



Unaudited Condensed  
Financial Report

for the year ended  
31 December 2016

**REVERTA**

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Registration number 40003074590

## Management Report

### Dear shareholders and partners!

For Reverta, the year 2016 (hereinafter – the Reporting Period) was characterised by large projects in Latvia, Lithuania, Estonia, and Russia, completion of which has required many years of sustained efforts. As a result of this, at the end of the Reporting Period the recovered funds amounted to EUR 74.1 m, as compared to EUR 61.3 m in 2015.

During the Reporting Period, Reverta has repaid the State Treasury EUR 60 m, of which EUR 40 m was used to repay the principal, and EUR 20 m was used to repay the interest on State aid granted to Parex Bank.

Since 1 August 2010 till 31 December 2016, Reverta has recovered EUR 740.3 m from the restructuring of distressed loans, sales of bonds, and disposal of real estate properties, which is 66 per cent of all assets received from Parex Bank, thus exceeding initial estimates of Reverta's management. If compared to the situation in 2007/2008, the average market value of real estate properties has decreased by approximately 50 per cent. In view of the fact that real estate properties in Reverta's portfolio serving as collaterals often have lost even up to 90 per cent of their initial market value, the recovered 66 per cent is a positive result.

Payments to the State Treasury made from 1 August 2010 till 31 December 2016 have amounted to EUR 426.4 m, though this is only a portion of obligations fulfilled and payments made by Reverta in due time and in full amount. Overall, the State has received from Reverta more than EUR 670.6 m in the form of various payments, including more than EUR 16 m paid in tax. In addition, Reverta has repaid term deposits in the amount of EUR 19.2 m and also has paid subordinated loans in the amount of EUR 18.6 m (mostly to the former shareholders of Parex Bank, and to associated persons).

The results of the Reporting Period were significantly improved through the completion of several large and complex projects in Latvia and abroad. The largest projects of 2016 were the Lithuanian loan project (EUR 10.6 m), Meridiane – a unique and valuable land plot in Tallinn (EUR 9 m), the reconstruction, lease and subsequent sales of the central office building of airBaltic (EUR 6.19 m), and the sales of a commercial property at Frunzenskaya Naberezhnaya in Moscow (EUR 2.3 m).

Successful sales of real estate properties also significantly contributed to the recovery of funds. By the end of the Reporting Period Reverta had received EUR 27.9 m from the sales of real estate properties, which is by EUR 5.4 m more than in 2015. This positive result reflects sustained sales efforts, regular price revisions to match the market situation, and various marketing activities aimed at appropriate target audiences. At the end of 2016 Reverta's real estate portfolio had significantly decreased and mainly consisted of land plots, a few private houses, and some flats.

Reverta's loss during the Reporting Period was EUR 45.9 m. As in previous years, the loss comprises of provisions for the impairment in distressed assets value and by the excess of interest expense over interest income. Taking into consideration that after the split of Parex Bank only low quality assets with a long history of repayment problems were allocated to Reverta, the Restructuring Plan did not anticipate any profit during Reverta's operation.

At the end of the Reporting Period Reverta's total asset portfolio was EUR 57.2 m: during the Reporting Period the assets have decreased by EUR 87.4 m or 60 per cent, as compared to the situation at 31 December 2015.

In order to implement the EC approved Restructuring Plan which envisages completion of the workout of Reverta's portfolio and closing of all operations by the end of 2017, Reverta has signed an agreement with KMPG Baltics for receiving expert's advice on the sales process of Reverta's loan and real estate portfolios. Of 65 contacted potential investors 15 signed confidentiality agreements and in November 2016 received access to the virtual data room. Already in December 2016 seven potential investors made non-binding bids. In line with the recommendation of the consultant KMPG Baltics, four best tenderers were invited to participate in a more thorough examination of Reverta's loan portfolio.

*Events after the end of the Reporting Period:*

- At the end of January 2017, four potential investors commenced an in-depth analysis of Reverta's loan portfolios. It is expected that in March 2017 investors could submit their binding offers;
- In February 2017 Reverta made another regular interest payment to the State Treasury in the amount of EUR 3.7 m. Since 1 August 2010 till 28 February 2017 Reverta has repaid the State Treasury EUR 430.2 m, and overall the State has received from Reverta EUR 691 m in the form of various payments, including EUR 16 m paid in tax;
- Currently there are only assets undergoing complicated and time consuming workout process left in Reverta's loan portfolio. Other assets have been already disposed of and the recovered funds have been repaid to the State. In view of the restricted life of Reverta, the company is looking for an investor to buy its remaining assets in order to wind up all economic activities by the end of 2017.

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Solvita Deglava  
Chairperson of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
28 February 2017

## The Supervisory Board and the Management Board

### The Supervisory Board

<b><i>Name</i></b>	<b><i>Position</i></b>
Michael Joseph Bourke	Chairman of the Supervisory Board
Mary Ellen Collins	Member of the Supervisory Board
Līga Kļaviņa	Deputy Chairperson of the Supervisory Board
Artūrs Neimanis	Member of the Supervisory Board

### The Management Board

<b><i>Name</i></b>	<b><i>Position</i></b>
Solvita Deglava	Chairperson of the Management Board
Ruta Amtmane	Member of the Management Board
Edgars Miļūns	Member of the Management Board (till 31.05.2016)

## 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 7 to 14 are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as at 31 December 2016 and the results of their operations, changes in shareholders' equity and cash flows for the twelve month period ended 31 December 2016. The management report set out on pages 3 to 4 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.

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Solvita Deglava  
Chairperson of the Management Board

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Ruta Amtmane  
Member of the Management Board

Riga,  
28 February 2017

## Statements of Comprehensive Income

	EUR 000's			
	31/12/2016	31/12/2015*	31/12/2016	31/12/2015*
	Group	Group	Company	Company
Interest income	219	2,294	698	2,793
Interest expense	(19,469)	(22,174)	(19,502)	(22,174)
<b>Net interest expense</b>	<b>(19,250)</b>	<b>(19,880)</b>	<b>(18,804)</b>	<b>(19,381)</b>
Commission and fee income	26	26	26	26
Commission and fee expense	(9)	(19)	(6)	(17)
<b>Net commission and fee income</b>	<b>17</b>	<b>7</b>	<b>20</b>	<b>9</b>
Result of revaluation of financial instruments and foreign currency, net	564	560	487	307
Other income	868	195	1,536	1,375
<b>Net financial result of the segment</b>	<b>(17,801)</b>	<b>(19,118)</b>	<b>(16,761)</b>	<b>(17,690)</b>
Real estate segment income, net	(294)	(866)	(425)	(825)
Real estate segment expense	(790)	(1,170)	(155)	(260)
Revaluation result, net	(3,318)	(2,503)	(120)	(312)
<b>Net result of RE segment</b>	<b>(4,402)</b>	<b>(4,539)</b>	<b>(700)</b>	<b>(1,397)</b>
Collaterals and assets under repossession expense	(22)	(35)	(22)	(35)
Administrative expense	(6,454)	(7,008)	(6,037)	(6,862)
Amortisation and depreciation charge	(40)	(66)	(39)	(64)
Impairment of assets, net	(16,361)	(23,468)	(22,371)	(19,479)
<b>Loss before taxation</b>	<b>(45,080)</b>	<b>(54,234)</b>	<b>(45,930)</b>	<b>(45,527)</b>
Corporate income tax	-	(18)	-	(17)
<b>Loss for the period</b>	<b>(45,080)</b>	<b>(54,252)</b>	<b>(45,930)</b>	<b>(45,544)</b>

\* Auditor: SIA "PricewaterhouseCoopers"

## Statements of Financial Position

	EUR 000's			
	31/12/2016	31/12/2015*	31/12/2016	31/12/2015*
	Group	Group	Company	Company
<b>Assets</b>				
Balances due from credit institutions	8,249	5,217	5,251	2,063
Loans	25,422	89,544	31,756	104,852
Fixed assets	22	50	22	44
Intangible assets	36	53	36	53
Investments in subsidiaries	-	-	6,663	22,201
Investment property	13,894	36,322	2,780	5,107
Other assets	11,320	13,182	10,714	10,286
<b>Total assets</b>	<b>58,943</b>	<b>144,368</b>	<b>57,222</b>	<b>144,606</b>
<b>Liabilities</b>				
Issued debt securities	386,701	427,214	386,701	427,214
Other liabilities	3,206	3,136	1,360	2,399
Subordinated liabilities	76,040	75,942	76,040	75,942
<b>Total liabilities</b>	<b>465,947</b>	<b>506,292</b>	<b>464,101</b>	<b>505,555</b>
<b>Equity</b>				
Paid-in share capital	442,552	442,552	442,552	442,552
Share premium	18,063	18,063	18,063	18,063
Accumulated losses	(867,619)	(822,539)	(867,494)	(821,564)
<b>Total shareholders' equity attributable to the shareholders of the Company</b>	<b>(407,004)</b>	<b>(361,924)</b>	<b>(406,879)</b>	<b>(360,949)</b>
<b>Total liabilities and equity</b>	<b>58,943</b>	<b>144,368</b>	<b>57,222</b>	<b>144,606</b>

\* Auditor: SIA "PricewaterhouseCoopers"



## Statements of Changes in Equity

Group	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
<b>Balance as at 31 December 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(768,287)</b>	<b>(307,672)</b>
Loss for the period	-	-	(54,252)	(54,252)
<b>Balance as at 31 December 2015</b>	<b>442,552</b>	<b>18,063</b>	<b>(822,539)</b>	<b>(361,924)</b>
Loss for the period	-	-	(45,080)	(45,080)
<b>Balance as at 31 December 2016</b>	<b>442,552</b>	<b>18,063</b>	<b>(867,619)</b>	<b>(407,004)</b>

Company	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
<b>Balance as at 31 December 2014</b>	<b>442,552</b>	<b>18,063</b>	<b>(776,020)</b>	<b>(315,405)</b>
Loss for the period	-	-	(45,544)	(45,544)
<b>Balance as at 31 December 2015</b>	<b>442,552</b>	<b>18,063</b>	<b>(821,564)</b>	<b>(360,949)</b>
Loss for the period	-	-	(45,930)	(45,930)
<b>Balance as at 31 December 2016</b>	<b>442,552</b>	<b>18,063</b>	<b>(867,494)</b>	<b>(406,879)</b>

## Statements of Cash Flows

	EUR 000's			
	31/12/2016	31/12/2015*	31/12/2016	31/12/2015*
	Group	Group	Company	Company
<b>Cash flows from operating activities</b>				
Loss before tax	(45,080)	(54,234)	(45,930)	(45,527)
Amortisation and depreciation	40	66	39	64
Change in impairment allowances and other accruals	19,679	23,468	22,491	19,479
Interest income	(219)	(2,294)	(698)	(2,793)
Interest expense	19,469	22,174	19,502	22,174
Other non-cash items	(564)	1,946	(487)	9
<b>Cash generated before changes in assets and liabilities</b>	<b>(6,675)</b>	<b>(8,874)</b>	<b>(5,083)</b>	<b>(6,594)</b>
Proceeds from loans and receivables	45,261	42,324	56,601	40,247
Proceeds from investment property	27,927	17,560	4,625	14,916
(Increase)/decrease in other assets	(3,667)	909	224	645
(Decrease)/ increase in other liabilities	70	679	(1,039)	771
Decrease of share capital of subsidiaries	-	-	7,744	-
<b>Cash generated from operating activities before corporate income tax</b>	<b>62,916</b>	<b>52,598</b>	<b>63,072</b>	<b>49,985</b>
Corporate income tax paid	-	(18)	-	(17)
<b>Net cash flows from operating activities</b>	<b>62,916</b>	<b>52,580</b>	<b>63,072</b>	<b>49,968</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible and fixed assets	-	(22)	-	(22)
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>(22)</b>	<b>-</b>	<b>(22)</b>
<b>Cash flows from financing activities</b>				
Redemption of issued debt securities (principal)	(40,015)	(30,708)	(40,015)	(30,708)
Interest for issued debt securities	(19,869)	(22,346)	(19,869)	(22,346)
<b>Net cash flow from financing activities</b>	<b>(59,884)</b>	<b>(53,054)</b>	<b>(59,884)</b>	<b>(53,054)</b>
<b>Net cash flow for the reporting period</b>	<b>3,032</b>	<b>(496)</b>	<b>3,188</b>	<b>(3,108)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>5,217</b>	<b>5,713</b>	<b>2,063</b>	<b>5,171</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>8,249</b>	<b>5,217</b>	<b>5,251</b>	<b>2,063</b>

\* Auditor: SIA "PricewaterhouseCoopers"

## Consolidation Group Structure as at 31 December 2016

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 Komerģīpašumi"	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
14	SIA "NIF Projekts 10"****	LV-50103930111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MMS

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

\*\*\* – the company was liquidated and excluded from the Group Structure on 10 January, 2017.

\*\* MS – subsidiary company, MAS – parent company, MMS – subsidiary of the subsidiary company.

\*\*\*\* – the company's shares have been sold on 20 January, 2017.

## Notes

### Issued share capital as at 31 December 2016

Shareholders	Nominal value, (EUR)	Number of shares	Paid-in share capital, (EUR)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	0.10	3 724 127 238	372,412,723.8	2 928 030 460	84.15%
EBRD	0.10	563 910 051	56,391,005.1	563 910 051	12.74%
Other	0.10	138 482 377	13,748,237.7	77 809 197	3.11%
<b>Total</b>		<b>4 425 519 666</b>	<b>442,551,966.6</b>	<b>3 569 749 708</b>	<b>100%</b>

### 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			
	31/12/2016		31/12/2015	
	Period-end balance	Interest income/ (expense)	Period-end balance	Interest income/ (expense)
Loans issued by the Company	2,845	-	2,821	-
Subordinated financing provided to the Company	51,311	-	51,311	-

### Information on 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)	Amortised cost (EUR 000's)
						31/12/2016	31/12/2015
Notes-private placement	UK	20,000	4.759%	28/12/2007	28/12/2022	19,285	19,187
Private person	Latvia	10,672	6M Rigibid + 3%	04/12/2008	26/09/2017	10,699	10,699
Private person	Latvia	10,672	6M Rigibid + 3%	04/12/2008	26/09/2017	10,699	10,699
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	31/12/2017	15,075	15,075
Private person	Latvia	2,134	6M Rigibid + 3%	30/10/2008	30/10/2018	2,140	2,140
Private person	Latvia	2,134	6M Rigibid + 3%	30/10/2008	30/10/2018	2,140	2,140
Private person	Latvia	3,250	6M Rigibid + 3%	04/12/2008	31/12/2017	3,259	3,259
Private person	Latvia	3,250	6M Rigibid + 3%	04/12/2008	31/12/2017	3,259	3,259
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	31/12/2017	2,020	2,020
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	31/12/2017	2,020	2,020
					<b>Total</b>	<b>76,040</b>	<b>75,942</b>

According to Amendments to the Law on Control of Aid for Commercial Activity, which became effective from 1 July 2014, fulfillment of Reverta's subordinated liabilities, i.e. principal and interest payments on subordinated loans will be allowed only after a full repayment of the State aid. Therefore, starting from 1 July 2014, Reverta has suspended calculation and payment of the interest on subordinated loans and the principal.

## 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 & Operational Department.

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 & Operational Department. 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 & Operational Department.

### 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.