



Unaudited Condensed
Financial Report

for the 1st quarter
of 2016

REVERTA

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Management Report

Dear shareholders and partners!

In the first quarter of this year (hereinafter – the reporting period) Joint Stock Company Reverta has paid the State Treasury interest in the amount of EUR 4.5 m, and another EUR 20.1 m was paid after the reporting period. Thus, in 2016 Reverta has paid the Treasury a total of EUR 24.6 m, which is by EUR 15 m more than during the same period last year.

Overall, the state has received from Reverta more than EUR 635 m in the form of various payments, of which EUR 391.2 m was paid directly to the Treasury. In addition to that, Reverta has in due time disbursed term deposits, interest on subordinated capital and other big volume payments. In view of the substantial impact made by changes in the economic situation, the unstable geopolitical circumstances, as well as the low quality of assets received from the previous shareholders of Parex Bank, Reverta's specialists have achieved the most optimum results in the five years of their operation.

Although the overall activity on the real estate market in Latvia is rather low, during the reporting period Reverta's Sales Team has sold 43 real estate objects for the total amount of EUR 2.7 m. Approximately 100 real estate properties for sale have been displayed on Reverta's web page; majority of them are land plots and private houses. During the reporting period Reverta also continued to look for investors for several large investment properties, such as the apartment house in Jurmala and others.

In accordance to the Restructuring Plan for Parex Bank approved by the European Commission, Reverta's operation has to end by the conclusion of 2017. By that term Reverta has to complete the workout of its portfolio and discontinue all operations. At the moment, there are only the most complex and time-consuming workout assets left in Reverta's portfolio; all other relatively less distressed assets have been already restructured and disposed of in the previous five years of Reverta's operation. One successfully concluded key project after the end of the reporting period was the reconstruction, lease and subsequent sale of the Air Baltic headquarters for the total amount of EUR 6.19 m.

At 31 March 2016 Reverta's total assets were EUR 139.1 m and the loan portfolio was EUR 89.7 m. To suit the reducing assets and to comply with the company's strategy, Reverta's operation is being gradually downsized and amended; the staff numbers have been decreased by half since the beginning of Reverta to ensure that the company's high efficiency is retained. Calculations show that each employee has recovered from the distressed assets approximately EUR 6 m.

Since 1 August 2010 till 31 March 2016 Reverta has recovered EUR 683.2 m from the restructuring of distressed loans, sales of bonds, and disposal of real estate properties.

Solvita Deglava
Chairperson of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
31 May 2016

Edgars Miļūns
Member of the Management Board

The Supervisory Board and the Management Board

The Supervisory Board

<i>Name</i>	<i>Position</i>
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

<i>Name</i>	<i>Position</i>
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 6 to 13 are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as at 31 March 2016 and the results of their operations, changes in shareholders' equity and cash flows for the three month period ended 31 March 2016. The management report set out on pages 3 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

Ruta Amtmane
Member of the Management Board

Edgars Miļūns
Member of the Management Board

Riga,
31 May 2016

Statements of Comprehensive Income

	EUR 000's			
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	Group	Group	Company	Company
Interest income	380	477	526	601
Interest expense	(5,084)	(5,617)	(5,084)	(5,617)
Net interest expense	(4,704)	(5,140)	(4,558)	(5,016)
Commission and fee income	7	5	7	5
Commission and fee expense	(2)	(7)	(2)	(6)
Net commission and fee income / (expense)	5	(2)	5	(1)
Result of revaluation of financial instruments and foreign currency, net	(49)	406	43	406
Other income	510	307	814	351
Net financial result of the segment	(4,238)	(4,429)	(3,696)	(4,260)
Real estate segment income, net	143	555	35	-
Real estate segment expense	(224)	(275)	(53)	(43)
Net result of RE segment	(81)	280	(18)	(43)
Collaterals and assets under repossession expense	(4)	(18)	(4)	(18)
Administrative expense	(1,491)	(1,738)	(1,488)	(1,661)
Amortisation and depreciation charge	(12)	(19)	(12)	(19)
Impairment of assets, net	350	15	350	15
Loss before taxation	(5,476)	(5,909)	(4,868)	(5,986)
Corporate income tax	-	-	-	-
Loss for the period	(5,476)	(5,909)	(4,868)	(5,986)

Statements of Financial Position

	EUR 000's			
	31/03/2016	31/12/2015*	31/03/2016	31/12/2015*
	Group	Group	Company	Company
Assets				
Balances due from credit institutions	14,033	5,217	11,115	2,063
Loans	74,554	89,544	89,720	104,852
Fixed assets	44	50	38	44
Intangible assets	47	53	47	53
Investments in subsidiaries	-	-	22,201	22,201
Investment property	35,293	36,322	5,484	5,107
Other assets	14,622	13,182	10,492	10,286
Total assets	138,593	144,368	139,097	144,606
Liabilities				
Issued debt securities	427,755	427,214	427,755	427,214
Other liabilities	2,272	3,136	1,193	2,399
Subordinated liabilities	75,966	75,942	75,966	75,942
Total liabilities	505,993	506,292	504,914	505,555
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	(828,015)	(822,539)	(826,432)	(821,564)
Total shareholders' equity attributable to the shareholders of the Company	(367,400)	(361,924)	(365,817)	(360,949)
Total liabilities and equity	138,593	144,368	139,097	144,606

* 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 2014	442,552	18,063	(768,287)	(307,672)
Loss for the period	-	-	(5,909)	(5,909)
Balance as at 31 March 2015	442,552	18,063	(774,196)	(313,581)
Loss for the period	-	-	(48,343)	(48,343)
Balance as at 31 December 2015	442,552	18,063	(822,539)	(361,924)
Loss for the period	-	-	(5,476)	(5,476)
Balance as at 31 March 2016	442,552	18,063	(828,015)	(367,400)

Company	EUR 000's			
	Issued share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2014	442,552	18,063	(776,020)	(315,405)
Loss for the period	-	-	(5,986)	(5,986)
Balance as at 31 March 2015	442,552	18,063	(782,006)	(321,391)
Loss for the period	-	-	(39,558)	(39,558)
Balance as at 31 December 2015	442,552	18,063	(821,564)	(360,949)
Loss for the period	-	-	(4,868)	(4,868)
Balance as at 31 March 2016	442,552	18,063	(826,432)	(365,817)

Statements of Cash Flows

	EUR 000's			
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	Group	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(5,476)	(5,909)	(4,868)	(5,986)
Amortisation and depreciation	12	19	12	19
Change in impairment allowances and other accruals	(350)	(15)	(350)	(15)
Interest income	(380)	(477)	(526)	(601)
Interest expense	5,084	5,617	5,084	5,617
Other non-cash items	50	(550)	(43)	(552)
Cash generated before changes in assets and liabilities	(1,060)	(1,315)	(691)	(1,518)
Proceeds from loans and receivables	14,505	7,820	14,775	8,310
Proceeds from investment property	2,730	2,953	547	44
(Increase)/decrease in other assets	(198)	(2,227)	403	(240)
(Decrease)/ increase in other liabilities	(2,641)	(1,051)	(1,462)	(712)
Cash generated from operating activities before corporate income tax	13,336	6,180	13,572	5,884
Corporate income tax paid	-	-	-	-
Net cash flows from operating activities	13,336	6,180	13,572	5,884
Cash flows from investing activities				
Purchase of intangible and fixed assets	-	(10)	-	(10)
Net cash flow from investing activities	-	(10)	-	(10)
Cash flows from financing activities				
Redemption of issued debt securities (principal)	-	-	-	-
Interest for issued debt securities	(4,520)	(5,034)	(4,520)	(5,034)
Net cash flow from financing activities	(4,520)	(5,034)	(4,520)	(5,034)
Net cash flow for the reporting period	8,816	1,136	9,052	840
Cash and cash equivalents at the beginning of the reporting period	5,217	5,713	2,063	5,171
Cash and cash equivalents at the end of the reporting period	14,033	6,849	11,115	6,011

Consolidation Group Structure as at 31 March 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 Komerccīpašumi"	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.

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

Notes

Information about Reverta's structure

As at 31 March 2016 the Company had 4 representative offices.

Issued share capital as at 31 March 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%
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			
	31/03/2016		31/03/2015	
	Period-end balance	Interest income/ (expense)	Period-end balance	Interest income/ (expense)
Loans issued by the Company	2,792	-	2,824	-
Subordinated financing provided to the Company	51,311	-	51,311	-

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) 31/03/2016	Amortised cost (EUR 000's) 31/03/2015
Notes-private placement	UK	20,000	4.759%	28/12/2007	28/12/2022	19,211	19,118
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	75,966	75,873

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.