



# **BALTI INVESTEERINGUTE GRUPI PANK AS**

Prospectus regarding listing of

Bond Loan 2007/2011  
of 42 750 000 EUR

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:

*Annual Report 2006*

The document has previously been published and submitted to the Swedish Financial Supervisory Authority and is included as an integral part of the prospectus. The annual report is available on the web site of the Company [www.big.se](http://www.big.se). Please note that some of the information in the document 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 Investeeringute 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.se](http://www.big.se).

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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 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. 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 competition, 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 each. 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 14 Estonian and 12 Latvian offices (as per April 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 42,750,000

**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:** 10 April, 2007.

**Redemption** 31 March, 2011.

*date.*

**First date of trading:** The Company intends to list the Bonds at Privatobligationslistan at the Stockholm Stock Exchange. This is expected to occur during the first half of May.

**Bond:** 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.

**Denomination and trading lot:** Each Bond has a nominal value of EUR 10,000. Proposed trading lot is full multiples of the nominal value.

**Interest:** 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.

**Interest payment dates:** 31 March, 30 June, 30 September and 31 December.  
The first interest payment is on 30 June, 2007, the last on Redemption date 31 March, 2011.

**Early redemption at the Company's option:** 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:

- (1) 103.75 percent if redemption occurs during the period up to and including 31 March, 2009
- (2) 102.50 percent if redemption occur during the period from 1 April, 2009 up to 31 March 2010
- (3) 101.25 percent if redemption occur during the period from 1 April, 2010 up to 30 March 2011

In addition, the Company shall pay accrued interest.

**Certain covenants:** So long as any Bonds remain outstanding, the Company undertakes:

- (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));
- (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;
- (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;
- (c) 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 considerations:** 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:
- the Company fails to pay the Nominal Amount, the redemption amount or interest when due;
  - 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);
  - 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**

The risks noted below do not necessarily comprise all those faced by the Company and are not intended to be presented in any particular order of priority.

### **Risks relating to the Company's industry, business and operations**

#### **General business risk**

The activities of the Company are subject to the usual commercial risks and economic conditions may generally affect the Company's ability to generate income or achieve its objectives. The Company is headquartered in Estonia. The regulatory environment in Estonia and the surrounding region is occasionally subject to change and those changes may impact the Company's ability to achieve its objectives.

#### **Customers**

There is no guarantee that the take-up of new customers will meet the expectations of the Company. A lower take-up of customers will decrease the volume of loans and will potentially have an adverse impact on future growth rates and future profitability.

#### **Stance Adopted by the Regulatory Authorities**

The consumer credit market continues to develop in the Baltic Region. As in many industries, increased regulation may be imposed by the regulatory authorities as the market develops. The Company believes that it will be well placed to meet the requirements of future regulation due to the strong processes already in place in the business but there can be no guarantee that regulations will not be introduced which could have a material adverse impact on the Company's business and prospects.

#### **Key management**

The Company believes that its future success will to a significant extent depend upon the expertise and continued services of certain key executives and technical personnel. Whilst the Company has sought, and will continue to seek, to ensure that key employees are appropriately incentivised, their services cannot be guaranteed. The Company has a small management team and the loss of one or more key executives may have an adverse effect on its operational performance and growth plans. In addition, the Company may find it difficult to recruit new employees. If the Company fails to attract, hire or retain the necessary personnel the result may be negatively affected.

#### **Credit Losses**

The Company has estimated potential credit losses by analyzing its current loan portfolio. There is no guarantee that management's estimates will prove accurate in the long term. An increase in the level of credit losses will have an adverse impact on the profitability of the business.

#### **Increased late payments**

The Company has estimated the size of the future late payments. There is no guarantee however that the Company's estimates will prove accurate in the long term. Any increase

in the quantity of late payments will decrease the amounts of credits which can be made to new customers and may have an adverse impact on the growth and profitability of the Company.

#### **Future financing of the business**

The Company may require additional capital in the future for expansion and/or business development. If the Company fails to generate sufficient cash through its operations, it may need to raise additional capital from equity or debt sources. If the Company is unable to obtain financing on acceptable terms it may be forced to curtail its development. Further, there can be no guarantee that further capital raisings will be successful. Any lack of loan portfolio funding could have a negative effect on the Company's growth and profitability for the Company.

#### **Interest rate risk**

The Company's earnings will be partly generated from the difference between interest and fees received from lending activities and interest expense on its debt finance. In the event of a decrease in the interest customers are charged or an increase in the Company's cost of debt, there may be an adverse impact on profitability.

#### **Reliance upon service providers**

As part of its business, the Company has signed agreements with a number of service providers. Although the Company has selected those partners with diligence, there can be no guarantee that the partners will prove reliable and will carry out their responsibilities to the level expected of them. Any failure in the performance of partners could have a negative effect on the growth and profitability of the Company.

#### **Negative publicity**

The Company has put significant efforts into developing the BIG brand image. Negative publicity as regards the consumer credit sector, the Company's own activities or those of competitors could have negative effects on the financial performance of the Company.

#### **Competition**

The consumer credit markets in which the Company operates are competitive and may become more so. There is no certainty that the Company will be able to reach the market penetration it seeks. Although the Company believes that it will be able to compete favourably in these markets, there can be no guarantees that the Company can maintain its competitive position.

#### **Currency Risk**

The Company's accounts will be denominated in Estonian kroons and lending in the Baltics will be made and realised in local currencies; Estonian Kroons, Latvian Lats and Lithuanian Lits, which are all pegged to the Euro. Furthermore, funding is primarily sourced in Estonian Kroons but also in Euro and to some extent in Latvian Lats. A change in foreign currency exchange rates may adversely impact returns, to the extent that the Company does not hedge against such exchange movements. Currently, the

Company does not fully hedge its currency exposures other than to the extent achieved by sourcing in local currencies.

## **Risks relating to operating in Estonia, Latvia, Lithuania**

### **Policy Risk**

Changes in the policies of the national governments in the territories which the Company operates could negatively affect economic and business conditions in those jurisdictions which could impact the Company's business and prospects. The Company operates in jurisdictions where the respective national governments are encouraging participation of the private sector. However, a change in policy could adversely affect business and economic conditions in each of the jurisdictions in which the Company operates in general, and in the Company's business in particular.

## **Risks relating to the Placing**

### **Risk assessment**

Each potential investor must, in view of the investor's own preconditions, decide on the appropriateness of the investment. In particular, each investor should:

- a) have sufficient knowledge and experience to make a meaningful evaluation of the terms and conditions for the Bond Loan and assess the advantages and risks associated with the investment based on the information in this prospectus or any to this associated amendment
- b) have access to and knowledge of suitable analytical tools to, in view of his or her own proper financial situation, perform an evaluation of the investment and its effects in the aggregated portfolio of the investor
- c) have sufficient financial assets and sufficient liquidity to carry all risks associated with an investment
- d) be familiar with the workings of relevant indices and financial markets; and
- e) be able to evaluate (either independently or supported by a financial advisor) possible scenarios for financial factors, interest factors and other factors that can affect the investor's investment and ability to carry these risks

A potential investor should not invest in loans structured as complex financial instruments unless he or she possesses expertise (independently or supported by a financial advisor) to assess how the Bond Loan will develop under changed conditions.

### **Credit risk**

Despite BIG's historically strong cash flows it cannot be guaranteed that the Company under the duration of the Bond Loan will be able to generate the proceeds required either for interest payments or final redemption of the Bond Loan.

### **Early redemption at the Company's option**

In the terms and conditions the Company is given the possibility of early redemption. Since the Company is at liberty to redeem the Bond Loan prematurely the market value of this Bond Loan will generally not rise substantially above the price at which it can be prematurely redeemed.

### **Areas of Investment Risk**

The prices of publicly quoted securities can be volatile and are dependent upon a number of factors, some of which are general or market or sector specific and others are specific to the Company. The Company intends to apply for the bonds in the current bond issue to be listed on Privatobligationslistan at the Stockholm Stock Exchange. However, this should not be taken as implying that there will always be a liquid market in the bonds. In addition, the market for bonds in smaller companies is less liquid than for larger public companies. Therefore, an investment in the bonds may be difficult to realise and the price of the bonds may be subject to greater fluctuations than might otherwise be the case. Investors should be aware that the value of the bonds may be volatile and may go down as well as up and investors may therefore not recover their original investment. The price at which investors may dispose of their bonds may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous, in the particular case of the Bonds the floating component of the Bond Loans interest rate. On any disposal of their bonds, investors may realise less than the original amount invested.

## 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 Investeringute Grupi Pank AS, reg. nr. 10183757
<b>Loan amount:</b>	The Bond Loan amounts to EUR 42,750,000
<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>	10 April, 2007.
<b>Redemption date.</b>	31 March, 2011.
<b>First date of trading:</b>	The Company intends to list the Bonds at Privatobligationslistan at the Stockholm Stock Exchange. This is expected to occur during the first half of May.
<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 June, 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</li> </ul>

- 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.

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  
considerations:**

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 first interest payment date is 30 June 2007 and the final interest payment date is concurrent with the Redemption date, 31 March 2011.

### **Issue price**

The bond 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

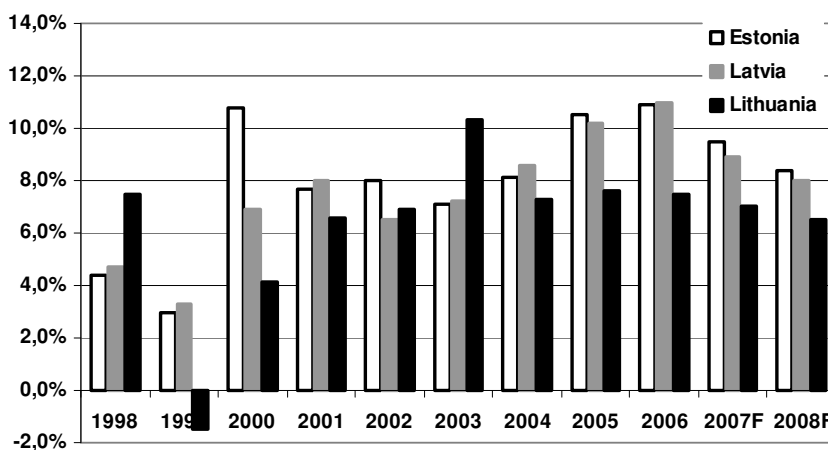
## Market overview

The Baltic States have, since their independence, built up all structures of modern financial states. However, in areas such as consumer finance the market still has substantial potential for growth. Calculated on the basis of national aggregates, the level of consumer finance per capita falls far below the European average. At the same time the Baltic economies are rapidly expanding. These two facts in combination give a strong market growth potential.

The Baltic States have a total of approximately 7.2 million inhabitants<sup>2</sup>. In 2006 GDP growth in the Baltic States ranged from 7.5 percent to 11.0 percent, among the highest in the European Union<sup>3</sup>. In an environment of high GDP growth and falling unemployment rate, be it in combination with above average inflation rates, the macroeconomic conditions can be considered favourable for the Baltics in general. This goes for the consumer credit market in particular, as domestic consumption grows.

The Baltic States all joined the European Union on 1 May 2004 and have thus adopted the EU regulatory framework.

Figure 1: Historic GDP growth and forecasts, the Baltic States



Source: Eurostat

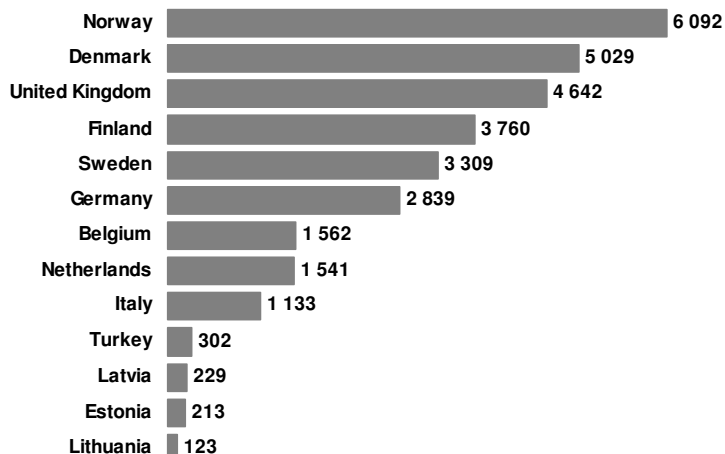
<sup>2</sup> CIA World Fact Book

<sup>3</sup> Eurostat

## The Baltic consumer credit market

Unlike the US, the consumer credit market remains relatively untapped in Europe<sup>4</sup>. This is particularly the case for the markets of the former Eastern block. In its study of the consumer credit market for 2006, Datamonitor finds that the Norway heads the consumer credit per capita in Europe, which ranges from Norway's top position at EUR 6,092 down to Italy's EUR 1,133 and Turkey's EUR 302 per capita. When adding the Baltic States to the Datamonitor's data it can be seen that these are found at the lower end of the scale.

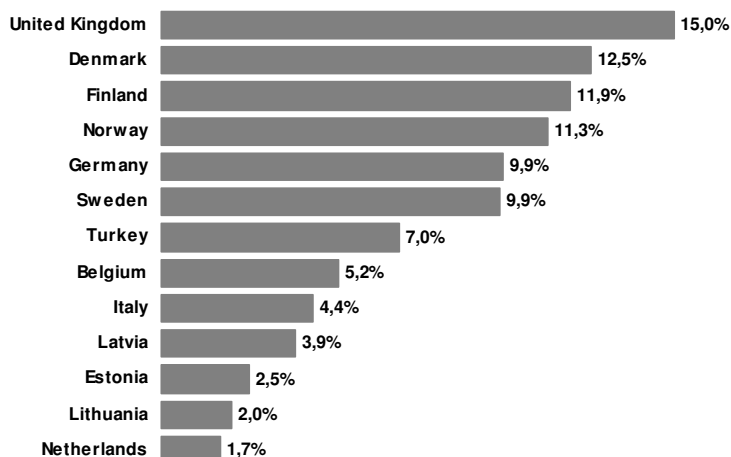
Figure 2: Consumer credit per capita, EUR



Sources: Central banks of Estonia, Latvia and Lithuania, Datamonitor, CIA World Fact Book (December 2005)

Also when looking at a comparison of consumer credit to GDP it can be seen that the Baltics have a low level of consumer credit in comparison with other countries. According to Datamonitor the Dutch market's last position can be explained by a well developed mortgage market that to a large degree replaces the need for traditional consumer credit.

Figure 3: Consumer credit to GDP

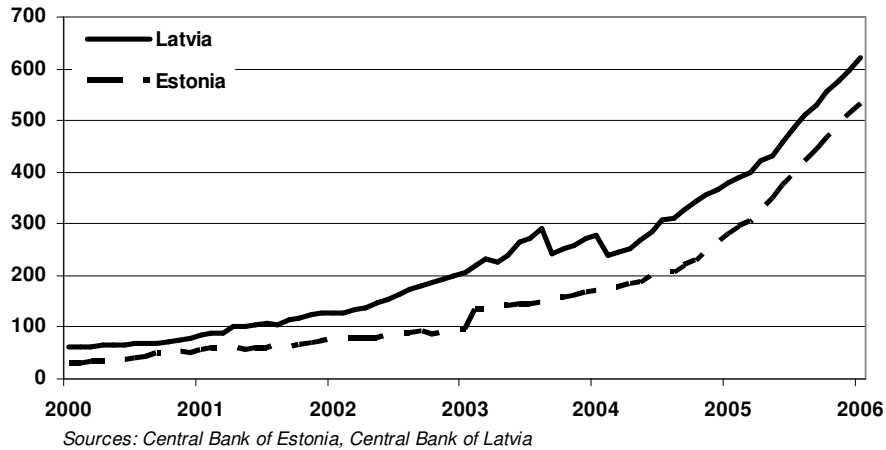


Sources: IMF, Central banks of Estonia, Latvia and Lithuania, Datamonitor, CIA World Fact Book (December 2005)

<sup>4</sup> Datamonitor "Western European Consumer Credit 2006"

As can be seen from the two figures the Baltic States are found in the lower end of the group, with the consumer credit to GDP ratio being only a fraction of the European leader, the United Kingdom. The differences are expected to decrease as a consequence of European credit and consumer market convergence within the EU. The high growth rate of consumer credit in Estonia and Latvia is depicted below.

Figure 4: Consumer credit Latvia and Estonia, EURm



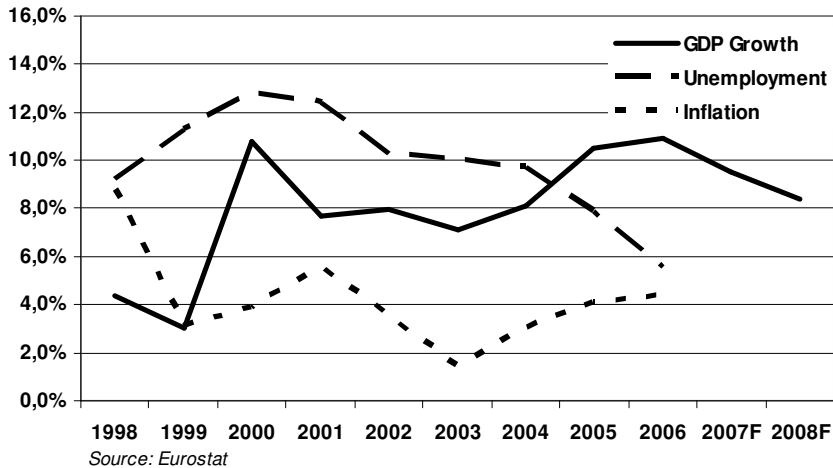
## Estonia

Estonia has 1.3 million inhabitants<sup>5</sup>. Since the set-back of 1999, Estonia has consistently delivered strong growth and seen unemployment being curbed. The economy expanded in double digits in 2005 as well as in 2006, raising the standard of living and the outlook for prosperity. GDP growth reached 10.9 percent in 2006. Inflation is high at 4.4 percent but has flattened out; unemployment has fallen to 5.6 percent<sup>6</sup>.

All three Baltic States have seen high inflation and current account deficits in the wake of the rapid economic expansion, a consequence of the strong domestic demand and the tightening labour market. For Estonia the risk of overheating is disturbing but not alarming.

The largest players in the banking market are foreign held AS Hansapank, held by Swedish Swedbank, and AS SEB Eesti Ühispank, held by Swedish SEB. These two players dominate the wholesale banking market. There is a number of small companies specialised in consumer finance.

Figure 5: GDP growth, unemployment and inflation, Estonia



<sup>5</sup> CIA World Fact Book

<sup>6</sup> Eurostat

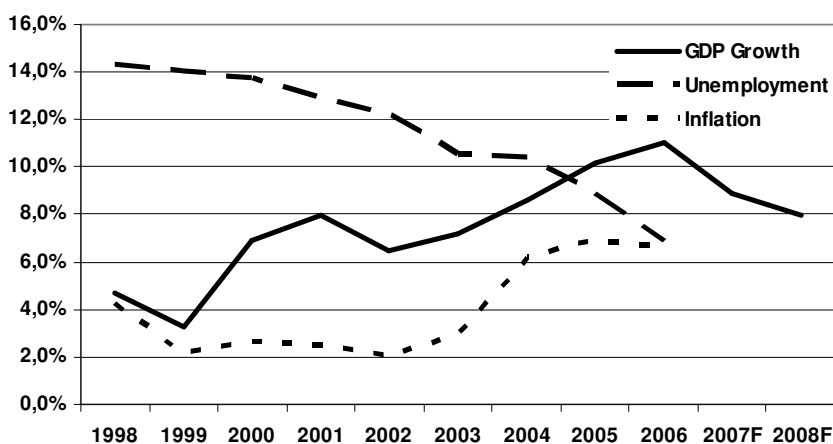
## Latvia

Latvia has 2.3 million inhabitants<sup>7</sup> and has experienced a similar development to that of Estonia from 1999 although inflation and unemployment remain higher than in bordering countries. GDP growth was 11.0 percent in 2006 while unemployment, falling for the eighth straight year, reached 6.9 percent. Inflation remained high at 6.6 percent but exhibited a falling trend<sup>8</sup>.

Just like Estonia, Latvia has seen strong domestic demand and a rapidly expanding economy. This has caused a current account deficit in Latvia which is more alarming than in Estonia. Concern has recently arisen regarding a potential devaluation of the Latvian Lat and has set its mark on developments in the financial markets. Analysts are in disagreement over the likelihood of a potential devaluation taking place.

The wholesale banking market has four major players representing almost two thirds of the market. These players are Hansabankas, held by Swedish Swedbank via Estonian Hansapank; DnB Nord, held by Norwegian DnB Nor and German LB/NORD; Fenno-Swedish Nordea and last Swedish SEB. Also in the Latvian market there is a presence of players specialised in the consumer finance market, among these GE Capital and Inserviss, the latter recently acquired by Société Générale.

Figure 6: GDP growth, unemployment and inflation, Latvia



Source: Eurostat

<sup>7</sup> CIA World Fact Book

<sup>8</sup> Eurostat

## The Company and operations

### History

BIG was established on 22 September 1992 in Tartu, Estonia. From the very outset the mission of the Company has been to provide readily accessible consumer finance for all people, in particular those who are less serviced by the universal banks. In Estonia the driver for establishing BIG was that in the reforms following the independence many individuals were granted possession of their apartments by the State and consequently suddenly became wealthier in absolute terms, although this wealth was largely inaccessible for them. BIG saw the opportunity to extend consumer finance against mortgages in the individual's habitat, offering people the possibility to benefit from their newly acquired asset. BIG's development has accelerated since 2001 with an increased office network and from 2006 the increased focus on income based loans.

### 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. Income loans are increasing in proportion. The loans provided on average represent less than 2.5 times the average salary in Estonia, a ratio which is dropping. 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 competition, mainly wholesale banks, and offering small loans.

As can be seen from the annual report the loans yield annual contractual interest ranging from 15.5 percent for a 10-15 year real estate backed loan to 66 percent for an income backed loan without amortization and for less than a year. The Company's spread was in 2006 29.69 percent (23.50 percent), also seen in the annual report. The profit margin in 2006 rose to 56.59 percent (49.99 percent) and the return on equity rose to 76.05 percent (55.17 percent). Numbers in brackets represent 2005, for comparison purposes.

The Company has been active in the Estonian market since 1992 and in the Latvian market since 1996. Market shares in the Estonian and Latvian markets are 9.3 percent and 1.8 percent respectively, based on BIG loan portfolio and central banks' statistics as per 31 December 2006. 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 each. The rapid growth has been fuelled by strengthened positioning by the Company in the market through an expansion of the office network and dynamic marketing of the brand, leading to increased market shares and strong market recognition, the brand is familiar to three quarters of Estonians. Growth has also been amplified by favourable macroeconomic conditions, with strong GDP growth and positive consumer sentiment.

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 14 Estonian and 12 Latvian offices (as per April 2007). SMS loans are the most recent addition, launched in the fall of 2006. In

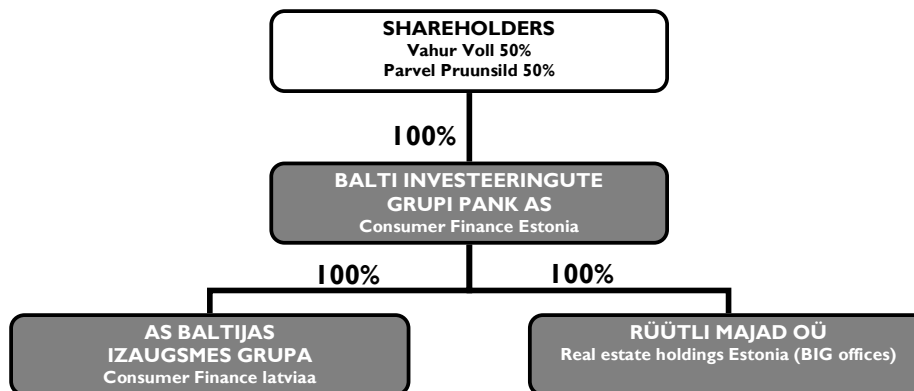
Latvia, BIG's products are also offered in the 220 offices of the Latvian postal services through a partnership agreement.

The higher yielding income loans represent 58 percent of the loan portfolio, surety loans 22 percent and mortgage loans 20 percent. In loan portfolio proportions, surety loans have remained stable while smaller, shorter income loans have gained at the cost of mortgage loans. This has led to a falling average loan size and, due to the security provided and the processes for collection, longer delays in recovering non-performing loans. On the other hand write-offs remain small and the recovery rate high.

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 the Company's 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.

## Organisation

The business is organised in three companies; the parent company Balti Investeeringute Grupi Pank AS and the two wholly owned subsidiaries AS Baltijas Izaugsmes Grupa in Latvia and Rüütli Majad OÜ in Estonia. The parent company in Estonia sources the vast majority of financing and performs most administrative, development and technological tasks, in addition to incorporating the Estonian business. The Latvian subsidiary conducts the Latvian business and the last of the three, Rüütli Majad OÜ, is a holding company for the Estonian real estate, mainly BIG's head office.



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

### **Supervisory council**

Parvel Pruunsild, born 1969-06-16  
Chairman of the supervisory council since 1994  
Number of shares in the Company: 40,000 (50% of share capital)  
Other assignments: None

Vahur Voll, born 1970-11-26  
Member of the supervisory council since 1994  
Number of shares in the Company: 40,000 (50% of share capital)  
Other assignments: None

Juhani Jaeger, born 1976-07-26  
Chairman of the supervisory council since 2000  
Number of shares in the Company: 0  
Other assignments: None

Meelis Luht, born 1970-06-20  
Chairman of the supervisory council since 2005  
Number of shares in the Company: 0  
Other assignments: AS Eesti Media, Finance Director

Linda Terras, born 1939-02-27  
Member of the supervisory council since 2005  
Number of shares in the Company: 0  
Other assignments: None

### **Management board**

Targo Raus, born 1969-11-26  
Chairman of the board since 2003 and CEO  
Number of shares in the Company: 0  
Other assignments: None

Veiko Kandla, born 1978-12-11  
Board member since 2000  
Number of shares in the Company: 0  
Other assignments: None

Eero Varkki, born 1974-08-29  
Board member since 2004  
Number of shares in the Company: 0  
Other assignments: None

## **Auditors**

Taivo Epner  
Authorized Public Accountant, KPMG Baltics AS.  
Address: KPMG Baltics AS, Ahtri 10A, Tallinn 10151 Estonia  
Member of the Estonian Auditing Board.

Maret Tambek  
Authorized Public Accountant, KPMG Baltics AS.  
Address: KPMG Baltics AS, Ahtri 10A, Tallinn 10151 Estonia  
Member of the Estonian Auditing Board.

## **Other information regarding supervisory council and management board**

### **Office addresses**

The office addresses for all of the persons mentioned above are either Balti Investeeringute Grupi Pank AS, Tartu mnt 18, 10115 Tallinn, Estonia or Rütüti 23, 51006 Tartu, Estonia.

### **Conflicts of interest**

None of the people above has any interest which may be in conflict with those of the Company.

### **Corporate governance**

The Company complies with the Estonian rules regarding corporate governance.

### **Compensation Committee**

Under Estonian law there is no requirement for a specific compensation committee. The tasks of such a committee are however an integral function of the supervisory council. In the due course of this the supervisory council among other things evaluates CEO performance and compensation, decides on officer and director compensation and incentive plans, and reviews executive compensation disclosure.

### **Audit Committee**

The Company has no specific audit committee as questions concerning this area are handled by the supervisory council in full.

## **Shareholder capital and ownership**

### **The shares**

According to the articles of association the Company can issue two kinds of shares, A and B class. However, only one type of share, A class, has been issued. At a general meeting the A shares have one vote per share. The shareholders have the right to vote for the full amount of shares that he or she owns without any limitations. Shares of each type can be issued up to an amount which corresponds to the full shareholder capital.

### **Share capital**

The Company's share capital amounts to EEK 80,000,000 divided among 80,000 shares which each hold a quotient value of EKR 1,000 per share.

### **Warrants**

The company has not issued any warrants.

### **Ownership**

The Company is owned to 100 percent by two persons, Parvel Pruunsild and Vahur Voll, each of whom hold 40,000 shares.

## **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 30.01.2008. 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 71.9 million (EUR 4.6 million) were issued on March 2, 2007. The discount rate on the papers maturing on June 1, 2007, was 5.35 percent per annum;
- 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. This is the Bond Loan which is the subject of this prospectus.

As of the year-end 2006 the Company has opened one new office in Estonia (Tallinn) and one more in Latvia (Riga).

In addition to new bond issues, the Company has 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 the first half of 2007.

No significant negative changes have occurred in the Company's outlook since the release of the annual report for 2006.

### **Listed bonds**

The Company already has another 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.

### **Documents made available for investors**

The Company's articles of association and annual reports for 2005 and 2006 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 27 April 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

### Significant financials

<b>Ratios*</b>	<b>2006</b>	<b>2005</b>
Return on equity (ROE)	76.05%	55.17%
Profit margin (PM)	56.59%	49.99%
Price difference (SPREAD)	29.69%	23.50%
Yield on interest-earning assets	33.87%	28.61%
Cost of interest-bearing liabilities	4.18%	5.11%
(In millions of euros)		
Average equity	14.594	7.337
Average assets	56.732	26.776
Average interest earning-assets	52.99	24.295
Average interest-bearing liabilities	40.909	18.600
Total income	19.613	8.096

\* Balance sheet ratios are calculated using the arithmetic means of the preceding and reporting periods' closing figures. Income statement ratios are calculated using the closing figures for the reporting period.

### Income statement

(In millions of euros)	<b>2006</b>	<b>2005</b>
Interest income	17.947	6.950
Interest expense	-1.710	-0.950
<b>Net interest income</b>	<b>16.237</b>	<b>6.000</b>
Fee and commission income	0.012	-0.002
Fee and commission expense	-0.015	0.012
<b>Net fees and commissions</b>	<b>-0.002</b>	<b>-0.013</b>
<b>Net gain / loss on financial transactions</b>	<b>-0.016</b>	<b>-0.002</b>
Salaries	-1.560	-2.319
Social security and health insurance charges	-0.483	-0.775
Other administrative expenses	-2.591	-0.247
<b>Administrative expenses</b>	<b>-4.634</b>	<b>-1.297</b>
<b>Depreciation and amortisation</b>	<b>-0.171</b>	<b>-0.097</b>
<b>Impairment losses on financial assets</b>	<b>-0.980</b>	<b>-0.092</b>
<b>Other operating income</b>	<b>1.657</b>	<b>1.148</b>
<b>Other operating expenses</b>	<b>-0.689</b>	<b>-0.513</b>
<b>Net income before tax</b>	<b>11.402</b>	<b>4.123</b>
Income tax expense	-0.292	-0.075
<b>Net income for the period</b>	<b>11.110</b>	<b>4.048</b>

**Balance sheet**

(In millions of euros)	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
<b>ASSETS</b>		
Cash	0	0
Due from Central Bank	6.147	3.375
Due from credit institutions	2.859	0.321
Loans to customers	64.711	30.278
Allowance for credit losses	-1.331	-0.384
Intangible assets	0.408	0.102
Property and equipment	1.157	0.811
Investment property	0.343	0.503
Other assets	0	0.016
Accrued income and prepaid expenses	3.103	0.857
<b>TOTAL ASSETS</b>	<b>77.397</b>	<b>35.879</b>
<b>LIABILITIES</b>		
Due to credit institutions	10.178	6.850
Deposits from customers	8.115	0
Other liabilities	0.074	0.184
Debt securities issued	30.785	18.858
Accrued expenses and deferred income	1.413	0.712
Deferred income tax liability	0	0.004
Subordinated liabilities	6.904	0
<b>TOTAL LIABILITIES</b>	<b>57.469</b>	<b>26.608</b>
<b>EQUITY</b>		
Share capital	5.113	5.113
Capital reserve	0.256	0.046
Unrealised exchange differences	0.027	0.001
Retained earnings	3.422	0.860
Net income for the period	11.110	3.251
<b>TOTAL EQUITY</b>	<b>19.928</b>	<b>9.271</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>77.397</b>	<b>35.879</b>

## Cash flow statement

MEUR	2006	2005
Interest received	15.267	6.420
Interest paid	-1.364	-0.882
Administrative expenses paid	-4.392	-3.149
Other operating income received	1.381	0.889
Other operating expenses paid	-0.679	-0.115
Doubtful receivables recovered	0.029	0.121
Proceeds from sale of other assets	0.007	0.293
Loans granted	-56.679	-26.352
Repayment of loans granted	23.032	11.875
Change in mandatory reserve with Central Bank	-2.553	-2.026
Proceeds from debt securities issues	21.094	15.102
Paid on redemption of debt securities	-7.883	-4.156
Proceeds from customer deposits	7.456	0
Paid on redemption of deposits	-0.833	0
Income tax paid	-0.097	-0.082
<b>Net cash used in operating activities</b>	<b>-6.214</b>	<b>-2.062</b>
Acquisition of property and equipment and intangible assets	-0.598	-0.176
Proceeds from sale of property and equipment	0.009	0
Change in investment portfolio	0	0.711
<b>Net cash used in / from investing activities</b>	<b>-0.589</b>	<b>0.535</b>
Cash flows from financing activities	6.903	0
Proceeds from issue of subordinated debt securities	22.417	5.754
Proceeds from loans from credit institutions	-19.132	-2.485
Repayment of loans to credit institutions	-0.093	-0.072
Repayment of other loans	-0.479	-0.205
<b>Dividends paid</b>	<b>9.616</b>	<b>2.992</b>
<b>Net cash from financing activities</b>	<b>-0.056</b>	<b>0</b>
<b>Effect of exchange rate fluctuations from foreign subsidiary</b>	<b>2.757</b>	<b>1.465</b>
<b>Increase in cash and cash equivalents</b>	<b>1.670</b>	<b>0.205</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4.427</b>	<b>1.670</b>

## Tax considerations in Sweden

The summary of certain tax issues under this section is based on current Swedish tax legislation and is intended for investors who are resident or domiciled in Sweden for tax purposes, if not otherwise stated. The presentation does not deal comprehensively with all tax consequences that may occur in this context. It does e.g. not cover the cases where Bonds are held by a partnership or by a legal entity where Bonds are held as current assets in a business operation. Specific tax consequences that are not described below may also apply for certain categories of taxpayers, such as investment companies, mutual funds and persons who are not resident or domiciled in Sweden for tax purposes. Each investor is recommended to consult a tax advisor for information with respect to the special tax consequences that may arise due to e.g. the applicability and effect of foreign income tax rules, provisions contained in tax treaties and other rules, which may be applicable.

### Individuals

#### General

For individuals and estates of deceased interest, capital gains and dividends are taxed as income of capital at a rate of 30 per cent. Interest is taxed at such date when interest is deemed available to the holder of the bond, i.e. usually upon payment. Yield assignable to an issue at a discount, i.e. the difference between the acquisition cost and the nominal amount of the Bond (the capital discount), should usually be deemed available to the holder of the bond upon payment. Compensation received or paid for interest accrued is taxable or deductible respectively at such date when interest is deemed available to the holder of the bond or paid.

Capital gains or capital losses are calculated to equal the difference between the payments made upon redemption or disposal and the acquisition cost. The acquisition cost is determined according to the so-called average-method. This means that the costs for all bonds of the same type and class are added together and determined collectively, with respect to changes to the holding. Capital losses on listed bonds are fully deductible against any income from capital. Provided that there is a quoted price for the Bonds on Privatobligationslistan at the Stockholm Stock Exchange, the Bonds will be treated as listed bonds for tax purposes. 70 per cent of capital losses on unlisted bonds are deductible from any income from capital. If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business, as well as property tax, is allowed. The tax reduction allowed amounts to 30 per cent of any deficit not exceeding SEK 100,000 and 21 per cent of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a later fiscal year.

#### Holding of Bonds

The total yearly yield from the Bonds shall be taxed as interest at the date the interest is considered available to the holder of the Bond, i.e. usually upon payment. Preliminary tax shall be withheld. The capital discount should not be considered available to the holder until the bond is redeemed or disposed of.

If Bonds are acquired during the lifetime of the Bonds, the acquisition cost shall be reduced by any potential interest compensation paid. Net wealth tax is levied on

individuals and estates of deceased on wealth exceeding SEK 1,500,000 (SEK 3,000,000 for those who are jointly taxed). The tax rate is 1.5 per cent. Bonds that are listed for tax purposes are included in the taxable net wealth at the latest listed value at the end of the fiscal year. It is likely that bonds that are quoted on Privatobligationslistan at the Stockholm Stock Exchange, such as the Bonds, are considered listed for this purpose. Unlisted bonds are included at nominal amount plus any interest due.

#### **Redemption of the Bonds acquired at the Issue Date**

Upon redemption of the Bonds, the fixed yield from the Bonds shall be taxed as interest. The capital discount should be taxed as interest upon redemption of the Bonds. Preliminary tax shall be withheld.

#### **Redemption of the Bonds acquired during the lifetime**

Upon redemption of the Bonds, the fixed yield from the Bonds shall be taxed as interest. The difference between the acquisition cost reduced by any interest compensation paid and the nominal amount of the Bonds should be taxed as interest upon redemption of the Bonds. Preliminary tax shall be withheld. Any interest compensation paid to the previous holder of the Bonds is deductible against the fixed yield received.

A capital loss will occur if the amount received upon redemption is lower than the acquisition cost of the Bonds. A capital loss on listed Bonds is fully deductible against any income from capital. This means that a separate calculation on the interest and the capital loss will not have any practical meaning in relation to listed bonds.

#### **Disposal of the Bonds prior to the maturity date**

Upon disposal of the Bonds prior to the maturity date, the part of the consideration that consists of a fixed but not matured yield and the part of the consideration that consists of the capital discount, i.e. the interest compensation, shall be taxed as interest.

Upon disposal of the Bonds, a capital loss will occur if the consideration received is less than the acquisition cost of the Bonds. Capital losses on listed bonds are fully deductible against any income from capital. This means that a separate calculation on the interest and the capital loss will not have any practical meaning in relation to listed bonds.

### **Legal entities**

#### **General**

For limited liability companies and other legal entities, except for estates of deceased Swedish individuals, interest and capital gains on bonds are taxed as income from business activities at a flat rate of 28 per cent. Interest will be taxed on an accrual basis in accordance with Swedish generally accepted accounting principles. The fixed yield, the capital discount and any interest compensation will be treated as interest for tax purposes. This means that the yearly yield from the Bonds shall be taxed as interest on an accrual basis in accordance with Swedish generally accepted accounting principles. The capital discount shall, moreover, be taxed as interest on an accrual basis according to generally accepted accounting principles. Interest compensation received and paid shall be taxable respectively deductible according to Swedish generally accepted accounting principles.

To the extent a gain or loss on the Bonds arises after having considered the accrued capital discount the capital gain or loss shall be calculated as set out under section "Individuals, General" above. Capital losses on bonds are fully deductible. A deficit in the income from business category can normally be carried forward to a later fiscal

**Estonian withholding tax**

Estonian Companies that pay dividends, interest or other money to foreign shareholders or debtholders withhold 22 percent tax at the source.

## Articles of association

### BALTI INVESTEERINGUTE GRUPI PANK AS

Approved by resolution of a special general meeting of the shareholders on 5 October 2005.

#### 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 shares, which may be issued in the following series:

*A – a registered ordinary share with the nominal value of 10 (ten) kroons. Each share provides its holder one vote at the general meeting of the shareholders of the Bank; a registered ordinary share grants its holder the right to participate in the management of the Bank and in the distribution of profits and in the distribution of the remaining assets upon dissolution of the Bank, as well as any other rights set forth by law and the articles of association.*

*B – a registered non-voting preferred share with the nominal value of 10 (ten) kroons; each share grants its holder the preferential right to receive dividends; the general meeting shall decide the amount of the dividend payable to owners*

*of preferred shares together with the resolution to issue preferential shares; the sum of the nominal values of preferred shares shall not be greater than one-tenth of the Share Capital of the Bank; preferred shares may only be issued in accordance with the procedure provided by law and with the consent of the Financial Supervision Authority.*

- 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 or pledge the shares, or encumber the shares with usufruct. A share is deemed to be pledged or encumbered with usufruct as of registration thereof in the share register.*

#### **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:*

- 6.3.1. *the net own funds of the Bank have fallen below the limit allowed by law and the credit institution has failed to duly observe the precepts issued by the competent state agency with respect to such circumstances;*
- 6.3.2. *this is demanded by shareholders whose shares represent at least one-tenth of the Share Capital;*
- 6.3.3. *this is demanded by the supervisory board or the auditor;*
- 6.3.4. *this is demanded by any other person who has been granted such right by law.*
- 6.4. *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.*
- 6.5. *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.*
- 6.6. *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.*
- 6.7. *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.
- 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.*

- 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. Reporting and Distribution of Profits**

- 12.1. *The calendar year shall be the financial year of the Bank.*
- 12.2. *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.*
- 12.3. *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.*
- 12.4. *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.*
- 12.5. *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.*
- 12.6. *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.*

**13. Dissolution and Liquidation of Bank**

- 13.1. *The Bank shall be dissolved:*
  - 13.1.1. *on the basis of the resolution of the general meeting and the articles of association (voluntary dissolution);*
  - 13.1.2. *upon the initiative of the Financial Supervision Authority on the basis of a court judgement (compulsory dissolution);*
  - 13.1.3. *due to insolvency, in accordance with the procedure provided by law.*
- 13.2. *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.*
- 13.3. *Compulsory dissolution of the Bank shall be carried out in the cases and in accordance with the procedure provided by law or other legislation.*
- 13.4. *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.*

*/Signature/  
Targo Raus*

## **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, May 3, 2007

Balti Investeringute Grupi Pank AS  
The management board

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Targo Raus  
Chairman of the Board

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Vieko 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. 1**

**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 adekvaatus*) 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;
<b>“Company”</b>	Balti Investeeringute Grupi Pank AS, reg. no. 10183757 in the Estonian Commercial Registry ( <i>Est: äriregister</i> );
<b>“EUR”</b>	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;
<b>“EURIBOR”</b>	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;
<b>“Floating Day Count Fraction”</b>	means, in relation to a specific Interest Period, the actual number of days in that Interest Period divided by 360;
<b>“Floating Interest Amount”</b>	has the meaning set forth in Clause 4.2;
<b>“Group”</b>	the group for which the Company is the parent company pursuant to the provisions referred to in the definition of Group Company;
<b>“Group Company”</b>	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);
<b>“Holder”</b>	a person registered on a VP Account as holder or otherwise is entitled to receive payment in respect of a Bond;
<b>“Holders’ Meeting”</b>	means a meeting of Holders held in accordance with Clause 11;
<b>“Interest Determination Date”</b>	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 by 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>9</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>9</sup> New name: "Privatobligationslistan"

**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