



Unaudited Condensed
Financial Report

for the 1st half of
2017

REVERTA

Contents

Management Report.....	3
The Council and the Management Board	5
Statement of Responsibility of the Management.....	6
Statements of Comprehensive Income	7
Statements of Financial Position.....	8
Statements of Changes in Equity	9
Statements of Cash Flows	10
Consolidation Group Structure	11
Notes	12

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Management Report

Dear shareholders and partners!

In the first six months of 2017 (hereinafter also referred to as the Reporting Period), Joint Stock Company Reverta continued its efforts to work out distressed assets and to recover funds, at the same time commencing sale of loan portfolios and getting ready for the planned liquidation of the company.

Financial information:

During the Reporting Period, Reverta made regular interest payments to the State Treasury in the amount of EUR 7.3 M. Since 1 August 2010 till the end of Reporting Period (30 June 2017), Reverta has recovered for the State EUR 698 M in the form of various payments, EUR 434 M of which were paid to the State Treasury and more than EUR 20 M were tax payments.

During the Reporting Period, Reverta recovered EUR 14.2 M from the workout and sales of distressed assets, but the total amount of recovered funds since 1 August 2010 has reached EUR 754.5 M which is more than 67 per cent of distressed assets left to Reverta after the takeover and split of Parex Bank. This result significantly exceeds initial estimates and the average figures of the distressed assets sector. Reverta has stated on several occasions that the amount of recovered funds is the primary measure of Reverta's performance.

During the Reporting Period, Reverta succeeded to sell real estate properties for the total amount of EUR 4.8 M, and by the end of the period the real estate portfolio decreased to 37 objects. Reverta expects to sell the remaining real estate properties – some flats, private houses, and land plots – by the termination of the company's activities.

During the Reporting Period, Reverta's losses were in the amount of EUR 12 M and they consisted mainly of interest expense on the State aid. In view of the low quality of assets left to Reverta, losses were incorporated already in the Restructuring Plan.

As a result of intensive work, Reverta's total assets at the end of the Reporting Period had decreased to EUR 46.2 M, as compared to EUR 1.1 B at the start of operation. During a seven year period, Reverta has already worked out and disposed of all other assets, and the recovered funds have been repaid to the State.

Other significant events:

- In accordance with the Restructuring Plan set up for Parex Bank and the decision of the Cabinet of Ministers of 15 December 2014 on the restructuring of liabilities towards the European Bank for Reconstruction and Development, the latter ended its participation in Reverta on 7 March 2017. Henceforth, the Latvian Privatisation Agency has a 96.89 % shareholding in Reverta and other shareholders have 3.11 % of shares.
- On 29 May 2017, annual general meeting of Reverta's shareholders took place, during which the shareholders approved Reverta's Annual Report for the year ended 31 December 2016, selected external auditors for the year 2017, elected Audit Committee, approved amendments to Reverta's Articles of Association, and made a decision to commence the liquidation of Reverta on 1 July 2017.

- Mid-June 2017, Reverta completed evaluation of binding offers and approved a portfolio buyer as recommended by the financial advisor KPMG Baltics. In line with usual procedures, Reverta submitted the offer of the potential investor to the Cabinet of Ministers. The decisions of the Management Board and Supervisory Board of Reverta regarding the selection of the potential investor were made based on such criteria as industry standards and a transparent sales process organised in line with the accepted practice in the world, as well as evaluation of the received best binding bids to identify risks related to financial issues and the structure of the transaction, as well as legal risks arising from the agreements. Reverta also evaluated good reputation and trustworthiness of the potential investor.
- On 22 June 2017, Reverta signed a loan portfolio sale agreement with Gelvora. Reverta will gradually hand over to the investor 4.5 thousand credit files. The investor Gelvora is an international company which is part of a Swedish financial holding Marginalen AB.
- On 30 June 2017, Chairperson of Reverta's Management Board Solvita Deglava left her appointment. In line with the decision adopted by the Shareholders at the Annual General Meeting, Reverta continued with a one-member Management Board and Ruta Amtmane was appointed to assume the duties of the only Management Board member.

Significant events after the end of the Reporting Period:

- On 1 July 2017, Reverta's liquidation process was commenced and its sole Management Board member Ruta Amtmane became Reverta's Liquidator. Liquidator has all rights and responsibilities of management and supervisory boards, which do not conflict the objective of the liquidation, including the responsibility to carry out all necessary actions to ensure termination of the operation of the company, as set out in legislation.
- In August 2017, Reverta made another regular interest payment to the State Treasury in the amount of EUR 3.7 M.

Ruta Amtmane
Liquidator

Riga,
31 August 2017

The Supervisory Board and the Management Board

The Supervisory Board

Name	Position
Michael Joseph Bourke	Chairman of the Supervisory Board (till 30.06.2017)
Mary Ellen Collins	Member of the Supervisory Board (till 30.06.2017)
Līga Kļaviņa	Deputy Chairperson of the Supervisory Board (till 30.06.2017)
Artūrs Neimanis	Member of the Supervisory Board (till 30.06.2017)

The Management Board

Name	Position
Solvita Deglava	Chairperson of the Management Board (till 29.06.2017)
Ruta Amtmane	Member of the Management Board (till 30.06.2017) Liquidator (from 01.07.2017)

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 30 June 2017 and the results of their operations, changes in shareholders' equity and cash flows for the six month period ended 30 June 2017. 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.

Ruta Amtmane
Liquidator

Riga,
31 August 2017

Statements of Comprehensive Income

	EUR 000's			
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	Group	Group	Company	Company
Interest income	41	432	69	699
Interest expense	(8,979)	(10,000)	(8,952)	(10,010)
Net interest expense	(8,938)	(9,568)	(8,883)	(9,311)
Commission and fee income	3	13	4	13
Commission and fee expense	(18)	(5)	(17)	(3)
Net commission and fee income	(15)	8	(13)	10
Result of revaluation of financial instruments and foreign currency, net	(409)	(1)	(409)	(1)
Other income	307	546	120	1,084
Net financial result of the segment	(9,055)	(9,015)	(9,185)	(8,218)
Real estate segment income, net	(181)	851	72	81
Real estate segment expense	(120)	(401)	(37)	(87)
Net result of RE segment	(301)	450	35	(6)
Collaterals and assets under repossession expense	(14)	(7)	(14)	(7)
Administrative expense	(2,521)	(2,908)	(2,474)	(2,831)
Amortisation and depreciation charge	(15)	(22)	(15)	(22)
	(595)	(10,525)	(343)	(9,953)
Loss before taxation	(12,501)	(22,027)	(11,996)	(21,037)
Corporate income tax	(11)	-	(1)	-
Loss for the period	(12,512)	(22,027)	(11,997)	(21,037)

Statements of Financial Position

	EUR 000's			
	30/06/2017	31/12/2016*	30/06/2017	31/12/2016*
	Group	Group	Company	Company
Assets				
Balances due from credit institutions	12,159	8,249	7,343	5,251
Loans	18,803	25,422	19,403	31,756
Fixed assets	15	22	15	22
Intangible assets	28	36	28	36
Investments in subsidiaries	-	-	6,663	6,663
Investment property	2,612	13,894	902	2,780
Other assets	12,165	11,318	11,889	10,715
Total assets	45,782	58,941	46,243	57,223
Liabilities				
Issued debt securities	388,281	386,701	388,281	386,701
Other liabilities	924	3,202	748	1,361
Subordinated liabilities	76,090	76,040	76,090	76,040
Total liabilities	465,295	465,943	465,119	464,102
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	(880,128)	(867,617)	(879,491)	(867,494)
Total shareholders' equity attributable to the shareholders of the Company	(419,513)	(407,002)	(418,876)	(406,879)
Total liabilities and equity	45,782	58,941	46,243	57,223

* Auditor: SIA "PricewaterhouseCoopers"

Statements of Changes in Equity

Group	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2015	442,552	18,063	(822,539)	(361,924)
Loss for the period	-	-	(22,027)	(22,027)
Balance as at 30 June 2016	442,552	18,063	(844,566)	(383,951)
Loss for the period	-	-	(23,051)	(23,051)
Balance as at 31 December 2016	442,552	18,063	(867,617)	(407,002)
Loss for the period	-	-	(12,512)	(12,512)
Balance as at 30 June 2017	442,552	18,063	(880,128)	(419,513)

Company	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2015	442,552	18,063	(821,564)	(360,949)
Loss for the period	-	-	(21,037)	(21,037)
Balance as at 30 June 2016	442,552	18,063	(842,601)	(381,986)
Loss for the period	-	-	(24,893)	(24,893)
Balance as at 31 December 2016	442,552	18,063	(867,494)	(406,879)
Loss for the period	-	-	(11,997)	(11,997)
Balance as at 30 June 2017	442,552	18,063	(879,491)	(418,876)

Statements of Cash Flows

	EUR 000's			
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	Group	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(12,501)	(22,027)	(11,996)	(21,037)
Amortisation and depreciation	15	22	15	22
Change in impairment allowances and other accruals	595	10,525	343	9,953
Interest income	(41)	(432)	(69)	(699)
Interest expense	8,979	10,000	8,952	10,010
Other non-cash items	(192)	1	(192)	1
Cash generated before changes in assets and liabilities	(3,145)	(1,911)	(2,947)	(1,750)
Proceeds from loans and receivables	11,622	23,399	11,829	25,543
Proceeds from investment property	4,812	12,885	2,305	1,302
(Increase)/decrease in other assets	220	(2,362)	(1,164)	6,531
(Decrease)/ increase in other liabilities	(2,278)	(1,852)	(613)	(1,123)
Decrease of share capital of subsidiaries	-	-	3	-
Cash generated from operating activities before corporate income tax	11,231	30,159	9,413	30,503
Net cash flows from operating activities	11,231	30,159	9,413	30,503
Cash flows from financing activities				
Redemption of issued debt securities (principal)	-	(21,503)	-	(21,503)
Interest for issued debt securities	(7,321)	(8,651)	(7,321)	(8,651)
Net cash flow from financing activities	(7,321)	(30,154)	(7,321)	(30,154)
Net cash flow for the reporting period	3,910	5	2,092	349
Cash and cash equivalents at the beginning of the reporting period	8,249	5,217	5,251	2,063
Cash and cash equivalents at the end of the reporting period	12,159	5,222	7,343	2,412

Consolidation Group Structure

as at 30 June 2017

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-1012, Brivibas 148A-1	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-1012, Brivibas 148A-1	LV	PLS	100	100	MS
5	SIA "NIF Zemes īpašumi"	LV-40103255348	Latvia, Riga LV-1012, Brivibas 148A-1	LV	PLS	100	100	MS
6	UAB "NIF Lietuva"	LT-302462108	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	PLS	100	100	MS
7	OÜ "NIF Eesti"	EE-11788043	Estonia, Tallinn 10119, Roosikrantsi 2	EE	PLS	100	100	MS
8	SIA "NIF Projekts 1"	LV-50103300111	Latvia, Riga LV-1012, Brivibas 148A-1	LV	PLS	100	100	MS
9	SIA "NIF Projekts 6"	LV-40103398865	Latvia, Riga LV-1012, Brivibas 148A-1	LV	PLS	100	100	MS
10	SIA "NIF Projekts 7"	LV-40103512479	Latvia, Riga LV-1012, Brivibas 148A-1	LV	PLS	100	100	MS
11	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, MMS – subsidiary of the subsidiary company.

Notes

Issued share capital as at 30 June 2017

Shareholders	Nominal value, (EUR)	Number of shares	Paid-in share capital, (EUR)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	0.10	4 288 037 289	428,803,728.9	3 491 940 511	96.89%
Other	0.10	138 482 377	13,748,237.7	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			
	30/06/2017		30/06/2016	
	Period-end balance	Interest income/ (expense)	Period-end balance	Interest income/ (expense)
Loans issued by the Company	2,787	-	2,807	-
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) 30/06/2017	Amortised cost (EUR 000's) 30/06/2016
Notes-private placement	UK	20,000	4.759%	28/12/2007	28/12/2022	19,335	19,235
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
					Total	76,090	75,990

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.