Unaudited Condensed Financial Report

for the year ended
31 December 2014

REVERTA

Contents

Management Report

Dear shareholders and partners!

Reverta continues to perform in line with the plan

Performance results of 2014 show that Reverta's operation has been successful and tasks and objectives have been achieved. During the reporting period EUR 85.2m has been paid to the State Treasury, which is by EUR 27.9m more than the previous year. Of this sum EUR 60m is the principal amount and EUR 25.2m is interest on State Aid.

More than half a billion euros recovered to the State

Since 1 August 2010 to 31 December 2014, the State has received from Reverta a total of more than half a billion euros. This sum comprised payments to the State Treasury in the amount of EUR 313.5m and repayments of the Syndicated Loan (which was State guaranteed) and the accrued interest on the loan in the amount of EUR 244.6m. Approximately EUR 15m has been paid in addition to the State in the form of various taxes and duties. Starting from 1 August 2010 Reverta has paid a total of EUR 17.2m under subordinated liabilities.

Overall, since 1 August 2010 to the end of the reporting period Reverta has recovered EUR 604.9m through the management of the distressed loan portfolio.

Recovered funds

During the reporting period, EUR 93.2m has been recovered from the workout of distressed loan portfolio, including sales of real estate properties. Reverta's performance was positively affected by the activities on the real estate market and in the Latvian economy in general that were observed during the first half of 2014. That way, for example, one of the most complicated and largest real estate deals in Latvia was concluded by Reverta selling the Skonto Sports Complex for EUR 13.8m, which covered not only the whole loan commitment but also the maintenance costs of the object.

Market situation

This period of cautious expectations was sharply interrupted by the aggravation of the macroeconomic situation in Europe due to the Russian - Ukrainian conflict. As a result of this, at the end of 2014 the recovery of the issued loans became more difficult. The rouble devaluation encumbered loan repayment capacity of the Russian and other CIS clients – some of previously planned restructuring deals did not take place in due time and some transfers of regular loan payments were either blocked or delayed.

In addition to the Russian - Ukrainian factor, in the second half of 2014 the Latvian economy and real estate market were negatively affected by unforeseen changes to the Latvian legislation regarding the procedure for receiving non-residents' permits, as well as the planned introduction of the walkaway principle that gave rise to opposition from banks and sharply decreased the number of issued mortgage loans.

Provisioning/planned loss

Preventive provisions for unsecured loans made in 2013 allowed for decreasing of Reverta's loss during the reporting period to EUR 57.5m as compared to EUR 136.4m loss in the previous year. The loss mostly comprises provisions for impairment of the loan portfolio and net interest expense. Taking into consideration the fact that after the splitting of Parex bank Reverta received only low quality assets with long-term repayment difficulties, the Restructuring Plan already initially envisaged loss for the whole duration of Reverta's operation.

Real estate portfolio

During the reporting period Reverta continued the workout of the real estate portfolio and disposal of real estate objects. Thanks to the positive real estate market tendencies during the first half of 2014 the majority of objects were sold to third parties and Reverta repossessed only some collaterals. At the same time, focused sales of real estate properties were carried out in line with the established tasks and sales strategy and resulted in the total proceeds of EUR 44.2m.

Downsizing

Reverta's total assets as of 31 December 2014 were EUR 228.8m, as compared to EUR 350.7m a year before. With the asset portfolio decreasing, a gradual downsizing of Reverta's operations and re-planning of the structure to suit a smaller number of employees has been commenced in order to retain the high efficiency of the company.

Cessation of payments under subordinated liabilities

In accordance with the amendments to the Latvian Law on Control of Aid for Commercial Activity, starting from 1 July 2014 Reverta has ceased payments of the principal and interest on subordinated liabilities until a full repayment of the State Aid. The said amendments to the law will allow the State to be the first to recover investment into Parex bank and will help Reverta save EUR 4.4m every year. The sub debt payments were mostly made to the former shareholders of Parex bank and persons associated with them.

After the end of the reporting period

- On 1 February 2015 the member of the Supervisory Board of Reverta Kaspars Āboliņš stepped down from his position. The Supervisory Board will continue to operate with three members until election of a new member. As before, the Supervisory Board of Reverta is represented by its Chairman Michael Joseph Bourke, Deputy Chairperson Mary Ellen Collins and Member Andris Ozoliņš. Under the Articles of Association of Reverta the Supervisory Board is elected for a period of three years.

- In mid-February 2015 Reverta made another interest payment to the State Treasury in the amount of EUR 5m.
- On 24 February 2015 the Cabinet of Ministers reviewed the annual report of the Latvian Privatisation Agency on the implementation of Reverta’s disposal strategy. The Cabinet decided to support the recommendation of the Latvian Privatisation Agency and the external consultant KPMG Baltics to continue with the previously approved disposal strategy. It envisages the workout of the loan portfolio and sales of single assets if the management and maintenance costs exceed the projected increase of value during the operation period established by the Restructuring Plan. The KPMG report shows that the macroeconomic environment in Europe has drastically changed due to the Russian - Ukrainian conflict. KPMG points out that the activity of distressed asset sales continues to increase but most of these deals are concluded in Western Europe. Deals in Central and Eastern Europe are applied larger discounts than in Western Europe.

Solvita Deglava
Chairperson of the Management Board

Edgars Miļūns
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
27 February 2015

The Council and the Management Board

The Council

Name	***Position***
Michael Joseph Bourke	Chairman of the Council
Kaspars Āboliņš	Deputy Chairman of the Council (till 01.02.2015)
Mary Ellen Collins	Member of the Council (till 24.02.2015)
Mary Ellen Collins	Deputy Chairperson of the Council (from 25.02.2015)
Andris Ozoliņš	Member of the Council

The Management Board

Name	***Position***
Solvita Deglava	Chairperson of the Management Board
Ruta Amtmane	Member of the Management Board
Edgars Miļūns	Member of the Management Board

Statement of Responsibility of the Management

The Management of AS Reverta (hereinafter – the Company) are responsible for the preparation of the financial statements of the Company as well as for the preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter – the Group).

The financial statements set out on pages 8 to 16 are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as at 31 December 2014 and the results of their operations, changes in shareholders' equity and cash flows for the twelve month period ended 31 December 2014. The management report set out on pages 3 to 5 presents fairly the financial results of the reporting period and future prospects of the Company and the Group.

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS Reverta are responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group.

Solvita Deglava
Chairperson of the Management Board

Edgars Miļūns
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
27 February 2015

Statements of Comprehensive Income

	EUR 000’s			
	2014	2013*	2014	2013*
	Group	Group	Company	Company
Interest income	3,998	8,139	4,843	8,154
Interest expense	(27,153)	(28,974)	(27,245)	(28,974)
Net interest expense	**(23,155)**	**(20,835)**	**(22,402)**	**(20,820)**
Commission and fee income	45	51	44	51
Commission and fee expense	(26)	(26)	(22)	(16)
Net commission and fee income / (expense)	**19**	**25**	**22**	**35**
Result of revaluation of financial instruments and foreign currency, net	871	(1,536)	642	(1,463)
Other income	230	102	1,506	1,536
Net financial result of the segment	**(22,035)**	**(22,244)**	**(20,232)**	**(20,712)**
Real estate segment income	5,458	5,012	350	120
Real estate segment expense	(1,473)	(1,865)	(162)	(158)
Revaluation result, net	(750)	(797)	1,262	397
Net result of RE segment	**3,235**	**2,350**	**1,450**	**359**
Collaterals and assets under repossession expense	(45)	(193)	(45)	(193)
Administrative expense	(7,655)	(10,206)	(7,348)	(9,845)
Amortisation and depreciation charge	(69)	(166)	(66)	(163)
Impairment of assets, net	(33,323)	(95,327)	(31,074)	(105,646)
Loss before taxation	**(59,892)**	**(125,786)**	**(57,315)**	**(136,200)**
Corporate income tax	(370)	(250)	(155)	(248)
Loss for the period	**(60,262)**	**(126,036)**	**(57,470)**	**(136,448)**

* Auditor: SIA "Ernst&Young Baltic"

Statements of Financial Position

	EUR 000’s			
	2014	2013*	2014	2013*
	Group	Group	Company	Company
Assets				
Balances due from credit institutions	5,713	21,485	5,171	14,156
Shares and other non-fixed income securities	-	10	-	10
Loans	162,096	241,846	173,040	276,127
Fixed assets	63	78	55	64
Intangible assets	87	90	86	90
Investments in subsidiaries	-	-	21,655	32,769
Investment property	46,466	72,890	9,703	5,492
Other assets	14,395	14,260	10,548	10,801
Total assets	**228,820**	**350,659**	**220,258**	**339,509**
Liabilities				
Issued debt securities	458,185	518,641	458,185	518,641
Other liabilities	2,329	3,625	1,627	3,127
Subordinated liabilities	75,851	75,676	75,851	75,676
Total liabilities	**536,365**	**597,942**	**535,663**	**597,444**
Equity				
Paid-in share capital	442,552	442,552	442,552	442,552
Share premium	18,063	18,063	18,063	18,063
Accumulated losses	(768,160)	(707,898)	(776,020)	(718,550)
Total shareholders' equity attributable to the shareholders of the Company	**(307,545)**	**(247,283)**	**(315,405)**	**(257,935)**
Total liabilities and equity	**228,820**	**350,659**	**220,258**	**339,509**

* Auditor: SIA "Ernst&Young Baltic"

Statements of Changes in Equity

Group	EUR 000’s			
	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2012	**442,552**	**18,063**	**(581,862)**	**(121,247)**
Loss for the period	-	-	(126,036)	(126,036)
Balance as at 31 December 2013	**442,552**	**18,063**	**(707,898)**	**(247,283)**
Loss for the period	-	-	(60,262)	(60,262)
Balance as at 31 December 2014	**442,552**	**18,063**	**(768,160)**	**(307,545)**

Company	EUR 000’s			
	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2012	**442,552**	**18,063**	**(582,102)**	**(121,487)**
Loss for the period	-	-	(136,448)	(136,448)
Balance as at 31 December 2013	**442,552**	**18,063**	**(718,550)**	**(257,935)**
Loss for the period	-	-	(57,470)	(57,470)
Balance as at 31 December 2014	**442,552**	**18,063**	**(776,020)**	**(315,405)**

Statements of Cash Flows

	EUR 000's			
	2014	2013*	2014	2013*
	Group	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(59,892)	(125,786)	(57,315)	(136,200)
Amortisation and depreciation	69	166	66	164
Change in impairment allowances and other accruals	33,323	95,327	31,075	105,645
Interest income	(3,998)	(8,139)	(4,843)	(8,154)
Interest expense	27,153	28,974	27,245	28,974
Other non-cash items	1,171	(797)	(683)	(2,106)
Cash generated before changes in assets and liabilities	**(2,174)**	**(10,255)**	**(4,455)**	**(11,677)**
Decrease in loans and receivables	44,271	63,880	72,947	79,268
Decrease in investment property	41,022	37,757	2,483	1,872
(Increase)/decrease in other assets	(9,637)	(12,876)	(3,949)	2,221
(Decrease)/ increase in other liabilities	(1,295)	(1,074)	11,733	(825)
Cash generated from operating activities before corporate income tax	**72,187**	**77,432**	**78,759**	**70,859**
Corporate income tax paid	(370)	(250)	(155)	(248)
Net cash flows from operating activities	**71,817**	**77,182**	**78,604**	**70,611**
Cash flows from investing activities				
Purchase of intangible and fixed assets	(57)	(77)	(57)	(77)
Net cash flow from investing activities	**(57)**	**(77)**	**(57)**	**(77)**
Cash flows from financing activities				
Redemption of issued debt securities (principal)	(60,046)	(32,189)	(60,046)	(32,189)
Interest for issued debt securities	(25,189)	(25,134)	(25,189)	(25,134)
Interest for subordinated debt	(2,297)	(4,616)	(2,297)	(4,616)
Net cash flow from financing activities	**(87,532)**	**(61,939)**	**(87,532)**	**(61,939)**
Net cash flow for the reporting period	**(15,772)**	**15,166**	**(8,985)**	**8,595**
Cash and cash equivalents at the beginning of the reporting period	**21,485**	**6,319**	**14,156**	**5,561**
Cash and cash equivalents at the end of the reporting period	**5,713**	**21,485**	**5,171**	**14,156**

* Auditor: SIA "Ernst&Young Baltic"

Consolidation Group Structure as at 31 December 2014

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
1	AS "Reverta"	LV-40003074590	Latvia, Riga LV-1010, Republikas laukums 2A	LV	KS	100	100	MAS
2	Regalite Holdings Limited	CY-HE93438	Cyprus, Nicosia 1075, 58 Arch. Makarios 3 Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
3	OOO "Parex Leasing and Factoring"	GE-205224461	Georgia, Tbilisi, Kazbegi avenue 44	GE	LIZ	100	100	MS
4	SIA “NIF Dzīvojamie īpašumi”	LV-40103253915	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
5	SIA “NIF Komercīpašumi”	LV-40103254003	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
6	SIA “NIF Zemes īpašumi”	LV-40103255348	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
7	UAB “NIF Lietuva”	LT-302462108	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	PLS	100	100	MS
8	OÜ “NIF Eesti”	EE-11788043	Estonia, Tallinn 10119, Roosikrantsi 2	EE	PLS	100	100	MS
9	SIA “NIF Projekts 1”	LV-50103300111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
10	SIA “NIF Projekts 6”	LV-40103398865	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
11	SIA “NIF Projekts 7”	LV-40103512479	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
12	SIA “NIF Projekts 8”	LV-40103512604	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
13	Carnella Maritime Corp.	BVI-1701483	British Virgin Islands, Mill Mall Tower, 2 nd Floor, Wickhams Cay 1, Tortola.	BVI	PLS	100	100	MS

*KS – commercial company, LIZ – leasing company, PLS – company providing various support services.

** MS – subsidiary company, MAS – parent company.

Notes

Information about Reverta’s structure

As at 31 December 2014 the Company had 4 representative offices.

Issued share capital as at 31 December 2014

Shareholders	Nominal value, (EUR)	Number of shares	Paid-in share capital, (EUR)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	0.10	3 724 074 799	372,407,479.9	2 928 030 460	84.15%
EBRD	0.10	563 811 205	56,381,120.5	563 910 051	12.74%
Other	0.10	137 633 662	13,763,366.2	77 809 197	3.11%
Total		**4 425 519 666**	**442,551,966.6**	**3 569 749 708**	**100%**

Information on certain parties that were related to the Company at the moment it received state aid

The following table represents summary of material transactions with certain parties that were related to the Company at the moment it received the State Aid:

	EUR 000’s			
	2014		**2013**	
	Period-end balance	**Interest income/ (expense)**	**Period-end balance**	**Interest income/ (expense)**
Loans issued by the Company	2,744	-	2,671	-
Subordinated financing provided to the Company	51,311	(1,479)	51,221	(3,011)

Subordinated financing contracts were entered into force in 2008 and have maturities ranging 2015 through 2018. Subordinated financing is LVL and EUR denominated. Prior repayment can be unilaterally requested only upon liquidation of the Company.

The following table represents the details of the Company’s subordinated capital:

Counterparty	Residence country	Issue size, (EUR 000’s)	Interest rate	Original agreement date	Original maturity date	Amortised cost (EUR 000’s) 31/12/2014	Amortised cost (EUR 000’s) 31/12/2013
Notes-private placement	UK	20,000	4.759%	28/12/2007	28/12/2022	19,096	19,012
Private person	Latvia	10,672	6M Rigibid + 3%	28/09/2007	26/09/2017	10,699	10,672
Private person	Latvia	10,672	6M Rigibid + 3%	28/09/2007	26/09/2017	10,699	10,672
Notes – public issue	n/a	5,350	12%	08/05/2008	08/05/2018	5,444	5,444
Private person	Latvia	15,000	12%	20/06/2008	14/05/2015	15,075	15,075
Private person	Latvia	2,134	6M Rigibid + 3%	30/10/2008	30/10/2018	2,140	2,134
Private person	Latvia	2,134	6M Rigibid + 3%	30/10/2008	30/10/2018	2,140	2,134
Private person	Latvia	3,250	6M Rigibid + 3%	04/12/2008	17/09/2015	3,259	3,251
Private person	Latvia	3,250	6M Rigibid + 3%	04/12/2008	17/09/2015	3,259	3,251
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	29/09/2015	2,020	2,015
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	29/09/2015	2,020	2,015
					Total	**75,851**	**75,675**

Risk management

The Group's risk is managed according to principles set out in Group's Risk Management Policy. The Group adheres to the following key risk management principles:

- Undertaking an acceptable risk level is one of the Group's main functions in all areas of operation. Risks are always assessed in relation to the expected return. Risk exposures that are not acceptable for the Group are, where possible, avoided, limited or hedged;
- The Group does not assume new high or uncontrollable risks irrespective of the return they provide. Risks should be diversified and those risks that are quantifiable should be limited or hedged;
- Risk management is based on awareness of each and every Group's employee about the nature of transactions he/she carries out and related risks;
- The Group aims to ensure as low as possible risk exposure and low level of operational risk.

Risk management is an essential element of the Group's management process. Risk management within the Group is controlled by an independent unit unrelated to customer servicing - Risk Management Division.

The Group is exposed to the following main risks: credit risk, liquidity risk, currency risk and operational risk. The Group has approved risk management policies for each of these risks, which are briefly summarised below.

Credit risk

Credit risk is the risk that the Group will incur losses from debtor's non-performance or default. The group is exposed to credit risk in its loan restructuring activities.

Credit risk management is based on adequate risk assessment and decision-making. For material risks, risk analysis is conducted by independent Risk Management Division. The analysis of credit risk comprises evaluation of customer's creditworthiness and collateral and its liquidity. The analysis of creditworthiness of a legal entity includes analysis of the industry, the company, and its current and forecasted financial position. The analysis of creditworthiness of an individual includes the analysis of the customer's credit history, income and debt-to-income ratio analysis, as well as the analysis of social and demographic factors. All decisions about loan restructuring or changes in loan agreements are made by the Credit Committee and further reviewed by the Company's Management Board.

The Group reviews its loan portfolio on a regular basis to assess its quality and concentrations, as well as to evaluate the portfolio trends.

Credit risk identification, monitoring and reporting is the responsibility of Risk Management Division.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets sufficient to meet potential obligations.

Under ordinary circumstances the Group manages its liquidity risk in accordance with the Group's Liquidity Risk Management Policy. Liquidity risk is assessed and related decisions are made by the Company's Management Board. Daily liquidity management, as well as liquidity risk measurement, monitoring and reporting, is ensured by the Finance, Risk Management & Operational Department. Liquidity risk management in the Group is coordinated by the Finance, Risk Management & Operational Department. The main source of liquidity are debt securities issued by the Company.

Operational risk

Operational risk is the risk of suffering losses resulting from processes that are deficient or non-compliant with requirements of external and internal regulations, losses resulting from actions of employees and system malfunctioning, as well as losses resulting from actions of third parties or from other external conditions, including legal risk (risk of penalty fees, sanctions applied by external institutions, losses resulting from litigation and other similar events), but excluding strategic risk and reputation risk. The Group further divides operational risk into the following categories: personnel risk, process risk, IT and systems risk, external risk.

The Group does not undertake / accept operational risks with unquantifiable impact that are concurrently unmanageable (it is impossible to prevent such risks or provide for their consequences – e.g. non-compliance with legal regulations etc.), irrespective of the financial gains this could bring (i.e., the Group does not perform business activities incurring such operational risks).

The Group applies following approaches for operational risk management:

- Defining operational risk indicators – use of statistical, financial and other indicators that reflect the level of various operational risk types and its changes within the Group;
- Operational risk measurement by recording and analysing operational risk events, the extent of the respective damage incurred, causes and other related information (data base of operational risk losses and incidents);
- "Four-eye-principle" and segregation of duties;
- Business continuity planning;
- Insurance;
- Investments in appropriate data processing and information protection technologies.

Currency risk

Currency risk is related to mismatch in foreign currency asset and liability positions that impact the Group's cash flow and financial results via fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with the Group options. Day-to-day currency risk monitoring, management and reporting is the responsibility of Finance, Risk Management & Operational Department.