

Audit Committee of AS REVERTA

April 11, 2013

Report on the activities of the Audit Committee in 2012

The present report of the Audit Committee of *AS Reverta* (the Company) has been drawn up under Clause 19 of the Audit Committee Regulation which provides for a reporting obligation at the Company's shareholders' meeting at least once a year.

In order to accomplish the tasks laid down in the Audit Committee Regulation, in 2012 the work of the Audit Committee was organized in the following fields:

- Supervision over the external audit function;
- Supervision over the drafting and verification of the financial statements;
- Supervision over the efficiency of operation of the internal control and risk management system;
- Planning and management of the activities of the Audit Committee.

In 2012 the Audit Committee convened 12 meetings in which matters related to the fields mentioned above were discussed.

In compliance with the content of the matters discussed, the management and heads of the structural units of the Company, as well as the external auditors participated at the meetings regularly.

The Operation of the Audit Committee in 2012 has resulted in following activities:

- External auditors have performed additional audits of the financial statements in compliance with the risks identified by the Audit Committee;
- Matters regarding the internal control and risk management have been discussed with the management of the Company;
- Proposals have been put forward for the development of the action plan of the Internal Audit Division;
- Results and deficiencies identified during the audits of the Internal Audit Division have been evaluated on a regular basis and the Audit Committee has supervised the elimination of the shortcomings.

As *Parex banka*, now *AS Reverta*, is a resolution bank since 01/08/2010 and its main task is recovery of the state investment by 2017 at the latest, the Audit Committee pays special attention to the amounts recovered from the restructured loans and repossessed collaterals, mainly real estates.

After careful analysis of the information available to the Audit Committee, it was concluded that the main obstacles for the operative recovery of funds are following:

- Gaps in the legislation and peculiarities of the court system in the Republic of Latvia and abroad;
- Counteractions of separate borrowers;
- Peculiarities of the RE market after the crisis.

Taking into account the said, the Company has to deal with remarkable extra costs that will affect the efficiency of the every-day work.

In 2012 the Company worked hard to position the new brand *Reverta* in the market, develop and approve new internal procedures of the Company, optimize the number and structure of employees, train professionals, as well as improve the IT systems.

Annex: Action plan of the Audit Committee for 2012 and performance thereof.

Yours sincerely,

Guna Kalniņa-Priede
Chairwoman of the Audit Committee
Of *AS Reverta*