Unaudited Public Financial Report

for the year ended
31 December 2012

REVERTA

Contents

Management Report

Dear shareholders and partners!

Reverta's performance during 2012 has been in line with the approved strategic guidelines and the Company has managed to meet the key target of the year repaying to the Treasury EUR89.7m. Of that, EUR28.5m was paid as interest on State Aid, and EUR61.2m was used to repay the principal amount of the State Aid. Overall, since 01st August 2010, EUR100.5m has been repaid to the Treasury. In addition to that, in 2011, Reverta also repaid State guaranteed syndicated loan in the amount of EUR234m.

In summary 2012 Reverta operated in accordance with the approved Restructuring Plan, but was ahead of the Plan with respect to recovering funds for the State Treasury and still kept its Operating Costs well within its Budget.

The funds used to repay State Aid came through loan restructuring, from the sales of separate claim rights, and from sales of real estate which started in the last quarter of 2012.

Reverta has already pointed out several times to the external factors considerably influencing the performance of the Company. The general macroeconomic situation, difficulties in the real estate market, the inability of Reverta's clients to meet their obligations, deficiencies of certain laws and the heavy work schedule of the courts are the main challenges. Reverta's work is challenged by the inconsistencies that exist in current laws that cover the Company's activities with regards to repossession and management of real estates, exercising the rights of the creditor within insolvency processes and others. Therefore, Reverta has several times addressed State agencies, law enforcement institutions and the public to point out the importance and urgency of resolving these issues in the interests of the State and the taxpayers.

Taking into account the usually complicated and lengthy litigations going on in Baltics and the CIS countries, as well as the active counteractions of some borrowers, including black PR campaigns, in many cases it is impossible to sell pledged property in a reasonable timeframe. As a result, the value of assets significantly decreases, and this adds to the Company's losses. Reverta ended the year with a EUR137.7m loss, of which, 77%, was related to losses in values of loans. Lack of certain documents also makes recovery of loans difficult and shows that the former shareholders of Parex banka did not pass the company to the State in the order that would be expected from diligent owners. There is also a marked difference between the valuations given to the pledge objects serving as securities for the loans issued by Parex banka and their current market value. Quite often, value of the repossessed objects, mostly real estates, has decreased even by 70%. Although there are some signs of the recovery of the economy of Latvia, it is unlikely that real estate prices could increase up to those of the pre-crisis. In view of the specifics of the Company's assets, no profit can be expected in future.

Notwithstanding the many negative factors, overall Reverta has recovered EUR107m from its distressed assets portfolio by the end of the reporting period, and more than EUR419m since August 2010. The results achieved clearly show the suitability of the chosen strategy and the ability of Reverta to achieve optimum results in complex and even extreme situations.

Repossession and sales of real estates are taking up a more and more important part of Reverta's business – at the end of 2012 the repossessed real estate portfolio had increased up to more than 1000 items. As the real estate management strategy envisages increase of the value of the assets in the most optimum amount and a gradual realisation of the real estates, most of the objects are offered for sale immediately after their repossession and after carrying out any necessary maintenance works. In October and November 2012, Reverta broke another record in regard to the total real estate sales amount by reaching EUR5.3m. The previous record was broken in September 2012 with 23 repossessed objects sold for the total of EUR1.1m.

Most significant events after the end of the reporting period

In February 2013, Reverta made a EUR7.1m interest payment to the Treasury in accordance with the Restructuring Plan.

In February 2013, with the numbers of repossessed real estates rapidly increasing, Reverta has started an active real estate sales campaign. The primary objective of the campaign is to market Reverta as a seller of real estate. This is to promote sales of immovable properties whilst we continue to repossess other distressed real estate properties.

Christopher John Gwilliam
Chairman of the Management Board

Solvita Deglava
Member of the Management Board

Ruta Amtmane
Member of the Management Board

Riga,
28 February 2013

These condensed financial statements are presented in EUR currency for illustrative purposes. The original financial statements' presentation currency is LVL. The translation to EUR currency has been done using the exchange rate set by the Bank of Latvia, i.e., 1 EUR: 0.702804 LVL. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.

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 31 December 2012 and the results of their operations, changes in shareholders’ equity and cash flows for the twelve month period ended 31 December 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,
28 February 2013

Statements of Comprehensive Income

	EUR 000’s			
	2012	2011*	2012	2011*
	Group	Group	Company	Company
Interest income	10,485	16,238	10,694	15,397
Interest expense	(37,484)	(47,069)	(37,484)	(46,949)
Net interest expense	**(26,999)**	**(30,831)**	**(26,790)**	**(31,552)**
Commission and fee income	192	458	118	6
Commission and fee expense	(30)	(199)	(24)	(83)
Net commission and fee income / (expense)	**162**	**259**	**94**	**(77)**
Net realised loss on available-for-sale financial assets	(46)	(5,211)	(46)	(5,211)
Result of revaluation of financial instruments and foreign currency, net	2,627	(647)	2,450	(828)
Other income	810	4,708	1,319	2,075
Net financial result of the segment	**(23,446)**	**(31,722)**	**(22,973)**	**(35,593)**
Real estate segment income	1,854	743	515	596
Real estate segment expense	(1,604)	(656)	(282)	(406)
Revaluation result, net	6,105	(2,045)	5,752	(2,045)
Net result of RE segment	**6,355**	**(1,958)**	**5,985**	**(1,855)**
Collaterals and assets under repossession expense	(396)	(145)	(396)	(145)
Administrative expense	(13,631)	(17,200)	(12,749)	(11,161)
Amortisation and depreciation charge	(417)	(531)	(414)	(387)
Impairment charges and reversals, net	(101,064)	(45,676)	(103,108)	(48,275)
Loss from asset write-offs	(3,489)	(2,191)	(3,489)	(2,191)
(Loss)/profit on disposal of assets held for sale	(202)	24	(132)	(253)
Loss before taxation	**(136,290)**	**(99,399)**	**(137,276)**	**(99,860)**
Corporate income tax	(492)	(899)	(448)	(273)
Loss for the period	**(136,782)**	**(100,298)**	**(137,724)**	**(100,133)**
Attributable to:				
Shareholders of the parent company	(136,782)	(100,298)	(137,724)	(100,133)
Non-controlling interest	-	-	-	-
Other comprehensive income:				
Change in fair value of available-for-sale securities	693	5,973	693	5,973
Total comprehensive loss for the period	**(136,089)**	**(94,325)**	**(137,031)**	**(94,160)**
Attributable to:				
Shareholders of the parent company	**(136,089)**	**(94,325)**	**(137,031)**	**(94,160)**
Non-controlling interest	-	-	-	-

* Auditor: SIA "PricewaterhouseCoopers"

Statements of Financial Position

	EUR 000’s			
	2012	2011*	2012	2011*
	Group	Group	Company	Company
Assets				
Cash and deposits with central banks	-	7	-	7
Balances due from credit institutions	6,319	36,458	5,561	36,248
Shares and other non-fixed income securities	14	44	14	44
Bonds and other fixed income securities	111	6,312	111	6,312
Loans	396,280	605,076	447,930	644,100
Held-to-maturity securities	-	34,601	-	34,601
Fixed assets	154	403	138	397
Intangible assets	145	198	145	198
Investments in subsidiaries	-	-	36,571	88
Investment property	91,010	57,555	7,945	26,445
Other assets	16,690	22,257	11,323	13,533
Total assets	**510,723**	**762,911**	**509,738**	**761,973**
Liabilities				
Derivative financial instruments	-	2,402	-	2,402
Financial liabilities measured at amortised cost:				
- balances due to credit institutions and central banks	-	18,917	-	18,917
- deposits	-	38,011	-	38,011
- issued debt securities	551,672	609,029	551,672	609,029
Other liabilities	4,709	4,196	3,952	2,544
Subordinated liabilities	75,603	75,528	75,603	75,528
Total liabilities	**631,984**	**748,083**	**631,227**	**746,431**
Equity				
Paid-in share capital	442,552	442,552	442,552	442,552
Share premium	18,062	18,062	18,062	18,062
Fair value revaluation reserve – available-for-sale securities	-	(693)	-	(693)
Accumulated losses	(581,875)	(445,093)	(582,103)	(444,379)
Total shareholders' equity attributable to the shareholders of the Company	**(121,261)**	**14,828**	**(121,489)**	**15,542**
Non-controlling interest	-	-	-	-
Total equity	(121,261)	14,828	(121,489)	15,542
Total liabilities and equity	**510,723**	**762,911**	**509,738**	**761,973**

* Auditor: SIA "PricewaterhouseCoopers"

Statements of Changes in Equity

Group	EUR 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2010	**385,921**	**18,062**	**(6,666)**	**(344,795)**	**52,522**
Issue of new shares	56,631	-	-	-	56,631
Loss for the period	-	-	-	(100,298)	(100,298)
Other comprehensive income for the period	-	-	5,973	-	5,973
Balance as at 31 December 2011	**442,552**	**18,062**	**(693)**	**(445,093)**	**14,828**
Loss for the period	-	-	-	(136,782)	(136,782)
Other comprehensive income for the period	-	-	693	-	693
Balance as at 31 December 2012	**442,552**	**18,062**	**-**	**(581,875)**	**(121,261)**

Company	EUR 000's				
	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2010	**385,921**	**18,062**	**(6,666)**	**(344,245)**	**53,072**
Issue of new shares	56,631	-	-	-	56,631
Loss for the period	-	-	-	(100,133)	(100,133)
Other comprehensive income for the period	-	-	5,973	-	5,973
Balance as at 31 December 2011	**442,552**	**18,062**	**(693)**	**(444,379)**	**15,542**
Loss for the period	-	-	-	(137,724)	(137,724)
Other comprehensive income for the period	-	-	693	-	693
Balance as at 31 December 2012	**442,552**	**18,062**	**-**	**(582,103)**	**(121,489)**

Statements of Cash Flows

	EUR 000's			
	2012	2011*	2012	2011*
	Gruop	Group	Company	Company
Cash flows from operating activities				
Loss before tax	(136,290)	(99,399)	(137,276)	(99,860)
Amortisation and depreciation	417	531	414	387
Change in impairment allowances and other accruals	111,362	56,821	115,265	47,470
Other finance costs	37,321	40,020	37,321	40,020
Other non-cash items	(5,755)	(440)	(5,397)	(262)
Foreign currency transactions	(2,402)	(273)	(2,402)	(273)
Cash generated before changes in assets and liabilities	**4,653**	**(2,740)**	**7,925**	**(12,518)**
Decrease in loans and receivables	95,496	106,841	83,005	110,366
(Decrease)/ increase in deposits	(14,444)	(24,730)	(14,444)	(24,730)
(Increase)/decrease in other assets	(24,361)	13,389	(16,639)	14,582
(Decrease)/ increase in other liabilities	843	(22,173)	1,738	(19,273)
Cash generated from operating activities before corporate income tax	**62,187**	**70,587**	**61,585**	**68,427**
Corporate income tax paid	(492)	(899)	(448)	(273)
Net cash flows from operating activities	**61,695**	**69,688**	**61,137**	**68,154**
Cash flows from investing activities				
Purchase of intangible and fixed assets	(103)	(129)	(93)	(127)
Sale of subsidiaries	2,765	12,621	2,765	12,618
Sale of available-for-sale securities, net	182	86,992	182	90,948
Net cash flow from investing activities	**2,844**	**99,484**	**2,854**	**103,439**
Cash flows from financing activities				
Paid in share capital	-	56,631	-	56,631
Repayment of syndicated loan	-	(240,528)	-	(240,528)
Redemption of issued debt securities (principal)	(61,146)	(26,323)	(61,146)	(26,323)
Interest for issued debt securities	(28,520)	(41,144)	(28,520)	(41,144)
Interest for subordinated debt	(4,962)	(4,720)	(4,962)	(4,720)
Net cash flow from financing activities	**(94,628)**	**(256,084)**	**(94,628)**	**(256,084)**
Net cash flow for the reporting period	**(30,089)**	**(86,914)**	**(30,637)**	**(84,491)**
Cash and cash equivalents at the beginning of the reporting period	**36,408**	**123,322**	**36,198**	**120,689**
Cash and cash equivalents at the end of the reporting period	**6,319**	**36,408**	**5,561**	**36,198**

* Auditor: SIA "PricewaterhouseCoopers"

Consolidation Group Structure as at 31 December 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 Komercīpašumi”	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.

*** – the company was liquidated and excluded from the Group Structure on 21 January, 2013.

Notes

Information about Reverta’s structure

As at 31 December 2012 the Company had 4 representative offices.

Issued share capital as at 31 December 2012

Shareholders	Nominal value, (LVL)	Number of shares	Paid-in share capital, (EUR)	Voting rights	Paid-in share capital, (%)
SJSC "Privatizācijas Aģentūra"	1	261 733 152	372,412,724	205 783 152	84.15%
EBRD	1	39 631 824	56,391,005	39 631 824	12.74%
Other	1	9 662 319	13,748,241	5 468 463	3.11%
Total		**311 027 295**	**442,551,970**	**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:

EUR 000’s

	2012 year			2011 year		
	Period-end balance	Average interest rate *	Interest income/ (expense)	Period-end balance	Average interest rate *	Interest income/ (expense)
Loans issued by the Company	2,689	0.00%	-	2,705	0.00%	-
Subordinated financing provided to the Company	51,230	3.84%	(3,265)	51,230	4.52%	(3,122)

* 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 (EUR 000’s) 31/12/2012	Amortised cost (EUR 000’s) 31/12/2011
Notes-private placement	UK	EUR	20,000	4.736%	28/12/2007	28/12/2022	18,936	18,849
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	10,673	10,673
Private person	Latvia	LVL	7,500	6M Rigibid + 3%	28/09/2007	26/09/2017	10,673	10,673
Notes – public issue	n/a	EUR	5,050	11%	08/05/2008	08/05/2018	5,435	5,449
Private person	Latvia	EUR	15,000	12%	20/06/2008	14/05/2015	15,085	15,085
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	2,134	2,134
Private person	Latvia	LVL	1,500	6M Rigibid + 3%	30/10/2008	30/10/2018	2,134	2,134
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	3,251	3,251
Private person	Latvia	LVL	2,284	6M Rigibid + 3%	04/12/2008	17/09/2015	3,251	3,251
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	2,015	2,015
Private person	Latvia	LVL	1,416	6M Rigibid + 3%	04/12/2008	29/09/2015	2,015	2,015
Total							**75,603**	**75,529**

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, 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 options. Day-to-day currency risk monitoring, management and reporting is the responsibility of Finance, Risk Management & Operational Department.