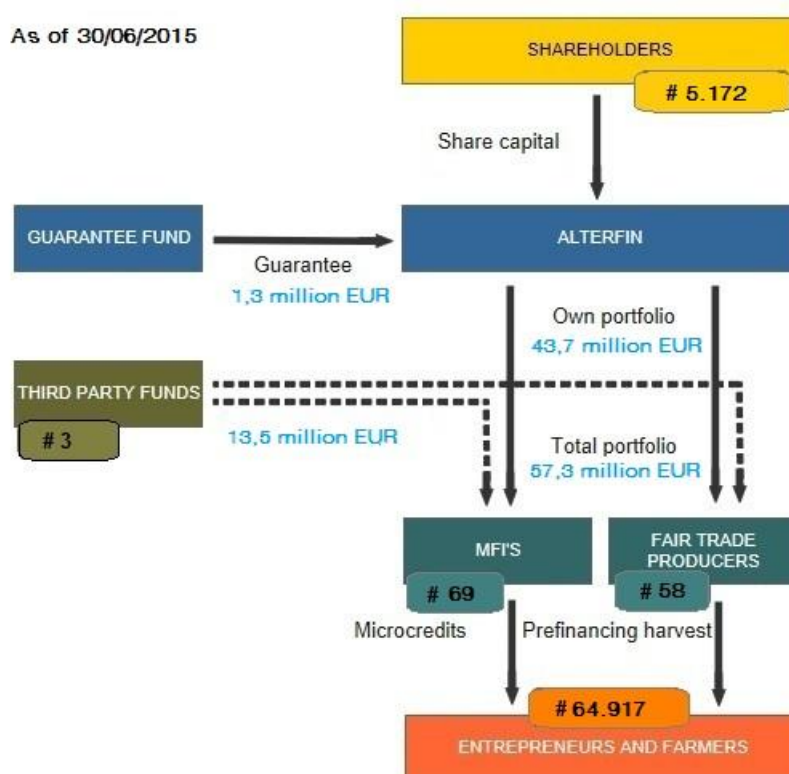
Payments and recoveries of guarantees in 2014:

In 2014, four requests of payments of guarantees have been made, for a total amount of 107.223,75 EUR. Alterfin cvba also repaid a total amount of 43.486,99 EUR as recoveries.

### 10.1.3 Third-party funds

Since 2005, Alterfin has placed its experience at the disposal of third-party funds also seeking to invest in microfinance and/or sustainable agriculture initiatives that use Alterfin's expertise as a service provider. Such third party funds are an alternative finance source for Alterfin and can be used to finance Alterfin's existing partners. (See Chapter 10.4.1).

The following diagram gives a summary of the entire finance stream:



## 10.2 Income source

The following table summarizes the various income sources (based on the audited balance sheets):

Sources of Income	2012	2013	2014
Income from own portfolio	62,60%	65,16%	69,71%
Income from EUR investments	23,50%	27,23%	26,04%
Income from third parties portfolio	12,80%	7,11%	4,24%
Income from Triodos	1,00%	0,48%	0,01%
Income (net) from consultancy	0,20%	0,01%	0,00%
<b>Total income</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

More explanations are available below:

### **10.2.1 Income from own portfolio**

As a social investor, Alterfin invests in microfinance institutions and producer organizations in the South with the aim of facilitating access to credit for microenterprises and smallholder farmers. This is reflected in the size and composition of Alterfin's portfolio.

At the end of June 2015, Alterfin managed its own portfolio amounting to EUR 43,74 million, and consisting of:

- EUR 41,92 millions loan portfolio (current assets);
- EUR 1,82 millions participations (fixed assets);

Incomes from this portfolio consist of the interests on the loans, the dividends from the participations and the administration costs charged to the partners. These revenues represented 69,71% of the financial and operational income of Alterfin in 2014.

### **10.2.2 Income from deposits**

The shareholders' capital is used to finance partners in the South, who in turn provide credit to farmers and entrepreneurs locally. The capital can be used either directly or indirectly to finance a partner. In the latter case, Alterfin uses its share capital (in EUR) as a guarantee for obtaining a line of credit (in U.S. dollars) from the banking partners.

Here, the incomes consist of the interests received on the deposit accounts, bonds or savings accounts used as guarantee for the banks.

### **10.2.3 Income from services to others**

Alterfin has several years of experience in lending to microfinance institutions and producers' organizations in developing countries. This experience is made available to fund managers who want to invest in these sectors since 2005.

ResponsAbility Social Investment Services AG was the first organization with which Alterfin signed an agreement, in February 2005. For several years, Alterfin assisted ResponsAbility Social Investment Services AG and communicated credit opportunities to ResponsAbility Social Investment Services AG on an ad hoc basis.

In 2011 responsAbility decided to limit its cooperation with Alterfin in order to build up its own internal capacity. This means that the income that Alterfin is receiving from this partnership progressively decreased since 2011 and came to an end in 2014.

In 2012, in order to compensate the impact of the end of collaboration with responsAbility on its income stream, Alterfin has started to search for new collaborations.

Alterfin signed a loan participation agreement with Calvert Social Investment Foundation in July 2012. Calvert Social Investment Foundation is an American NGO founded in 1988 which invests in social projects. Alterfin assists Calvert Social Investment Foundation and communicates credit opportunities to Calvert Social Investment Foundation on an ad hoc basis. It is only the latter that decides, based on its own criteria, whether credit is given to the potential projects.

The revenues for Alterfin consist of commissions received for proposing projects that were approved and for monitoring the financing of these projects. In 2014, the income from service to Calvert Social Investment Foundation amounted to EUR 50.148.

Alterfin has finalized the terms of collaboration with ImpactAssets and plan to start to recruit and monitor fair trade partners for ImpactAssets at the end of 2015. ImpactAssets, Inc is an American nonprofit financial services company created in late 2009 to catalyze investment capital for maximum environmental, social and financial impact.

In 2015, Alterfin was nominated as portfolio manager for the Kampani fund that was created in March 2015. Kampani is a fund co-founded by Alterfin and inaugurated in March 2015. The fund specifically focuses on investing in businesses of producer organisations or smallholder farmers located in selected countries in the South.

The services provided to FEFISOL and FOPEPRO are also expected to generate more income.

- FOPEPRO (*Fondo Para Los Pequeños Productores Rurales En América Latina*) is a fund set up in 2009 by Alterfin and SIDI<sup>4</sup>. The purpose of this fund is to finance smallholder farmers in the Andean countries and Central America (Bolivia, Peru, Ecuador and Colombia) and Central America (Nicaragua, Guatemala, Honduras and El Salvador).

Since October 2011, Alterfin provides consultancy services regarding the monitoring of FOPEPRO's portfolio. Since January 2015, Alterfin is also the fund manager of Fopepro. In 2014, the income from service to Fopepro amounted to EUR 12.010.

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<sup>4</sup> SIDI, the International Solidarity for Development and Investment company, was established in 1983 in France by CCFD-Terre Solidaire (French Committee against Hunger and for Development), a French NGO, to strengthen and diversify its actions in the economic field.



- FEFISOL (Fonds Européen de Financement Solidaire) is a SICAV set up in 2008 by Alterfin, in collaboration with SIDI and Etimos, and which is dedicated to Africa. The fund was launched in July 2011 and mainly aims to provide credit and guarantees to microfinance institutions and producer's organizations active in fair trade in Africa.

Since October 2011, Alterfin recruits and monitors partners for FEFISOL. In 2014, the income from service to FEFISOL amounted to EUR 115.750. The income consists of fees for proposing and monitoring the financing of partners.

#### **10.2.4 Income from the collaboration with Triodos Bank**

Since 2014 no income is longer expected. In addition, both parties are looking into how Triodos Bank can assist Alterfin through debt financing.

#### **10.2.4 Income from consultancy**

The incomes here consist of sporadic activities related to the provision of technical assistance to third parties.

### **10.3 History and key events**

The following is a brief overview of Alterfin's growth and development:

- **1994:** The cooperative company Alterfin cvba was established in 1994 as a joint venture between North-South organisations (including 11.11.11, Oxfam Solidariteit and Wereldwinkels, Vredeseilanden, FOS, etc.) and banks (Triodos Bank and the former HBK savings bank). Later on, other social organisations (including SOS Faim, Netwerk Vlaanderen, Réseau Financement Alternatif), a bank (BNP Paribas Fortis), a number of companies and more than a thousand private individuals joined the Alterfin cooperative company. As an alternative finance company Alterfin did not provide handouts, but invested. Until shortly before, the concept of development had been almost entirely connected with charity and donating money, but in the early 1990s non-governmental development organisations started looking for new methods of giving development cooperation a more sustainable footing.
- **2000:** On 20 December 2000 Alterfin, together with a number of its members (11.11.11, the former HBK savings bank, Oxfam Solidariteit, Oxfam Wereldwinkels, Triodos Bank, Vredeseilanden and SOS Faim) founded the vzw Alterfin Guarantee Fund, a non-profit association. This association – unlike the Company – is funded by donations, mainly from members.
- **2005:** Alterfin signed a cooperation agreement with the Swiss fund responsAbility Social Investment AG.

- **2006:** The Norwegian Nobel Committee awarded the 2006 Nobel Peace Prize to Mr Muhammad Yunus and Grameen Bank *"for their efforts to create economic and social development from below. Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Development from below also serves to advance democracy and human rights"*<sup>5</sup>.
- **2009:** Setting up of FOPEPRO, the *"Fondo Para Los Pequeños Productores Rurales En América Latina"*, created to gather resources for the financing of small farmers in the Andean countries (Bolivia, Peru, Ecuador and Colombia) and Central America (Nicaragua , Guatemala, Honduras and El Salvador).
- **2009 and 2010:** Setting up of FEFISOL, the *"Fonds Européen de Financement Solidaire"*, to support activities in Africa
- **2011:** In October 2011, Alterfin started to recruit and monitor partners for FEFISOL and to provide consultancy services regarding the monitoring of FOPEPRO's portfolio.
- **2012:** Alterfin signed a first loan participation agreement with Calvert Social Investment Foundation.
- **2013:**
  - Alterfin signed a master participation agreement with Calvert Social Investment Foundation to manage up to 10.000.000 USD in portfolio.
  - On 30<sup>th</sup> August 2013, Alterfin share capital reaches 30.000.000 EUR.
- **2015:**
  - Setting up of Kampani to invest in businesses of producer organisations or smallholder farmers located in selected countries in the South. through subordinated loans and equity.
  - Celebration of Alterfin's 20<sup>th</sup> Birthday

#### **10.4 Internal organisation and investment policy**

The principles of Alterfin's investment policy have been formally set out in the "Credit and Investment Policy" (included as Appendix 4) and form the basis for credit decisions. The main principles are briefly summarised below.

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<sup>5</sup> Bron: [http://nobelprize.org/nobel\\_prizes/peace/laureates/2006/press.html](http://nobelprize.org/nobel_prizes/peace/laureates/2006/press.html).

A credit committee reviews whether or not an initiative is eligible for investment by Alterfin. The credit committee (the organisation and composition of which is detailed in Chapter 11) evaluates an application for funding on the basis of two types of criteria:

- First and foremost, social and development criteria, which must clearly demonstrate that the institution works for the benefit of people living in poverty; and
- In addition, financial and economic criteria: it is intended that the partner organisation should make sustainable use of the resources provided and the repay the financing.

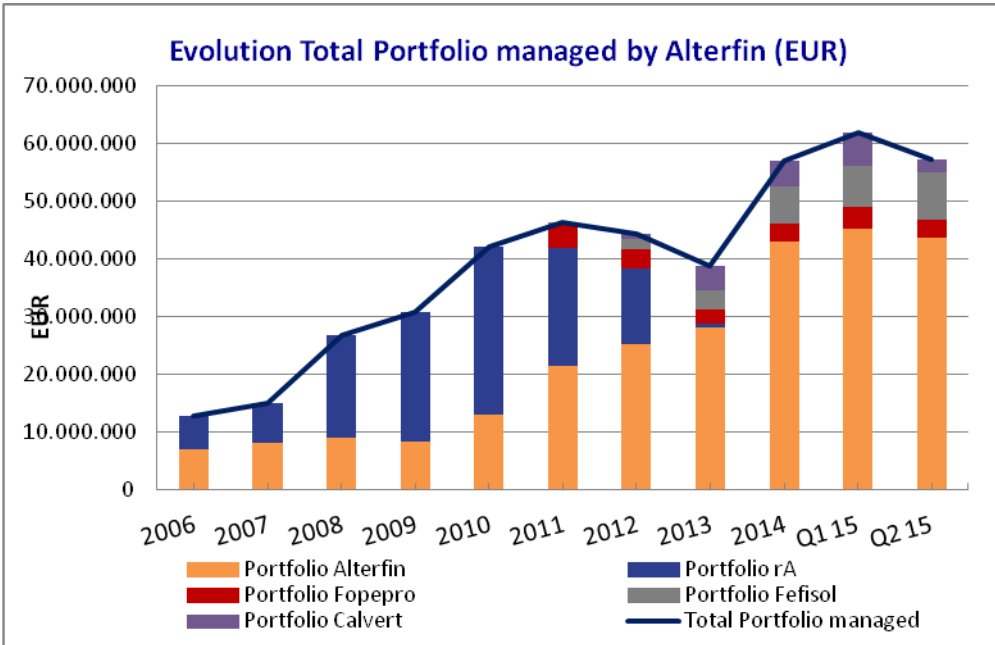
In principle Alterfin invests only in the following two types of organisations:

- Microfinance Institutions (MFIs): thanks to the financing by Alterfin the MFIs are able to grant many small (micro)credits to their members or clients; and
- Producers' associations involved in sustainable agriculture (mainly Fair Trade): in this case the loan of Alterfin is used to finance the crops of the producers and the marketing of their produce.

As of 30 June 2015, EUR 26.215.360 were invested in microfinance institutions and EUR 15.443.959 were invested in producers' associations or other agriculture partners.

**10.4.1 Alterfin's investment portfolio**

End of June 2015, the total portfolio at Alterfin (including the portfolios of Fopepro, Fefisol and Calvert managed by Alterfin) amounted to EUR 57,3 million.



### Overview Portfolio Alterfin:

Alterfin aims for the healthy growth of its activities supported by the growth of its own resources, with a view to ensuring a diversified portfolio. The principles of the investment policy of Alterfin were formalized in the "Credit and Investment Policy "(included as Appendix 4 of the Prospectus) and form at the date of publication of this Prospectus the basis for any credit decisions.

Below is an overview of Alterfin's own portfolio on 30 June 2015. The table is organized by sector; microfinance contracts are mentioned first and followed by sustainable agriculture contracts.

Partner	Country	Region	Currency	Product	Outstanding EUR
UROCAL	Ecuador	Latin America	USD	Banana	99.814,13
Apicoop	Chile	Latin America	USD	Blueberry	33.800,84
GREEN FOREST	Bolivia	Latin America	USD	Brazil nuts	676.016,73
COPABO	Ivory Coast	Africa	EUR	Cashew	93.038,40
ACOPAGRO	Peru	Latin America	USD	Cocoa	585.791,03
Divisoria	Peru	Latin America	USD	Cocoa	1.601,93
ECOOKIM	Ivory Coast	Africa	EUR	Cocoa	450.000,00
El Quinacho	Peru	Latin America	USD	Cocoa	180.271,12
UROCAL	Ecuador	Latin America	USD	Cocoa	68.953,71
AMAZONAS	Peru	Latin America	USD	Coffee	17.125,76
Apavam	Peru	Latin America	USD	Coffee	225.338,91
CAFE Y DESARROLLO	Mexico	Latin America	USD	Coffee	106.415,65
CASIL	Peru	Latin America	USD	Coffee	207.311,80
CEPROAP	Peru	Latin America	USD	Coffee	201.653,59
COCAFAL	Honduras	Latin America	USD	Coffee	

					202.805,01
COCAFELOL	Honduras	Latin America	USD	Coffee	646.871,38
COCOCA	Burundi	Africa	USD	Coffee	360.542,26
COMSA	Honduras	Latin America	USD	Coffee	630.948,95
Comuel	Honduras	Latin America	USD	Coffee	54.604,42
Divisoria	Peru	Latin America	USD	Coffee	60.390,83
Ecologic Coffee	Bolivia	Latin America	USD	Coffee	360.542,26
ECOLOGIC HARVEST	Peru	Latin America	USD	Coffee	270.406,69
Fapecafas	Ecuador	Latin America	USD	Coffee	85.628,78
FINCAFE	Bolivia	Latin America	USD	Coffee	180.271,12
Frontera	Peru	Latin America	USD	Coffee	473.211,71
FRUTOS DE SELVA	Peru	Latin America	USD	Coffee	25.075,36
INVALSA	Bolivia	Latin America	USD	Coffee	360.542,26
KPD	Tanzania	Africa	USD	Coffee	95.297,41
LA FLORIDA	Peru	Latin America	USD	Coffee	486.732,04
ORO VERDE	Peru	Latin America	USD	Coffee	223.536,19
Saes	Bolivia	Latin America	USD	Coffee	36.691,45
San Juan Del Oro	Peru	Latin America	USD	Coffee	1.951,89
SOPACDI	DR Congo	Africa	USD	Coffee	284.359,90
UNICAFEC	Peru	Latin America	USD	Coffee	319.386,59
Zesco	Nicaragua	Latin America	USD	Coffee	450.677,82
FEFISOL	Africa	Africa	EUR	Funds	679.550,59

FOPEPRO	Latin America	Latin America	USD	Funds	1.081.626,77
KAMPANI	International	International	EUR	Funds	50.000,00
MFX	International	International	USD	Funds	180.271,13
SIDI	International	International	EUR	Funds	86.262,31
Divisoria	Peru	Latin America	USD	Green products	225.338,91
Apicoop	Chile	Latin America	USD	Honey	1.104.160,66
Forest Fruits	Zambia	Africa	USD	Honey	71.966,34
COMAKO	Ivory Coast	Africa	EUR	Mango	16.229,02
Canaan	Palestine	Middle East	EUR	Olive oil	221.464,41
Frontera	Peru	Latin America	USD	Other	180.271,13
SID PERU	Peru	Latin America	EUR	Other	900.000,00
Wiraccocha	Peru	Latin America	USD	Quinoa	360.542,26
TERRAL	Senegal	Africa	EUR	Rice	350.000,00
Arasy	Paraguay	Latin America	USD	Sesame	1.171.934,58
BIO4EVER	Togo	Africa	EUR	Soy	73.690,35
MANDUVIRA	Paraguay	Latin America	USD	Sugar cane	300.451,88
APT del Norte	Peru	Latin America	USD	Tara	144.216,90
La Riojana	Argentina	Latin America	EUR	Wine	850.000,00
La Riojana	Argentina	Latin America	USD	Wine	721.084,52
Sagrada Familia	Chile	Latin America	EUR	Wine	195.000,00
ADEL IXCAN	Guatemala	Latin America	USD	Microcredit	328.994,81
ADICLA	Guatemala	Latin America	USD	Microcredit	

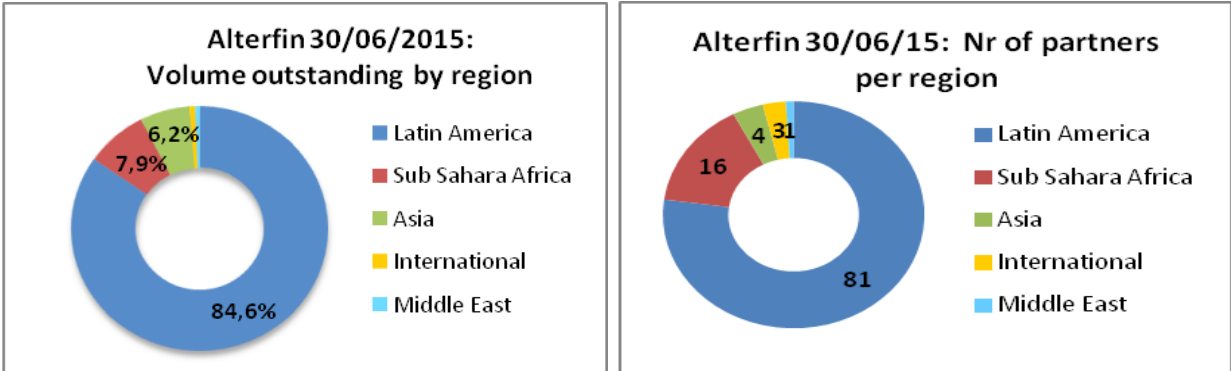
					315.474,46
ADISA	Guatemala	Latin America	USD	Microcredit	450.677,80
Adok Timo	Kenya	Africa	KES	Microcredit	176.244,21
AMC	El Salvador	Latin America	USD	Microcredit	540.813,39
ANED	Bolivia	Latin America	USD	Microcredit	270.406,68
APACOOOP	Costa Rica	Latin America	CRC	Microcredit	90.135,56
APACOOOP	Costa Rica	Latin America	USD	Microcredit	180.271,14
APECAP	Ecuador	Latin America	USD	Microcredit	45.067,78
ASDIR	Guatemala	Latin America	USD	Microcredit	721.084,53
CAC Villamontes	Bolivia	Latin America	USD	Microcredit	270.406,68
CACIL	Honduras	Latin America	USD	Microcredit	432.650,70
Chamroeun	Cambodia	Asia	USD	Microcredit	450.677,82
CIDERURAL	Peru	Latin America	USD	Microcredit	108.162,68
Comixmul	Honduras	Latin America	HNL	Microcredit	450.677,82
Comixmul	Honduras	Latin America	USD	Microcredit	852.501,22
Consolidar	Colombia	Latin America	EUR	Microcredit	78.813,27
COOPAC SAGRADA FAMILIA	Bolivia	Latin America	USD	Microcredit	450.677,80
Edaprosopo	Peru	Latin America	PEN	Microcredit	117.176,24
Edaprosopo	Peru	Latin America	USD	Microcredit	72.108,45
Emprender	Bolivia	Latin America	USD	Microcredit	292.940,58
ESPOIR	Ecuador	Latin America	USD	Microcredit	1.496.250,36
FDL	Nicaragua	Latin America	USD	Microcredit	1.802.711,28

FONDECO	Bolivia	Latin America	USD	Microcredit	450.677,80
FONDESURCO	Peru	Latin America	USD	Microcredit	837.179,13
Fonds Cooperatif	Laos	Asia	LAK	Microcredit	26.700,63
Fortalecer	Peru	Latin America	USD	Microcredit	6.199,05
FUDECOSUR	Costa Rica	Latin America	USD	Microcredit	108.162,68
Fundacion Alternativa	Ecuador	Latin America	USD	Microcredit	991.491,19
FUNDECOCA	Costa Rica	Latin America	USD	Microcredit	90.135,56
Fundenuse	Nicaragua	Latin America	USD	Microcredit	360.542,25
Hattha Kaksekar	Cambodia	Asia	USD	Microcredit	901.355,64
IDESI NACIONAL	Peru	Latin America	USD	Microcredit	856.287,86
Impro	Bolivia	Latin America	USD	Microcredit	433.777,40
Inversiones Confianza	El Salvador	Latin America	USD	Microcredit	653.482,83
Jardin Azuayo	Ecuador	Latin America	USD	Microcredit	1.735.109,61
Juhudi Kilimo	Kenya	Africa	KES	Microcredit	196.073,59
KOKARI	Niger	Africa	XOF	Microcredit	3.430,10
LA PRIMAVERA	Bolivia	Latin America	USD	Microcredit	270.406,69
LOS ANDES	Peru	Latin America	USD	Microcredit	630.948,95
MAQUITA	Ecuador	Latin America	USD	Microcredit	450.677,82
Micronegocios	El Salvador	Latin America	USD	Microcredit	157.737,23
MUSONI	Kenya	Africa	KES	Microcredit	254.237,30
Norandino	Peru	Latin America	PEN	Microcredit	135.203,35
Norandino	Peru	Latin America	USD	Microcredit	



					270.406,70
Optima	El Salvador	Latin America	USD	Microcredit	721.084,54
Padecomsmcredit	El Salvador	Latin America	USD	Microcredit	648.976,06
PAIDEK	DR Congo	Africa	USD	Microcredit	189.284,69
PAMF CI	Ivory Coast	Africa	XOF	Microcredit	152.449,01
PRISMA	Peru	Latin America	PEN	Microcredit	197.412,63
PRODESA	Nicaragua	Latin America	USD	Microcredit	450.677,83
SAC APOYO INTEGRAL	El Salvador	Latin America	USD	Microcredit	901.355,64
SAN ANTONIO	Ecuador	Latin America	USD	Microcredit	270.406,69
SERFIGSA	Nicaragua	Latin America	USD	Microcredit	811.220,07
Tocache COOPAC	Peru	Latin America	USD	Microcredit	189.284,68
TPC	Cambodia	Asia	USD	Microcredit	1.352.033,46
Unidad y Progreso	Ecuador	Latin America	USD	Microcredit	126.189,79
Union El Ejido	Ecuador	Latin America	USD	Microcredit	378.569,37
Wanigu	Honduras	Latin America	USD	Microcredit	11.266,95
<b>Grand Total:</b>					<b>43.737.029,71</b>

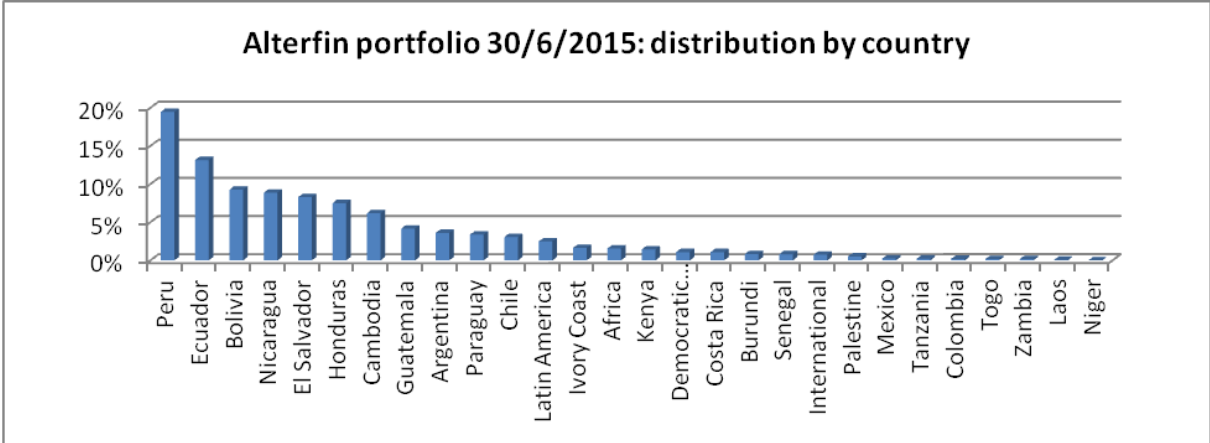
Breakdown per region



The portfolio in Alterfin is spread over 114 partner organizations of which 105 have an outstanding: 81 in Latin America, 16 in Africa, 4 in South East Asia, 1 in the Middle East and 3 International (SIDI, MFX and Kampani).

At the end of June 2015, 84.6% of the portfolio was invested in Latin America (84.5% last quarter), 7.9% in Africa (6.7% last quarter), 6.2% in South East Asia (7.3% last quarter) and 0.5% in the Middle East (0.8% last quarter). International accounted for 0.7% of the portfolio.

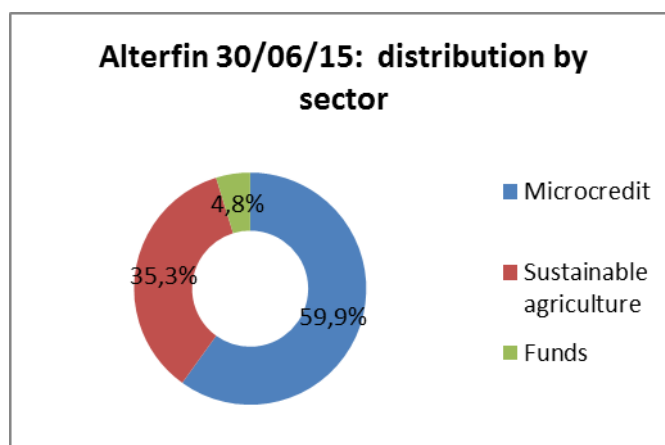
Breakdown per country



Alterfin’s outstanding portfolio is spread over 25 countries. In the following charts, “Africa” represents the investment in FEFISOL, “Latin America” represents the investment in FOPEPRO, “International” the investments in SIDI<sup>6</sup>, MFX<sup>7</sup> and Kampani.

<sup>6</sup> SIDI, Solidarité Internationale pour le Développement et l’Investissement, is a social investor based in Paris which co-founded Fefisol and Fopepro with Alterfin.

## Breakdown per sector



At the end of June 2015, 59.9% of our portfolio was invested in microfinance institutions (MFIs), (60% in March 2015). 35.3% was invested in producers' organizations (same as last quarter). The 4.8% investment in "Funds" refers to the investments in Fefisol, Fopepro, SIDI, MFX and Kampani.

As some microfinance institutions are (mainly) active in rural areas where most of the incomes are generated through agricultural activities, a significant part of the portfolio invested in microfinance partners is also dedicated to agriculture. Detailed information can be found in the 2014 annual report ([www.alterfin.be](http://www.alterfin.be)).

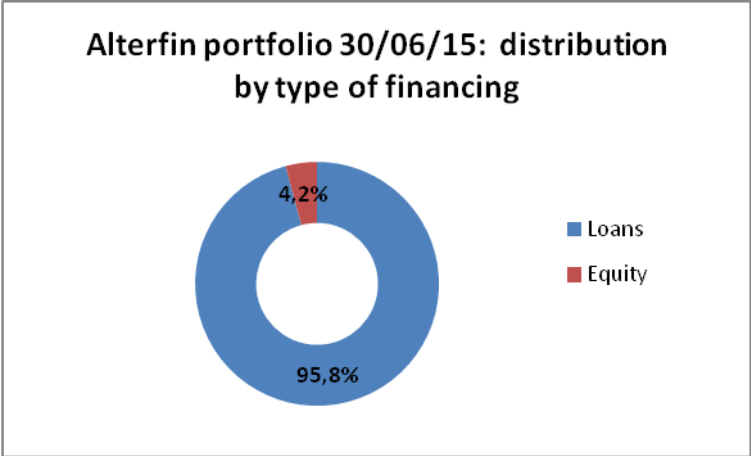
## Breakdown per type of financing

Regarding the type of financing, Alterfin still mainly works through loans (95.8%) either in the form of loans to MFI's or credit lines for producers organizations. Equity investments (4.2%) mainly represent investments in funds co-founded by Alterfin but also some direct investments in microfinance partners in the South.

At the moment, Alterfin doesn't work with guarantees anymore and none are currently planned in the pipeline.

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<sup>7</sup> MFX Microfinance Currency Risk Solutions is a company providing currency hedging facilities.

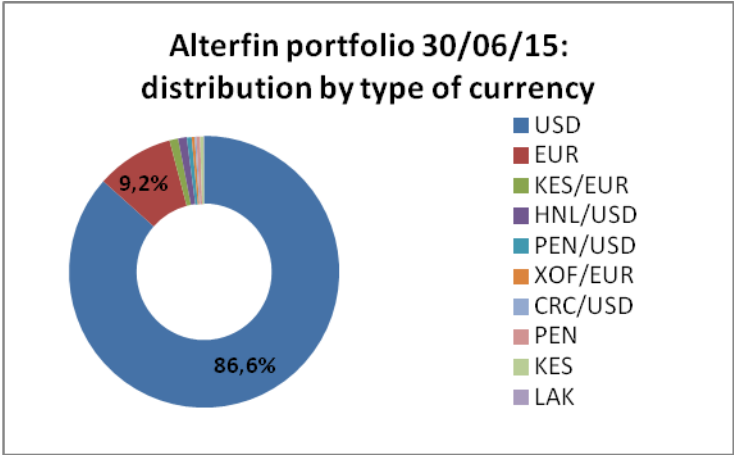


New equity investment: Kampani

Breakdown per currency

The major part of financing (86.6%) is in USD, while 9.2% of our investments are done in EUR and 4.1% in local currency.

Since July 2010, Alterfin is a shareholder of MFX Microfinance Currency Risk Solutions and has therefore access to hedging facilities for local currency. Also, as of 2012, hedging through the Alterfin Guarantee fund became possible at cheaper costs than through MFX.

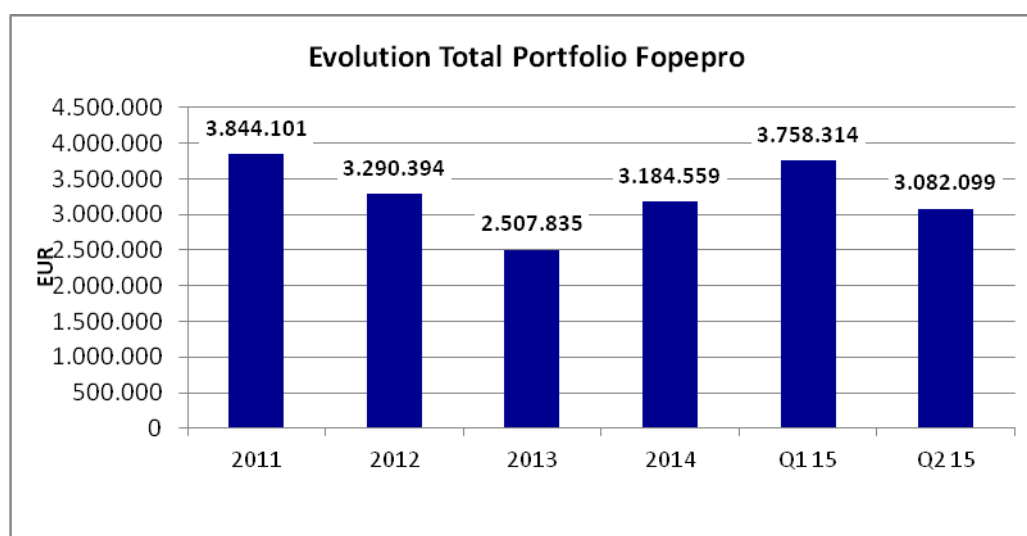


Overview Portfolio FOPEPRO:

Fopepro was established in 2009 by Alterfin, SIDI and FOGAL as a fund to finance smallholder farmers in the Andean countries (Bolivia, Peru, Ecuador and Colombia), Central America (Nicaragua, Guatemala, Honduras and El Salvador) and Paraguay. Simultaneously, a management

company called Acerola was set up in Latin America in order to manage this fund. In January 2015, a new management contract has been approved, replacing Acerola Management by Alterfin as Fund Manager.

At the end of March 2015, FOPEPRO's portfolio stood at EUR 3.1 million spread over 21 organizations with an outstanding balance.

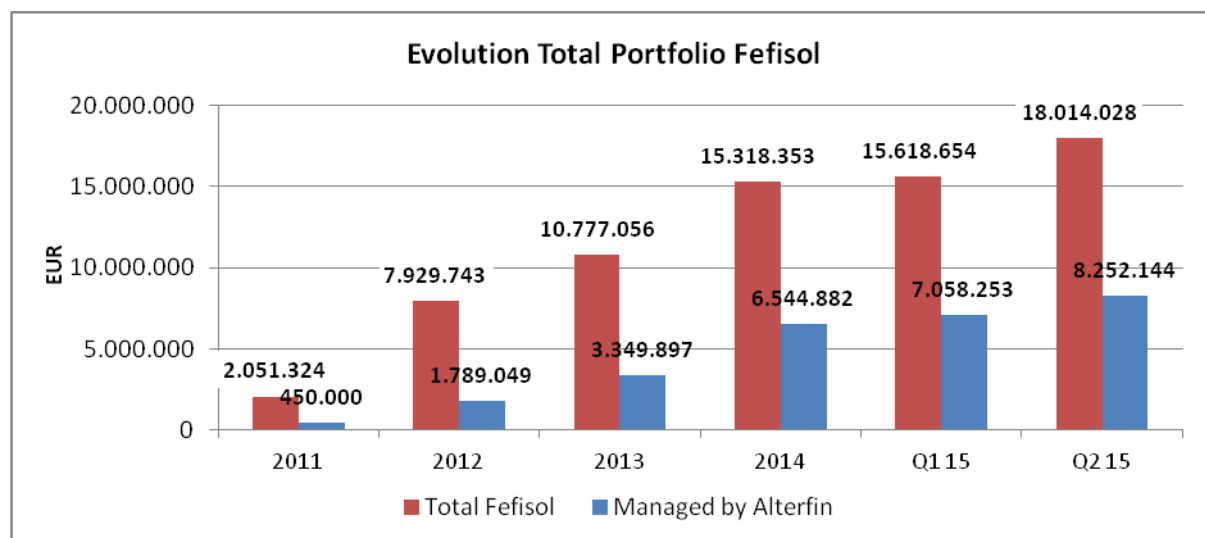


Partner	Country	Region	Currency	Product	Outstanding EUR
PAMOC	Bolivia	Latin America	USD	Cashew	225.338,91
Apavam	Peru	Latin America	USD	Coffee	67.601,67
COCAFAL	Honduras	Latin America	USD	Coffee	74.312,80
Frontera	Peru	Latin America	USD	Coffee	225.338,90
NAKHAKI	Bolivia	Latin America	USD	Coffee	108.162,68
UCA San Juan Rio Coco	Nicaragua	Latin America	USD	Coffee	73.479,62
SCAES	El Salvador	Latin America	USD	Honey	38.582,62
CIPRIAN GRIMALDES FLORES	Bolivia	Latin America	USD	Other	178.105,05
Ecologic Coffee	Bolivia	Latin America	USD	Other	225.338,91
IMSA	Peru	Latin America	USD	Other	66.108,97
PETRONA PILLCO NAVIA	Bolivia	Latin America	USD	Other	69.126,00
SAMI TEXTILES	Bolivia	Latin America	USD	Other	135.203,35
ZENON FLORES	Bolivia	Latin America	USD	Other	103.655,88
Arasy	Paraguay	Latin America	USD	Sesame	225.338,91
MANDUVIRA	Paraguay	Latin America	USD	Sugar cane	360.542,26
ADEL IXCAN	Guatemala	Latin America	USD	Microcredit	72.108,45
CEPESIU	Ecuador	Latin America	USD	Microcredit	225.338,90
Comixmul	Honduras	Latin America	USD	Microcredit	112.669,45
CREDIFLORIDA	Peru	Latin America	USD	Microcredit	225.338,90
Fundacion Alternativa	Ecuador	Latin America	USD	Microcredit	45.067,78

Union El Ejido	Ecuador	Latin America	USD	Microcredit	225.338,90
<b>Grand Total:</b>					<b>3.082.098,91</b>

### Overview Portfolio FEFISOL:

At the end of June 2015, Fefisol's gross portfolio (excl. MFX) is equivalent to EUR 18.0 million (EUR 17,1 M net of provisioning) including 57 clients spread over 21 countries.



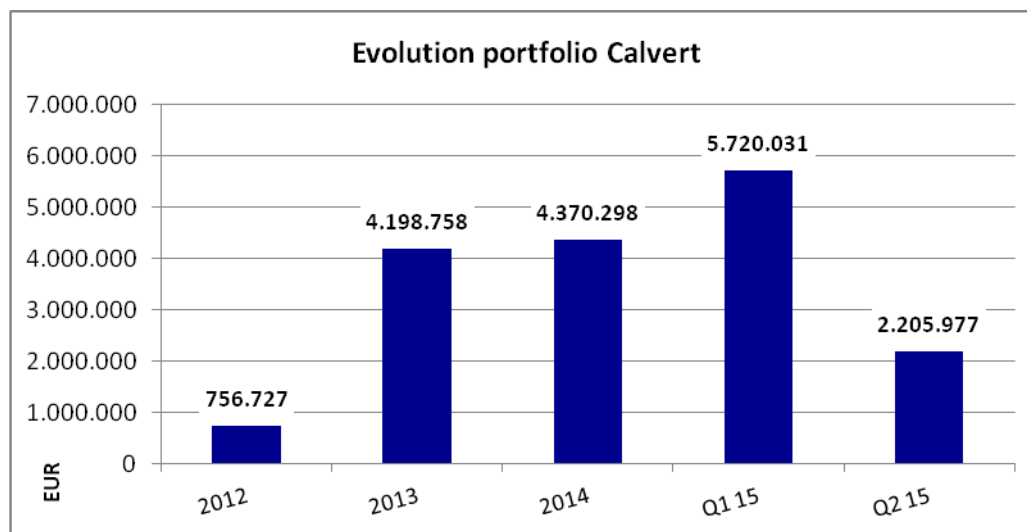
At the end of June 2015, the part of the outstanding amount balance managed by Alterfin stood at EUR 8,2 million with 25 partners.

Partner	Country	Region	Currency	Product	Outstanding EUR
ECOOKIM	Ivory Coast	Africa	EUR	Cocoa	1.500.000,00
KPD	Tanzania	Africa	USD	Coffee	150.413,30
SOPACDI	Congo, Dem.Rep.	Africa	USD	Coffee	0,00
MARLINE	Togo	Africa	EUR	Coffee & cocoa	267.225,21
VERT LDT	Kenya	Africa	EUR	Fruits& vegetables	325.098,11
Ten Senses Africa	Kenya	Africa	USD	Macadamia & cashew	366.017,76
SGTF	Burkina Faso	Africa	EUR	Mango	270.000,00
SFC	Ghana	Africa	EUR	Shea Butter	0,00
STAR SHEA	Ghana	Africa	EUR	Shea Butter	140.000,00
BIO4EVER	Togo	Africa	EUR	Soy	68.280,30
UCMECS	Togo	Africa	XOF	Microcredit	167.693,92
ADOK TIMO	Kenya	Africa	KES	Microcredit	171.861,60
ALKARAMA	Morocco	Africa	MAD	Microcredit	355.471,02
ECLOF KENYA	Kenya	Africa	KES	Microcredit	271.223,22
GGEM	Sierra Leone	Africa	SLL	Microcredit	54.415,25

GRAMEEN GHANA	Ghana	Africa	GHS	Microcredit	61.777,97
ID GHANA FNGO	Ghana	Africa	GHS	Microcredit	113.259,61
INMA	Morocco	Africa	MAD	Microcredit	203.126,30
JITEGEMEA	Kenya	Africa	KES	Microcredit	259.470,21
JUHUDI KILIMO	Kenya	Africa	KES	Microcredit	768.465,78
KIXICREDITO	Angola	Africa	USD	Microcredit	897.102,36
MUSONI	Kenya	Africa	KES	Microcredit	271.223,22
NAARA	Ghana	Africa	GHS	Microcredit	41.185,31
PAIDEK	Congo, Dem.Rep.	Africa	USD	Microcredit	313.985,83
PAMF BF	Burkina Faso	Africa	XOF	Microcredit	750.049,16
PAMF CI	Ivory Coast	Africa	XOF	Microcredit	396.367,44
SMT	Sierra Leone	Africa	SLL	Microcredit	68.431,60
<b>Grand Total:</b>					<b>8.252.144,49</b>

### Overview Portfolio Calvert Foundation:

At 30/06/2015, we had an outstanding with 4 partners, for a total amount of 2.205.977 EUR.



Partner	Country	Region	Currency	Product	Outstanding EUR
Naranjillo	Peru	Latin America	USD	Cocoa	676.016,73
COMSA	Honduras	Latin America	USD	Coffee	177.926,75
Divisoria	Peru	Latin America	USD	Green products	225.338,91
Arasy	Paraguay	Latin America	USD	Sesame	1.126.694,55

Grand Total:

2.205.976,94

## 10.5 Social Performance

As a social investor Alterfin must meet both financial goals (to ensure the sustainability of its activities) and social objectives (to ensure compliance with its development mission). In practice, this means that beyond the financial aspect, each funding request is analyzed according to a set of social criteria to assess whether the funding will reach those who need it most. In addition, each year, Alterfin produce an overall evaluation of these criteria and thus measure the social performance of all of its activities in the South.

Alterfin created a social performance monitoring tool which sets the essential social performance indicators. This tool is based on a questionnaire that is sent out to all our partners every year. We monitor the social performance of our portfolio via the lists of indicators we receive from our partners.

The tool was first sent to our microfinance partners in 2007. Alterfin is an active member of the Social Performance Task Force (SPTF), a worldwide network of all microfinance stakeholders. The goal of the SPTF is to set industry standards for social performance management and to promote best practices. This active participation allows Alterfin to regularly fine-tune its social performance monitoring tool.

At the end of 2008, an adapted grid was extended to our sustainable agriculture partners. Recently, there have been new initiatives to better evaluate and monitor the social performance in the sustainable agriculture sector which have been incorporated in our tool. As an active member of FAST (Finance Alliance for Sustainable Trade) and of The Council on Smallholder Agricultural Finance (CSAF), Alterfin contributes its know-how to the development of a more standardized social performance measurement methodology for the sector.

### Social Performance Results

In 2014, Alterfin successfully pursued its social mission. At the end of 2014, its partners were working with over 1.381.000 clients or producers throughout the world. Of these, 64.917 people (and their families) were being reached through the work of Alterfin. 46% of the clients that Alterfin reached live in Africa. Latin America and Asia account respectively for 44% and 10% (0,2% in the Middle-East).

61% of the clients of Alterfin' partners are women and 70% live in rural areas. 61% of Alterfin's financing goes to the agricultural sector. Women and rural population usually have lower access to financial services which represents a major barrier to development.



In 2014, Alterfin pursued the objective to have, among its partners, an optimal balance between institutions with a high social impact and organizations that could guarantee the sustainability of our operations. Alterfin is often the first international investor of our partners, triggering additional investments from other investors, and thus enabling highly dynamic growth.

#### Microfinance (MFI) partners

The average loan of our MFI partners ranges from EUR 236 in Africa to EUR 2.138 in South America which is well below the gross domestic product per capita of the countries concerned and indicates that our MFI partners work with relatively poor population groups.

Encouraged by Alterfin, a growing number of our MFI partners have endorsed the revised Client Protection Principles. Most of our MFI partners also propose a wide range of financial and non-financial products and services in order to meet their client's needs and constraints.

The average interest rate charged by our MFI partners are similar to those charged in the sector and their level of profitability is reasonable. This makes it possible for the MFIs to ensure their sustainability without jeopardizing the social targets.

Most of our partners offer a wide range of financial services (savings, insurance ...) and non-financial services (services of empowerment for women, adult education, etc.) in order to meet their clients' needs.

#### Fair trade (FT) partners

In 2014, Alterfin raised its part in fair trade producers financing offering them sustainable development opportunities. 80% of Alterfin partners are Fair Trade (FLO) certified and 81% are organic certified.

The total amount that has been paid to our fair trade partners as fair trade premium amounted 21,8 million EUR in 2014. This premium is invested in social, environmental or economic development projects.

84% of producers' associations funded by Alterfin also offer additional services to their members, mainly technical assistance to improve the crop quality, quantity and the association's productivity. Additionally, most of the partners also support their clients by providing additional non-financial services related to education, healthcare, community organization, women empowerment and infrastructure development.

## **11 Management and governance**

### **11.1 Board of directors**

#### **11.1.1 Competences**

The Company's board of directors has the most extensive authority for all management and disposal transactions which are necessary for or conducive to the achievement of the Company's goal. Anything which is not expressly reserved by the by-Laws or the Company Code for the decision of the general meeting lies within the competence of the board of directors.

#### **11.1.2 Composition**

The Company is managed by a board of directors composed of a minimum of six (6) and a maximum of twelve (12) members, who may or may not be members of the Company, and who are private persons or legal entities.

The directors are elected by the general meeting. A minimum of one (1) director should be elected from the candidates nominated by the cooperative limited liability company "Triodos Invest", as long as it is a member, two (2) directors from among the candidates nominated by the recognised Belgian non-governmental organisations which are members of the company, and two (2) directors from among the candidates nominated by the non-profit organisation "Koepel van de Vlaamse Noord-Zuidbeweging - 11.11.11", as long as it is a member. The other directors are freely elected by the general meeting.

When a legal entity subject to the Company Code is designated as a director, it appoints from among its members, managers, directors or employees a "permanent representative" entrusted with the execution of the office in the name and on behalf of the legal entity, in accordance with the Company Code.

The directors are elected for a maximum of five years, and their mandate expires with the closure of an annual meeting. Any outgoing director may be re-elected. If they are not re-elected or replaced in time, they remain in office until they are replaced or re-elected.

#### **11.1.3 Functioning**

The board of directors shall appoint one of its members as chairperson by a simple majority vote. In the event of the chairperson being absent or unable to attend, he/she is replaced by the oldest member on the board. The board of directors may also install other functions.

The board of directors meets when convened by the chairperson or his replacement, whenever the interests of the Company so require. A meeting of the board of directors must also take place if one-third of its members so request.

The directors receive no remuneration for the exercise of their mandate other than reimbursement of costs and expenses incurred.

### 11.1.4 Current members of the board of directors

The following table shows the composition of the board of directors as approved by the general Assembly of the Company on 28 March 2015:

Name	Proposed by	Start date	End date
Laurent Biot	SOS Faim	29/03/2014	29/03/2019
Chris Claes	Vredeseilanden	23/03/2013	23/03/2018
Vincent de Brouwer	Private shareholders	23/03/2013	23/03/2018
Frederick De Gryse	Triodos Bank	23/03/2013	23/03/2018
Mark Lambrechts	Independant	23/03/2013	23/03/2018
Jean Matton	Private shareholders	24/03/2012	24/03/2017
Dominique Morel	Independant	29/03/2014	29/03/2019
Klaartje Vandersypen	Private shareholders	24/03/2012	24/03/2017

### 11.1.5 Special information

#### Experience

Name	Experience in microfinance and/or sustainable agriculture	Other experiences
Laurent Biot	Microfinance in Ghana and Ethiopia, rural financing and development programmes with SOS Faim	Long experience in development programs and management
Chris Claes	Rural development specialist (sustainable agriculture and value chain development)	
Vincent de Brouwer	Bank of Africa Regional delegate. Long experience as a manager of development	Long experience in the banking sector
Frederick De Gryse	None	Long experience in the banking sector: credit experience, legal and compliance expertise. Currently head of Legal and Compliance
Mark Lambrechts	Former Chairman of BIO (Belgian Investment Company for Developing Countries)	Long experience in the banking sector. Former CEO HBK-spaarbank/Mercator
Jean Matton	None	Legal and tax adviser, financing of start-up, former Tax Partner with Ernst & Young
Dominique Morel	Microfinance in Ecuador, Nepal and Belgium. Rural development specialist at the BTC	
Klaartje Vandersypen	Tropical agriculture	Financial analysis

#### Other mandates

Name	Current mandates	Mandates over the last 5 years
------	------------------	--------------------------------

Laurent Biot	None	None
Chris Claes	Board of Directors of Alterfin Guarantee Fund, , Fairtrade Belgium and BioForum	Board of Directors of Alterfin Guarantee Fund, Fairtrade Belgium and BioForum
Vincent de Brouwer	Director of several banks of the BANK OF AFRICA Group	Director of several banks of the BANK OF AFRICA Group
Frederick De Gryse	Board of Directors of Alterfin Guarantee Fund	Board of Directors of Alterfin Guarantee Fund
Mark Lambrechts	Board of Directors of TRIVIDEND, Amuz, Stichting voor de Toekomstige Generaties, Streven. Chairman Sint-Lievenscollege (Antwerpen) Donorinfo and HermesEnsemble	Board of Directors of BIO, TRIVIDEND, Amuz, Stichting voor de Toekomstige Generaties, Streven. Chairman Sint-Lievenscollege (Antwerpen) Donorinfo
Jean Matton	Board of Directors of Gaumagri	Board of Directors of Gaumagri
Dominique Morel	None	None
Klaartje Vandersypen	Board of Directors of Socrowd (previously Netwerk Rentevrij)	Board of Directors of Socrowd (previously Netwerk Rentevrij)

There are no family ties between the board members. No member of the board of directors has in the past five years been convicted of fraudulent offences, involved in a bankruptcy, suspension of payment or liquidation, publicly accused or sanctioned, or disqualified by a court from exercising a governance function.

## 11.2 Investment committee

In order to improve the efficiency and the quality of the investment decisions, the internal and external credit committees were merged into the Investment Committee (IC);

### 11.2.1 Composition and powers

Alterfin's investment committee is an external body responsible for the final approval of financing. The board of directors delegates its powers and decisions regarding credit and guarantees to the investment committee. For decisions regarding participations, responsibility rests with the board of directors. The committee consists of people working in development cooperation and people with technical expertise in credit provision.

This unique combination of development expertise and financial expertise is Alterfin's strength. Alterfin believes that it gives it the necessary experience and expertise to reach a nuanced assessment of any financing application, taking all relevant viewpoints into account.

#### Composition of the IC:

1. Voting members: maximum 8 of which:

- 4 from Alterfin staff:
  - o Permanent votes: General Manager + Head of Finance and Administration + Head of Legal & Compliance (when hired)
  - o 1 vote from one of the Portfolio Managers (Asia, Africa, Latin America or Fopepro);
- Maximum 4 from the pool composed by the Alterfin Board of Directors (8) and external experts (2);

2. Non-voting members: 2

- Business Manager (for reporting, information support and participation to the discussions);
- One staff (for minutes);

IC Normal Quorum	Min.3/max.8 voting members (Board and external members are invited to participate) For transactions = or < USD1mn
IC Special Quorum	Min.5/max.8 voting members, with at least 1 Board member AND 1 external expert <u>OR</u> 2 external experts <u>OR</u> 2 Board members. For i) transactions > USD1mn, ii) for new counterparts, iii) for subordinated loans, iv) for transactions longer than 3 years, v) for unsecured transactions and vi) for equity investments (also requiring Board approval).

The current list of the staff, voting members of the Investment Committee is as follows:

Name	Function
Jean-Marc Debricon	General Manager
Audrey Timmermans	Finance and Administration Manager
Hugo Couderé	Portfolio manager Asia
Caterina Giordano	Portfolio manager Africa
Alex Tack	Portfolio manager Latin America
Mauricio Duran	General Manager of Fopepro

The current list of the external experts, voting members of the Investment Committee is as follows:

Name	Expertise	Affiliation
Marcus Fedder	Investment and development banking sector,	Independant

	Microfinance in Asia and Africa	
Reginald Thibaut	Banking sector, Africa	Independent

No remuneration is given to the external experts for their role as member of the investment committee.

The current list of the Board of directors, voting members of the Investment Committee is as follows:

Name	Proposed by
Laurent Biot	SOS Faim
Chris Claes	Vredeseilanden
Vincent de Brouwer	Private shareholders
Frederick De Gryse	Triodos Bank
Mark Lambrechts	Independent
Jean Matton	Private shareholders
Dominique Morel	Independent
Klaartje Vandersypen	Private shareholders

No remuneration is given to the Board of directors for their role as member of the investment committee.

The members of the investment committee are appointed by Alterfin's board of directors. The investment committee meets (in principle) every week (normal quorum) and every month (special quorum).

### 11.2.2 Special information

#### Experience

Name	Experience in microfinance	Other experiences
Marcus Fedder	Co-founder of Agora Microfinance Partners. Former director of the MFIs AMK Cambodia and Jaghdan Finance Mumba.	Senior positions at a number of investment and development banks, Former Vice Chair and Head of Europe and Asia-Pacific of Toronto Dominion Securities. Former Treasurer of the European Bank for Reconstruction and Development, worked for the World Bank, CIBC, Deutsche Bank.
Reginald Thibaut	None	Former Manager Affiliates Belgolaise network, BCB (Burundi), BK (Rwanda)

#### Other mandates

Name	Current mandates	Mandates last 5 years
Marcus Fedder	Director of International Finance	Advisor and co-founder of Agora

	Facility for Immunisation	Microfinance Partners. Vice Chair and Head of Europe and Asia-Pacific of TD Securities
Reginald Thibaut	Board of Directors of Interbank Burundi.	Board of Directors of Interbank Burundi, Supremo

There are no family ties between the investment committee members. No member has in the past five years been convicted of fraudulent offences, involved in a bankruptcy, suspension of payment or liquidation, publicly accused or sanctioned, or disqualified by a court from exercising a governance function.

#### **11.4 Management**

Management is executed as follows:

Article 25 of the by-Laws stipulates that the board of directors may delegate the day-to-day management, and the representation of the Company in relation to such management, to one or more persons, able to act either alone or jointly, according to its decision. The person to whom the powers of day-to-day management are assigned is given the title of "general manager".

The general manager has primary responsibility for seeking to achieve Alterfin's policy goals and is also the daily spokesman and representative. The general manager is responsible for the manner and quality of management, for the balanced management of expenditure and costs, for correct and transparent administration and bookkeeping with a sound balance sheet, for executing the decisions of the board of directors and the credit committee, and for proper contract administration and administrative monitoring of all decisions on financing and guarantees. The general manager is also responsible for ensuring efficient system management and an effective communication policy, as well as for a personnel policy with a clear job description for each employee and an organigram.

Following the decision of the board of directors, in January 2015, Mr Jean-Marc Debricon was appointed as general manager. He replaced Hugo Couderé who, supported by an internal management committee was assuming the general management ad interim.

#### **11.5 Corporate governance**

The cooperative company Alterfin has a threefold corporate structure consisting of the general meeting, the board of directors and the management. In addition, as mentioned above, there is the external credit committee with its own powers. The functioning of these bodies is determined by the regulations of company law, in particular the law on cooperatives, and Alterfin's by-Laws. In addition, the "Internal rules" specify how Alterfin's various bodies function internally and how they collaborate together.



## 11.6 Remuneration of directors and management

The directors receive no remuneration for the exercise of their mandate other than reimbursement of costs and expenses incurred. No remuneration is given to members of the credit committee. The general manager's remuneration for 2014 was EUR 63.485,38 (taxable pay).

## 11.7 Shares held by directors and management

### 11.7.1 Members of the board of directors

On 30 September 2015, seven (out of eight) members of the board of directors personally owned Existing Shares in Alterfin. The Existing Shares owned by directors represent 0,58% of the total capital. No member of the board of directors owns more than 0,27% of the capital.

### 11.7.2 Members of the external experts member of the investment committee

On 30 September 2015, none of the two external experts member of the investment committee personally owned Existing Shares in Alterfin.

### 11.7.3 Management

On 30 September 2015, the management, represented by Jean-Marc Debricon owned around 0,01% of the Existing Shares in Alterfin.

## 11.8 Employees

At the closing date of the 2014 financial year, there were fourteen employees (12,6 full-time equivalents) enrolled on the personnel register, namely:

Hugo Couderé	Senior advisor and portfolio manager Asia– General Manager ad interim
Jan De Grande	Financial director
Julie Depelchin	Accountant
Sofie Desmet	Portfolio manager
Alex Tack	Portfolio manager Latin America
Saúl Castro	Senior advisor Latin America
Mauricio Duran	Credit management Latin America
Virgilio Scacchetti	Credit management Latin America
Caterina Giordano	Portfolio manager Africa
Irène Angot	Junior credit manager
Audrey Timmermans	Reporting and Compliance manager
Marie Depelchin	Credit administrator
Karin Huffer	Communication & Marketing officer
Georges Karras	Communication & Marketing officer

## 12 Relationship with the existing shareholders and transactions with related parties

### 12.1 Shareholder structure before the closure of the Offering

At the close of the 2014 financial year, Alterfin had 5.002 shareholders or members, together investing more than EUR 43,7 million. 83% of this capital is held by private individuals:

Situation on 31/12/2014	Category A		Category B		Total
	Legal entities		Private persons		
Number of shareholders	210	4%	4.792	96%	5.002
Share capital in EUR	7.652.750,00	17%	36.081.312,50	83%	43.734.062,50
Number of shares	30.611	5%	577.301	95%	607.912

On 30 September 2015 the capital had increased to EUR 48.250.563 invested by 5.208 shareholders.

Situation on 30/09/2015	Category A		Category B		Total
	Legal entities		Private persons		
Number of shareholders	211	4%	4.995	96%	5.206
Share capital in EUR	7.777.250	16%	40.473.312,50	84%	48.250.563
Number of shares	31.109	5%	647.573	95%	678.682

### 12.2 Existing shareholder agreements and existing agreements and transactions with affiliated companies

To the Company's knowledge, there are currently no shareholder agreements relating to the Company or agreements and transactions between the Company and affiliated companies.

### 12.3 Conflicts of interest

Alterfin has no special rules on conflicts of interest among its directors and management. To its knowledge there have been no such conflicts of interest during the last three years. Conflicts of interest are understood in the sense of Annex I.14.2 of the Prospectus Regulation.

## 13 Description of the authorised capital

### 13.1 Corporate goal

Alterfin's goal is to contribute to a sustainable financial basis for the development initiatives of economically and socially marginalised groups in communities in the South, and thereby help to achieve the objectives of its shareholders.

To this end it may carry out all transactions which are directly or indirectly related to this goal. It may participate in and cooperate with all companies which can facilitate its objective.

Specifically Alterfin provides financial instruments, training, guidance and research in a creative manner.

In Belgium: Alterfin raises the awareness of people and official bodies about the role of money in the development of a more inclusive and nature- and culture-friendly global society. In cooperation with its banking partners, the NGOs and the government, it mobilises funds for this purpose.

In the South: Alterfin uses these funds to develop or support a local target-group-oriented financial fabric. Depending on the circumstances, guarantees, loans or investments are made available to this end. In addition, Alterfin grants or mobilises technical support.

The Company may also, by means of subscription, contribution, merger, participation or otherwise, have an interest in any company or business with a similar, related or complementary activity and, in general, may engage in any transaction conducive to the achievement of its goal.

### 13.2 Authorised capital

Alterfin mobilises capital in the North through the sale of Shares. Via partners in the South, these funds are then used to provide finance to poor(er) population groups locally. The share capital is the financial basis from which Alterfin makes its investments.

The capital is unlimited. It is fully and unconditionally issued. The fixed portion of the capital is set at fifty thousand euros (EUR 50.000). The capital is variable, without amendment of the by-Laws, with respect to the amount in excess of the fixed portion.

#### 13.2.1 Amount of capital, number and classes of Shares

Situation on 31 December 2014:

Situation on 31/12/2014	Category A		Category B		Total
	Legal entities		Private persons		
Number of shareholders	210	4%	4.792	96%	5.002

<b>Share capital in EUR</b>	7.652.750,00	17%	36.081.312,50	83%	43.734.062,50
<b>Number of shares</b>	30.611	5%	577.301	95%	607.912

Situation on 30 September 2015:

Situation on 30/09/2015	Category A		Category B		Total
	Legal entities		Private persons		
<b>Number of shareholders</b>	211	4%	4.995	96%	<b>5.206</b>
<b>Share capital in EUR</b>	7.777.250	16%	40.473.312,50	84%	<b>48.250.563</b>
<b>Number of shares</b>	31.109	5%	647.573	95%	<b>678.682</b>

### **13.2.2 Capital increase**

The intended maximum total amount of the capital increase is EUR 15.000.000,00 (to be collected during the Subscription Period).

## **13.3 Rights attached to the Shares**

### **13.3.1 General meeting of shareholders and voting rights**

The general meeting has authority over the appointment and dismissal of directors, a statutory auditor and controlling members. Furthermore, the general meeting must approve the annual financial statements and grant discharge to the directors and the statutory auditor. The general meeting must also decide on any amendments to the by-Laws and on the dissolution of the Company.

The general meeting may validly deliberate, irrespective of the number of members present, provided that there is no stipulation to the contrary in Company Code and by-Laws. Each member may choose to be represented by a maximum of one other member (by simple written proxy). Each member may cast a number of votes equal to the number of shares owned. However, no member may cast more than 10% of the total number of votes present at the general meeting. In this way a democratic decision-making process is guaranteed.

### **13.3.2 Distribution of dividends**

Each member is entitled to an annual dividend (participation in the profits) provided the general meeting decides to distribute a dividend. The dividend is the annual financial remuneration for each shareholder's participation in Alterfin.

If there is profit, it is used as follows. At least 5% of the profit is transferred to reserves (required by law). In addition, a dividend of up to 6% may be paid (Art. 6 of the Royal Decree of 8 January 1962). The surplus is carried forward or transferred to reserves.

### **13.3.3 Liquidation**

If the Company's general meeting needs to discuss a change to the Company's goal or the dissolution of the Company, it may only validly deliberate and decide with a four-fifths majority of validly cast votes, and provided the present or represented members represent at least half of the total capital. If the attendance quorum is not reached, a new general meeting must be convened with the same agenda. This meeting can validly make decisions irrespective of the represented portion of the capital. At this second meeting, decisions should also be taken with a four-fifths majority of validly cast votes.

### **13.4 Form of Shares**

The Shares are registered shares, and they are indivisible with respect to the Company. Ownership of the Shares is evidenced by inclusion in the relevant register. Upon registration, certificates are issued to the holders of the Shares.

### **13.5 Transfer of Shares**

Shares may only be transferred between members with the approval of the board of directors.

### **13.6. Withdrawal and take-back**

Holders of Class B Shares may only withdraw or request a partial take-back of their Shares during the first six months of the financial year. Holders of Class A Shares may only withdraw or request a partial take-back of their Shares during the first three months of the financial year. The Company may spread all or part of the take-back over a maximum period of three years. The Company's board of directors may refuse to allow the withdrawal or take-back of shares if the shareholder has obligations towards or current contracts with the Company or if, through the withdrawal or take-back of Shares: a) the authorised capital would be reduced to an amount less than the proportion defined in the by-Laws plus the non-distributable reserves, and/or (b) the Company's financial situation would be endangered. The decision of the board of directors in this matter is final.

### **13.7 Leaver's share**

In all cases of cessation of membership and take-back of Shares, the leaver's share is calculated as the paid-up value of the Shares less losses brought forward plus profits brought forward, as shown in the financial statements for the year in which membership ceased. In no case, however,

may the leaver's share exceed the amount paid up by the member on his/her share certificate. The leaver's share, when payable, shall be paid within three months of approval of the annual financial statements. The board of directors may decide to make the payment at an earlier date. No payment of a leaver's share may take place if this would result in the Company's net assets falling below the fixed portion of the capital defined in the by-Laws plus any reserves which may not be distributed according to the law or the by-Laws.

### **13.8 Other securities**

At present there are no securities other than the Shares.

## 14 The taxation system in Belgium

### 14.1 Dividends

#### 14.1.1 Resident private persons

Title II of the Income Tax Code (WIB) 1992, Art. 21, 6 ° states that the first tranche of EUR 125 of dividends from a cooperative company recognised by the National Council of Cooperative Companies is exempt from withholding tax.

For the tax year 2014, the basic amount of EUR 125 is index-adjusted to EUR 190.

Above this amount a withholding tax of 25% applies under Article 269 WIB 92. On 10 October 2015, the Belgian Federal Government reached a new agreement on the so-called 'tax shift'. An increase in withholding tax from 25% to 27% on dividend paid or attributed on or after 1st of January 2016 has been announced.

Additionally, the programme law of 28 June 2013 adopted a reduction of the withholding tax rate on regular dividends originating from new shares issued at the occasion of a capital increase (or at the moment of incorporation) in a small or medium sized company (SME). The reduced withholding tax rates come down to:

- 20% on dividends granted or made payable by virtue of a profit allocation for the 2nd financial year following the financial year of the contribution;
- 15% from the third year following the financial year of the contribution.

There are a number of conditions that have to be met in order to be able to benefit from the new tax scheme:

- Only companies qualifying as SMEs (in the sense of article 15 of the Belgian Companies Code) can benefit from this tax regime during the taxable period in which the capital increase takes place;
- It applies to dividends from new registered shares;
- The new shares have been acquired by means of a cash contribution;
- The cash contribution is effected from 1 July 2013;
- The contributed capital is fully paid;
- The tax payer has the full property (unless the shares are transferred in direct line or between spouses following a legal succession) of the registered shares uninterruptedly (unless the shares are transferred in direct line or between spouses) as from the moment of capital contribution. There is also an exception for tax neutral restructurings;

In addition, a number of anti-abuse measures have been adopted:

- Only capital increases that exceed the amount of a previous capital decrease since 1 May 2013 qualify for the reduced withholding tax regime;
- In case of a capital decrease after a capital increase under this new measure since 1 July 2013, the decrease will be effected on the basis of the new capital;
- Funds originating from a capital decrease from 1 May 2013 effected by a person who invests these funds in a capital increase of another company, do not qualify for the application of the reduced withholding tax rate;

The general anti-abuse regulation as described in art. 344§1 of the ITC remains to apply.

#### **14.1.2 Resident corporations**

Under Article 269 WIB 92, withholding tax of 25% applies to the entire dividend for companies. On 10 October 2015, the Belgian Federal Government reached a new agreement on the so-called 'tax shift'. An increase in withholding tax from 25% to 27% on dividend paid or attributed on or after 1st of January 2016 has been announced.

Additionally, the programme law of 28 June 2013 adopted a reduction of the withholding tax rate on regular dividends originating from new shares issued at the occasion of a capital increase (or at the moment of incorporation) in a small or medium sized company (SME). The reduction and conditions are described above in 14.1.1.

#### **14.1.3 Resident legal entities**

Under Article 221 WIB 92 there is no exemption for legal entities on the first tranche of the dividend, and under Article 269 WIB 92 a withholding tax of 25% applies to the entire dividend. On 10 October 2015, the Belgian Federal Government reached a new agreement on the so-called 'tax shift'. An increase in withholding tax from 25% to 27% on dividend paid or attributed on or after 1st of January 2016 has been announced.

Additionally, the programme law of 28 June 2013 adopted a reduction of the withholding tax rate on regular dividends originating from new shares issued at the occasion of a capital increase (or at the moment of incorporation) in a small or medium sized company (SME). The reduction and conditions are described above in 14.1.1.

#### **14.1.4 Non-residents**

For non-residents the same provisions apply as for residents.



## **14.2 Capital gains and losses**

### **14.2.1 Capital gains**

In all cases of cessation of membership and take-back of shares, the leaver's share is calculated as the paid-up value of the Shares less losses brought forward plus profits brought forward, as shown in the financial statements for the year in which membership ceased. Given that the leaver's share may not under any circumstances exceed the amount paid up by the member on his/her share certificate, capital gains tax does not apply.

### **14.2.2 Capital losses - resident private persons**

For resident individuals who hold shares as a private investment, capital losses incurred on shares are not tax deductible if the losses result from a transaction which may be regarded as a normal management transaction for the shares. Losses arising from transactions which fall outside the scope of normal management of one's personal assets are deductible from the taxable income which is received from comparable transactions made during the same tax period or the five subsequent tax periods. For resident individuals holding the shares for professional purposes, capital losses realised on disposal of the shares are in principle tax deductible.

### **14.2.3 Capital losses - resident corporations**

For resident corporations, any capital losses realised on disposal of shares are not tax deductible, except for losses incurred as a result of the complete liquidation of the Company up to the amount of the Company's paid-up capital represented by those shares.

### **14.2.4 Capital losses - resident legal entities**

Capital losses incurred by resident legal entities on disposal of shares are generally not tax deductible.

### **14.2.5 Capital losses - non-residents**

Capital losses will be tax deductible, if such losses were realised on the shares held by a non-resident individual in the context of a business conducted in Belgium through a fixed base in Belgium.

For non-resident corporations which hold the shares through a permanent establishment or fixed base in Belgium, any losses realised on disposal of the shares are not tax deductible, except for losses incurred as a result of the complete liquidation of the Company up to the amount the Company's paid-up capital represented by those shares.

## **14.3 Tax on stock exchange transactions**

Not applicable.

#### **14.4 Tax benefits**

On 12 October 2010, Alterfin was recognised as a development fund within the meaning of the Law of 1 June 2008 introducing a tax relief for shares in development funds for microfinance in developing countries and establishing the conditions for recognition as a development fund (Belgian Official Gazette 4 July 2008), amended by the Law of 21 December 2009 containing tax and other provisions (Belgian Official Gazette 31 December 2009).

Alterfin's recognition was valid for the period from 2010 to 2014 and renewed for five years in December 2014. Under the Law individuals may enjoy tax benefits on the amounts invested in Alterfin during that period.

The tax relief is equal to 5% of the actual payments made, and is subject to the following conditions:

- The paid up amount must be at least EUR 250 (EUR 380 after indexation for the taxable year 2015);
- The relief is limited to EUR 210 per taxable period (EUR 320 after indexation for the taxable year 2015);
- The Shares must, except in case of death, have been held for at least 60 months continuously by the beneficiary, and
- If the Shares are disposed of within the period of 60 months, the new owner is not entitled to the tax relief.

To be eligible for the tax relief an individual must therefore acquire at least seven Class B Shares (EUR 437,50). To benefit from the maximum relief of EUR 320, 103 Class B shares must be acquired (EUR 6.437,50).

## **15 Litigation and arbitration; significant changes**

### **15.1 Litigation and arbitration**

There are no pending or threatened court cases or arbitration proceedings which may affect or have affected Alterfin's financial position or profitability.

### **15.2 Significant changes in Alterfin's financial or trading position**

Since the date of the last interim financial figures (30 September 2014), no significant changes have been recorded in Alterfin's financial or trading position.

## **APPENDICES**

- 1. Shareholder registration form***
- 2. Audited financial statements 2012, 2013, 2014***
- 3. Unaudited income statement and balance sheet on 30 September 2015.***
- 4. Credit and Investment Policy***
- 5. Portfolio report on 30 June 2015***

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