



Unaudited Condensed
Financial Report

for the 3rd quarter
2017

REVERTA

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Management Report

In the first nine months of 2017 (hereinafter also referred to as the Reporting Period), Joint Stock Company Reverta focused on several activities: disposal of distressed assets and recovery of funds, selling of loan portfolio and transferring of credit files to the investor, as well as commencing of the liquidation process of the company.

Financial information:

In August 2017, Reverta made another regular interest payment to the State Treasury in the amount of EUR 3.7 M, thus the total sum paid to the Treasury during the Reporting Period amounts to EUR 11 M. Since 1 August 2010 till the end of the Reporting Period (30 September 2017), Reverta has paid the Treasury EUR 437.4 M.

During the Reporting Period, Reverta recovered EUR 22 M from the workout and sales of distressed assets, but the total amount of recovered funds since 1 August 2010 has reached EUR 762 M which is 70 per cent of all distressed assets left to Reverta after the takeover and split of Parex Bank. As pointed out by Reverta before, the amount of recovered funds is the primary measure of the company's performance.

During the Reporting Period, Reverta's losses were in the amount of EUR 19.4 M and they consisted mainly of interest paid to the State Treasury. In view of the specifics of Reverta's operation, losses were incorporated already in the Restructuring Plan.

During the Reporting Period, Reverta recovered EUR 5.2 M by selling real estate properties. Reverta expects to sell the few remaining properties by the end of its operation.

Reverta's total assets at the end of the Reporting Period were EUR 39.5 M, as compared to EUR 1.1 M 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 and made a decision to commence the liquidation of Reverta on 1 July 2017;
- On 22 June 2017, Reverta signed a loan portfolio sale agreement with Gelvora. The deal prescribed for the transfer of the loan portfolio in three tranches;
- 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;
- 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 in order to ensure termination of the operation of the company, as set out in the law;

- In September 2017, Reverta successfully completed the transfer of the second tranche of its loan portfolio to the investor Gelvora.

Significant events after the end of the Reporting Period:

- In November 2017 Reverta made another regular interest payment to the State Treasury in the amount of EUR 7 M. During 2017, the State Treasury has received from Reverta a total of EUR 18 M of interest;
- In November 2017 the transfer of the last and largest tranche of Reverta's loan portfolio to the investor Gelvora was completed. Overall, approximately 4.5 thousand credit files have been transferred to the investor;
- On 14 November 2017, the Cabinet of Ministers supported a plan for a complete liquidation of Reverta after solving of several administrative issues, whereas the actual operation of the company will end within the planned timeframe – at the end of 2017.

Ruta Amtmane
Liquidator

Riga,
30 November 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 September 2017 and the results of their operations, changes in shareholders' equity and cash flows for the nine month period ended 30 September 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. 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,
30 November 2017

Statements of Comprehensive Income

	EUR 000's			
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	Group	Group	Company	Company
Interest income	63	189	106	573
Interest expense	(13,489)	(14,794)	(13,462)	(14,823)
Net interest expense	(13,426)	(14,605)	(13,356)	(14,250)
Commission and fee income	5	20	5	20
Commission and fee expense	(21)	(7)	(19)	(5)
Net commission and fee income	(16)	13	(14)	15
Result of revaluation of financial instruments and foreign currency, net	(725)	(43)	(728)	(44)
Other income	8,216	724	8,235	1,274
Net financial result of the segment	(5,951)	(13,911)	(5,863)	(13,005)
Real estate segment income, net	(229)	617	86	140
Real estate segment expense	(148)	(601)	(48)	(122)
Net result of RE segment	(377)	16	38	18
Collaterals and assets under repossession expense	(24)	(10)	(24)	(10)
Administrative expense	(3,541)	(4,374)	(3,461)	(4,201)
Amortisation and depreciation charge	(18)	(32)	(18)	(31)
Impairment of assets, net	(9,891)	(10,116)	(10,094)	(9,544)
Loss before taxation	(19,802)	(28,427)	(19,422)	(26,773)
Corporate income tax	(31)	-	(21)	-
Loss for the period	(19,833)	(28,427)	(19,443)	(26,773)

Statements of Financial Position

	EUR 000's			
	30/09/2017	31/12/2016*	30/09/2017	31/12/2016*
	Group	Group	Company	Company
Assets				
Balances due from credit institutions	16,152	8,249	12,074	5,251
Loans	10,123	25,422	10,756	31,756
Fixed assets	12	22	12	22
Intangible assets	28	36	28	36
Investments in subsidiaries	-	-	5,601	6,663
Investment property	2,253	13,894	645	2,780
Other assets	10,663	11,318	10,448	10,715
Total assets	39,231	58,941	39,564	57,223
Liabilities				
Issued debt securities	389,070	386,701	389,070	386,701
Other liabilities	879	3,202	700	1,361
Subordinated liabilities	76,116	76,040	76,116	76,040
Total liabilities	466,065	465,943	465,886	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	(887,449)	(867,617)	(886,937)	(867,494)
Total shareholders' equity attributable to the shareholders of the Company	(426,834)	(407,002)	(426,322)	(406,879)
Total liabilities and equity	39,231	58,941	39,564	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	-	-	(28,427)	(28,427)
Balance as at 30 September 2016	442,552	18,063	(850,966)	(390,351)
Loss for the period	-	-	(16,651)	(16,651)
Balance as at 31 December 2016	442,552	18,063	(867,617)	(407,002)
Loss for the period	-	-	(19,833)	(19,833)
Balance as at 30 September 2017	442,552	18,063	(887,449)	(426,834)

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	-	-	(26,773)	(26,773)
Balance as at 30 September 2016	442,552	18,063	(848,337)	(387,722)
Loss for the period	-	-	(19,157)	(19,157)
Balance as at 31 December 2016	442,552	18,063	(867,494)	(406,879)
Loss for the period	-	-	(19,443)	(19,443)
Balance as at 30 September 2017	442,552	18,063	(886,937)	(426,322)

Statements of Cash Flows

	EUR 000's			
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	Group	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(19,802)	(28,427)	(19,422)	(26,773)
Amortisation and depreciation	18	32	18	31
Change in impairment allowances and other accruals	9,891	10,116	10,094	13,499
Interest income	(63)	(189)	(106)	(573)
Interest expense	13,489	14,794	13,462	14,823
Other non-cash items	(10)	43	(1,349)	16
Cash generated before changes in assets and liabilities	3,523	(3,631)	2,697	1,023
Proceeds from loans and receivables	11,852	36,522	12,059	38,666
Proceeds from investment property	5,240	18,920	2,624	2,115
(Increase)/decrease in other assets	655	(2,533)	267	1,964
(Decrease)/ increase in other liabilities	(2,323)	(1,738)	(661)	1,244
Decrease of share capital of subsidiaries	3	-	874	-
Cash generated from operating activities before corporate income tax	18,950	47,540	17,860	45,012
Corporate income tax paid	(31)	-	(21)	-
Net cash flows from operating activities	18,919	47,540	17,839	45,012
Cash flows from financing activities				
Redemption of issued debt securities (principal)	-	(30,015)	-	(30,015)
Interest for issued debt securities	(11,016)	(12,715)	(11,016)	(12,715)
Net cash flow from financing activities	(11,016)	(42,730)	(11,016)	(42,730)
Net cash flow for the reporting period	7,903	4,810	6,823	2,282
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	16,152	10,027	12,074	4,345

Consolidation Group Structure

as at 30 September 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.

*** – the company was liquidated and excluded from the Group Structure on 03 October, 2017.

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

**** – under liquidation

Notes

Issued share capital as at 30 September 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			
	30/09/2017		30/09/2016	
	Period-end balance	Interest income/ (expense)	Period-end balance	Interest income/ (expense)
Loans issued by the Company	2,763	-	2,799	-
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) 30/09/2017	Amortised cost (EUR 000's) 30/09/2016
Notes-private placement	UK	20,000	4.759%	28/12/2007	28/12/2022	19,361	19,260
Private person	Latvia	10,672	6M Rigibid + 3%	04/12/2008	31/12/2017	10,699	10,699
Private person	Latvia	10,672	6M Rigibid + 3%	04/12/2008	31/12/2017	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		76,116	76,015

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.