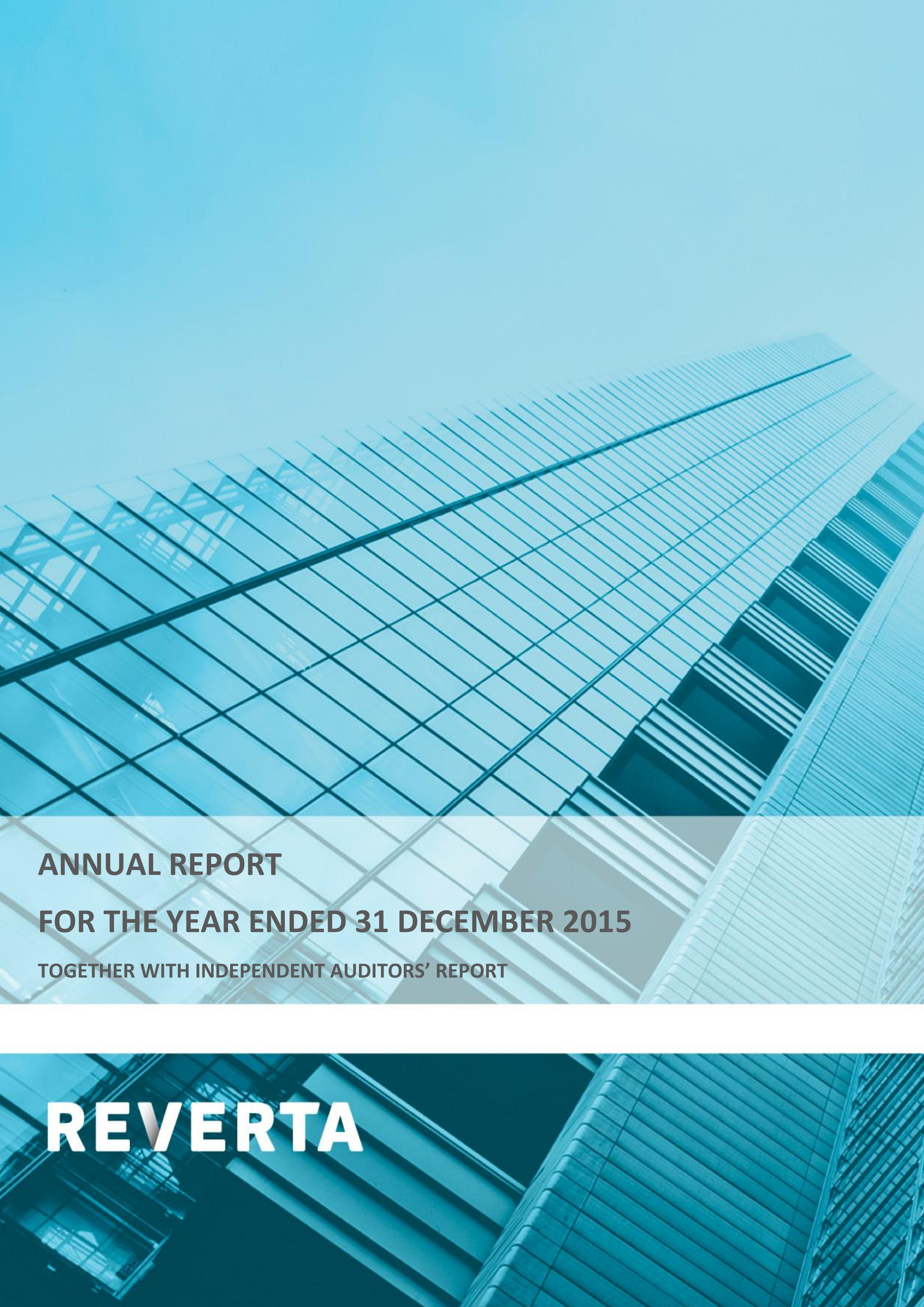

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

REVERTA

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Management Report

2015 was the most difficult year in the operation of joint-stock company Reverta since it was allocated the non-performing assets of the financially failing Parex Banka. Nevertheless, the company's unaudited financial report shows that Reverta has succeeded in overcoming the obstacles created by unfavourable external conditions and has repaid EUR 53 m to the State Treasury, of which EUR 30.7 m was the repayment of the principal amount and EUR 22.3 m was interest on the state aid provided for Parex Banka.

Since 1 August 2010, the state has received from Reverta a total of EUR 610.8 m in the form of various payments, of which EUR 366.6 m was paid directly to the Treasury. In addition to that, Reverta has also disbursed term deposits, interest on subordinated capital and other big volume payments.

Overall, Reverta has recovered EUR 666.2 from the restructuring of distressed loans, sales of bonds, and disposal of real estate properties.

The unstable geopolitical situation was the biggest challenge faced by Reverta in 2015. Due to this, the amount of funds recovered from the CIS portfolio sharply decreased. The recession of the Russian economy and devaluation of rouble decreased loan repayment capacity of Russian and other CIS clients. Often borrowers used the situation to their advantage by ceasing repayments without any justified grounds and by trying to hide their assets.

The diminishing interest of the Russian and Western investors in the real estate market of Latvia had a negative effect on Reverta's sales of big investment properties, completion term of which was rather crucial for the collection of funds to be paid to the State Treasury. Nevertheless, notwithstanding the unpredictable and unstable cash flow throughout the whole reporting period, Reverta has recovered EUR 61.3 m from the restructuring and sale of distressed assets in 2015.

In line with the Restructuring Plan, which envisages the end of the company's operation in 2017, during the reporting period Reverta continued persistent work to dispose of the distressed assets. As a result of this, at the end of 2015 Reverta's total assets were EUR 144.6 m, as compared to EUR 220.3 m on 31 December 2014. Reverta's operation is being gradually downsized and amended to suit the reducing assets; 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.

In 2015 Reverta's loss amounted to EUR 45.5 m, as compared to EUR 57.5 m in 2014. As before, 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 Banka only low quality assets with a long history of repayment problems were allocated to Reverta, the Restructuring Plan did not anticipate any profit.

In 2015 Reverta successfully continued to dispose of the real estate portfolio and sold 308 real estate properties for the total amount of EUR 22.5 m. On 31 December 2015 there were 252 real estate objects left in Reverta's portfolio, as compared to 579 objects at the end of 2014.

After the end of the reporting period

- In February 2016 Reverta made another regular interest payment to the State Treasury in the amount of EUR 4.52 m.
- Following a request by the Latvian Privatisation Agency, KPMG Baltics has analysed the situation in the distressed asset market in order to provide recommendations on future disposal strategy of Reverta, including potential sales strategies along with an opinion on whether there are grounds to reconsider the existing sales strategy.

Solvita Deglava
Chairperson of the Management Board

Edgars Miļūns
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
29 April 2016

The Supervisory Board and the Management Board

The Supervisory Board

Name	***Position***
Michael Joseph Bourke	Chairman of the Supervisory Board
Kaspars Āboliņš	Deputy Chairman of the Supervisory Board (till 01.02.2015)
Mary Ellen Collins	Deputy Chairperson of the Supervisory Board (from 25.02.2015 till 02.06.2015)
Mary Ellen Collins	Member of the Supervisory Board (till 24.02.2015 and from 03.06.2015)
Līga Kļaviņa	Deputy Chairperson of the Supervisory Board (from 03.06.2015)
Andris Ozoliņš	Member of the Supervisory Board (till 28.05.2015)
Artūrs Neimanis	Member of the Supervisory Board (from 29.05.2015)

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 7 to 49 are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as at 31 December 2015 and the results of their operations, changes in shareholders’ equity and cash flows for the twelve month period ended 31 December 2015. 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.

Solvita Deglava
Chairperson of the Management Board

Edgars Miļūns
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
29 April 2016

Statements of Comprehensive Income

	Notes	EUR 000's			
		2015 Group	2014 Group	2015 Company	2014 Company
Interest income	3	2,294	3,998	2,793	4,843
Interest expense	3	(22,174)	(27,153)	(22,174)	(27,245)
Net interest expense		**(19,880)**	**(23,155)**	**(19,381)**	**(22,402)**
Commission and fee income		26	45	26	44
Commission and fee expense		(19)	(26)	(17)	(22)
Net commission and fee income		**7**	**19**	**9**	**22**
Net foreign exchange gain	4	560	871	307	642
Other income	5	195	230	1,375	2,533
Net result of the financial segment		**(19,118)**	**(22,035)**	**(17,690)**	**(19,205)**
Real estate segment income		(866)	5,458	(825)	350
Real estate segment expense		(1,170)	(1,473)	(260)	(162)
Revaluation result, net		(2,503)	(750)	(312)	1,262
Net result of RE segment	6	**(4,539)**	**3,235**	**(1,397)**	**1,450**
Collaterals and assets under repossession expense		(35)	(45)	(35)	(45)
Administrative expense	7,8	(7,008)	(7,664)	(6,862)	(7,348)
Amortisation and depreciation charge		(66)	(69)	(64)	(66)
Impairment of assets, net	9	(23,468)	(33,323)	(19,479)	(32,101)
Loss before taxation		**(54,234)**	**(59,901)**	**(45,527)**	**(57,315)**
Corporate income tax	10	(18)	(488)	(17)	(155)
Loss for the year		**(54,252)**	**(60,389)**	**(45,544)**	**(57,470)**

The notes on pages 11 to 49 are an integral part of these financial statements.

Statements of Financial Position

	Notes	EUR 000’s			
		2015	2014	2015	2014
		Group	Group	Company	Company
Assets					
Balances due from credit institutions	11	5,217	5,713	2,063	5,171
Loans	12	89,544	162,096	104,852	173,040
Fixed assets		50	63	44	55
Intangible assets		53	87	53	86
Investments in subsidiaries	13	-	-	22,201	21,655
Investment property	14	36,322	46,466	5,107	9,703
Other non-financial assets	15	13,182	14,395	10,286	10,548
Total assets		**144,368**	**228,820**	**144,606**	**220,258**
Liabilities					
Issued debt securities	16,20	427,214	458,185	427,214	458,185
Other liabilities		3,136	2,456	2,399	1,627
Subordinated liabilities	17	75,942	75,851	75,942	75,851
Total liabilities		**506,292**	**536,492**	**505,555**	**535,663**
Equity					
Paid-in share capital	18	442,552	442,552	442,552	442,552
Share premium		18,063	18,063	18,063	18,063
Accumulated losses		(822,539)	(768,287)	(821,564)	(776,020)
Total shareholders' equity attributable to the shareholders of the Company/ Group		**(361,924)**	**(307,672)**	**(360,949)**	**(315,405)**
Total liabilities and equity		**144,368**	**228,820**	**144,606**	**220,258**

The notes on pages 11 to 49 are an integral part of these financial statements.

Statements of Changes in Equity

Group	EUR 000’s			
	Issued share capital	Share premium	Accumulated losses	Total equity
Balance as at 31 December 2013	**442,552**	**18,063**	**(707,898)**	**(247,283)**
Loss for the year	-	-	(60,389)	(60,389)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(60,389)**	**(60,389)**
Balance as at 31 December 2014	**442,552**	**18,063**	**(768,287)**	**(307,672)**
Loss for the year	-	-	(54,252)	(54,252)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(54,252)**	**(54,252)**
Balance as at 31 December 2015	**442,552**	**18,063**	**(822,539)**	**(361,924)**

Company	EUR 000’s			
	Issued share capital	Share premium	Accumulated losses	Total equity
Balance as at 31 December 2013	**442,552**	**18,063**	**(718,550)**	**(257,935)**
Loss for the year	-	-	(57,470)	(57,470)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(57,470)**	**(57,470)**
Balance as at 31 December 2014	**442,552**	**18,063**	**(776,020)**	**(315,405)**
Loss for the year	-	-	(45,544)	(45,544)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(45,544)**	**(45,544)**
Balance as at 31 December 2015	**442,552**	**18,063**	**(821,564)**	**(360,949)**

The notes on pages 11 to 49 are an integral part of these financial statements.

Statements of Cash Flows

	EUR 000's			
	2015	2014	2015	2014
	Group	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(54,234)	(59,901)	(45,527)	(57,315)
Amortisation and depreciation	66	69	64	66
Change in impairment allowances and other accruals	23,468	33,323	19,479	32,101
Interest income	(2,294)	(3,998)	(2,793)	(4,843)
Interest expense	22,174	27,153	22,174	27,245
Other non-cash items	1,946	1,171	9	(683)
Cash generated before changes in assets and liabilities	**(8,874)**	**(2,183)**	**(6,594)**	**(3,429)**
Proceeds from loans and receivables	42,324	44,271	40,247	72,947
Proceeds from investment property	17,560	41,022	14,916	2,483
Decrease/(increase) in other assets	909	(9,637)	645	(4,975)
Increase/(decrease) in other liabilities	679	(1,299)	771	11,733
Cash generated from operating activities before corporate income tax	**52,598**	**72,174**	**49,985**	**78,759**
Corporate income tax paid	(18)	(357)	(17)	(155)
Net cash flows from operating activities	**52,580**	**71,817**	**49,968**	**78,604**
Cash flows from investing activities				
Purchase of intangible and fixed assets	(22)	(57)	(22)	(57)
Net cash flow from investing activities	**(22)**	**(57)**	**(22)**	**(57)**
Cash flows from financing activities				
Redemption of issued debt securities (principal)	(30,708)	(60,046)	(30,708)	(60,046)
Interest paid for issued debt securities	(22,346)	(25,189)	(22,346)	(25,189)
Interest for subordinated debt	-	(2,297)	-	(2,297)
Net cash flow used in financing activities	**(53,054)**	**(87,532)**	**(53,054)**	**(87,532)**
Net cash flow for the reporting period	**(496)**	**(15,772)**	**(3,108)**	**(8,985)**
Cash and cash equivalents at the beginning of the reporting period	**5,713**	**21,485**	**5,171**	**14,156**
Cash and cash equivalents at the end of the reporting period	**5,217**	**5,713**	**2,063**	**5,171**

The notes on pages 11 to 49 are an integral part of these financial statements.

Notes

Figures in parenthesis represent amounts as at 31 December 2014 or for year ended 31 December 2014, if not stated otherwise. If not mentioned otherwise, referral to Group's policies and procedures should be also considered as referral to the respective Company's policies and procedures.

AUTHORISATION OF THE FINANCIAL STATEMENTS

These financial statements have been authorised for issuance by the Management on 29 April 2016. In accordance with the Commercial Law of the Republic of Latvia, the shareholders' meeting has the right to make decision on approval of the financial statements.

NOTE 1. GENERAL INFORMATION

AS Parex banka was registered as a joint stock company on 14 May 1992, which commenced its operations in June 1992.

On March 15, 2012 the Financial and Capital Market Commission supported *Parex banka's* request to voluntarily give up the credit institution licence and decided on the cancellation of the respective licence. Thus, marking the changes in the status and corporate identity of the company a new name – *Reverta* (hereinafter – the Company) was introduced on 10 May 2012.

The legal address of the Company is Brivibas street 148a-1, Riga, LV-1012. The Company is parent company of the Group.

AS Reverta with a gross loan portfolio exceeding EUR 690 million is one of the largest managers of distressed assets in the Baltic countries. The activities of *AS Reverta* are focused in three main directions: loan restructuring, legal recovery, and real estate management.

The main security of *AS Reverta* loan portfolio in the Baltic countries is real estate-related assets – residential, commercial and industrial objects in various construction stages, including apartment houses, villages, offices, commercial premises and land. In the CIS region *AS Reverta* deals with clients representing such industries as oil/ gas production and refinement, agriculture, retail business, manufacturing, shipping and air transport.

As at 31 December 2015, the Company had 77 (102) employees and the Group had 86 (112) employees.

<u>Going concern</u>

The financial statements are prepared on a going concern basis and the Management is satisfied that the Group and the Company will continue as a going concern for the foreseeable future.

Most of the Company's funding is deposits received from the State in 2008 which were converted into debt securities on 29 December 2011 (please see also Note 16). The outstanding balance of these debt securities as at 31 December 2015 is EUR 427,214 thousand including interest accrued (31 December 2014: EUR 458,185 thousand).

The Company's activities are carried out in accordance with the Restructuring plan approved by the European Commission (decision On the State Aid C 26/2009 (ex N 289/2009)) and revised Restructuring Plan (decision SA.36612 - 2014/C (ex 2013/NN). The primary objective of the Company is to manage and recover from the residual problematic assets portfolio by maximising its returns to achieve the objectives outlined in the Restructuring plan within the approved time frame until the end of 2017. The financial statements clearly indicate that the Company will not be in a position to fully repay its main liability which is debt securities due to State taking into account the current value of the remaining assets in the balance sheet as at 31 December 2015. Under the Amendments to the Law on Control of Aid for Commercial activity that have become effective on 1 July 2014, the Company is allowed to repay subordinated debts – the principal amount and interest, only after full repayment of the State Aid.

On 24 February 2015 the Cabinet of Ministers decided to support the recommendation of the Latvian Privatisation Agency and the external consultant KPMG Baltics to continue with the previously approved work out strategy. It envisages the continued work out of the loan portfolio and sales of single assets if the management and maintenance costs exceed the projected increase in value during the operation period established by the Restructuring Plan. The mentioned strategy will be reviewed by the government in 2016 based on the recommendations of an external consultant. The Company targets to repay interest on debt and a significant portion of the scheduled maturities from generated cash flows during 2016 and to the extent that there may be shortfall, if any, the Management is confident that given the objective of the Company and the historical decisions of the government, the State will be supportive and will take appropriate steps regarding further rescheduling of short term debt, if necessary, to ensure that the Company is able to continue operations and to achieve the maximum returns from the residual assets till the end of 2017.

The Company had negative equity of EUR 360,949 thousand as at 31 December 2015 (31 December 2014: EUR 315,405 thousand). The Company and the Group has available cash and cash equivalents as at 31 December 2015 of EUR 2,063 thousand and EUR

5,217 thousand respectively, and current liabilities (excluding debt securities) of EUR 2,399 thousand and EUR 3,136 thousand respectively. The Company and the Group do not have any overdue liabilities as at 31 December 2015 and expect to meet their obligations on time over the next 12 months as they fall due. This is supported by the actual performance in the first quarter of 2016 when all obligations were timely met.

On this basis, considering the objective of the operations, the impact of the work out strategy to be approved by the Cabinet of Ministers, and subject to successfully rescheduling of the short term debt due to State, the Management is satisfied that the Company and the Group will have sufficient resources to continue their operations for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Amendments to the following standards and interpretations did not have significant impact on these financial statements:

Amendments to IAS 19 "Employee benefits plans" regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014, endorsed by EU for annual periods beginning on or after 1 February 2015).

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014, by EU for annual periods beginning on or after 1 February 2015). These amendments include changes that affect 6 standards:
- IFRS 2 "Share-based payment";
- IFRS 3 "Business combinations";
- IFRS 8 "Operating segments";
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets";
- IAS 24 "Related party disclosures".

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014, endorsed by EU for annual periods beginning on or after 1 January 2015). The amendments include changes that affect 3 standards:
- IFRS 3 "Business combinations";
- IFRS 13 "Fair value measurement"; and
- IAS 40 "Investment property".

A number of new standards and interpretations have been published and come into force on financial periods beginning on or after 1 January 2016, or are not endorsed by the European Union:

IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearer plants (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" on depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
Amendments to IAS 27 "Separate financial statements" on the equity method (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
Amendments to IAS 1 "Presentation of financial statements" regarding disclosure initiative effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017, not yet endorsed by the EU);
Amendments to IAS 7 "Disclosure Initiative" (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2016, not yet endorsed by the EU;

Annual improvements 2014 (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU). The amendments include changes that affect 4 standards:
- IFRS 5 "Non-current assets held for sale and discontinued operations";
- IFRS 7 "Financial instruments: Disclosures" with consequential amendments to IFRS 1;
- IAS 19 "Employee benefits";
- IAS 34 "Interim financial reporting".

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU). Key features of the new standard are:
- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The management of the Company acknowledges the impact the new standard will have on the presentation and valuation of financial instruments, especially on the amount of impairment allowance for loans, however, detailed calculations have not been performed and the impact cannot be quantified so far.

IFRS 16 "Leasing" (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU);

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union. The financial statements are prepared under the historical cost convention, except for investment properties, which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Functional and Presentation Currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in EUR which is the functional and presentation currency. The accompanying financial statements are prepared in thousands of EUR (EUR'000).

Basis of Consolidation

As at 31 December 2015 and 2014, the Company had a number of investments in subsidiaries, in which the Company held directly and indirectly more than 50% of the shares and voting rights, and accordingly, had the ability to exercise control. The investments in the subsidiaries are presented in the Company's financial statements at acquisition cost less impairment provision if any. More detailed information on the group's subsidiaries is presented in Note 13.

The financial statements of AS Reverta and its subsidiaries are consolidated in the Group's financial statements on a line by line basis by adding together like items of assets and liabilities as well as income and expenses. For the purposes of consolidation, intra-group balances and intra-group transactions, including interest income and expense as well as unrealised profit and loss resulting from intra-group transactions, are eliminated in the Group's financial statements. However, intra-group losses may indicate an impairment that requires recognition in the Group's financial statements. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The management has applied reasonable estimates and judgments in preparing these financial statements. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment for financial assets losses, determining fair values of the financial assets and liabilities and estimating future periods’ taxable profit.

Critical accounting estimates

A key judgment made by the Management is not to report all assets of the Company and Group as held for sale under IFRS 5, as it is likely that some of these assets will be retained in the Company and Group and restructured or refinanced through negotiation or recovered through legal actions. In the opinion of the Management and taking into consideration the reasons described above, an IFRS 5 presentation would not be the most representative to readers of the financial statements. Therefore outstanding loans and properties taken over as collaterals for defaulted loans have been classified in the balance sheet as Loans and Investment properties, respectively. Accordingly, cash flows from recovery of loans and sales of investment properties have been classified as operating cash flows. The valuation principles applied to the assets of the Company are not affected by this judgment as the Management has made the best estimate to report all assets at either fair value or the lower of cost or amortized cost and expected recoverable value.

Impairment of loans

The Group regularly reviews its loans and receivables to assess impairment. The estimation of potential impairment losses is inherently uncertain and dependent upon many factors. On an on-going basis potential issues are identified promptly as a result of individual loans being regularly monitored. Impairment losses are calculated on an individual basis with reference to expected future cash flows including those arising from the realisation of collateral. The Group uses its experienced judgement to estimate the amount of any impairment loss considering matters such as future economic conditions and the resulting trading performance of the borrower and the value of collateral, for which there may not be a readily accessible market. As a result, the impairment losses can be subject to significant variation as time progresses and the circumstances become clearer. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In addition, the Group estimates collective impairment losses to cover losses inherent in the loan portfolio where there is objective evidence to suggest that it contains impaired loans, although the individual impaired loans cannot yet be identified. The collective impairment losses take account of observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables with similar credit risk characteristics, although the decrease cannot yet be identified with the individual loans in the portfolio.

Future cash flows in a portfolio of loans and receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans and receivables with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted for current observable market data using the Group’s experienced judgement to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The future credit quality of the loan portfolio for which the collective impairment losses are estimated is subject to uncertainties that could cause actual credit losses to differ materially from reported impairment losses. These uncertainties include factors such as international and local economic conditions, borrower specific factors, industry and market trends, interest rates, unemployment rates and other external factors. 5% increase in collateral realisation values would result in EUR 4 million (2014: EUR 8 million) decrease in the Company’s specific impairment level, whereas 5% decrease in the respective values would result in EUR 4 million (2014: EUR 8 million) increase in the Company’s specific impairment level.

Investment properties

The market value of the investment properties that have been acquired by the Group before the reporting period is measured based on the reports prepared by independent valuators with vocational qualification certificates and experience in valuing of properties of similar placement and category, or on the real estate valuation methodology used within the Group. The expenses that arise after the acquisition of the assets are capitalised only when it is probable that future economic benefit will flow to the

Group and if the expenses can be measured reliably. Maintenance and repair expenses are included in the income statement at the moment they arise.

Assumptions about potential change of the real estate value over years are not used for accounting purposes. The assumptions are used when making the NPV calculations, in order to establish the optimum sales period and the optimum price of the properties. These assumptions/principles for calculation are defined once a year by the Head of Real Estate Management Department and approved by the Management Board of Reverta. Regardless of the NPV figure, the starting sales price of a real estate object is fixed in the amount that is not less than the market value established by the independent valuators.

Deferred tax asset

As a result of transfer of undertaking, most of the performing assets have been transferred to AS Citadele banka, and in 2015 the management's forecasts indicate that the Group will not be able to generate taxable profits in foreseeable future and therefore deferred tax asset is not recognised.

Subordinated debt

Subordinated debt is classified as liabilities as contractual obligation to repay it still exists.

Income and Expense Recognition

Interest income and expense items are recognised on an accruals basis using the effective interest rate, after adjustment for recoverability.

Fees earned by the Group that are not part of effective interest rate are recognised immediately in the income statement as fee income. Revenue from services is recognised in the accounting period in which the services are rendered.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in EUR at actual rates of exchange effective at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency, such as investments in equity instruments, are translated using the exchange rates at the date, when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated into EUR at the official rate of exchange set and published by the European Central Bank . Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the statement of income as a profit or loss from revaluation of foreign currency positions.

Taxation

For the year ended 31 December 2015 corporate income tax is applied at the rate of 15% (2014: 15%) on taxable income generated by the Company for the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is assessed using the balance sheet liability method. The deferred corporate income tax is determined based on the tax rates that are expected to apply when the temporary differences reverse based on tax rates enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from tax losses carried forward, differing rates of accounting and tax depreciation on the fixed assets, revaluation of securities, as well as the treatment of collective impairment allowances and vacation pay reserve.

The deferred corporate income tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Financial instruments

The Group recognises financial asset on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group carries all financial liabilities at amortised cost.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. At initial recognition, the financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable incremental transaction costs. The classification of investments between the categories is determined at acquisition based on the guidelines established by the Management.

Available for sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held to maturity financial assets. The Group’s available for sale financial assets are intended to be held for an undefined period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available for sale financial assets are subsequently re-measured at fair value based on available market prices or quotes of brokers. The result of fair value revaluation of available for sale securities is recognised in other comprehensive income statement. The difference between the initial carrying amount and amortised cost determined by the effective interest rate method is treated as interest income. Dividends on available-for-sale equity instruments are recognised in the income statement. When the securities are disposed of, the related accumulated fair value revaluation is included in the statement of income as profit/ (loss) from sale of securities available for sale.

If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are recognised on drawdown. From the date of signing a contractual agreement till drawdown they are accounted for as loan commitments off balance sheet.

When the loans or receivables cannot be recovered, they are written-off and charged against impairment for credit losses. The management of the Group makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the statement of income.

Included in the category of “loans and receivables” are such financial instruments: a) balances due from credit institutions and c) loans and receivables from customers.

Issued debt, subordinated debt and other borrowed funds

The Group recognises financial liabilities on its balance on drawdown. After initial measurement, being fair value plus directly attributable transaction costs, debt issued, subordinated debt and borrowings are measured at amortised cost and any difference between net proceeds and value at redemption is recognised in the statement of income over the period of borrowings using the effective interest rate.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of loans and receivables

The Management of the Group assess at each balance sheet date whether there is objective evidence that a loan or portfolio of loans and receivables to customers is impaired. A loan or portfolio of loans and receivables from customers is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and that loss event (or events) has had an impact such that the estimated present value of future cash flows is less than the current carrying value of the loan or portfolio of loans and receivables to customers, and can be reliably estimated.

Objective evidence that a loan or portfolio of loans and receivables to customers is potentially impaired includes the following observable data that comes to the attention of the Group:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the granting to the borrower of a concession, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;
- it becoming probable that the insolvency process may be initiated against the borrower, or the borrower will enter other financial reorganisation;
- the worsening of economic conditions in the market segment, where the borrower operates; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables to customers since the initial recognition of those of loans and receivables, although the decrease cannot yet be identified with the individual loans in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; or
  - national or local economic conditions that correlate with defaults on the loans and receivables in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes that loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Collectively assessed impairment losses represent an interim step pending the identification of impairment losses on individual loans in a group of loans and receivables. As soon as information is available that specifically identifies losses on individually impaired loans in a group, those loans are removed from the group. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and receivables, the amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was initially recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of the impairment loss is recognised in the statement of income, to the extent that the carrying value of the loan does not exceed what its amortised cost would have been absent the impairment at the reversal date.

When a borrower fails to make a contractually due payment of interest or principal, but the Group believes that impairment is not appropriate on the basis of the level of security/ collateral available and/ or the stage of collections of amounts owed to the Group, the carrying amount of the loan is classified as past due but not impaired.

When loans and receivables cannot be recovered, they are written off and charged against impairment allowance. They are not written off until the necessary legal procedures have been completed and the amount of the loss is finally determined. Subsequent recoveries of amounts previously written off are reported in the statement of income as other operating income.

Intangible Assets

Intangible assets comprise software and licenses. The cost of intangible assets is their fair value as at the date of acquisition. Subsequent the initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss.

Leasehold rights are amortised over the remaining lease contract on a straight-line basis. Annual amortisation rates applied on a straight-line basis to software and other intangible assets range from 10% to 33%. All intangible assets are with definite lives.

Fixed Assets

Fixed assets are recorded at historical cost less accumulated depreciation less any impairment losses. Fixed assets are periodically reviewed for impairment. If the recoverable value of a fixed asset is lower than its carrying amount, the respective asset is written down to its recoverable amount.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

Category	Annual depreciation rate
Transport vehicles	20%
Other fixed assets	20% - 33%

Maintenance and repair costs are charged to the statement of income as incurred.

Investment properties

Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value and is not subject to amortization. The market value of the investment properties is measured based on the reports prepared by independent valuators with vocational qualification certificates and experience in valuing of properties of similar placement and category, or on the real estate valuation methodology used within the Group.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Off-balance Sheet Financial Commitments and Contingent Liabilities

In the ordinary course of business, the Group is involved with off-balance sheet financial commitments and contingent liabilities comprising commitments to extend loans and receivables to customers, commitments for unutilised credit lines or credit card limits, financial guarantees.

Such financial instruments are recorded in the financial statements as follows:

- commitment to extend loans and advances, credit card and overdraft facilities are recognized on drawdown; and
- financial guarantees are recognized when the related fee received as consideration is recognized.

Commitments to extend loans and receivables and commitments for unutilised credit lines or credit card limits represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

On initial recognition financial guarantee contracts are measured at fair value. Subsequently, they are carried at the higher of the amount initially recognised less cumulative amortisation over the life of the guarantee and the amount determined in accordance with the accounting policy for provisions when enforcement of the guarantee has become probable.

The methodology for provisioning against incurred losses arising from off-balance sheet financial commitments and contingent liabilities is consistent with loans and receivables.

Fair Values

The Group measures non-financial assets (investment properties), at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as the amounts comprising cash and demand deposits with credit institutions with an insignificant risk of changes in value and a remaining maturity of not more than 3 months from the date of acquisition, less demand deposits due to credit institutions. Cash and cash equivalents are measured at amortised cost.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Staff costs and related contributions

The Group and the Company pays social security contributions to state pension insurance and to the state funded pension scheme in accordance with Latvian and relevant foreign regulations. In accordance with the Rules of the Cabinet of Ministers of Latvia Republic 71.55% (2014: 73.80%) of the social insurance contributions are used to fund the state defined contribution pension system. State funded pension scheme is a defined contribution plan under which the Group and the Company pay fixed contributions determined by law and will have no legal or constructive obligation to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees. The social security contributions are accrued in the year in which the associated services are rendered by the employees of the group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined the Management Board of the Company as its chief operating decision maker.

Events after the balance sheet date

Post-year-end events that provide additional information about the Company’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes if material.

NOTE 3. INTEREST INCOME AND EXPENSE

	EUR 000's			
	2015 Group	2014 Group	2015 Company	2014 Company
Interest income:				
- interest on financial assets measured at amortised cost:	2,294	3,998	2,793	4,843
- interest on loans and receivables to customers	2,289	3,994	2,788	4,839
- interest on balances due from credit institutions	5	4	5	4
Total interest income	**2,294**	**3,998**	**2,793**	**4,843**
Interest expense:				
- interest on financial liabilities measured at amortised cost:	(22,174)	(27,153)	(22,174)	(27,245)
- interest on issued debt securities	(22,082)	(24,773)	(22,082)	(24,773)
- interest on subordinated liabilities	(92)	(2,380)	(92)	(2,380)
- other (due to subsidiaries)	-	-	-	(92)
Total interest expense	**(22,174)**	**(27,153)**	**(22,174)**	**(27,245)**
Net interest expense	**(19,880)**	**(23,155)**	**(19,381)**	**(22,402)**

NOTE 4. GAIN / (LOSS) ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS, NET

	EUR 000's			
	2015 Group	2014 Group	2015 Company	2014 Company
Loss on trading and revaluation of securities held for trading purposes	-	(2)	-	(2)
Net foreign exchange gain	560	873	307	644
Net foregn exchange gain	**560**	**871**	**307**	**642**

NOTE 5. OTHER OPERATING INCOME

	EUR 000's			
	2015 Group	2014 Group	2015 Company	2014 Company
Income from subsidiary management	-	-	1,214	2,344
Income from Service Level agreements	144	186	144	186
Other income	51	44	17	3
Total other operating income	**195**	**230**	**1,375**	**2,533**

NOTE 6. REAL ESTATE SEGMENT INCOME AND EXPENSE

	EUR 000’s			
	2015 Group	2014 Group	2015 Company	2014 Company
Real estate segment income:				
- Income from sale	*21,935*	*43,803*	*15,234*	*2,545*
- Brokerage	*(111)*	*(134)*	*(52)*	*(5)*
- Cost write-off	*(23,087)*	*(38,776)*	*(16,008)*	*(2,198)*
- Rental income	*397*	*565*	*1*	*8*
Total real estate segment income	**(866)**	**5,458**	**(825)**	**350**
Real estate segment expense:				
- Utilities costs	*(189)*	*(158)*	*(20)*	*(17)*
- Maintenance	*(287)*	*(404)*	*(31)*	*(27)*
- Repair	*(92)*	*(240)*	*(31)*	*(45)*
- Insurance	*(22)*	*(37)*	*(8)*	*(3)*
- Security	*(64)*	*(45)*	*(29)*	*(6)*
- Real estate tax	*(486)*	*(550)*	*(130)*	*(49)*
- Valuation services	*(30)*	*(39)*	*(11)*	*(15)*
Total real estate segment expense	**(1,170)**	**(1,473)**	**(260)**	**(162)**
Revaluation of real estate, net (see Note 14)	(2,503)	(750)	(312)	1,262
Net result of RE segment	**(4,539)**	**3,235**	**(1,397)**	**1,450**

NOTE 7. ADMINISTRATIVE EXPENSE

	EUR 000’s			
	2015 Group	2014 Group	2015 Company	2014 Company
Personnel expense	4,687	4,794	4,335	4,462
Professional fees	872	1,057	1,019	1,193
Rent, utilities, maintenance	288	703	379	633
IT expenses and communications	136	140	128	131
Communication and marketing	198	195	187	195
Travel and transport	127	149	125	146
Insurance	153	163	153	163
Security	9	31	22	31
Other administrative expense	230	112	206	74
Non-refundable VAT	308	320	308	320
Total administrative expense	**7,008**	**7,664**	**6,862**	**7,348**

Fees paid to external auditors:

	EUR 000’s			
	2015 Group	2014 Group	2015 Company	2014 Company
Audit of the financial statements	23	23	15	15

NOTE 8. PERSONNEL EXPENSE

Personnel expense has been presented in these financial statements within administrative expense. Personnel expense includes remuneration for work to the personnel and related social security contributions.

	EUR 000's			
	2015 Group	2014 Group	2015 Company	2014 Company
Remuneration				
- key management personnel	577	600	577	600
- other personnel	3,372	3,424	3,095	3,173
Total remuneration for work	**3,949**	**4,024**	**3,672**	**3,773**
Social security contributions:				
- management	48	63	48	63
- other personnel	690	707	615	626
Total social security contributions	**738**	**770**	**663**	**689**
Total personnel expense	**4,687**	**4,794**	**4,335**	**4,462**
Average number of personnel during the year	98	115	89	105

NOTE 9. CHANGES IN IMPAIRMENT ALLOWANCES AND WRITE OFFS

An analysis of the change in allowances for impairment of loans and receivables and provisions for off-balance sheet commitments is presented as follows:

	EUR 000's			
	2015 Group	2014 Group	2015 Company	2014 Company
Total allowance for impairment at the beginning of the year, including:	**635,173**	**604,104**	**642,909**	**610,027**
- loans - specifically assessed impairment	600,508	558,007	608,244	563,930
- loans - collectively assessed impairment	34,665	46,097	34,665	46,096
Charge:	**37,198**	**55,451**	**37,198**	**55,451**
- loans - specifically assessed impairment	35,278	55,201	35,278	55,201
- loans - collectively assessed impairment	1,920	250	1,920	250
Release::	**(23,592)**	**(26,557)**	**(24,437)**	**(25,005)**
- loans - specifically assessed impairment	(23,592)	(14,875)	(24,437)	(13,323)
- loans - collectively assessed impairment	-	(11,682)	-	(11,682)
Provision charged to the statement of income, including:	**13,606**	**28,894**	**12,761**	**30,446**
- loans - specifically assessed impairment	11,686	40,326	10,841	41,878
- loans - collectively assessed impairment	1,920	(11,432)	1,920	(11,432)

Change of allowance due to write-offs	**(60,662)**	**(13,476)**	**(60,662)**	**(13,476)**
Effect of changes in currency exchange rates:	**15,501**	**15,651**	**15,752**	**15,912**
- loans - specifically assessed impairment	15,501	15,651	15,752	15,912
Total allowance for impairment at the end of the year, including:	**603,618**	**635,173**	**610,760**	**642,909**
- loans - specifically assessed impairment	567,033	600,508	574,175	608,244
- loans - collectively assessed impairment	36,585	34,665	36,585	34,665

The following table provides details on changes in the Group's individual loan portfolio impairment by classes:
EUR 000's

	Regular loans	Utilised credit lines	Other	Total
Outstanding specific impairment as at 31/12/2014	**578,431**	**14,269**	**7,808**	**600,508**
Impairment charge for the reported period - specific	34,657	621	-	35,278
Release of previously established impairment allowance - specific	(22,067)	(1,106)	(419)	(23,592)
Impairment charged to the statement of income, net	**12,590**	**(485)**	**(419)**	**11,686**
Change of allowance due to write-offs, net	(59,621)	(1,041)	-	(60,662)
Increase in impairment allowance due to currency fluctuations	15,417	80	4	15,501
Outstanding specific impairment as at 31/12/2015	**546,817**	**12,823**	**7,393**	**567,033**

The following table provides details on changes in the Company's individual loan portfolio impairment by classes:
EUR 000's

	Regular loans	Utilised credit lines	Other	Total
Outstanding specific impairment as at 31/12/2014	**580,793**	**19,641**	**7,808**	**608,242**
Impairment charge for the reported period - specific	34,657	621	-	35,278
Release of previously established impairment allowance - specific	(22,067)	(1,951)	(419)	(24,437)
Impairment charged to the statement of income, net	**12,590**	**(1,330)**	**(419)**	**10,841**
Change of allowance due to write-offs, net	(59,621)	(1,041)	-	(60,662)
Increase in impairment allowance due to currency fluctuations	15,668	80	4	15,752
Outstanding specific impairment as at 31/12/2015	**549,430**	**17,350**	**7,393**	**574,173**

An analysis of the change in impairment of other assets is presented as follows:

	EUR 000's			
	2015 Group	2014 Group	2015 Company	2014 Company
Total allowance for impairment at the beginning of the year, including:	**5,613**	**4,742**	**12,775**	**13,094**
- other non-financial assets	5,613	4,742	5,613	4,742
- investments in subsidiaries	-	-	7,162	8,352
Charge:	**2,600**	**2,180**	**-**	**2,180**
- other non-financial assets	-	2,180	-	2,180
Release:	**(986)**	**(1,309)**	**(1,532)**	**(2,499)**
- other non-financial assets	(986)	(1,309)	(986)	**(1,309)**
- investments in subsidiaries	-	-	(546)	**(1,190)**
Provision charged to the statement of income, net, including:	**1,614**	**871**	**(1,532)**	**(319)**
- other non-financial assets	1,614	871	(986)	871
- investments in subsidiaries	-	-	(546)	(1,190)
Change of allowance due to write-offs, net:	**(1,253)**	**-**	**(1,253)**	**-**
- other non-financial assets	(1,253)	-	(1,253)	-
Total allowance for impairment at the end of the year, including:	**5,974**	**5,613**	**9,990**	**12,775**
- other non-financial assets	5,974	5,613	3,374	5,613
- investments in subsidiaries	-	-	6,616	7,162

Summarised impairment of assets as shown in Statement of Comprehensive Income can be specified as follows:

	EUR 000's			
	2015 Group	2014 Group	2015 Company	2014 Company
Impairment allowance charged to the statement of income (loans and receivables):	(13,606)	(28,894)	(12,761)	(30,446)
Impairment allowance charged / (credited) to the statement of income, (other non-financial assets)	(1,614)	(871)	1,532	319
Loss from asset write-offs	(8,248)	(3,558)	(8,250)	(1,974)
Total Impairment of assets	**(23,468)**	**(33,323)**	**(19,479)**	**(32,101)**

NOTE 10. TAXATION

Corporate income tax expense comprises the following items:

	2015 Group	2014 Group	2015 Company	2014 Company
	EUR 000's			
Tax withheld abroad	18	488	17	155
Total corporate income tax expense	**18**	**488**	**17**	**155**

The reconciliation of the Company's and the Group's pre-tax loss for the year to the corporate income tax expense for the year may be specified as follows:

	2015 Group	2014 Group	2015 Company	2014 Company
	EUR 000's			
Loss before corporate income tax	(54,234)	(59,901)	(45,527)	(57,315)
Corporate income tax (at standard rate)*	**(8,135)**	**(8,985)**	**(6,829)**	**(8,597)**
Expenses non-deductible for tax purpose	15,933	7,914	15,517	7,568
Unrecognised deferred tax assets	(7,780)	1,559	(8,671)	1,184
Total effective corporate income tax	**18**	**488**	**17**	**155**

* standard rate for the year ended 31 December 2015 was 15% (2014: 15%).

Deferred corporate income tax assets and liabilities can be specified as follows:

	2015 Group	2014 Group	2015 Company	2014 Company
	EUR 000's			
Deferred tax assets:				
Vacation pay accrual	(23)	(29)	(23)	(29)
Unutilised tax losses	(43,580)	(51,354)	(42,689)	(51,354)
Net deferred corporate income tax (asset)	(43,603)	(51,383)	(42,712)	(51,383)
Unrecognised deferred tax asset**	43,603	51,383	42,712	51,383
Recognised deferred corporate income tax (asset)	-	-	-	-

** the Group does not recognise deferred tax asset in accordance with the policy described in Note 2. There is no expiry term for tax losses carried forward.

The movements in tax accounts of the Company during 2015 can be specified as follows:

	Balance as at 31/12/2014	Calculated in 2015	Paid in 2015	Balance as at 31/12/2015
	EUR 000's			
Corporate income tax	-	(16)	16	-
including corporate income tax withheld abroad	-	*(16)*	*16*	-
Social security contributions	9	(969)	967	7
Personal income tax	17	(743)	742	16
Value added tax	72	(1,911)	1,894	55
Real estate tax	-	(131)	131	-
Total tax (payable)/ receivable	**98**			**78**

NOTE 11. BALANCES DUE FROM CREDIT INSTITUTIONS

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Company	31/12/2014 Company
Due from credit institutions registered in Latvia	4,212	5,073	1,245	4,636
Due from credit institutions registered outside Latvia	1,005	640	818	535
Total balances due from credit institutions	**5,217**	**5,713**	**2,063**	**5,171**

As at 31 December 2015 and 2014, none of the amounts due from credit institutions were past due.

NOTE 12. LOANS AND RECEIVABLES

The following table represents the existing classes of the Group's loans:

	Group, EUR 000's					
	31/12/2015			31/12/2014		
	Balance sheet amount	Off-balance sheet credit exposure	Total gross credit exposure	Balance sheet amount	Off-balance sheet credit exposure	Total credit exposure
Regular loans	670,582	-	670,582	743,561	3	743,564
Credit lines	14,852	-	14,852	19,076	-	19,076
Other	7,728	-	7,728	8,150	-	8,150
Total loans and receivables to customers	**693,162**	-	**693,162**	**770,787**	**3**	**770,790**
Impairment allowance	(603,618)	-	(603,618)	(608,691)	-	(608,691)
Total net loans and receivables to customers	**89,544**	-	**89,544**	**162,096**	**3**	**162,099**

Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers.

The following table represents the existing classes of the Company's loans:

	Company, EUR 000's					
	31/12/2015			31/12/2014		
	Balance sheet amount	Off-balance sheet credit exposure	Total gross credit exposure	Balance sheet amount	Off-balance sheet credit exposure	Total credit exposure
Regular loans	673,198	-	673,198	745,925	3	745,928
Credit lines	34,684	65,654	100,338	35,389	55,037	90,426
Other	7,728	-	7,728	8,150	-	8,150
Total loans and receivables to customers	**715,610**	**65,654**	**781,264**	**789,464**	**55,040**	**844,504**
Impairment allowance	(610,758)	-	(610,758)	(616,424)	-	(616,424)
Total net loans and receivables to customers	**104,852**	**65,654**	**170,506**	**173,040**	**55,040**	**228,080**

Loans and advances by customer profile may be specified as follows:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Company	31/12/2014 Company
Privately held companies	486,845	545,471	509,293	564,148
Private individuals	206,317	225,316	206,317	225,316
Total gross loans and receivables to customers	**693,162**	**770,787**	**715,610**	**789,464**
Impairment allowance	(603,618)	(608,691)	(610,758)	(616,424)
Total net loans and receivables to customers	**89,544**	**162,096**	**104,852**	**173,040**

The borrowers' industry analysis of the gross portfolio of loans and receivables to corporate customers before impairment allowance may be specified as follows:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Company	31/12/2014 Company
Real estate purchase and management	218,199	280,684	238,031	296,999
Electricity, gas and water supply	97,454	87,402	97,454	87,402
Trade	32,661	32,391	32,661	32,391
Manufacturing	29,023	32,369	29,023	32,369
Transport and communications	37,999	43,421	37,999	43,421
Financial intermediation	18,668	19,999	21,284	22,362
Construction	16,869	17,669	16,869	17,669
Hotels, restaurants	13,718	13,981	13,718	13,981
Other industries	22,254	17,555	22,254	17,554
Total gross loans and receivables to corporate customers	**486,845**	**545,471**	**509,293**	**564,148**

The following table represents geographical profile of the portfolio of loans and receivables to customers analysed by the place of customers' reported residence:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Company	31/12/2014 Company
Latvian residents	431,492	463,921	450,562	478,601
OECD region residents	39,981	46,410	39,981	46,410
Non-OECD region residents	221,689	260,456	225,067	264,453
Total gross loans and receivables	**693,162**	**770,787**	**715,610**	**789,464**
Impairment allowance	(603,618)	(608,691)	(610,758)	(616,424)
Total net loans and receivables	**89,544**	**162,096**	**104,852**	**173,040**

NOTE 13. INVESTMENTS IN SUBSIDIARIES

Changes in the Company's investments in subsidiaries may be specified as follows:

	EUR 000's	
	2015	2014
Balance as at 1 January	**21,655**	**32,769**
Equity investments in the existing subsidiaries	-	1
Liquidation	-	(12,305)
Impairment reversal	546	1,190
Balance as at 31 December	**22,201**	**21,655**

Impairment allowance on investment in subsidiaries was created in order to recognize and account for potentially non-recoverable part of investments in capital of subsidiaries. The impairment calculations take into account the future cash flows to be received from the subsidiaries and are discounted by a relevant discount rate.

As at 31 December 2015 and 2014, the Company held the following investments in subsidiaries and associates:

			As at 31/12/2015			As at 31/12/2014			Investment carrying value EUR 000's	
Company	Country of registration	Business profile	Share capital in EUR 000's	The Company's share (%)	% of total voting rights	Share capital in EUR 000's	The Company's share (%)	% of total voting rights	31/12/2015	31/12/2014
OOO Parex Leasing & Factoring	Georgia	Leasing	31	100.0	100.0	36	100.0	100.0	-	-
Regalite Holdings Limited	Cyprus	Finance	12	100.0	100.0	10	100.0	100.0	-	-
UAB NIF Lietuva	Lithuania	REM*	1,514	100.0	100.0	1,514	100.0	100.0	1,265	1,265
OU NIF Eesti	Estonia	REM*	3	100.0	100.0	3	100.0	100.0	1	1
SIA NIF Dzīvojamie Īpašumi	Latvia	REM*	17,500	100.0	100.0	17,500	100.0	100.0	14,701	14,155
SIA NIF Komercīpašumi	Latvia	REM*	923	100.0	100.0	923	100.0	100.0	-	-
SIA NIF Zemes Īpašumi	Latvia	REM*	3,640	100.0	100.0	3,640	100.0	100.0	1,308	1,308
SIA NIF Projekts 1	Latvia	REM*	3	100.0	100.0	3	100.0	100.0	-	-
SIA NIF Projekts 6	Latvia	REM*	4	100.0	100.0	4	100.0	100.0	4	4
SIA NIF Projekts 7	Latvia	REM*	1,978	100.0	100.0	1,978	100.0	100.0	1,978	1,978
SIA NIF Projekts 8	Latvia	REM*	3,201	100.0	100.0	3,201	100.0	100.0	2,943	2,943
SIA NIF Projekts 10	Latvia	REM*	3	100.0	100.0	-	-	-	-	-
Carnella Maritime Corp.	British Virgin Islands	Finance	1	100.0	100.0	1	100.0	100.0	1	1
Total investments in subsidiaries									**22,201**	**21,655**

* REM - real estate management

NOTE 14. INVESTMENT PROPERTY

Changes in investment property may be specified as follows:

	EUR 000's	
	Group	Company
Balance as at 31 December 2013	**72,890**	**5,492**
Additions	13,069	5,147
Disposals	(38,776)	(2,198)
Property improvement	33	-
Revaluation	(750)	1,262
Balance as at 31 December 2014	**46,466**	**9,703**
Additions	15,089	11,748
Disposals	(23,129)	(16,032)
Property improvement	399	-
Revaluation	(2,503)	(312)
Balance as at 31 December 2015	**36,322**	**5,107**

Group real estate portfolio comprises 252 units as at 31 December 2015 (2014 – 579), including apartments and private houses of various categories, as well as a wide range of commercial premises in the Baltic countries (office and warehouse facilities, buildings and land).

See Note 6 for operating income and expense of investment property.

Investment properties are divided in following segments:

-commercial premises
-private houses
-land
-apartments
-development projects

Quantitative disclosures of fair value measurement hierarchy for Group's assets:

	EUR 000's	
	31/12/2015	31/12/2014
Investment properties :		
commercial premises	7,937	12,614
private houses	10,024	12,961
land	6,575	12,154
apartments	3,810	8,290
development projects	7,976	447
	36,322	**46,466**

Quantitative disclosures of fair value measurement hierarchy for Company's assets:

	EUR 000's	
	31/12/2015	31/12/2014
Investment properties :		
commercial premises	539	673
private houses	1,059	1,822
land	2,221	6,513
apartments	704	695
development projects	584	-
	5,107	**9,703**

Fair value measurement

The Company and the Group measures the Investment properties at their fair value after initial recognition. All properties of the Company and the Group are acquired through open auctions organized by Insolvency Administrators or Bailiffs or as a result of restructuring deals for the market value established by independent valuators, therefore the acquisition value of investment properties is considered to be initial fair value which reflects the market situation at the date of the balance.

Under the effective accounting policy, book value of the investment properties recognized in the accounts of the Company and the Group before 31 December , 2013 is adjusted in compliance with the valuations carried out.

Revaluation of real estate objects of the Company and its subsidiaries (Fair Value Measurement) is based on Real Estate valuation principles and methods under Real Estate Valuation Methodology.

There are two basic methods of valuation:
- Market comparable method;
- Income capitalization method or discounted cash flow (DCF) method (for commercial object or development projects).

All valuations are carried out in compliance with the market value definition – at the best use of the property. All fair values are classified under Level 3.

Valuation process

Real Estate Management Department (REMD) of the Company is in charge of the revaluation process. Revaluation is carried out by Real Estate expert of REMD and the results are authorized by Head of REMD.

Key valuation assumptions of investment properties by segments:

Segment	Valuation method	Assumptions		Range per EUR/m2 or EUR/ha
Residential segment				
Apartments	market comparable method			100-3000
Private houses	market comparable method			50-2000
Land plots				
Residential	market comparable method			0.35-75
Commercial	market comparable method, DCF			0.75-500
Agricultural	market comparable method			600-5000
Forests	market comparable method			500-800
Commercial objects				
Offices	Income capitalization method, DCF	Rent rate	2.5-10 EUR/m^2	
		Occupancy	70%-95%	
		Discount rate	8%-13%	
		Exit yield	9%-12%	
Industrial	Income capitalization method, DCF	Rent rate	0.5-5 EUR/m^2	
		Occupancy	70%-90%	
		Discount rate	10%-15%	
		Exit yield	9%-12%	

Taking into account the diversity of the properties – differences between the segments and within the segments, the range of values is very wide. It depends on the location of the property, technical condition of the constructions, physical, economic and moral depreciation, land fertility rate, forest site productivity and other factors, as well as Real Estate market activity of respective region. Data on Real Estate markets as to respective segments and regions are obtained from publicly available Real Estate market data bases and the ones the Company has subscribed for, as well as on the basis of information obtained from the Sales Unit of REMD.

Reconciliation of Level 3 assets by classes

Changes of the Group's investment properties by segments may be specified as follows (EUR 000's):

	commercial premises	private houses	land	apartments	development projects	Total
Balance as at 31 December 2014	**12,614**	**12,961**	**12,154**	**8,290**	**447**	**46,466**
Additions	3,198	2,016	1,034	865	7,976	15,089
Disposals	(7,133)	(4,287)	(6,311)	(4,951)	(447)	(23,129)
Property improvement	323	76	-	-	-	399
Revaluation	(1,065)	(742)	(302)	(394)	-	(2,503)
Balance as at 31 December 2015	**7,937**	**10,024**	**6,575**	**3,810**	**7,976**	**36,322**

Changes of the Company's investment properties by segments may be specified as follows (EUR 000's):

	commercial premises	private houses	land	apartments	development projects	Total
Balance as at 31 December 2014	**673**	**1,822**	**6,513**	**695**	**-**	**9,703**
Additions	1,832	747	713	534	7,922	11,748
Disposals	(1,723)	(1,442)	(4,999)	(530)	(7,338)	(16,032)
Revaluation	(243)	(68)	(6)	5	-	(312)
Balance as at 31 December 2015	**539**	**1,059**	**2,221**	**704**	**584**	**5,107**

Sensitivity information

Fair value measurement inputs (i.e. rent rates and their growth, occupancy rates, discount rates, yield etc.) used in income method calculations (direct income capitalization method or discounted cash flow method) can significantly influence outcome of calculations. Higher rent rates and occupancy rates gives higher value and vice versa if the rates are lower. Higher discount rates and exit yields gives lower value and vice versa if the rates are lower.

However all those inputs are connected and significant changes in one input trigger changes in other inputs; e.g. if an optimistic rent rates and long term occupancy rates are used then it affects discount rate and it should go up and this understanding is maintained through the whole valuation process.

Highest and best use

All properties currently are valued according to highest and best use.

NOTE 15. OTHER ASSETS

Other assets comprise accrued income, prepaid expenses, security deposit for litigation against previous shareholders, other assets.

NOTE 16. ISSUED DEBT SECURITIES

As at 31 December 2015 and 2014, the Group and the Company had the following outstanding debt:

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Company	31/12/2014 Company
due within 1 month	-	-	-	-
due within 1-3 months	2,568	2,832	2,568	2,832
due within 3-6 months	-	-	-	-
due within 6-12 months	75,587	74,280	75,587	74,280
due within 1-5 years	349,059	381,073	349,059	381,073
due in more than 5 years	-	-	-	-
Total issued debt securities	**427,214**	**458,185**	**427,214**	**458,185**

Financing support from the Ministry of Finance

As a result of significant decrease in deposit base in October-November 2008, the Company was forced to apply for the State support. Ministry of Finance of Latvia has made a number of deposits on a secured basis, receiving Company's assets as collateral (please refer to Note 20 for details on assets pledged). During 2010 and 2011 part of the Ministry of Finance deposits was repaid by the Company. On 29 December 2011 deposits were converted into debt securities.

In 2015 debt securities were repaid in amount of EUR 53m in total, from which EUR 22.3m as interest on State Aid, and EUR 30.7m as the principal amount of the State Aid. Overall, since 1 August 2010, EUR 366.6m has been repaid to the Treasury.

The interest rates applicable to debt securities are 6 months Euribor rate + 3.50 %+0.5% per annum.

NOTE 17. SUBORDINATED DEBT

The following table represents the details of Group's subordinated debt:

Counterparty	**Residence country**	**Issue size, (EUR 000's)**	**Interest rate**	**Original agreement date**	**Original maturity date**	**Amortised cost (EUR 000's) 31/12/2015**	**Amortised cost (EUR 000's) 31/12/2014**
Notes-private placement	UK	20,000	4.759%	28/12/2007	28/12/2022	19,187	19,096
Private person	Latvia	10,672	6M Rigibid + 3%	28/09/2007	26/09/2017	10,699	10,699
Private person	Latvia	10,672	6M Rigibid + 3%	28/09/2007	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	14/05/2015	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	17/09/2015	3,259	3,259
Private person	Latvia	3,250	6M Rigibid + 3%	04/12/2008	17/09/2015	3,259	3,259
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	29/09/2015	2,020	2,020
Private person	Latvia	2,015	6M Rigibid + 3%	04/12/2008	29/09/2015	2,020	2,020
					Total	**75,942**	**75,851**

The Notes of EUR 20 million Subordinated Debt were attracted through private placement of subordinated notes. The notes were issued at discount and net proceeds amounted to EUR 19,187 thousand. The notes are to be redeemed at 100%. The Company has the right to extend the term of the notes until 28 December 2022, in which case the Company also has the right to redeem the notes after the original maturity date giving a notice within 30-60 days.

As at 31 December 2015, included in the subordinated debt are EUR 51 million (2014: EUR 51 million) attributable to the former related parties of the Company. These transactions were entered into by previous executive management of the Company. During 2015 no interest on the aforementioned subordinated debt was paid.

Following the Amendments to the Law on Control of Aid for Commercial activity that have become effective on 1 July 2014, Reverta is allowed to repay subordinated debts – the principal amount and interest, only after full repayment of the State Aid. Therefore, starting from 1 July, 2014 Reverta has suspended calculation and repayment of interest, as well as principal

NOTE 18. ISSUED SHARE CAPITAL

As at 31 December 2015, the Company's registered and paid-in share capital was EUR 442,552 thousand. In accordance with the Company's articles of association, the share capital consists of 3,569,750 thousand ordinary shares with voting rights and 855,770 thousand ordinary shares without voting rights. All shares have a par value of EUR 0.1 each and, as at 31 December 2015, they all were issued and fully paid. As at 31 December 2015, the Company did not possess any of its own shares. No dividends were calculated or paid during 2015 and 2014.

As at 31 December 2015, the Company had 59 (2014: 59) shareholders. The respective shareholdings as at 31 December 2015 and 2014 are specified as follows:

	31/12/2015			31/12/2014		
	Paid-in share capital (EUR 000's)	% of total paid-in capital	% of total voting rights	Paid-in share capital (EUR 000's)	% of total paid-in capital	% of total voting rights
Privatisation Agency	372,413	84.15	82.02	372,413	84.15	82.02
EBRD	56,391	12.74	15.80	56,391	12.74	15.80
Other	13,748	3.11	2.18	13,748	3.11	2.18
Total	**442,552**	**100.00**	**100.00**	**442,552**	**100.00**	**100.00**

NOTE 19. MEMORANDUM ITEMS

Memorandum items comprise contingent liabilities and financial commitments. The following table provides a specification of contingent liabilities (showing maximum amount payable) and financial commitments outstanding as at 31 December 2015 and 2014.

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Company	31/12/2014 Company
Contingent liabilities:				
Outstanding guarantees	1,260	1,260	1,260	1,260
Total contingent liabilities	**1,260**	**1,260**	**1,260**	**1,260**
Financial commitments:				
Credit lines and overdraft facilities	-	3	65,654	55,039
Total financial commitments	**-**	**3**	**65,654**	**55,039**

NOTE 20. ASSETS PLEDGED

	EUR 000's			
	31/12/2015 Group	31/12/2014 Group	31/12/2015 Company	31/12/2014 Company
Due from credit institutions	5,217	5,713	2,063	5,171
Loans to customers	89,544	162,096	104,852	173,040
Investments in subsidiaries	-	-	22,201	21,655
Total assets pledged	**94,761**	**167,809**	**129,116**	**199,866**
Debt securities	427,214	458,185	427,214	458,185
Total liabilities secured by pledged assets	**427,214**	**458,185**	**427,214**	**458,185**

According to pledge agreements, concluded between the Company and Ministry of Finance (represented by State Treasury) loan portfolio, investments in subsidiaries, funds and securities are pledged in favour of Ministry of Finance to secure financing received in the form of state aid from Ministry of Finance. The respective commercial pledge is registered with Commercial Register. Please refer to Note 16 for more detailed information on financing received from Ministry of Finance.

NOTE 21. LITIGATION AND CLAIMS

In July 2009, the State Revenue Service (hereinafter - SRS) had completed a tax audit of AS Reverta (hereinafter - Company) which covered the years 2007 and 2008. Following the tax audit, the SRS established a claim for additional taxes to be paid by the Company. The Company did not agree with the conclusions made by the SRS audit group and appealed the decision to the General Director of the SRS as well as to the Court. The appeal of the Company was upheld in part. By judgement of the Administrative Regional Court, dated 17 April 2014, the decision of SRS was:

- annulled in the part by which an additional CIT in the amount of EUR 2.32 million had been calculated for the Company,
- was maintained in the part by which an additional CIT in the amount of EUR 120 thousand had been calculated for the Company.

By the judgement of the Supreme Court, dated 11 December 2015, the cassation complaints of the SRS and Company were rejected and the judgement of the Administrative Regional Court, dated 17 April 2014, was upheld. On 17 February 2016 the SRS executed the judgment by repaying back improperly calculated sums and late charges, thereby this court proceeding is over.

On 16 July 2012 N.Kondratjeva submitted a claim to Riga regional court requesting to terminate the Agreement on term deposit acceptance and service concluded in 2008, and repayment of funds invested under this agreement. N.Kondrjateva asked to recover from the Company the principal amount of EUR 5.3 million, state duties in the amount of EUR 5.8 thousand and the litigation expenses. Riga regional court rejected this claim in full on 8 March 2013. N.Kontratjeva filed an appeal. On 23 December 2015 the Supreme Court rejected N.Kondratjeva's claim on the termination of the agreement and repayment of funds invested, it terminated the proceeding on the deposit interest recovery and recovered the litigation costs from N.Kondratjeva. After preparing the full text of the decision it will be subject to cassation complaint.

On 21 November 2012 R.Kargins submitted a claim to Riga Regional Court requesting to terminate the Agreement on term deposit acceptance and service concluded in 2008. R.Kargins asks to recover from the Company the principal amount of EUR 15 million, state duties in the amount of EUR 10.7 thousand and the litigation expenses. Riga regional court granted this claim. The Company filed an appeal. The case is pending in appellate instance court, the hearing was scheduled on 06 April 2016 but did not took place due to illness of R.Kargins representative. No new date court hearing has been set. The outcome of the two above cases will not result in material expenses to the Company and the Group as is related to already recognized liabilities, which are disclosed in note 17.

On 30 July 2010 the Company filed an application to the Riga Regional Court against V.Kargins and V.Krasovickis as former members of the Board of the Company for suffered losses. Simultaneously the company asked to secure a claim. By a court decision the Company's claim was secured by seizing the defendants' funds. On 21 December 2012 the Riga Regional Court adopted the judgement granting the Company's claim for recovery of 4.9 million euro but rejecting the claim for recovery loses in amount of 80.7 million euro. The Company and the defendants appealed this judgement. The case is pending before the appellate court.. In this case the defendants filed a claim for the loss recovery in amount of 6.5 million euro caused by the securing of a claim. The Company values this claim as unfounded, therefore it will not result in substantial losses for the Company or the Group.

In its everyday activities the Company as a plaintiff is involved in many litigations related to transfer of pledges or loan recovery, as well as respective interest recovery and recovery of litigation costs from clients. The Company and its affiliates are involved in several litigations related to debt recovery of debts and losses from tenants, as well as litigations related to contradictions of the fictitious lease agreements. The Group companies are involved in similar litigations with clients in Latvia or abroad. Taking into account the nature and the amounts of the claims, the Company believes that litigations in which the Company and its subsidiaries are involved as a plaintiff or as a defendant in the 2015 will not result in substantial losses for the Company or the Group.

NOTE 22. RELATED PARTIES

Related parties are defined as shareholders who have significant influence over the Group, state and municipal institutions, members of the Supervisory Board and Management Board, key Management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies of the Group. Transactions with key management is disclosed in Note 8.

The following table presents the outstanding balances and volumes of the Group’s transactions with related parties as at 31 December 2015.

	EUR 000’s 31/12/2015	Income/ expense 01/01/2015 - 31/12/2015	EUR 000’s 31/12/2014	Income/ expense 01/01/2014 - 31/12/2014
Due from credit institutions:	-	53	5,713	232
Credit Institutions	*-*	*53*	*5,713*	*232*
Total credit exposure to related parties	**-**	**53**	**5,713**	**232**
Due to related parties:	427,214	22,092	458,367	24,807
Issued Debt Securities	*427,214*	*22,082*	*458,185*	*24,773*
Credit institutions	*-*	*9*	*182*	*34*
Total amounts due to related parties	**427,214**	**22,091**	**458,367**	**24,807**

The following table presents the outstanding balances and terms of the Company’s transactions with counterparties, which were other related parties as at 31 December 2015.

	Balance at 31/12/2015	Income/ expense 01/01/2015 - 31/12/2015	Balance at 31/12/2014	Income/ expense 01/01/2014 - 31/12/2014
Credit exposure to related parties				
Due from related parties:	-	1,267	5,193	2,576
Credit Institutions	*-*	*53*	*5,171*	*232*
Subsidiaries	*-*	*1,214*	*22*	*2,344*
Loans and receivables:	22,448	499	18,678	845
Subsidiaries	*22,448*	*499*	*18,678*	*845*
Total credit exposure to related parties	**22,448**	**1,766**	**23,871**	**3,421**
Due to related parties:	427,214	22,475	458,367	25,182
Issued Debt Securities	*427,214*	*22,082*	*458,185*	*24,773*
Credit institutions	*-*	*9*	*182*	*34*
Subsidiaries	*-*	*384*	*-*	*375*
Total amounts due to related parties	**427,214**	**22,475**	**458,367**	**25,182**

NOTE 23. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined the Management Board of the Company as its chief operating decision maker. The Management Board reviews financial information prepared based on International Financial Reporting Standards.

The following table reconciles the management information with these financial statements as at 31 December 2015
EUR 000’s:

	Baltic loans	CIS loans	Real Estate	Other	Total
External revenue	**2,025**	**264**	**(2,036)**	**-**	**253**
External assets					
Loans	548,757	144,405	-	-	693,162
Investment properties	-	-	36,322	-	36,322
Other assets	-	-	-	24,474	24,474
Impairment	(472,450)	(131,168)	-	(5,972)	(609,590)
Total assets	**76,307**	**13,237**	**36,322**	**18,502**	**144,368**
External liabilities	-	-	-	506,292	506,292
Total liabilities	**-**	**-**	**-**	**506,292**	**506,292**

The following table reconciles the management information with these financial statements as at 31 December 2014
EUR 000’s:

	Baltic loans	CIS loans	Real Estate	Other	Total
External revenue	**1,972**	**2,022**	**3,985**	**-**	**7,979**
External assets					
Loans	614,709	182,561	-	-	797,270
Investment properties	-	-	46,466	-	46,466
Other assets	-	-	-	25,871	25,871
Impairment	(465,748)	(169,426)	-	(5,613)	(640,787)
Total assets	**148,961**	**13,135**	**46,466**	**20,258**	**228,820**
External liabilities	-	-	-	536,492	536,492
Total liabilities	**-**	**-**	**-**	**536,492**	**536,492**

NOTE 24. RISK MANAGEMENT

Since the transfer of undertaking on 1 August 2010 the Company has limited possibility to manage certain risks, in particular, interest rate risk, country risk, to some extent credit risk and risk limits. Nevertheless the Company is putting all the efforts to limit risks and has the following risk management policies.

Risk management polices

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 - Finance, Risk Management & Operational Department.

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

a) 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 into its loan restructuring and loan recovery activities.

Credit risk management is based on risk assessment and decision-making. For material risks, risk analysis is conducted by independent Finance, 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 Finance, Risk Management & Operational Department.

The tables below provide details of the Group's loan portfolio delinquencies:

	Group, EUR 000's			
	31/12/2015			
	Regular loans	Utilised credit lines	Other	Total
Not delayed - not impaired	7,703	45	-	7,748
Not delayed - impaired	55,160	107	-	55,267
Total not delayed loans	**62,863**	**152**	**-**	**63,015**
Past due loans - not impaired				
Delayed days:				
=< 29	1,106	-	-	1,106
30-59	790	-	-	790
60-89	103	-	-	103
90 and more	46,887	402	273	47,562
Total past due loans - not impaired	**48,886**	**402**	**273**	**49,561**
Total past due loans - impaired	**558,833**	**14,298**	**7,455**	**580,586**
Total gross loans and receivables to customers	**670,582**	**14,852**	**7,728**	**693,162**
Impairment allowance	(581,537)	(14,668)	(7,413)	(603,618)
Total net loans and receivables to customers	**89,045**	**184**	**315**	**89,544**

Mostly, not-delayed loans falling into categories "regular loans" and "utilised credit lines" are secured by collateral. More than 70% of the not delayed loans and more than 45% of total loans are secured by real estate collateral.

	Group, EUR 000's			
	31/12/2014			
	Regular loans	Utilised credit lines	Other	Total
Not delayed - not impaired	7,839	-	-	7,839
Not delayed - impaired	100,689	2,355	-	103,044
Total not delayed loans	**108,528**	**2,355**	**-**	**110,883**
Past due loans - not impaired				
Delayed days:				
=< 29	1,496	-	-	1,496
30-59	1,097	-	-	1,097
60-89	397	-	-	397
90 and more	71,837	1,402	283	73,522
Total past due loans - not impaired	**74,827**	**1,402**	**283**	**76,512**
Total past due loans - impaired	**560,206**	**15,319**	**7,867**	**583,392**
Total gross loans and receivables to customers	**743,561**	**19,076**	**8,150**	**770,787**
Impairment allowance	(585,082)	(15,785)	(7,824)	(608,691)
Total net loans and receivables to customers	**158,479**	**3,291**	**326**	**162,096**

The tables below provide details of the Company’s loan portfolio delinquencies:

	Company, EUR 000’s			
	31/12/2015			
	Regular loans	Utilised credit lines	Other	Total
Not delayed - not impaired	7,703	19,877	-	27,580
Not delayed - impaired	55,160	107	-	55,267
Total not delayed loans	**62,863**	**19,984**	**-**	**82,847**
Past due loans - not impaired				
Delayed days:				
=< 29	1,106	-	-	1,106
30-59	790	-	-	790
60-89	103	-	-	103
90 and more	46,887	402	273	47,562
Total past due loans - not impaired	**48,886**	**402**	**273**	**49,561**
Total past due loans - impaired	**561,449**	**14,298**	**7,455**	**583,202**
Total gross loans and receivables to customers	**673,198**	**34,684**	**7,728**	**715,610**
Impairment allowance	(584,150)	(19,195)	(7,413)	(610,758)
Total net loans and receivables to customers	**89,048**	**15,489**	**315**	**104,852**

	Company, EUR 000’s			
	31/12/2014			
	Regular loans	Utilised credit lines	Other	Total
Not delayed - not impaired	7,839	8,481	-	16,320
Not delayed - impaired	100,689	10,187	-	110,876
Total not delayed loans	**108,528**	**18,668**	**-**	**127,196**
Past due loans - not impaired				
Delayed days:				
=< 29	1,496	-	-	1,496
30-59	1,097	-	-	1,097
60-89	397	-	-	397
90 and more	71,837	1,402	283	73,522
Total past due loans - not impaired	**74,827**	**1,402**	**283**	**76,512**
Total past due loans - impaired	**562,570**	**15,319**	**7,867**	**585,756**
Total gross loans and receivables to customers	**745,925**	**35,389**	**8,150**	**789,464**
Impairment allowance	(587,443)	(21,157)	(7,824)	(616,424)
Total net loans and receivables to customers	**158,482**	**14,232**	**326**	**173,040**

GEOGRAPHICAL PROFILE

The following table provides an analysis of the Group’s and Company’s assets and liabilities, as well as memorandum items outstanding as at 31 December 2015 and 2014 by geographical profile. The grouping is done based on information about the residence of the respective counterparties.

	Group as at 31/12/2015, EUR 000’s					
	Latvia	Lithuania	Other EU countries	CIS countries	Other countries	Total
Assets						
Balances due from credit institutions	4,213	986	13	-	5	5,217
Loans	42,430	19,467	14,094	13,237	316	89,544
Investment properties	34,984	1,338	-	-	-	36,322
Other assets	13,039	221	23	-	2	13,285
Total assets	**94,666**	**22,012**	**14,130**	**13,237**	**323**	**144,368**
Liabilities						
Financial liabilities measured at amortised cost	503,156	-	-	-	-	503,156
Other liabilities	2,914	162	47	2	11	3,136
Total liabilities	**506,070**	**162**	**47**	**2**	**11**	**506,292**
Equity	(361,924)	-	-	-	-	(361,924)
Total liabilities and equity	**144,146**	**162**	**47**	**2**	**11**	**144,368**
Memorandum items						
Contingent liabilities	-	-	1,260	-	-	1,260
Financial commitments	-	-	-	-	-	-

	Group as at 31/12/2014, EUR 000’s					
	Latvia	Lithuania	Other EU countries	CIS countries	Other countries	Total
Assets						
Balances due from credit institutions	5,073	621	14	5	-	5,713
Loans	102,695	27,885	18,381	13,135	-	162,096
Investment properties	44,104	2,362	-	-	-	46,466
Other assets	11,871	319	2,349	-	6	14,545
Total assets	**163,743**	**31,187**	**20,744**	**13,140**	**6**	**228,820**
Liabilities						
Financial liabilities measured at amortised cost	534,036	-	-	-	-	534,036
Other liabilities	2,287	117	41	-	11	2,456
Total liabilities	**536,323**	**117**	**41**	**-**	**11**	**536,492**
Equity	(307,672)	-	-	-	-	(307,672)
Total liabilities and equity	**228,651**	**117**	**41**	**-**	**11**	**228,820**
Memorandum items						
Contingent liabilities	-	-	1,260	-	-	1,260
Financial commitments	3	-	-	-	-	3

	Company as at 31/12/2015, EUR 000's					
	Latvia	Lithuania	Other EU countries	CIS countries	Other countries	Total
Assets						
Balances due from credit institutions	1,245	813	-	5	-	2,063
Loans	57,146	20,056	14,097	13,237	316	104,852
Investments in subsidiaries	20,934	1,265	2	-	-	22,201
Investment properties	5,107	-	-	-	-	5,107
Other assets	10,383	-	-	-	-	10,383
Total assets	**94,815**	**22,134**	**14,099**	**13,242**	**316**	**144,606**
Liabilities						
Financial liabilities measured at amortised cost	503,156	-	-	-	-	503,156
Other liabilities	2,386	-	-	2	11	2,399
Total liabilities	**505,542**	**-**	**-**	**2**	**11**	**505,555**
Equity	(360,949)	-	-	-	-	(360,949)
Total liabilities and equity	**144,593**	**-**	**-**	**2**	**11**	**144,606**
Memorandum items						
Contingent liabilities	-	-	1,260	-	-	1,260
Financial commitments	62,402	3,252	-	-	-	65,654

	Company as at 31/12/2014, EUR 000's					
	Latvia	Lithuania	Other EU countries	CIS countries	Other countries	Total
Assets						
Balances due from credit institutions	4,636	530	-	5	-	5,171
Loans	110,310	29,521	18,381	14,828	-	173,040
Investments in subsidiaries	20,388	1,265	2	-	-	21,655
Investment properties	9,703	-	-	-	-	9,703
Other assets	10,689	-	-	-	-	10,689
Total assets	**155,726**	**31,316**	**18,383**	**14,833**	**-**	**220,258**
Liabilities						
Financial liabilities measured at amortised cost	534,036	-	-	-	-	534,036
Other liabilities	1,600	-	16	-	11	1,627
Total liabilities	**535,636**	**-**	**16**	**-**	**11**	**535,663**
Equity	(315,405)	-	-	-	-	(315,405)
Total liabilities and equity	**220,231**	**-**	**16**	**-**	**11**	**220,258**
Memorandum items						
Contingent liabilities	-	-	1,260	-	-	1,260
Financial commitments	52,652	2,387	-	-	-	55,039

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The concept of fair value assumes realisation of financial instruments by a way of sale. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, in many cases, particularly in respect of loans and receivables to/from customers, the Group intends to realise assets through collection over time. Users of these financial statements are therefore advised to use caution when using this data to evaluate the Group's financial position.

Fair value hierarchy

For illiquid financial assets and liabilities, including loans and receivables from customers, there are, by definition, no active markets. Accordingly, all fair values are classified under Level 3, fair value has been estimated using appropriate valuation techniques. The methods used to determine the fair value of balance sheet items not carried at fair value (based on quoted market prices) are as follows:

Balances due from credit institutions

The fair value of on-demand balances with credit institutions is their carrying amount as these balances may be withdrawn without notice. The fair value of overnight placements is their carrying amount. The fair value of other amounts due from credit institutions is calculated by discounting expected cash flows using current market rates. The carrying value is a close representation of fair value due to short-term maturity profiles.

Loans and receivables from customers

The fair value of loans and receivables from customers is calculated by discounting expected future cash flows. The discount rates consist of money market rates as at the end of year and credit margins, which are adjusted for current market conditions. Since the portfolio consists mostly of non-performing or restructured loans, the carrying amount is considered to be a close representation of the fair value.

Issued debt

Fair value of the issued bonds is expected to be significantly smaller than their balance sheet value due to accrued losses of the Company. Fair value of the issued bonds cannot be determined with significant precision at the current moment.

b) 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.

Day-to-day currency risk monitoring, management and reporting is the responsibility of Risk Management Division and Finance Planning and Control Division.

In the event of exchange rates for all currencies in which the Group and the Company has open positions adversely change by 1%, the potential total increase in the Group's and Company's pre-tax loss would amount to approximately EUR 56 thousand and EUR 58 thousand as at 31 December 2015 and EUR 98 thousand and EUR 122 thousand as at 31 December 2014, respectively.

The following table provides an analysis of the Group's and Company's assets and liabilities and shareholders' equity as well as memorandum items outstanding as at 31 December 2015 and 2014 by currency profile:

	Group as at 31/12/2015, EUR 000's			
	EUR	USD	Other	Total
Assets				
Balances due from credit institutions	4,743	316	158	5,217
Loans	84,506	4,990	48	89,544
Investment properties	36,322	-	-	36,322
Other assets	13,178	-	107	13,285
Total assets	**138,749**	**5,306**	**313**	**144,368**
Liabilities				
Financial liabilities measured at amortised cost	503,156	-	-	503,156
Other liabilities	3,136	-	-	3,136
Total liabilities	**506,292**	**-**	**-**	**506,292**
Equity	(361,924)	-	-	(361,924)
Total liabilities and equity	**144,368**	**-**	**-**	**144,368**
Net long/ (short) position as at 31 December 2015	(5,619)	5,306	313	-
Memorandum items				
Contingent liabilities	1,260	-	-	1,260
Financial commitments	-	-	-	-

	Group as at 31/12/2014, EUR 000's				
	EUR	USD	LTL	Other	Total
Assets					
Balances due from credit institutions	4,800	337	571	5	5,713
Loans	145,971	9,512	6,571	42	162,096
Investment properties	44,104	-	2,362	-	46,466
Other assets	11,870	2,349	321	5	14,545
Total assets	**206,745**	**12,198**	**9,825**	**52**	**228,820**
Liabilities					
Financial liabilities measured at amortised cost	534,036	-	-	-	534,036
Other liabilities	2,324	15	117	-	2,456
Total liabilities	**536,360**	**15**	**117**	**-**	**536,492**
Equity	(307,672)	-	-	-	(307,672)
Total liabilities and equity	**228,688**	**15**	**117**	**-**	**228,820**
Net long/ (short) position as at 31 December 2014	(21,943)	12,183	9,708	52	-
Memorandum items					
Contingent liabilities	1,260	-	-	-	1,260
Financial commitments	3	-	-	-	3

	Company as at 31/12/2015, EUR 000's			
	EUR	USD	Other	Total
Assets				
Balances due from credit institutions	1,589	316	158	2,063
Loans	99,812	4,989	51	104,852
Investments in subsidiaries	22,200	1	-	22,201
Investment properties	5,107	-	-	5,107
Other assets	10,281	-	102	10,383
Total assets	**138,989**	**5,306**	**311**	**144,606**
Liabilities				
Financial liabilities measured at amortised cost	503,156	-	-	503,156
Other liabilities	2,399	-	-	2,399
Total liabilities	**505,555**	**-**	**-**	**505,555**
Equity	(360,949)	-	-	(360,949)
Total liabilities and equity	**144,606**	**-**	**-**	**144,606**
Net long/ (short) position as at 31 December 2015	(5,617)	5,306	311	-
Memorandum items				
Contingent liabilities	1,260	-	-	1,260
Financial commitments	65,654	-	-	65,654

	Company as at 31/12/2014, EUR 000's				
	EUR	USD	LTL	Other	Total
Assets					
Balances due from credit institutions	4,349	337	480	5	5,171
Loans	156,915	9,512	6,571	42	173,040
Investments in subsidiaries	21,654	1	-	-	21,655
Investment properties	9,703	-	-	-	9,703
Other assets	10,480	-	114	95	10,689
Total assets	**203,101**	**9,850**	**7,165**	**142**	**220,258**
Liabilities					
Financial liabilities measured at amortised cost	534,036	-	-	-	534,036
Other liabilities	1,627	-	-	-	1,627
Total liabilities	**535,663**	**-**	**-**	**-**	**535,663**
Equity	(315,405)	-	-	-	(315,405)
Total liabilities and equity	**220,258**	**-**	**-**	**-**	**220,258**
Net long/ (short) position as at 31 December 2014	(17,157)	9,850	7,165	142	-
Memorandum items					
Contingent liabilities	1,260	-	-	-	1,260
Financial commitments	55,039	-	-	-	55,039

d) 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 are ensured by the Finance, Risk Management & Operational Department. The main source of liquidity is debt securities issued by the Company.

Group’s assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2015

	Group as at 31/12/2015, EUR 000’s			
	Within 1 year	1-5 years	Over 5 years	Total
Assets				
Balances due from credit institutions	5,217	-	-	5,217
Loans	39,234	29,289	21,021	89,544
Investment properties	-	36,322	-	36,322
Other assets	-	13,285	-	13,285
Total assets	**44,451**	**78,896**	**21,021**	**144,368**
Liabilities				
Financial liabilities measured at amortised cost*	78,510	424,646	-	503,156
Other liabilities	3,136	-	-	3,136
Total liabilities	**81,646**	**424,646**	**-**	**506,292**
Equity	-	-	(361,924)	(361,924)
Total liabilities and equity	**81,646**	**424,646**	**(361,924)**	**144,368**
Net balance sheet position – long/ (short)	(37,195)	(345,750)	382,945	-
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	-	-	-	-

* In March 2015, the new State Aid repayment schedule has been agreed with Ministry of Finance (for details see note 16).

Group’s contractual undiscounted cash flows of the financial liabilities as at 31 December 2015

The following table represents the analysis of the estimated contractual cash flows arising from Group’s financial liabilities as at 31 December 2015:

	EUR 000’s			
	Within 1 year	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities measured at amortised cost	96,891	424,646	-	521,537
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	-	-	-	-

Group's assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2014

	Group as at 31/12/2014, EUR 000's			
	Within 1 year	1-5 years	Over 5 years	Total
Assets				
Balances due from credit institutions	5,713	-	-	5,713
Loans	51,484	72,278	38,334	162,096
Investment properties	46,466	-	-	46,466
Other assets	538	14,007	-	14,545
Total assets	**104,201**	**86,285**	**38,334**	**228,820**
Liabilities				
Financial liabilities measured at amortised cost*	427,477	30,708	75,851	534,036
Other liabilities	2,456	-	-	2,456
Total liabilities	**429,933**	**30,708**	**75,851**	**536,492**
Equity	-	-	(307,672)	(307,672)
Total liabilities and equity	**429,933**	**30,708**	**(231,821)**	**228,820**
Net balance sheet position – long/ (short)	(325,732)	55,577	270,155	-
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	3	-	-	3

* In March 2015, the new State Aid repayment schedule has been agreed with Ministry of Finance (for details see note 16).

Group's contractual undiscounted cash flows of the financial liabilities as at 31 December 2014

The following table represents the analysis of the estimated contractual cash flows arising from Group's financial liabilities as at 31 December 2014:

	EUR 000's			
	Within 1 year	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities measured at amortised cost	448,269	70,480	75,851	594,600
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	3	-	-	3

Company’s assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2015

	Company as at 31/12/2015, EUR 000’s			
	Within 1 year	1-5 years	Over 5 years	Total
Assets				
Balances due from credit institutions	2,063	-	-	2,063
Loans	54,542	29,289	21,021	104,852
Investments in subsidiaries	-	22,201	-	22,201
Investment properties	-	5,107	-	5,107
Other assets	-	10,383	-	10,383
Total assets	**56,605**	**66,980**	**21,021**	**144,606**
Liabilities				
Financial liabilities measured at amortised cost	78,510	424,646	-	503,156
Other liabilities	2,399	-	-	2,399
Total liabilities	**80,909**	**424,646**	**-**	**505,555**
Equity	-	-	(360,949)	(360,949)
Total liabilities and equity	**80,909**	**424,646**	**(360,949)**	**144,606**
Net balance sheet position – long/ (short)	(24,304)	(357,666)	381,970	-
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	65,654	-	-	65,654

Company’s contractual undiscounted cash flows of the financial liabilities as at 31 December 2015

	EUR 000’s			
	Within 1 year	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities measured at amortised cost	96,891	424,646	-	521,537
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	65,654	-	-	65,654

Company's assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2014

	Company as at 31/12/2014, EUR 000's			
	Within 1 year	1-5 years	Over 5 years	Total
Assets				
Balances due from credit institutions	5,171	-	-	5,171
Loans	55,985	78,721	38,334	173,040
Investments in subsidiaries	-	21,655	-	21,655
Investment properties	9,703	-	-	9,703
Other assets	219	10,470	-	10,689
Total assets	**71,078**	**110,846**	**38,334**	**220,258**
Liabilities				
Financial liabilities measured at amortised cost	427,477	30,708	75,851	534,036
Other liabilities	1,627	-	-	1,627
Total liabilities	**429,104**	**30,708**	**75,851**	**535,663**
Equity	-	-	(315,405)	(315,405)
Total liabilities and equity	**429,104**	**30,708**	**(239,554)**	**220,258**
Net balance sheet position – long/ (short)	(358,026)	80,138	277,888	-
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	55,039	-	-	55,039

Company's contractual undiscounted cash flows of the financial liabilities as at 31 December 2014

	EUR 000's			
	Within 1 year	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities measured at amortised cost	448,269	70,480	75,851	594,600
Memorandum items				
Contingent liabilities (outstanding guarantees)	1,260	-	-	1,260
Financial commitments	55,039	-	-	55,039

e) 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 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.

NOTE 25. EVENTS AFTER THE BALANCE SHEET DATE

In February 2016 Reverta made another regular interest payment to the State Treasury in the amount of EUR 4.52 m.

On 17 February 2016 the SRS executed the court judgment and repaid back improperly calculated additional Corporate income tax and late charges that were imposed in 2009, for further details refer to information included in Note 21.

Following a request by the Latvian Privatisation Agency, KPMG Baltics has analysed the situation in the distressed asset market in order to provide recommendations on future disposal strategy of Reverta, including potential sales strategies along with a justified opinion on whether there are grounds to reconsider the existing sales strategy.

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC Reverta

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of JSC Reverta and its subsidiaries (the Group) and the financial statements of JSC Reverta (the Company), set out on pages 7 to 49 of the accompanying annual report which comprise the statements of financial position as of 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention to the section “Going concern” of the Note 1 “General information” to the financial statements which describes the nature and objectives and expectations of the future operations and results of the Group and the Company, the inability to fully repay debt securities due to the State, and the pending decision by the Cabinet of Ministers on the ongoing work out strategy.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for 2015 set out on pages 3 to 4 of the accompanying annual report for 2015 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2015.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejina
Certified auditor in charge
Certificate No 168

Member of the Board

Riga, Latvia
29 April 2016

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.