



Unaudited Public
Financial Report

for the 3rd quarter
of 2012

REVERTA

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Management Report

Dear shareholders and partners!

Reverta's performance during the first nine months of 2012 has been in line with the approved Restructuring Plan and in some areas the company's activities have exceeded the planned results. During the report period *Reverta* has repaid EUR 52.6m to the Treasury. Of that, EUR 21.1m was paid as interest on government bonds and EUR 31.5m was paid to redeem the government bonds. According to the Restructuring Plan, repayment of the State Aid principal amount was due in the second half of 2012, but *Reverta* was already able to make its first payment of EUR 8.7m at the end of 2011. At the same time, the first interest payment of EUR 2.1m was made, which, according to the Restructuring Plan, was not due until 2014.

Mostly, the sums available to repay State Aid were recovered because of loan restructuring and sales of separate claim rights activities. The amount of money recovered during the report period totalled EUR 85m.

After selling the Ukrainian leasing company *Laska Lizing* during the report period, *Reverta* exited the active leasing market. As a result, *Reverta* collected USD 2.8m that was also used to repay State Aid.

Despite the signs of economic improvement as generally witnessed by the growth of GDP and improved international debt ratings during the period, the distressed assets market sector, with which we are dealing, still suffers from fragility and uncertainty. The relatively inactive real estate market, increasing competition and difficulties hindering progress of the business projects of *Reverta's* clients are having a significant effect on the State Aid recovery process and performance.

More and more, *Reverta's* work is disrupted by the inconsistencies that exist in the current laws that cover the company's activities – repossession and management of real estates and exercising the rights of the creditor within the insolvency process. The heavy schedule of courts and sometimes ineffective judicial process are also obstacles to successful actions. As a result of all this, not only the interests of mortgage creditors and banks are involved, but also those of Latvia's taxpayers. Therefore *Reverta* continues actively to address State agencies, law enforcement institutions and the public to point out the importance of resolving these issues for the benefit of the community as a whole.

Reverta concluded the reporting period with a EUR 65.2m loss. This loss comprises, firstly, of provisions for unsecured debts and, secondly, by the excess of interest expense over interest income. In view of the specifics of the company's assets it is unlikely that profit can be expected in the future.

Despite the rather low interest and purchasing capacity of potential buyers during the reporting period, the total real estate sales amount in September 2012 reached EUR 1.1m, thus exceeding all previous sale results. At the end of the period there were just over 1000 items in the real estate portfolio, and active repossession of real estates will continue till 2014. Taking into account that after repossession, properties are offered for sale one by one, the increase of the portfolio might continue till the end of 2013.

Most significant events after the end of the reporting period

On 12th November 2012 *Reverta* made another payment to the Treasury in the sum of EUR 25.5m, ahead of schedule. Of that, EUR 18.1m was paid to redeem the government bonds and EUR 7.4m was paid as interest. *Reverta* plans to repay approximately EUR 11m more by the end of this year.

Overall, starting from 1st August 2010 till 31st October 2012, *Reverta* has recovered EUR 413m.

Christopher John Gwilliam
Chairman of the Management Board

Solvita Deglava
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
30 November 2012

The Council and the Management Board

The Council

Name	Position
Michael Joseph Bourke	Chairman of the Council
Sarmīte Jumīte	Deputy chairwoman of the Council
Vladimirs Loginovs	Member of the Council
Mary Ellen Collins	Member of the Council

The Management Board

Name	Position
Christopher John Gwilliam	Chairman of the Management Board, p.p.
Solvita Deglava	Member of the Management Board, p.p.
Ruta Amtmane	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 14 are prepared in accordance with the source documents and present fairly the financial position of the Company and the Group as at 30 September 2012 and the results of their operations, changes in shareholders' equity and cash flows for nine month period ended 30 September 2012. 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.

Christopher John Gwilliam
Chairman of the Management Board

Solvita Deglava
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
30 November 2012

Statements of Comprehensive Income

	LVL 000's			
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	Group	Group	Company	Company
Interest income	5,351	11,417	5,499	9,962
Interest expense	(20,843)	(26,641)	(20,843)	(25,340)
Net interest expense	(15,492)	(15,224)	(15,344)	(15,378)
Commission and fee income	120	280	68	3
Commission and fee expense	(19)	(130)	(15)	(55)
Net commission and fee income / (expense)	101	150	53	(52)
Net realised loss on available-for-sale financial assets	(125)	(3,686)	(125)	(3,778)
Result of revaluation of financial instruments and foreign currency, net	2,351	(435)	2,879	(451)
Other income	496	2,624	652	742
Net financial result of the segment	(12,669)	(16,571)	(11,885)	(18,917)
Real estate segment income	539	847	94	386
Real estate segment expense	(726)	(532)	(170)	(213)
Revaluation result, net	4,209	(917)	4,209	(870)
Net result of RE segment	4,022	(602)	4,133	(697)
Collaterals and assets under repossession expense	(168)	(47)	(168)	(47)
Administrative expense	(6,376)	(8,288)	(5,894)	(5,067)
Amortisation and depreciation charge	(256)	(303)	(254)	(205)
Impairment charges and reversals, net	(27,819)	(7,243)	(29,192)	(8,606)
Loss from asset write-offs	(2,307)	(1,433)	(2,307)	(1,433)
(Loss)/profit on disposal of assets held for sale	(46)	195	-	-
Loss before taxation	(45,619)	(34,292)	(45,567)	(34,972)
Corporate income tax	(275)	(1,193)	(244)	(167)
Loss for the period	(45,894)	(35,485)	(45,811)	(35,139)
Attributable to:				
Shareholders of the parent company	(45,894)	(35,485)	(45,811)	(35,139)
Non-controlling interest	-	-	-	-
Other comprehensive income:				
Change in fair value of available-for-sale securities	487	4,199	487	4,199
Total comprehensive loss for the period	(45,407)	(31,286)	(45,324)	(30,940)
Attributable to:				
Shareholders of the parent company	(45,407)	(31,286)	(45,324)	(30,940)
Non-controlling interest	-	-	-	-

Statements of Financial Position

	LVL 000's			
	30/09/2012	31/12/2011*	30/09/2012	31/12/2011*
	Group	Group	Company	Company
Assets				
Cash and deposits with central banks	-	5	-	5
Balances due from credit institutions	19,655	25,623	19,189	25,475
Shares and other non-fixed income securities	9	31	9	31
Bonds and other fixed income securities	872	4,436	872	4,436
Loans	332,392	425,250	368,150	452,676
Held-to-maturity securities	-	24,318	-	24,318
Fixed assets	104	283	93	279
Intangible assets	102	139	102	139
Investments in subsidiaries	-	-	25,377	62
Investment property	63,144	40,450	15,981	18,586
Other assets	13,032	15,642	8,157	9,511
Total assets	429,310	536,177	437,930	535,518
Liabilities				
Derivative financial instruments	-	1,688	-	1,688
Financial liabilities measured at amortised cost:				
- balances due to credit institutions and central banks	-	13,295	-	13,295
- deposits	-	26,714	-	26,714
- issued debt securities	409,078	428,028	409,078	428,028
Other liabilities	1,997	2,949	10,032	1,788
Subordinated liabilities	53,221	53,082	53,221	53,082
Total liabilities	464,296	525,756	472,331	524,595
Equity				
Paid-in share capital	311,027	311,027	311,027	311,027
Share premium	12,694	12,694	12,694	12,694
Fair value revaluation reserve – available-for-sale securities	-	(487)	-	(487)
Accumulated losses	(358,707)	(312,813)	(358,122)	(312,311)
Total shareholders' equity attributable to the shareholders of the Company	(34,986)	10,421	(34,401)	10,923
Non-controlling interest	-	-	-	-
Total equity	(34,986)	10,421	(34,401)	10,923
Total liabilities and equity	429,310	536,177	437,930	535,518

* Auditor: SIA "PricewaterhouseCoopers"

Statements of Changes in Equity

Group	LVL 000's				Total equity
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	
Balance as at 31 December 2010	271,227	12,694	(4,685)	(242,323)	36,913
Issue of new shares	20,000	-	-	-	20,000
Loss for the period	-	-	-	(35,485)	(35,485)
Other comprehensive income for the period	-	-	4,199	-	4,199
Balance as at 30 September 2011	291,227	12,694	(486)	(277,808)	25,627
Issue of new shares	19,800	-	-	-	19,800
Loss for the period	-	-	-	(35,005)	(35,005)
Other comprehensive loss for the period	-	-	(1)	-	(1)
Balance as at 31 December 2011	311,027	12,694	(487)	(312,813)	10,421
Loss for the period	-	-	-	(45,894)	(45,894)
Other comprehensive income for the period	-	-	487	-	487
Balance as at 30 September 2012	311,027	12,694	-	(358,707)	(34,986)

Company	LVL 000's				Total equity
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	
Balance as at 31 December 2010	271,227	12,694	(4,685)	(241,937)	37,299
Issue of new shares	20,000	-	-	-	20,000
Loss for the period	-	-	-	(35,138)	(35,138)
Other comprehensive income for the period	-	-	4,199	-	4,199
Balance as at 30 September 2011	291,227	12,694	(486)	(277,075)	26,360
Issue of new shares	19,800	-	-	-	19,800
Loss for the period	-	-	-	(35,236)	(35,236)
Other comprehensive loss for the period	-	-	(1)	-	(1)
Balance as at 31 December 2011	311,027	12,694	(487)	(312,311)	10,923
Loss for the period	-	-	-	(45,811)	(45,811)
Other comprehensive income for the period	-	-	487	-	487
Balance as at 30 September 2012	311,027	12,694	-	(358,122)	(34,401)

Statements of Cash Flows

	LVL 000's			
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	Grup	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(45,619)	(34,292)	(45,567)	(34,972)
Amortisation and depreciation	256	303	254	205
Change in impairment allowances and other accruals	35,259	14,381	36,633	18,881
Other finance costs	18,049	18,467	18,049	18,467
Other non-cash items	253	844	(210)	698
Foreign currency transactions	(1,688)	(2,045)	(1,688)	(2,045)
Cash generated before changes in assets and liabilities	6,510	(2,342)	7,471	1,234
Decrease in loans and receivables	54,976	58,963	47,459	54,424
(Decrease)/ increase in deposits	(10,151)	(15,629)	(10,151)	(15,629)
(Increase)/decrease in other assets	(18,772)	2,445	(21,765)	2,943
(Decrease)/ increase in other liabilities	(737)	2,719	8,459	2,301
Cash generated from operating activities before corporate income tax	31,826	46,156	31,473	45,273
Corporate income tax paid	(275)	(1,193)	(244)	(167)
Net cash flows from operating activities	31,551	44,963	31,229	45,106
Cash flows from investing activities				
Purchase of intangible and fixed assets	(42)	(82)	(38)	(80)
Sale of subsidiaries	1,943	8,434	1,943	8,434
Sale of available-for-sale securities, net	128	61,627	128	63,257
Net cash flow from investing activities	2,029	69,979	2,033	71,611
Cash flows from financing activities				
Paid in share capital	-	20,000	-	20,000
Repayment of syndicated loan	-	(169,044)	-	(169,044)
Redemption of issued debt securities (principal)	(22,161)	-	(22,161)	-
Interest for issued debt securities	(14,838)	(20,306)	(14,838)	(20,306)
Interest for subordinated debt	(2,549)	(2,402)	(2,549)	(2,402)
Net cash flow from financing activities	(39,548)	(171,752)	(39,548)	(171,752)
Net cash flow for the reporting period	(5,968)	(56,810)	(6,286)	(55,035)
Cash and cash equivalents at the beginning of the reporting period	25,623	86,671	25,475	84,821
Cash and cash equivalents at the end of the reporting period	19,655	29,861	19,189	29,786

Consolidation Group Structure as at 30 September 2012

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
1	AS "Reverta"	LV-40003074590	Latvia, Riga LV-1010, Republikas laukums 2A	LV	KS	100	100	MAS
2	Regalite Holdings Limited	CY-HE93438	Cyprus, Nicosia 1075, 58 Arch. Makarios 3 Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
3	OOO "Ekspress Lizing"	RU-1037867006726	Russia, St. Petersburg 192019, Sedova 11, liter A	RU	LIZ	100	100	MS
4	OOO "Parex Leasing and Factoring"	GE-205224461	Georgia, Tbilisi, Kazbegi avenue 44	GE	LIZ	100	100	MS
5	SIA "NIF"	LV-40103250571	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
6	SIA "NIF Dzīvojamie īpašumi"	LV-40103253915	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
7	SIA "NIF Komerčīpašumi"	LV-40103254003	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
8	SIA "NIF Zemes īpašumi"	LV-40103255348	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
9	UAB "NIF Lietuva"	LT-302462108	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	PLS	100	100	MS
10	OÜ "NIF Eesti"	EE-11788043	Estonia, Tallinn 10119, Roosikrantsi 2	EE	PLS	100	100	MS
11	SIA "NIF Projekts 1"	LV-50103300111	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
12	SIA "NIF Projekts 2"	LV-40103353475	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
13	SIA "NIF Projekts 3"	LV-40103353511	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
14	SIA "NIF Projekts 4"	LV-40103398418	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
15	SIA "NIF Projekts 5"	LV-40103398850	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
16	SIA "NIF Projekts 6"	LV-40103398865	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
17	SIA "NIF Projekts 7"	LV-40103512479	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
18	SIA "NIF Projekts 8"	LV-40103512604	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
19	SIA "NIF Projekts 9"	LV-40103512498	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
20	Carnella Maritime Corp.	BVI-1701483	British Virgin Islands, Mill Mall Tower, 2 nd Floor, Wickhams Cay 1, Tortola.	BVI	PLS	100	100	MS

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

** MS – subsidiary company, MAS – parent company.

Notes

Information about Reverta's structure

As at 30 September 2012 the Company had 4 representative offices.

Issued share capital as at 30 September 2012

Shareholders	Nominal value, (LVL)	Number of shares	Paid-in share capital, (LVL)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	1	261 733 152	261,733,152	205 783 152	84.15%
EBRD	1	39 631 824	39,631,824	39 631 824	12.74%
Other	1	9 662 319	9,662,319	5 468 463	3.11%
Total		311 027 295	311,027,295	250 883 439	100%

Information on certain parties that were related to the Company at the moment it received state aid

The following table represents summary of material transactions with certain parties that were related to the Company at the moment it received the State Aid:

	LVL 000's					
	3 rd quarter of 2012			3 rd quarter of 2011		
	Period-end balance	Average interest rate *	Interest income/ (expense)	Period-end balance	Average interest rate *	Interest income/ (expense)
Loans issued by the Company	1,902	0.00%	-	1,878	0.00%	-
Subordinated financing provided to the Company	36,005	4.11%	(1,742)	36,005	3.99%	(1,630)

* According to period-end rates

Subordinated financing contracts were entered into force in 2008 and have maturities ranging 2015 through 2018. Subordinated financing is LVL and EUR denominated. Prior repayment can be unilaterally requested only upon liquidation of the Company.

The following table represents the details of the Company's subordinated capital:

Counterparty	Residence country	Currency	Issue size, 000's	Interest rate	Original agreement date	Original maturity date	Amortised cost (LVL 000's) 30/09/2012	Amortised cost (LVL 000's) 30/09/2011
Notes-private placement	UK	EUR	20,000	4.772 %	28/12/2007	28/12/2022	13,293	13,242
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	7,501	7,501
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	7,501	7,501
Notes – public issue	n/a	EUR	5,050	11%	08/05/2008	08/05/2018	3,924	3,924
Private person	Latvia	EUR	15,000	12%	20/06/2008	14/05/2015	10,602	10,602
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	1,500	1,500
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	2,284	2,284
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	2,284	2,284
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	1,416	1,416
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	1,416	1,416
Total							53,221	53,170

Risk management

The Group's risk is managed according to principles set out in Group's Risk Management Policy. The Group adheres to the following key risk management principles:

- Undertaking an acceptable risk level is one of the Group's main functions in all areas of operation. Risks are always assessed in relation to the expected return. Risk exposures that are not acceptable for the Group are, where possible, avoided, limited or hedged;
- The Group does not assume new high or uncontrollable risks irrespective of the return they provide. Risks should be diversified and those risks that are quantifiable should be limited or hedged;
- Risk management is based on awareness of each and every Group's employee about the nature of transactions he/she carries out and related risks;
- The Group aims to ensure as low as possible risk exposure and low level of operational risk.

Risk management is an essential element of the Group's management process. Risk management within the Group is controlled by an independent unit unrelated to customer servicing - Risk Management Division.

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

Credit risk

Credit risk is the risk that the Group will incur losses from debtor's non-performance or default. The group is exposed to credit risk in its loan restructuring activities.

Credit risk management is based on adequate risk assessment and decision-making. For material risks, risk analysis is conducted by independent Risk Management Division. The analysis of credit risk comprises evaluation of customer's creditworthiness and collateral and its liquidity. The analysis of creditworthiness of a legal entity includes analysis of the industry, the company, and its current and forecasted financial position. The analysis of creditworthiness of an individual includes the analysis of the customer's credit history, income and debt-to-income ratio analysis, as well as the analysis of social and demographic factors. All decisions about loan restructuring or changes in loan agreements are made by the Credit Committee and further reviewed by the Company's Management Board.

The Group reviews its loan portfolio on a regular basis to assess its quality and concentrations, as well as to evaluate the portfolio trends.

Credit risk identification, monitoring and reporting is the responsibility of Risk Management Division.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets sufficient to meet potential obligations.

Under ordinary circumstances the Group manages its liquidity risk in accordance with the Group's Liquidity Risk Management Policy. Liquidity risk is assessed and related decisions are made by the Company's Management Board. Daily liquidity management, as well as liquidity risk measurement, monitoring and reporting, is ensured by the

Finance, Risk Management & Operational Department. Liquidity risk management in the Group is coordinated by the Finance, Risk Management & Operational Department. The main source of liquidity are debt securities issued by the Company.

Operational risk

Operational risk is the risk of suffering losses resulting from processes that are deficient or non-compliant with requirements of external and internal regulations, losses resulting from actions of employees and system malfunctioning, as well as losses resulting from actions of third parties or from other external conditions, including legal risk (risk of penalty fees, sanctions applied by external institutions, losses resulting from litigation and other similar events), but excluding strategic risk and reputation risk. The Group further divides operational risk into the following categories: personnel risk, process risk, IT and systems risk, external risk.

The Group does not undertake / accept operational risks with unquantifiable impact that are concurrently unmanageable (it is impossible to prevent such risks or provide for their consequences – e.g. non-compliance with legal regulations etc.), irrespective of the financial gains this could bring (i.e., the Group does not perform business activities incurring such operational risks).

The Group applies following approaches for operational risk management:

- Defining operational risk indicators – use of statistical, financial and other indicators that reflect the level of various operational risk types and its changes within the Group;
- Operational risk measurement by recording and analysing operational risk events, the extent of the respective damage incurred, causes and other related information (data base of operational risk losses and incidents);
- “Four-eye-principle” and segregation of duties;
- Business continuity planning;
- Insurance;
- Investments in appropriate data processing and information protection technologies.

Currency risk

Currency risk is related to mismatch in foreign currency asset and liability positions that impact the Group’s cash flow and financial results via fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with the Group’s Currency Risk Management Policy. Day-to-day currency risk monitoring, management and reporting is the responsibility Finance, Risk Management & Operational Department.