



# **BALTI INVESTEERINGUTE GRUPI PANK AS**

Prospectus regarding listing of

Bond Loan 2007/2011  
of EUR 20,000,000

Arranger

**Öhman**  
E. ÖHMAN J:OR FONDKOMMISSION AB

## Important information

This prospectus has been prepared by the management board of BIG in connection with BIG's application for listing of the bond loan 2007/2011 ("The Bond Loan") on the Stockholm Stock Exchange. This prospectus has been prepared in accordance with the Commission's Regulation on Prospectuses (EC 809/2004) of 29 April 2004 and has been approved and registered by the Swedish Financial Supervisory Authority (Finansinspektionen), based on the 2<sup>nd</sup> chapter §§25 and 26 of the Swedish Financial Instruments Trading Act (SFS 1991:980). The approval does not imply any guarantee by Swedish Financial Supervisory Authority or the Stockholm Stock Exchange that the factual information of the prospectus is correct or complete.

This Prospectus cannot be distributed in any country where distribution or sale requires further prospectuses, registration or other actions than those required under Swedish law or is in breach of rules of such a country. Anyone possessing bonds in BIG or being in possession of this Prospectus must therefore inform him or herself of, and respect, potential restrictions. In particular it should be noted that the Bonds have not and will not be registered under the US Securities Act of 1933 and therefore must not be offered or sold in the USA or to, by account of or to the benefit of, people resident of the USA with the exception of such offer or sale in accordance with certain special provisions.

This prospectus shall be governed by Swedish law. Any dispute pertaining to the content of this prospectus or thereto related issues shall be settled by Swedish courts exclusively. This prospectus has been prepared in one Swedish and one English version. In the event of any discrepancy between the two versions, the Swedish version shall prevail.

Unless otherwise stated, information in the Prospectus is as per 31 December 2006.

In connection with the listing, E. Öhman J:or Fondkommission AB has acted as financial advisor to the Company.

In the prospectus the following documents are included by reference:

- *Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000*
  - *Risk factors s. 8-11*
  - *Market overview s. 15-19*
  - *The Company and operations s. 20-21*
  - *Supervisory council, management board and auditors s. 22-23*
  - *Shareholder capital and ownership s. 24*
  - *Financial overview s. 28-30*
  - *Tax considerations in Sweden s. 31-33*
- *Annual Report 2006*
- *Public Interim Report 1Q 2007*

The documents has previously been published and submitted to the Swedish Financial Supervisory Authority and are included as an integral part of the prospectus. The annual report and the interim report are available on the web site of the Company [www.big.se](http://www.big.se). Please note that some of the information in the documents may no longer be up to date, updated information is provided in the prospectus.

Further copies of the listing prospectus can be obtained from Balti Investeringute Grupi Pank AS (“BIG” or the “Company”) or E. Öhman J:or Fondkommission AB (“Öhman”). The prospectus is also held available at the web site of the Company: [www.big.ee](http://www.big.ee).

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## Summary

This summary is designed solely as an introduction to the prospectus regarding the listing of BIG's Bond Loan 2007/2011. Only where the summary is misleading, inaccurate or incompatible in relation to other sections of the prospectus any legal claims can be made against the individuals responsible for the summary. A decision to invest in the bond should therefore be based on a study of the Prospectus in its entirety, including the documents that are included by reference. Note that a person who brings a court claim as a result of information in this prospectus may have to pay the cost for a translation of the prospectus in case the process is not being held in Swedish. The full terms for the Bond Loan can be found in the section "Terms and conditions for the Bond Loan". Concepts and terms that are defined in that section or anywhere else in the Prospectus are used with the same meaning in the summary unless otherwise is explicitly understood from the context.

**Issuer:** Balti Investeeringute Grupi Pank AS, reg. nr. 10183757

**Business:** BIG is a credit institution active in the market for providing private individuals with consumer finance and small loans. Loans are extended either against the borrower's income or against some kind of security, either surety or mortgage. The increased income based lending and smaller loans are well in line with the Company's long-term strategy, which is to increasingly focus on this particular segment of credits. BIG's primary competitive advantages lie in it being more flexible and time efficient than the competitors, mainly wholesale banks, and offering small loans. The Company has been active in the Estonian market since 1992 and in the Latvian market since 1996. Estonia and Latvia represent 76 percent and 24 percent of the Company's loan portfolio respectively. Since 2001 the loan portfolio has increased ten-fold, from EUR 6.4 million to EUR 64.7 million, the last two years growing by more than 100 percent per year. The products; income, surety and mortgage loans; are marketed via several sales channels. Either through electronic sales channels, such as the Internet, telephone and SMS or through physical channels such as the 19 Estonian and 12 Latvian offices (as per June 2007). SMS loans are the most recent addition, launched in the fall of 2006. In Latvia, BIG's products are also offered in the 220 offices of the Latvian postal services.

The higher yielding income loans represent 58 percent of the loan portfolio, surety loans 22 percent and mortgage loans 20 percent.

In 2005 BIG was attributed a banking license. The Estonian authorities require a capital adequacy ratio above 10 percent; BIG at the end of 2006 had a capital adequacy ratio of 25.5 percent. This ratio will sink as raised capital is put to use in the lending business. BIG meets the strict requirements and frequent reporting of the Estonian Financial Supervisory Authority. The banking license also allowed BIG to offer time deposits, thus widening its financing base. Being an appreciated product by the market, time deposits at the end of 2006 represented 14.5 percent of the Company's external financing. Debts to credit institutions represented 18.2 percent, issued bonds 55.0 percent and subordinated bonds 12.3 percent. At the end of 2006 the Company employed 172 people.

**Loan amount:** The Bond Loan amounts to EUR 20,000,000

**Use of proceeds:** To expand the credit business in line with the Company's long-term growth strategy and in part to refinance certain debts.

**Issue date:** 29 June, 2007.

<b>Redemption date.</b>	31 March, 2011.
<b>First date of trading:</b>	The Company intends to list the Bonds at the Retail Bond List at the Stockholm Stock Exchange. This is expected to occur during the first half of July.
<b>Bond:</b>	The Bonds have been issued according to Swedish law. The Bonds are debt instruments that confirm that the holder has a claim on BIG. The Bonds are senior and unsecured. The Bonds are debt instruments that are unsecured and have equal right to payment (pari passu) as the Company's other, existing or future non-prioritised senior unsecured obligations for which other order of priority is not defined by law.
<b>Denomination and trading lot:</b>	Each Bond has a nominal value of EUR 10,000. Proposed trading lot is full multiples of the nominal value.
<b>Interest:</b>	The Bonds carry interest, in relation to each interest period, of 3 months' EURIBOR, as determined by the Agent, plus a margin of 750 basis points, per annum. Interest is payable in arrears and is calculated using actual/360-day basis.
<b>Interest payment dates:</b>	31 March, 30 June, 30 September and 31 December. The first interest payment is on 30 September, 2007, the last on Redemption date 31 March, 2011.
<b>Early redemption at the Company's option:</b>	All of the Bonds, but not only some, may be redeemed at the option of the Company with not less than 30 days nor more than 60 days notice. Early redemption may be done after 31 March, 2008 to a price equal to the nominal amount multiplied by: <ul style="list-style-type: none"> <li>(1) 103.75 percent if redemption occurs during the period up to and including 31 March, 2009</li> <li>(2) 102.50 percent if redemption occur during the period from 1 April, 2009 up to 31 March 2010</li> <li>(3) 101.25 percent if redemption occur during the period from 1 April, 2010 up to 30 March 2011</li> </ul> <p>In addition, the Company shall pay accrued interest.</p>
<b>Certain covenants:</b>	So long as any Bonds remain outstanding, the Company undertakes: <ul style="list-style-type: none"> <li>(a) to procure that the Capital Adequacy Ratio never falls below 15 per cent (calculated on the basis of the latest audited annual financial reports, quarterly unaudited financial reports or, where relevant, a special financial report prepared pursuant to Clause 9.1(c));</li> <li>(b) to procure that it delivers to the Agent as soon as the same become available, but in any event within 120 days after the end of each financial year (in relation to annual reports), or 60 days after the end of each quarter of its financial year (in relation to quarterly reports and year end reports (Sw: bokslutskommuniké)), the Company's audited consolidated financial statements for that financial year and, in case of quarterly reports, the Company's unaudited consolidated financial statements for such quarter;</li> <li>(c) not later than within seven days from the Agent's request, to provide a special unaudited financial report as per the historic date the Agent stated in its request (which report shall be prepared consistently with the same rules and accounting principles that are applied when preparing the Company's annual financial reports and quarterly financial reports);</li> <li>(d) not to declare or pay any dividend on shares exceeding 15 per cent of the amount of the net profit of the Company each relevant financial</li> </ul>

year, repurchase own shares, redeem share capital with repayment to shareholders or make other similar distribution to shareholders and to ensure that each Group Company not wholly owned, directly or indirectly, does not make any equivalent distribution other than in proportion to the shares held;

- (e) not to provide security or cause or permit someone else to provide security, in the form of asset security, a guarantee or otherwise, for any Market Loan raised by the Company or any Group Company; and
- (f) during the period commencing on the Issue Date up to and including the date falling six (6) months thereafter, not to issue any Bond for less consideration than the Nominal Amount plus any interest accrued and payable in relation to such Bond.

**Registration at VPC:**

The Bonds will be connected with the account-based system of VPC AB ("VPC"). This means that the holdings of Bonds will be registered on each holder's VP-account or deposit. Payment of interest and nominal amount will be made by VPC.

VPC AB, Box 7822, 103 97 Stockholm  
Telephone +46 8 402 90 00

**Agent:**

E. Öhman J:or Fondkommission AB, P.O. Box 7415, SE-103 91 Stockholm.  
Telephone +46 8 402 50 00.

**ISIN code:**

SE0001993148

**Repurchase and issues:**

The Company reserves the right to repurchase Bonds in the market. The Company reserves the right to sell Bonds at prevailing market price on one or several occasions.

**Information:**

The Company undertakes to publish quarterly reports.

**Tax:**

For a discussion on the material tax consequences of an investment in the Bond Loan, see "Tax Considerations in Sweden".

**Governing law:**

The Bond Loan shall be governed by and construed in accordance with the laws of the Kingdom of Sweden. Any dispute or claim arising in relation to the terms and conditions for the Bond Loan shall be determined by Swedish courts, with the District Court of Stockholm to be the court of first instance.

**Early redemption:**

The Agent shall, if so requested by Holders of at least 10 per cent of the then Adjusted Nominal Amount or by a Holders' Meeting, declare all but not only some of the Bonds, including accrued interest, due and payable immediately or at such later date as the Agent determines (such later date may, however, not be later than the Redemption Date), if:

- a. the Company fails to pay the Nominal Amount, the redemption amount or interest when due;
- b. the Company otherwise fails to comply with or in any other way acts in violation of these Terms and Conditions, provided that the Agent has requested the Company to remedy such failure or violation and the Company fails to do so within 15 Banking Days (however if, in the opinion of the Agent, the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior request);
- c. another loan raised by the Company or a Group Company is, or could have been, terminated prematurely due to the Company's or the Group Company's breach of the terms and conditions for such loan or, if the breach being non-payment of final payment of such loan or in respect of a guarantee undertaking, if payment has not been made due to a reason attributable to the Company within three days of such final payment date, provided that the aggregate debt under the relevant loans and guarantees exceeds EUR 8,000,000 (or the equivalent in other currencies);

- d. the Company or a Group Company suspends its payments;
- e. the Company applies for a moratorium (*Est: moratorium*) or a moratorium is declared in respect of the Company;
- f. the Company or a Group Company is declared bankrupt (*Est: pankrotis olevaks*);
- g. a decision is made to place the Company in liquidation or a Group Company is forced to be liquidated; or
- h. in respect of a merger with a non-Group company, the board of the Company or a Group Company prepares a merger plan or corresponding document according to which the Company or the Group Company shall be merged into another new or existing company, unless the Agent has given its written consent hereto, and such plan is approved by the general meeting of shareholders of the Company or Group Company.

See further under point 10 in "Terms and conditions for the Bond Loan"

There are certain risk factors that can affect BIG's ability to fulfil its obligations concerning the Bond Loan in accordance with this prospectus. These are presented under the heading "Risk factors".

## **Risk factors**

*See Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000 pages 8-11.*

## The Bond Loan in brief

The complete terms applicable to the Bond Loan appear in the section “Terms and conditions for the Bond Loan”.

<b>Issuer:</b>	Balti Investeeringute Grupi Pank AS, reg. nr. 10183757
<b>Loan amount:</b>	The Bond Loan amounts to EUR 20,000,000
<b>Use of proceeds:</b>	To expand the credit business in line with the Company’s long-term growth strategy and in part to refinance certain debts.
<b>Issue date:</b>	29 June, 2007.
<b>Redemption date.</b>	31 March, 2011.
<b>First date of trading:</b>	The Company intends to list the Bonds at the Retail Bond List at the Stockholm Stock Exchange. This is expected to occur during the first half of July.
<b>Bond:</b>	The Bonds have been issued according to Swedish law. The Bonds are debt instruments that confirm that the holder has a claim on BIG. The Bonds are senior and unsecured.
<b>Denomination and trading lot:</b>	Each Bond has a nominal value of EUR 10,000. Proposed trading lot is full multiples of the nominal value.
<b>Interest:</b>	The Bonds carry interest, in relation to each interest period, of 3 months’ EURIBOR, as determined by the Agent, plus a margin of 750 basis points, per annum. Interest is payable in arrears and is calculated using actual/360-day basis.
<b>Interest payment dates:</b>	31 March, 30 June, 30 September and 31 December. The first interest payment is on 30 September, 2007, the last on Redemption date 31 March, 2011.
<b>Early redemption at the Company’s option:</b>	All of the Bonds, but not only some, may be redeemed at the option of the Company with not less than 30 days nor more than 60 days notice. Early redemption may be done after 31 March, 2008 to a price equal to the nominal amount multiplied by: <ul style="list-style-type: none"> <li>(1) 103.75 percent if redemption occurs during the period up to and including 31 March, 2009</li> <li>(2) 102.50 percent if redemption occur during the period from 1 April, 2009 up to 31 March 2010</li> <li>(3) 101.25 percent if redemption occur during the period from 1 April, 2010 up to 30 March 2011</li> </ul> <p>In addition, the Company shall pay accrued interest.</p>
<b>Certain covenants:</b>	So long as any Bonds remain outstanding, the Company undertakes: <ul style="list-style-type: none"> <li>(a) to procure that the Capital Adequacy Ratio never falls below 15 per cent (calculated on the basis of the latest audited annual financial reports, quarterly unaudited financial reports or, where relevant, a special financial report prepared pursuant to Clause 9.1(c));</li> <li>(b) to procure that it delivers to the Agent as soon as the same become available, but in any event within 120 days after the end of each financial year (in relation to annual reports), or 60 days after the end of each quarter of its financial year (in relation to quarterly reports and</li> </ul>

- year end reports (Sw: bokslutskommuniké)), the Company's audited consolidated financial statements for that financial year and, in case of quarterly reports, the Company's unaudited consolidated financial statements for such quarter;
- (c) not later than within seven days from the Agent's request, to provide a special unaudited financial report as per the historic date the Agent stated in its request (which report shall be prepared consistently with the same rules and accounting principles that are applied when preparing the Company's annual financial reports and quarterly financial reports);
  - (d) not to declare or pay any dividend on shares exceeding 15 per cent of the amount of the net profit of the Company each relevant financial year, repurchase own shares, redeem share capital with repayment to shareholders or make other similar distribution to shareholders and to ensure that each Group Company not wholly owned, directly or indirectly, does not make any equivalent distribution other than in proportion to the shares held;
  - (e) not to provide security or cause or permit someone else to provide security, in the form of asset security, a guarantee or otherwise, for any Market Loan raised by the Company or any Group Company; and
  - (f) during the period commencing on the Issue Date up to and including the date falling six (6) months thereafter, not to issue any Bond for less consideration than the Nominal Amount plus any interest accrued and payable in relation to such Bond.

**Registration at VPC:**

The Bonds will be connected with the account-based system of VPC AB ("VPC"). This means that the holdings of Bonds will be registered on each holders VP-account or deposit. Payment of interest and nominal amount will be made by VPC.

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Telephone +46 8 402 50 00.

**ISIN code:**

SE0001993148

**Repurchase and issues:**

The Company reserves the right to repurchase Bonds in the market. The Company reserves the right to sell Bonds at prevailing market price on one or several occasions.

**Information:**

The Company undertakes to publish quarterly reports.

**Tax:**

For a discussion on the material tax consequences of an investment in the Bond Loan, see "Tax Considerations in Sweden".

**Governing law:**

The Bond Loan shall be governed by and construed in accordance with the laws of the Kingdom of Sweden. Any dispute or claim arising in relation to the terms and conditions for the Bond Loan shall be determined by Swedish courts, with the District Court of Stockholm to be the court of first instance.

## **Description of interest and yield**

### **Interest**

The interest rate will be determined for each interest period as 3 months' EURIBOR plus a margin of 750 basis points. The applicable EURIBOR rate is that which, on the second TARGET<sup>1</sup> settlement day prior to the commencement of the following interest period, as of approximately 11.00 a.m. (Brussels time) is displayed on Reuter's EURIBOR01. The interest payments will be paid quarterly and the first interest payment date is 30 September 2007 and the final interest payment date is concurrent with the Redemption Date, 31 March 2011.

### **Issue price**

The Bond Loan has been issued at par, i.e. 100 percent of nominal value.

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<sup>1</sup> TARGET, Trans-European Automated Real-Time Gross Settlement Express Transfer

## **Market overview**

*See Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000 pages 15-19.*

## **The Company and operations**

*See Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000 pages 20-21.*

## **Supervisory council, management board and auditors**

*See Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000 pages 22-23.*

## Shareholder capital and ownership

*See Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000 page 24.*

## Additional information

### Agreements

The Company has entered into an agreement with the Latvian Postal services under which the Company's products are marketed in some 220 offices in Latvia.

### Changes in financial situation and market position

Since the date of the financial reports for 2006, the Company has conducted the following bond issues through private placements:

- The Company came out with subordinated floating rate bond issue in the nominal amount of EEK 67.9 million (EUR 4.3 million). Issue date of the bonds was January 30, 2007 and planned maturity date on January 30, 2014. The bonds are callable by the Company quarterly starting from January 30, 2008. The interest rate on the bonds is 3-month EURIBOR + 3.00 percent until January 30, 2009, after which the interest rate will rise to 3-month EURIBOR + 7.00 percent, if not called;
- Commercial papers in the nominal amount of EEK 25.5 million (EUR 1.6 million) were issued on March 8, 2007. The commercial papers were issued in the framework of existing commercial papers maturing on January 30, 2008. Discount rate on the additional commercial paper issue carried out was 5.6 percent per annum;
- Floating rate bond issue in the amount of EUR 42.75 million was carried out in April with value date of April 11, 2007. The planned maturity date of the bonds is March 31, 2011, the Company has the option to call the issue before maturity date. Interest rate on the bonds is 3-month EURIBOR + 7.50 percent per annum.
- Floating rate bond issue in the amount of EUR 20 million was carried out in June with value date of June 29, 2007. The planned maturity date of the bonds is March 31, 2011, the Company has the option to call the issue before maturity date. Interest rate on the bonds is 3-month EURIBOR + 7.50 percent per annum. This is the Bond Loan which is the subject of this prospectus.
- Commercial papers in the nominal amount of EEK 71.9 million (EUR 4.6 million) were issued on March 2, 2007. The discount rate on the papers was 5.35 percent per annum. The papers matured on June 1, 2007.

Since the year-end 2006 the Company has opened new offices in Estonia (Tallinn) and in Latvia (Riga), totalling 19 Estonian and 12 Latvian offices (as per June 2007).

The Company has also started carrying out feasibility studies for entering new markets. It is likely that a decision to enter at least one new market will be made within 2007.

No significant negative changes have occurred in the Company's outlook since the release of the Annual Report 2006.

**Listed bonds**

The Company already has a bond loan listed at the bond list at the Tallinn Stock Exchange, maturing 16 June 2008 and carrying an interest rate of 4.6 percent per annum and Bond Loan 2007/2011 is already listed on Privatobligationslistan at the Stockholm Stock Exchange.

**Documents made available for investors**

The Company's articles of association, annual report for 2006 and Public Interim Report IQ 2007 will be held available for investors on the Company's web site: [www.big.ee](http://www.big.ee), during the Prospectus full term of validity, up to 5 July 2008.

**Environmental issues**

The nature of the business as such incurs no significant environmental issues. No environmental concessions have been, and neither need to be, sought for the Company's business.

**Insurance**

The supervisory board assesses the Company to have sufficient insurance required for a diligent running of the business.

**Legal domicile**

The Company is incorporated in Estonia and is a subject of Estonian laws and regulation. Being a credit institution it is subject to the rules and regulations of the Estonian Central Bank and the Estonian Financial Supervisory Authority.

**Litigation**

A consequence of the credit business is that of collection of non-performing loans, incurring legal processes initiated by the bank. The Company is not and neither has been involved in any litigation or settlement process, which has had or could have significant consequences on its financial position or profitability.

**Miscellaneous**

BIG was incorporated in Tartu on 22 September 1992. It was registered with the Commercial Register of Estonia on 30 January 1997. Since 28 September 2005 the Company has been operating as a credit institution. The registered office of the Board of directors is in Tartu.

**Ratings**

The Company is currently not rated by any international rating agency.

**Transactions with closely-related parties**

In 2006 OÜ Edelatuulik Invest and OÜ Stermand Invest, companies in which the member of the Company's supervisory board Linda Terras is a shareholder, made time

deposit agreements with the Company. Interest paid to the companies in 2006 amounted to a corresponding value of EUR 32,787 and accrued interest by the end of December 2006 amounted to approximately EUR 192. The interest rates of the deposits do not differ from the ones offered to other customers who deposited similar amounts at the same time. At 31 December 2006 the deposits placed with the Company by companies related to Linda Terras totalled approximately EUR 437,795.

## Legal structure

### **Balti Investeeringute Grupi Pank AS** (Parent company)

Reg. no.: 101 837 57  
Location: Rüütli 23  
51006 Tartu  
Estonia

Telephone: +372 735 09 23  
Fax: +372 630 99 39

### **AS Baltijas Izaugsmes Grupa** (Subsidiary, wholly owned)

Reg. no.: 400 032 911 79  
Location: Citadelas 2  
LV-1010 Riga  
Latvia

### **OÜ Rüütli Majad** (Subsidiary, wholly owned)

Reg. no.: 103 213 20  
Location: Rüütli 23  
51006 Tartu  
Estonia

## Financial overview

See Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000 pages 28-30.

As regards the definition concerning the key figures mentioned in the above mentioned section see below.

### Return on equity

Net income to equity

### Profit margin

Net income to total income

### Price difference

Yield on interest-earning assets less cost of interest-bearing liabilities

### Yield on interest-earning assets

Interest income to interest-earning assets

### Cost of interest-bearing liabilities

Interest expense to interest-bearing liabilities

### Average equity

Shareholders' equity at year start plus shareholders' equity at year end divided by two

### Average assets

Total assets at year start plus total assets at year end divided by two

### Average interest-earning assets

Interest-earning assets at year start plus interest-earning assets at year end divided by two

### Average interest-bearing liabilities

Interest-bearing liabilities at year start plus interest-bearing liabilities at year end divided by two

## **Tax considerations in Sweden**

*See Prospectus regarding listing of Bond Loan 2007/2011 of EUR 42,750,000 pages 31-33.*

## Articles of association

### BALTI INVESTEERINGUTE GRUPI PANK AS

#### 1. General Provisions

- 1.1. The business name of Balti Investeeringute Grupi Pank AS (“Bank”) is: Balti Investeeringute Grupi Pank AS.
- 1.2. The seat of the Bank is the City of Tartu.
- 1.3. The Bank is a credit institution founded as a public limited company, which operates on the basis of authorisation granted by the Financial Supervision Authority.
- 1.4. The Bank operates pursuant to the acts and other legislation of the Republic of Estonia and these articles of association.
- 1.5. The Bank is liable for performance of its obligations with all of its assets.
- 1.6. The liability of the shareholders for the obligations of the Bank is limited to the value of the shares held by them, unless provided otherwise by law.

#### 2. Principal Areas of Activity of Bank

- 2.1. The areas of activity of the Bank are the following:
  - 2.1.1. deposit transactions for the receipt of deposits and other repayable funds from the public;
  - 2.1.2. borrowing and lending transactions;
  - 2.1.3. leasing transactions;
  - 2.1.4. other transactions, which are essentially similar to the transactions specified in sections 2.1.1. to 2.1.3.
- 2.2. The Bank may conclude transactions and perform acts other than those specified in these articles of association if these are directly ancillary or supplementary to its principal activity and are necessary for securing the operations of the Bank.

#### 3. Share Capital

- 3.1. The minimum share capital of the Bank shall be 80,000,000 (eighty million) kroons and the maximum share capital shall be 200,000,000 (two hundred million) kroons. The share capital of the Bank (“Share Capital”) may be increased and reduced within the limits of the minimum and maximum share capital without amending these articles of association.
- 3.2. The Share Capital is divided into registered ordinary shares with the nominal value 1000 kroons each share. Every share grants its owner one vote at the general meeting of the shareholders. Every registered ordinary share grants its owner the right to participate in managing of the Bank and the distribution of profit and of remaining assets in case of dissolution of the Company, as well as other rights stipulated in the law and Articles of Association.
- 3.3. The Bank may issue bonds, the holders of which have the right to convert their bonds to shares (convertible bond). The sum of the nominal values of convertible bonds shall not be greater than one-tenth of the Share Capital.
- 3.4. The rights attaching to a share shall belong to the person who is entered as the shareholder in the share register of the Bank. The share register of the Bank shall be maintained by the registrar of the Estonian Central Register of Securities. No share certificates shall be issued.

- 3.5. A shareholder may freely transfer and pledge the shares. A share is deemed to be pledged as of execution of an agreement as required by law and as of registration thereof in the Estonian Central Register of Securities.

#### **4. Increase of Share Capital**

- 4.1. Share Capital may be increased by the issue of new shares or the increase of the nominal value of existing shares, with supplementary contributions or bonus issue.
- 4.2. In cases provided by law Share Capital may be increased by making a non-monetary contribution. The valuation of a non-monetary contribution shall be carried out by the management board or a person appointed by the latter, taking the usual value of a thing or right as the basis for the valuation. An auditor shall audit the valuation of a non-monetary contribution in accordance with the procedure provided by law.
- 4.3. Share Capital may be increased by converting convertible bonds to shares or by setting monetary claims arising from subordinated debt agreements against the issue price of the shares.
- 4.4. A resolution on increase of Share Capital shall be adopted at the general meeting if at least two-thirds of the votes represented by shares at the general meeting are in favour.
- 4.5. The Share Capital shall be deemed to be increased as of its registration in accordance with the procedure set forth by laws and regulations.

#### **5. Reduction of Share Capital**

- 5.1. Subject to the terms and conditions provided by law Share Capital may be reduced by a reduction of the nominal values of shares or by the cancellation of shares.
- 5.2. A resolution on reduction of Share Capital shall be adopted at the general meeting if at least two-thirds of the votes represented by shares at the general meeting are in favour.
- 5.3. The Share Capital shall be deemed to be reduced as of its registration in accordance with the procedure set forth by laws and regulations.

#### **6. General Meeting of Shareholders**

- 6.1. The general meeting is the highest directing body of the Bank. General meetings are annual and special general meetings.
- 6.2. An annual general meeting shall be held once a year but not later than within six (6) months from the end of a financial year, unless provided otherwise by law.
- 6.3. The management board shall call a special general meeting if at least one of the below circumstances exists:
- 6.4. the net own funds of the Bank have fallen below the limit allowed by law;
- 6.5. this is demanded by shareholders whose shares represent at least one-tenth of the Share Capital;
- 6.6. this is demanded by the supervisory board or the auditor;
- 6.7. this is demanded by any other person who has been granted such right by law
- 6.8. The management board shall send a notice of the general meeting to all shareholders, to the address entered in the share register, using registered mail. The notice of an annual general meeting shall be sent at least three (3) weeks in advance and the notice of a special general meeting shall be sent at least one (1) week in advance. If the Bank has more than one hundred (100) shareholders,

notices need not be sent to the shareholders, however a notice of the general meeting shall be published in at least one daily national newspaper.

- 6.9. The general meeting has a quorum if more than one-half of the votes represented by shares are present. If the required number of votes is not represented at the general meeting, the management board shall, within three weeks but not earlier than after seven days, call another meeting with the same agenda. The new general meeting is competent to adopt resolutions regardless of the votes represented at the meeting.
- 6.10. A general meeting may decide on matters placed in the competence of the general meeting by law. A general meeting may adopt resolutions on other matters related to the activities of the Bank on the demand of the management board or supervisory board.
- 6.11. A resolution of the general meeting is adopted if more than one-half of the votes represented at the general meeting are in favour. In cases specified by law or these articles of association a greater majority of votes or the consent of holders of a certain class of shares is required to adopt a resolution.

## **7. Supervisory Board**

- 7.1. The supervisory board is the directing body of the Bank, which plans the activities of the Bank, gives instructions to the management board for organisation of the management of the Bank and supervises the activities of the Bank, as well as the activities of the management board in managing the Bank.
- 7.2. The supervisory board consists of five (5) to seven (7) members. The general meeting elects and removes members of the supervisory board. A member of the supervisory board is elected for a term of office, which commences on the day following the date of adopting the resolution to elect the member of supervisory board and ends upon adopting the resolution approving the annual report of the current financial year.
- 7.3. Members of the supervisory board shall elect the chairman of the supervisory board from among themselves who shall organise the activities of the supervisory board. Members of the supervisory board may elect a vice chairman or vice chairmen from among themselves who shall replace the chairman upon his or her absence.
- 7.4. Meetings of the supervisory board shall be held when necessary but not less frequently than once every three (3) months.
- 7.5. A meeting of the supervisory board has a quorum if more than one-half of the members are present.
- 7.6. Resolutions of the supervisory board are adopted by a simple majority. Each member of the supervisory board has one vote. Members of the supervisory board may not refuse to vote or abstain.
- 7.7. Meetings of the supervisory board shall be recorded in minutes. The minutes shall be signed by all participating members of the supervisory board and the recording secretary. The positions and votes of the members of the supervisory board are deemed to be valid, if the participating member of the supervisory board has signed the minutes of the supervisory board meeting.
- 7.8. The supervisory board has the right to adopt resolutions without calling a meeting. The chairman of the supervisory board shall send a draft resolution to all members of the supervisory board by fax or e-mail, indicating the deadline by which a member of the supervisory board must respond. Failure of a member of the supervisory board to respond within such term shall be deemed as voting against the resolution. The chairman of the supervisory board shall present the

record of voting to the members of the supervisory board for examination. If all members of the supervisory board agree with and sign the resolution, the resolution may be formalised without the prior notification and the record of voting. In such case the names of the members of the supervisory board and the time of adopting the resolution shall be marked in the resolution.

- 7.9. The supervisory board may adopt a resolution to establish rules and regulations to specify its work procedure.

## **8. Management Board**

- 8.1. The management board is the directing body of the Bank, which manages its daily operations, proceeding from the strategy and general policies approved by the supervisory board, and supervises the daily activities of the employees of the Bank. The rights and obligations of the management board derive from law, these articles of association and resolutions of the supervisory board and the general meeting.
- 8.2. The management board may adopt any resolution related to the activities of the Bank and independently carry out any transaction, other than those placed in the competence of the general meeting or supervisory board by law or these articles of association.
- 8.3. The management board reports to the supervisory board and the general meeting. The management board shall present an overview of the economic activities and economic situation of the Bank to the supervisory board at least once every three (3) months and shall immediately give notice of any material deterioration of the economic condition of the Bank or of any other material circumstances related to the economic activities of the Bank.
- 8.4. The management board consists of three (3) to five (5) members. The supervisory board shall elect the members and appoint the chairman of the management board. A member of the management board is elected for a term of three (3) years.
- 8.5. The chairman of the management board is the chief executive officer or president of the Bank. The competence of the chairman of the management board includes the establishment of the organisational structure and division of the functions, as well as the reporting obligations in the Bank, and employment and release of employees.
- 8.6. Meetings of the management board shall be held when necessary but not less frequently than once (1) a month.
- 8.7. A meeting of the management board has a quorum if more than one-half of the members are present.
- 8.8. Resolutions of the management board are adopted by a simple majority. Each member of the management board has one vote. Members of the management board may not refuse to vote or abstain. The chairman of the management board shall have the deciding vote upon an equal division of votes.
- 8.9. Meetings of the management board shall be recorded in minutes. The minutes shall be signed by all participating members of the management board and the recording secretary. The positions and votes of the members of the management board are deemed to be valid, if the participating member of the management board has signed the minutes of the management board meeting.
- 8.10. The management board has the right to adopt resolutions without calling a meeting. The chairman of the management board shall send a draft resolution to all members of the management board by fax or e-mail, indicating the deadline by which a member of the management board must respond.

Failure of a member of the management board to respond within such term shall be deemed as voting against the resolution. The chairman of the management board shall present the record of voting to the members of the management board for examination. If all members of the management board agree with and sign the resolution, the resolution may be formalised without the prior notification and the record of voting. In such case the names of the members of the management board and the time of adopting the resolution shall be marked in the resolution.

- 8.11. The management board may adopt a resolution to establish rules and regulations to specify its work procedure.

## **9. Credit Committee**

- 9.1. The credit committee shall approve decisions concerning loans and cases of restructuring which exceed the limits established by the supervisory board and adopt other decisions concerning loans pursuant to the rules and regulations of the credit committee approved by the supervisory board.
- 9.2. The supervisory board shall elect and remove members of the credit committee.
- 9.3. The credit committee shall report to the management board and the supervisory board.

## **10. Internal Audit Unit**

- 10.1. The aim of the internal audit unit is to monitor compliance of the activities of the Bank with applicable law and principles of sound banking management, to present reliable and relevant information about the activities and the condition of the Bank to the supervisory board and the management board with the objective of improving the efficiency of the internal control system of the Bank.
- 10.2. The internal audit unit shall operate in accordance with the procedure provided in its statutes approved by the supervisory board.
- 10.3. The internal audit unit shall analyse the deficiencies discovered in the activities of the Bank and the employees thereof, cases of failure to perform duties and excess of authority and make proposals for the elimination of deficiencies and preventing errors.
- 10.4. The internal audit unit shall prepare a report of its activities at least once in every six months and present the report to the supervisory board and the management board.
- 10.5. The employees of the internal audit unit have the right to examine all documents of the Bank, monitor the work of the Bank at each stage without restrictions, and participate in the meetings of the management board and the committees formed on the basis of the articles of association, demand written explanations from the employees of the Bank concerning deficiencies and errors discovered in their work, and the elimination of such deficiencies.
- 10.6. The head of the internal audit unit shall be elected and removed by the supervisory board. The supervisory board shall have the right to issue mandatory guidelines for the internal audit unit for conducting audits in any specific area of activity of the Bank.

## **11. Auditor**

An auditor may be appointed in accordance with the procedure provided by law to conduct a single audit or for a specific term. The Bank may have one auditor or several auditors.

## **12. Monitoring Committee of Supervisory Board**

- 12.1. The supervisory board may form the monitoring committee of the supervisory board for monitoring the activities of the management board.
- 12.2. The competence, rights and principles of activities of the monitoring committee of the supervisory board shall be determined by the supervisory board of the credit institution.
- 12.3. Members of the supervisory board and other persons appointed by the supervisory board may be members of the monitoring committee of the supervisory board. Members of the management board and employees of the credit institution shall not be members of the committee.

## **13. Reporting and Distribution of Profits**

- 13.1. The calendar year shall be the financial year of the Bank.
- 13.2. After the end of the financial year, the management board shall prepare the annual accounts and activity report (hereinafter jointly referred to as the "Annual Report") pursuant to the procedure provided by law and present it together with the auditor's report and the profit distribution proposal to the supervisory board.
- 13.3. The supervisory board shall review the Annual Report and shall prepare a written report concerning the Annual Report, which shall be presented to the general meeting.
- 13.4. The general meeting shall adopt the profit distribution resolution, setting out the amount of net profit, transfers to reserve capital, the share of profit to be distributed among the shareholders and the use of profit for other purposes.
- 13.5. The amount of reserve capital of the Bank shall be one-tenth of the Share Capital. Reserve capital shall be formed in accordance with the procedure provided by law from annual net profit transfers and other transfers entered in the reserve capital pursuant to law or the articles of association.
- 13.6. The general meeting shall adopt a resolution concerning the payment of dividends to shareholders, setting out the share of profits to be used for the payment of dividends, the procedure and deadlines for the payment of dividends.

## **14. Dissolution and Liquidation of Bank**

- 14.1. The Bank shall be dissolved:
- 14.2. on the basis of the resolution of the general meeting and the articles of association (voluntary dissolution);
- 14.3. upon the initiative of the Financial Supervision Authority on the basis of a court judgement (compulsory dissolution);
- 14.4. due to insolvency, in accordance with the procedure provided by law.
- 14.5. The Bank shall be dissolved voluntarily on the basis of the resolution of the general meeting, if the shareholders no longer wish to pursue the activities of the Bank or in other cases provided by law. The resolution to dissolve the Bank shall be adopted at the general meeting if at least two-thirds of the votes represented by shares at the general meeting are in favour. Voluntary dissolution of the Bank is subject to permission by the Financial Supervision Authority.
- 14.6. Compulsory dissolution of the Bank shall be carried out in the cases and in accordance with the procedure provided by law or other legislation.
- 14.7. Liquidators shall be elected or appointed for the Bank, when a dissolution resolution is adopted. The authority of the management board ends

upon entry into force of the dissolution resolution of the Bank. The rights and obligations of the liquidators are provided by law.

Confirmed by an extraordinary shareholders meeting on June 13, 2007.

## **The management board's assurance regarding the prospectus**

This listing prospectus has been prepared in accordance with the Commission's Regulation on Prospectuses (EC 809/2004) of 29 April 2004 and has been approved and registered by the Swedish Financial Supervisory Authority (Finansinspektionen), based on the 2<sup>nd</sup> chapter §§25 and 26 of the Swedish Financial Instruments Trading Act (SFS 1991:980). Some information in the Prospectus comes from third parties, such as central banks, statistical institutions and research companies. As far as we know this information is correctly reproduced and no information has been omitted that would make it erroneous or misleading. We are responsible for the prospectus and assurance is hereby given that we have taken all reasonable precautions to ensure that the information in the prospectus, as far as we know, is in accordance with actual conditions and that nothing has been omitted that would affect its interpretation.

Tartu, July, 2007

Balti Investeeringute Grupi Pank AS  
The management board

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Targo Raus  
Chairman of the Board

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Veiko Kandla  
Member of the Board

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Eero Varkki  
Member of the Board

Strictly private and confidential

**Terms and Conditions for  
Balti Investeeringute Grupi Pank AS  
EUR 100,000,000, 3 months EURIBOR + 7.5 %, Bonds 2007/2011,  
Loan no. 2**

ISIN: SE0001993148

## 1 Definitions

For the purpose of these Terms and Conditions the following definitions shall apply:

- “Account Operator”** a bank or other party duly authorised to operate as an account operator pursuant to the Swedish Financial Instruments Accounts Act (1998:1479) (Sw: *Lagen om kontoföring av finansiella instrument*) and through which a Holder has opened a VP Account in respect of the Bonds;
- “Adjusted Nominal Amount”** the total outstanding Nominal Amount of the Bonds not held by the Company or any Group Company from time to time;
- “Agent”** E. Öhman J:or Fondkommission AB (publ), corp. reg. no. 556206-8956;
- “Banking Day”** a day which is not a Sunday or other public holiday or which, in respect of payment of promissory notes, is not equal to a public holiday in Sweden, and in relation to any date for payment or purchase of a sum disbursed in EUR, any day on which the TARGET payment system is open for settlement of payments in EUR;
- “Bond”** a debt instrument of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which has been issued by the Company pursuant to these Terms and Conditions;
- “Capital Adequacy Ratio”** means the capital adequacy ratio as calculated in accordance with Estonian rules on capital adequacy (Sw: *kapitaltäckning/Est: kapitali adekvaatsus*) applicable to the Company from time to time;
- “Change of Control”** an event or a series of events with the effect that Parvel Pruunsild and Vahur Voll cease to hold, directly or indirectly (i) more than 50 per cent of the issued share capital of the Company, or (ii) issued share capital having the right to cast more than 50 per cent of the votes capable of being cast at

general meetings of the Company, other than through an admission of any part of the share capital of the Company to trading on a recognised marketplace;

**“Company”** Balti Investeeringute Grupi Pank AS, reg. no. 10183757 in the Estonian Commercial Registry (*Est: äriregister*);

**“EUR”** the single currency of the member states of the European Union which have adopted the euro as its currency in accordance with legislation of the European Union relating to European Economic and Monetary Union;

**“EURIBOR”** the interest rate which, as of approximately 11.00 a.m. (Brussels time) on the applicable Interest Determination Date, is displayed on Telerate page 248 (or any other system or other page which replaces the mentioned system or page) or, if the relevant rate does not appear, in each case as determined by the Agent, the average of four major European commercial banks’ (as determined by the Agent) quoted lending rates in the relevant interbank market or, if only one or no such quote exists, such interest rate which, according to the Agent’s opinion, corresponds to the interest rates offered by leading European commercial banks, in each case for the lending of EUR one million (1,000,000) for the applicable period in the relevant interbank market;

**“Floating Day Count Fraction”** means, in relation to a specific Interest Period, the actual number of days in that Interest Period divided by 360;

**“Floating Interest Amount”** has the meaning set forth in Clause 4.2;

**“Group”** the group for which the Company is the parent company pursuant to the provisions referred to in the definition of Group Company;

**“Group Company”** each subsidiary in the Group other than the Company, where subsidiary means such enterprises which are subsidiaries pursuant to Article 6 of the Estonian Commercial Code (or corresponding provisions in such Estonian legislation that may replace said provisions);

**“Holder”** a person registered on a VP Account as holder or otherwise is entitled to receive payment in respect of a Bond;

**“Holders’ Meeting”** means a meeting of Holders held in accordance with Clause 11;

**“Interest Determination Date”** the second TARGET Settlement Day before the commencement of the Interest Period for which the rate will apply;

“Interest Payment Date”	31 March, 30 June, 30 September and 31 December in each year;
“Interest Period”	each period beginning on (but excluding) the Issue Date or any Interest Payment Date and ending on (and including) the next Interest Payment Date;
“Interest Rate”	in relation to each Interest Period, 3 months EURIBOR, as determined by the Agent, plus a margin of 7.50 per cent per annum;
“Issue Date”	11 April 2007;
“Market Loan”	debt raised by issuance of commercial paper, subordinated debentures, bonds or other securities (including debt raised under MTN- or other debt issuance programmes), which is or can be traded on a Swedish or foreign exchange or recognised marketplace;
“Nominal Amount”	has the meaning set forth in Clause 2.1;
“Record Date”	has the meaning set forth in Clause 6.1;
“Redemption Date”	31 March 2011 or such earlier date that may be the case pursuant to the provisions in Clauses 5.2, 5.3 and 10;
“TARGET”	Trans-European Automated Real-Time Gross Settlement Express Transfer;
“TARGET Settlement Day”	any day on which the TARGET System is open;
“VP Account”	a securities account (account for shares and other securities (Sw: <i>avstämningskonto</i> )) according to the Financial Instruments Accounts Act on which each Holder’s holding of Bonds is registered; and
“VPC”	VPC AB, corp. reg. no. 556112-8074, which is the Swedish central securities depository and registrar in respect of the Bonds.

## 2 The amount of the Bonds and undertaking to make payments

- 2.1 The aggregate amount of the Bonds will be an amount up to EUR one hundred million (100,000,000) and will be represented by the Bonds, each with a nominal amount of EUR ten thousand (10,000) (“Nominal Amount”).
- 2.2 The Company undertakes, pursuant to these Terms and Conditions, to repay the Bonds, to pay interest and to otherwise act in accordance with these Terms and Conditions.

## 3 Registration of Bonds

- 3.1 The Bonds will be registered on behalf of the Holders on a VP Account and no physical notes will be issued. Requests for registration measures relating to the Bonds shall be directed to an Account Operator. Any person who, according to assignment, pledges, the provisions of the Swedish Children and Parents Code (Sw: *Föräldrabalken*), conditions of a

will or a deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlement to receive payment.

- 3.2** The Company shall be entitled to obtain information from the register kept by VPC in respect of the Bonds (Sw. *skuldbok*). At the request of the Agent, the Company shall obtain and provide such information to the Agent.

## **4 Interest**

### **4.1 Floating Interest Rate**

From (but excluding) the Issue Date and up to and including the Redemption Date, the Bonds bear interest on the outstanding amount at the Interest Rate. Such interest will be payable quarterly in arrear on each Interest Payment Date.

If an Interest Period would otherwise end on a day which is not a Banking Day, that Interest Period shall instead end on the following Banking Day. If the extension of the Interest Period would mean that the Interest Period would end in the following calendar month, then the Interest Period shall instead end on the preceding Banking Day.

Whenever it is necessary to compute an amount of interest in respect of any Bond for a period other than an Interest Period, such interest shall be calculated on the basis of the Floating Day Count Fraction and otherwise in accordance with Clause 4.2.

### **4.2 Floating Interest Amount**

The Agent shall, as soon as practicable after 11.00 a.m. (Brussels time) on each Interest Determination Date, but in no event later than the second Banking Day thereafter, determine the EUR amount (the "**Floating Interest Amount**") payable in respect of interest on each Bond for the relevant Interest Period. The Floating Interest Amount shall be determined by applying the Interest Rate to the principal amount of such Bond, multiplying the sum by the Floating Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If the Agent, due to the existence of an obstacle referred to in Clause 17.1, is unable to determine the Interest Rate and the Floating Interest Amount for an Interest Period, the Interest Rate for the preceding Interest Period shall apply. The Agent shall, as soon as the obstacle has been removed, determine the Interest Rate and the Floating Interest Amount for the current Interest Period, which shall apply from the second Banking Day of such determination until the end of the current Interest Period.

### **4.3 Notification of Interest Rate and Floating Interest Amount**

The Agent shall, as soon as possible after their determination and in no event later than the second Banking Day thereafter, notify the Issuer of the Interest Rate and the Floating Interest Amount for each Interest Period and the relevant Interest Payment Date.

### **4.4 Calculations and determinations final and binding**

The calculations and determinations made by the Agent shall (save in the case of manifest error) be final and binding upon all parties. The Agent shall have no responsibility for good faith errors or omissions in any calculation made by it as provided herein.

## **5 Redemption of the Bonds and payments**

### **5.1 Redemption at maturity**

Unless previously redeemed, or purchased and cancelled, the Bonds shall be redeemed at the Nominal Amount, together with accrued interest, on the Redemption Date.

### **5.2 Early Redemption due to Change of Control**

The Company shall, within 30 days from the occurrence of the Change of Control, give the Holders notice about the situation and simultaneously offer each Holder to redeem its Bonds. The early redemption date, which shall occur not less than 30 days and no more than 60 days after the notice, as well as the relevant Record Date, shall be set out in the notice. The Company shall, in addition, pay accrued (but unpaid) interest up to and including the date of the early redemption.

### **5.3 Redemption at the Company's option**

All of the Bonds, but not only some, may be redeemed at the option of the Company on any Banking Day falling after the first anniversary of the Issue Date. The Company shall give the Holders not less than 30, but no more than 60, days' notice. The notice shall be irrevocable and shall state the early redemption date and the relevant Record Date. In addition, the Company shall pay the accrued (but unpaid) interest up to and including the early redemption date.

### **5.4 Redemption amount**

Bonds which are redeemed in accordance with Clause 5.2 above or 10 below shall be redeemed at the Nominal Amount. Bonds which are redeemed in accordance with Clause 5.3 above shall be redeemed at an early redemption price equal to the Nominal Amount multiplied with

- (a) 103.75%, if redemption occurs during the period commencing on the Issue Date up to and including the second anniversary of the Issue Date;
- (a) 102.50%, if redemption occurs during the period commencing the day after the second anniversary of the Issue Date up to and including the third anniversary of the Issue Date; and
- (b) 101.25%, if redemption occurs during the period commencing the day after the third anniversary of the Issue Date up to the Redemption Date.

## **6 Payments of principal and interest**

**6.1** Payment of principal and interest shall be made to those who are Holders on the fifth Banking Day prior to the respective due date or on such other Banking Day, which is closer to the due date, and which is generally applied on the Swedish bond market (the "**Record Date**").

**6.2** If a payment is due on a day which is not a Banking Day, the due date for that payment shall instead be the following Banking Day. If the extension of the due date would mean that the payment is due in the following calendar month, then the due date for the payment shall be the preceding Banking Day.

- 6.3** If a Holder has registered, through an Account Operator, that principal and interest shall be deposited on a designated bank account, such deposit will be effected by VPC on the relevant due date. In other cases, payments will be transferred by VPC to the Holder at the address registered with VPC on the Record Date. If a day on which an amount becomes due and payable is not a Banking Day, the amount will be deposited or transferred the next following Banking Day.
- 6.4** Should VPC, due to a delay by the Company or some other obstacle, not be able to effect the payment in accordance with Clause 6.3, VPC will, as soon as possible after such obstacle has been removed, pay such amount to any person who was a Holder on the Record Date.
- 6.5** Should the Company, due to the existence of an obstacle for VPC referred to in Clause 17.1, not be able to effect the payment on a due date, it may postpone the payment until the obstacle has been removed.
- 6.6** If a person to whom payment has been made in accordance with the above was not entitled to receive such payment, the Company and VPC shall nevertheless be deemed to have fulfilled their obligations, provided that the Company and/or VPC was unaware of that such payment was made to a person not entitled to receive such amount and provided that the Company and/or VPC acted with normal care.
- 6.7** If both the principal amount and interest are due and payable and the available funds are insufficient to discharge all the amounts due and payable, the available funds shall first be applied towards payment of interest and secondly, towards payment of the principal amount.

## **7 Default Interest**

- 7.1** If the Company fails to pay any amount due, the Company shall, from the date commencing on the date such payment was due and ending on the date of actual payment, pay default interest on the overdue amount at a rate corresponding to the average of one week EURIBOR during the delay plus two percentage units. EURIBOR shall be determined on the first Banking Day of each week during the delay. Default interest shall however, subject to Clause 7.2 below, never be less than the Interest Rate plus two percentage units. Accrued default interest shall not be capitalised.
- 7.2** If the delay is due to an existence of an obstacle for the Agent or VPC, respectively, referred to in Clause 17.1, the default interest shall not exceed the relevant Interest Rate.

## **8 Prescription**

- 8.1** The right to receive payment of the Nominal Amount will become void ten years from the Redemption Date. The right to receive payment of interest will become void three years from the relevant due date for payment. The funds set aside for payment and barred by the limitation period (*Sw: preskriptionstid*) shall belong to the Company.
- 8.2** If a postponement of the above prescription period has been made in accordance with the Swedish Act on Limitations (1981:130) (*Sw: Preskriptionslagen*), a new ten-year period, in respect of the Nominal Amount, and a three-year period, in respect of interest payments, runs from such day as follows from the application of the Swedish Act on Limitations.

## 9 Financial covenant and other undertakings

9.1 So long as any Bonds remain outstanding, the Company undertakes:

- (c) to procure that the Capital Adequacy Ratio never falls below 15 per cent (calculated on the basis of the latest audited annual financial reports, quarterly unaudited financial reports or, where relevant, a special financial report prepared pursuant to Clause 9.1(e));
- (d) to procure that it delivers to the Agent as soon as the same become available, but in any event within 120 days after the end of each financial year (in relation to annual reports), or 60 days after the end of each quarter of its financial year (in relation to quarterly reports and year end reports (*Sw: bokslutskommuniké*)), the Company's audited consolidated financial statements for that financial year and, in case of quarterly reports, the Company's unaudited consolidated financial statements for such quarter;
- (e) not later than within seven days from the Agent's request, to provide a special unaudited financial report as per the historic date the Agent stated in its request (which report shall be prepared consistently with the same rules and accounting principles that are applied when preparing the Company's annual financial reports and quarterly financial reports);
- (f) not to declare or pay any dividend on shares exceeding 15 per cent of the amount of the net profit of the Company each relevant financial year, repurchase own shares, redeem share capital with repayment to shareholders or make other similar distribution to shareholders and to ensure that each Group Company not wholly owned, directly or indirectly, does not make any equivalent distribution other than in proportion to the shares held;
- (g) not to provide security or cause or permit someone else to provide security, in the form of asset security, a guarantee or otherwise, for any Market Loan raised by the Company or any Group Company; and
- (h) during the period commencing on the Issue Date up to and including the date falling six (6) months thereafter, not to issue any Bond for less consideration than the Nominal Amount plus any interest accrued and payable in relation to such Bond.

9.2 The Agent shall at the request of not less than 25 per cent of the Holders (calculated as above), without delay, request the Company to provide a special unaudited financial report pursuant to Clause 9.1(e).

## 10 Acceleration of the Bonds

10.1 The Agent shall, if so requested by Holders of at least 10 per cent of the then Adjusted Nominal Amount or by a Holders' Meeting, declare all but not only some of the Bonds, including accrued interest, due and payable immediately or at such later date as the Agent determines (such later date may, however, not be later than the Redemption Date), if:

- (i) the Company fails to pay the Nominal Amount, the redemption amount or interest when due;

- (j) the Company otherwise fails to comply with or in any other way acts in violation of these Terms and Conditions, provided that the Agent has requested the Company to remedy such failure or violation and the Company fails to do so within 15 Banking Days (however if, in the opinion of the Agent, the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior request);
  - (k) another loan raised by the Company or a Group Company is, or could have been, terminated prematurely due to the Company's or the Group Company's breach of the terms and conditions for such loan or, if the breach being non-payment of final payment of such loan or in respect of a guarantee undertaking, if payment has not been made due to a reason attributable to the Company within three days of such final payment date, provided that the aggregate debt under the relevant loans and guarantees exceeds EUR 8,000,000 (or the equivalent in other currencies);
  - (l) the Company or a Group Company suspends its payments;
  - (m) the Company applies for a moratorium (*Est: moratorium*) or a moratorium is declared in respect of the Company;
  - (n) the Company or a Group Company is declared bankrupt (*Est: pankrotis olevaks*);
  - (o) a decision is made to place the Company in liquidation or a Group Company is forced to be liquidated; or
  - (p) in respect of a merger with a non-Group company, the board of the Company or a Group Company prepares a merger plan or corresponding document according to which the Company or the Group Company shall be merged into another new or existing company, unless the Agent has given its written consent hereto, and such plan is approved by the general meeting of shareholders of the Company or Group Company.
- 10.2** If the Bonds are declared due and payable pursuant to this Clause 10, the Company shall redeem the Bonds at the Nominal Amount plus accrued (but unpaid) interest up to and including the date of the redemption.
- 10.3** The term "loan" in Clause 0c includes lines of credits, overdraft facilities and amounts which have not been granted as a loan but are payable due to debt instruments obviously meant for public sale.
- 10.4** If the Agent is of the opinion that the Bonds may not be declared due and payable, the Agent is only obliged to take such action if the instructing Holders undertake to indemnify and hold the Agent harmless in a satisfactory manner. If the right to declare the Bonds due for payment prematurely is based upon a decision of a court of law, a government authority, or a general meeting of shareholders, it is not necessary that the decision has become legally binding and enforceable or that the time for appeal has lapsed.
- 10.5** The Company is obliged to inform the Agent immediately if any circumstance of the type specified in Clause 0 should occur. Should the Agent not receive such information, the Agent is entitled to assume that no such circumstance exists or can be expected to occur provided that the Agent does not have knowledge of such circumstance. At the request of the Agent, the Company shall within five (5) days provide the Agent with a certificate regarding the circumstances dealt with in Clause 0. The Company shall further provide the Agent with such details as the Agent requires regarding any circumstances referred to in

Clause 0 and, at the request of the Agent, provide all documents that may be of significance in the application of this Clause.

- 10.6** The Company's obligation to provide information according to this Clause 10 shall apply to the extent that it is not contrary to law or regulations issued by, or stipulated in contract with, an exchange or a recognised marketplace where the Company's or Group Company's shares or instruments of debt are quoted.

## **11 Holders' Meeting**

- 11.1** The Agent may at any time, and shall, upon the written request of the Company or Holders holding not less than 10 per cent of the Adjusted Nominal Amount at the time of the request, convene a Holders' Meeting.
- 11.2** The Company and the Holders shall be given notice to attend a Holders' Meeting at least 15 Banking Days before such meeting. The notice to attend shall contain (i) the time and venue for the meeting, (ii) an agenda of the matters to be addressed and, as the case may be, resolved, at the meeting. No other matters than those referred to in the notice to attend may be resolved upon. The notice to attend shall specifically address that Holders of Bonds registered with a nominee shall register their right to vote separately in order to be capable of casting votes at the meeting.
- 11.3** Representatives of the Holders, the Agent and the Company and their respective proxies and advisers, and, in the case of the Company, directors, the chief executive officer and other higher officers and external auditors of the Company, may attend a Holders' Meeting.
- 11.4** The Agent shall appoint the chairman of the meeting, unless otherwise decided by the Holders' Meeting. The chairman shall prepare a list of present Holders setting out the proportion of the Adjusted Nominal Amount each Holder represents ("**Voting Register**"). The Voting Register shall be approved by the Holders' Meeting. Only those who, according to the register (Sw: *skuldbok*) kept by VPC in respect of the Bonds, were Holders on the fifth Banking Day prior to the Holders' Meeting, or their respective proxies, shall, if holding any Adjusted Nominal Amount at the time of the meeting, be entitled to vote at the meeting and shall be registered in the Voting Register.
- 11.5** The Chairman shall ensure that minutes are kept at the Holders' Meeting. The chairman shall record the date and place of the Holders' Meeting as well as resolutions adopted by the Holders' Meeting and results of voting. The Voting Register shall be incorporated in, or be attached to, the minutes. The minutes shall be signed by the keeper of the minutes. The minutes shall be attested by the chairman of the meeting, where the chairman has not kept the minutes, and by at least one Holder appointed by the meeting to attest the minutes. The minutes shall thereafter be provided to the Agent. The minutes shall be made available with the Agent no later than seven Banking Days after the meeting. New or amended Terms and Conditions shall be attached to the minutes and be provided by the Agent, or anyone appointed by them, to VPC. The minutes shall be safely kept by the Agent.
- 11.6** The Holders' Meeting is quorate if Holders representing not less than 20 per cent of the Adjusted Nominal Amount are present. However, in relation to resolutions regarding the following matters (an "**Extraordinary Resolution**"), Holders representing not less than half of the Adjusted Nominal Amount form a quorum:

- (q) approving a change of a Redemption Date or an interest payment date or any other terms relating to interest, reduction or cancellation of the amount payable and change of the currency in which payments under the Bonds are to be made;
  - (r) approving a substitution of debtor (which substitution, for the avoidance of doubt, also needs to be approved by VPC); and
  - (s) change of this Clause 11.
- 11.7** If within 30 minutes after the time appointed for any Holders' Meeting a quorum is not present, the meeting shall stand adjourned to the same day two weeks thereafter or, if such day is not a Banking Day, the following Banking Day. The Agent shall as soon as possible thereafter notify the Holders thereof. When an adjourned Holders' Meeting resumes, the Holders' Meeting shall, if Holders representing not less than 10 per cent of the Adjusted Nominal Amount are present, be deemed quorate and resolutions may, also in respect of Extraordinary Resolutions, be adopted by a simple majority of the votes cast.
- 11.8** Resolutions at Holders' Meetings shall be adopted by way of voting. Each Holder entitled to vote shall have one vote for each Bond of the Nominal Amount held by it. In the event of a tied vote, the chairman shall have the casting vote. An Extraordinary Resolution shall, subject to 11.7, be valid only where supported by Holders representing not less than 75 per cent of the votes cast at the Holders' Meeting. In all other matters (including but not limited to actions to be taken upon an event referred to in Clause 0), resolutions by the Holders' Meeting shall be adopted by a simple majority of the votes cast.
- 11.9** Resolutions adopted at a duly convened and held Holders' Meeting shall be binding on all Holders, whether or not present at the Holders' Meeting and whether or not supporting the resolutions. A Holder who has supported a resolution at a Holders' Meeting shall not be held responsible for any damage such resolution may cause another Holder. For the avoidance of doubt, resolutions adopted at a Holders' Meeting are not binding on the Company.
- 11.10** The Agent may, in addition to what is stated in this Clause 11, determine further rules of order for the Holders' Meeting.
- 11.11** The Company shall reimburse all costs and expenses incurred by the Agent in connection with a Holders' Meeting, regardless of who requested the meeting.
- 11.12** The Agent is not under an obligation to convene a Holders' Meeting unless requested to do so in accordance with Clause 11.1 and may thus not be held responsible for not convening a meeting in any other case.

## **12 Authority to represent the Holders**

Even without a separate authorisation from the Holders, the Agent, or a person appointed by the Agent, is authorised to represent the Holders in every matter concerning the Bonds, unless the matter has to be decided upon at a Holders' Meeting or in any other respect requires separate authorisation or consent from the Holders in accordance with these Terms and Conditions, before and outside a court of law and before an executive authority.

### **13 Notices**

**13.1** Notices to the Holders shall be given to the Holders at their addresses as registered with VPC.

**13.2** Notices (including requests for Holders' Meetings) shall be given to the Agent at the following addresses, or any substitute addresses notified to the Holders:

E. Öhman J:or Fondkommission AB

Att. Corporate Finance

P.O. Box 754

SE-103 91 Stockholm, Sweden

### **14 Amendments**

**14.1** The Company and the Agent may agree to amend these Terms and Conditions with binding effect for all Holders and the Company, provided that a Holders' Meeting or Holders representing at least 80 per cent of the aggregate then outstanding Adjusted Nominal Amount have given their consent thereto. However, amendments regarding repayment of the Nominal Amount and payment of interest require consent from either a Holders' Meeting or all Holders.

**14.2** For the purposes of Clause 14.1, the Agent determines the manner in which Holders shall be approached and when the necessary consent shall be deemed to have been obtained or not.

**14.3** Notwithstanding the foregoing, the Agent and the Company may without the consent of the Holders, agree on (i) the replacement of the Agent or (ii) to any amendment of these Terms and Conditions which is of a formal, minor or technical nature or which is made to correct a manifest error or an error which, in the opinion of the Agent.

**14.4** Amendments of these Terms and Conditions shall be notified without delay by the Company in accordance with Clause 13 above, setting out the date from which the amendments will be effective.

### **15 Listing of the Bonds**

The Company will apply for listing of the Bonds at the SOX List<sup>2</sup> at the Stockholm Stock Exchange and will use all efforts to obtain and maintain such listing as long as any Bond is outstanding, however not longer than up to and including the last day on which trading in the Bonds on the exchange, according to the regulations applied by the Exchange and VPC at such date, can reasonably take place prior to the Redemption Date.

### **16 Nominee registration**

In respect of Bonds registered with a nominee in accordance with the Financial Instruments Accounts Act, the nominee shall, for the purpose of these Terms and Conditions, be regarded as the Holder.

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<sup>2</sup> New name: "Retail Bond List"

**17 Limitation of liability**

- 17.1** Neither the Agent nor VPC shall be held responsible for any damage arising out of any Swedish or foreign legal enactment, or any measure undertaken by a Swedish or foreign public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance. The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or VPC takes such measures, or is subject to such measures.
- 17.2** Any damage that may arise in other cases shall not be indemnified by the Agent or VPC if it has observed normal care. The Agent or VPC shall not in any case be held responsible for any indirect damage, consequential damage and/or loss of profit.
- 17.3** Should there be an obstacle as described above for the Agent or VPC to take any action in compliance with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- 17.4** The provisions in this Clause 17 apply unless they are inconsistent with the provisions of the Swedish Financial Instruments Accounts Act which provisions shall take precedence.

**18 Governing law and jurisdiction**

- 18.1** These Terms and Conditions shall be governed by and construed in accordance with Swedish law.
- 18.2** Any dispute arising out of or in connection with the Bonds or these Terms and Conditions (including a dispute regarding the existence, validity or termination of the Bonds or these Terms and Conditions) shall be determined by the courts of Sweden, with the District Court of Stockholm to be the court of first instance.
- 18.3** Clause 18.2 is for the benefit of the Agent and the Holders only. As a result, none of the Agent and the Holders shall be prevented from taking proceedings in any other courts with jurisdiction over the Company or any of its assets. To the extent allowed by law, they may take concurrent proceedings in any number of jurisdictions

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We hereby certify that the above Terms and Conditions are binding upon the Company.

Tartu 4 April 2007

BALTI INVESTEERINGUTE GRUPI PANK AS

*Balti Investeeringute Grupi Pank AS  
Consolidated Annual Report for 2005*

## Auditor's report

To the shareholders of Balti Investeeringute Grupi Pank AS

*(Translation of the Estonian original)*

We have audited the accompanying balance sheet of Balti Investeeringute Grupi Pank AS ("the Bank") as of 31 December 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements as set out on pages 8 to 43 are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 11 April 2006

KPMG Baltics AS

*(signature)*

Taivo Epner

*Authorised Public Accountant*

*(signature)*

Maret Tambek

*Authorised Public Accountant*

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Targo Raus  
Chairman of Management Board