

Marupe, April 28, 2017

Corporate Governance Report 2016

As SIA “AgroCredit Latvia”, Reg.No. 40103479757 (further “Company”) bonds are listed in AS Nasdaq Riga stock exchange, Corporate Governance Report for year 2016 is prepared according to section 56.2 Paragraph 3 of the Financial Market Instrument law.

Information on key elements of internal control and risk management system of the Company that are applied preparing the financial reports.

The governance of the Company, inner control and risk management is done in conservative and effective way to ensure sustainability of the company within a frame of existing laws and interests of shareholders and creditors.

The financial reports are prepared according to the regulations and in accordance with the international financial reporting standards as adopted by EU. The preparation of the reports is done by accountant using licensed accounting programs and supervised by the management. The council of the Company will be set up in 2017 and will be also involved in supervising the preparation of the financial reports. A sworn auditor makes a conclusion according the compliance of the financial report with the regulations and international financial reporting standards.

The key business figures are managed by specialized IT data system which is independent from standard accounting system. This serves as a double checking and helps to avoid the human mistakes when preparing the reports.

The financial risks of the Company are supervised by the management. The capital adequacy and liquidity is managed in a conservative way to be able to meet all the outer liabilities of the Company. There are no currency exchange risks held as the assets and the liabilities of the Company are in EUR currency. The interest rate fluctuation risks are insignificant as they are associated mainly with the short- term loans where variable interest rates are applied.

To minimize the credit risks arising from the main activities of the Company: (1) all credit decisions are made by the credit committee consisting of several management persons and related employees; (2) diversification principles are considered – no concentration of loans to one customer group or geographical region; (3) the methodology of making accruals is approved and implemented; (4) the work with problem clients is outsourced to professional legal specialists.

The legal risks of the Company are supervised by the Board Member who has respective education and experience.

The Board Members of the Company are liable for setting up and implementing an extensive and appropriate systems of inner control and risk management.

The annual report and corporate governance report for year 2016 are available on AS Nasdaq Riga web page www.nasdaqbaltic.com and web page of the Company www.agrocredit.lv .

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Board Member