

## **ARTICLES OF ASSOCIATION BALTI INVESTEERINGUTE GRUPI PANK AS**

Approved by resolution of a special general meeting of the shareholders on May 30 2007.

### **1. General Provisions**

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

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

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

### **3. Share Capital**

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

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

- 4.1. Share Capital may be increased by the issue of new shares or the increase of the nominal value of existing shares, with supplementary contributions or bonus issue.
- 4.2. In cases provided by law Share Capital may be increased by making a non-monetary contribution. The valuation of a non-monetary contribution shall be carried out by the management board or a person appointed by the latter, taking the usual value of a thing or right as the basis for the valuation. An auditor shall audit the valuation of a non-monetary contribution in accordance with the procedure provided by law.

4.3. Share Capital may be increased by converting convertible bonds to shares or by setting monetary claims arising from subordinated debt agreements against the issue price of the shares.

4.4. A resolution on increase of Share Capital shall be adopted at the general meeting if at least two-thirds of the votes represented by shares at the general meeting are in favour.

4.5. The Share Capital shall be deemed to be increased as of its registration in accordance with the procedure set forth by laws and regulations.

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

5.1. Subject to the terms and conditions provided by law Share Capital may be reduced by a reduction of the nominal values of shares or by the cancellation of shares.

5.2. A resolution on reduction of Share Capital shall be adopted at the general meeting if at least two-thirds of the votes represented by shares at the general meeting are in favour.

5.3. The Share Capital shall be deemed to be reduced as of its registration in accordance with the procedure set forth by laws and regulations.

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

6.1. The general meeting is the highest directing body of the Bank. General meetings are annual and special general meetings.

6.2. An annual general meeting shall be held once a year but not later than within six (6) months from the end of a financial year, unless provided otherwise by law.

6.3. The management board shall call a special general meeting if at least one of the below circumstances exists:

6.3.1. the net assets 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 obviously necessary in the interests of the Bank.

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

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

## **8. Management Board**

8.1. The management board is the directing body of the Bank, which manages its daily operations, proceeding from the strategy and general policies approved by the supervisory board, and supervises the daily activities of the employees of the Bank. The rights and obligations of the management board derive from law, these articles of association and resolutions of the supervisory board and the general meeting.

8.2. The management board may adopt any resolution related to the activities of the Bank and independently carry out any transaction, other than those placed in the competence of the general meeting or supervisory board by law or these articles of association.

8.3. The management board reports to the supervisory board and the general meeting. The management board shall present an overview of the economic activities and economic situation of the Bank to the supervisory board at least once every three (3) months and shall immediately give notice of any material deterioration of the economic condition of the Bank or of any other material circumstances related to the economic activities of the Bank.

8.4. The management board consists of three (3) to five (5) members. The supervisory board shall elect the members and appoint the chairman of the management board. A member of the management board is elected for a term of three (3) years.

8.5. The chairman of the management board is the chief executive officer or president of the Bank. The competence of the chairman of the management board includes the establishment of the organisational structure and division of the functions, as well as the reporting obligations in the Bank, and employment and release of employees.

8.6. Meetings of the management board shall be held when necessary but not less frequently than once (1) a month.

8.7. A meeting of the management board has a quorum if more than one-half of the members are present.

8.8. Resolutions of the management board are adopted by a simple majority. Each member of the management board has one vote. Members of the management board may not refuse to vote or abstain. The chairman of the management board shall have the deciding vote upon an equal division of votes.

8.9. Meetings of the management board shall be recorded in minutes. The minutes shall be signed by all participating members of the management board and the recording secretary. The positions and votes of the members of the management board are deemed to be valid, if

the participating member of the management board has signed the minutes of the management board meeting.

8.10. The management board has the right to adopt resolutions without calling a meeting. The chairman of the management board shall send a draft resolution to all members of the management board by fax or e-mail, indicating the deadline by which a member of the management board must respond. Failure of a member of the management board to respond within such term shall be deemed as voting against the resolution. The chairman of the management board shall present the record of voting to the members of the management board for examination. If all members of the management board agree with and sign the resolution, the resolution may be formalised without the prior notification and the record of voting. In such case the names of the members of the management board and the time of adopting the resolution shall be marked in the resolution.

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

## **9. Credit Committee**

9.1. The credit committee shall approve decisions concerning loans and cases of restructuring which exceed the limits established by the supervisory board and adopt other decisions concerning loans pursuant to the rules and regulations of the credit committee approved by the supervisory board.

9.2. The supervisory board shall elect and remove members of the credit committee.

9.3. The credit committee shall report to the management board and the supervisory board.

## **10. Internal Audit Unit**

10.1. The aim of the internal audit unit is to monitor compliance of the activities of the Bank with applicable law and principles of sound banking management, to present reliable and relevant information about the activities and the condition of the Bank to the supervisory board and the management board with the objective of improving the efficiency of the internal control system of the Bank.

10.2. The internal audit unit shall operate in accordance with the procedure provided in its statutes approved by the supervisory board.

10.3. The internal audit unit shall analyse the deficiencies discovered in the activities of the Bank and the employees thereof, cases of failure to perform duties and excess of authority and make proposals for the elimination of deficiencies and preventing errors.

10.4. The internal audit unit shall prepare a report of its activities at least once in every six months and present the report to the supervisory board and the management board.

10.5. The employees of the internal audit unit have the right to examine all documents of the Bank, monitor the work of the Bank at each stage without restrictions, and participate in the meetings of the management board and the committees formed on the basis of the articles of association, demand written explanations from the employees of the Bank concerning deficiencies and errors discovered in their work, and the elimination of such deficiencies.

10.6. The head of the internal audit unit shall be elected and removed by the supervisory board. The supervisory board shall have the right to issue mandatory guidelines for the internal audit unit for conducting audits in any specific area of activity of the Bank.

## **11. Auditor**

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

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

12.1. The supervisory board may form the monitoring committee of the supervisory board for monitoring the activities of the management board.

12.2. The competence, rights and principles of activities of the monitoring committee of the supervisory board shall be determined by the supervisory board of the credit institution.

12.3. Members of the supervisory board and other persons appointed by the supervisory board may be members of the monitoring committee of the supervisory board. Members of the management board and employees of the credit institution shall not be members of the committee.

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

13.1. The calendar year shall be the financial year of the Bank.

13.2. After the end of the financial year, the management board shall prepare the annual accounts and activity report (hereinafter jointly referred to as the "Annual Report") pursuant to the procedure provided by law and present it together with the auditor's report and the profit distribution proposal to the supervisory board.

13.3. The supervisory board shall review the Annual Report and shall prepare a written report concerning the Annual Report, which shall be presented to the general meeting.

13.4. The general meeting shall adopt the profit distribution resolution, setting out the amount of net profit, transfers to reserve capital, the share of profit to be distributed among the shareholders and the use of profit for other purposes.

13.5. The amount of reserve capital of the Bank shall be one-tenth of the Share Capital. Reserve capital shall be formed in accordance with the procedure provided by law from annual net profit transfers and other transfers entered in the reserve capital pursuant to law or the articles of association.

13.6. The general meeting shall adopt a resolution concerning the payment of dividends to shareholders, setting out the share of profits to be used for the payment of dividends, the procedure and deadlines for the payment of dividends.

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

14.1. The Bank shall be dissolved:

14.1.1. on the basis of the resolution of the general meeting and the articles of association (voluntary dissolution);

14.1.2. upon the initiative of the Financial Supervision Authority on the basis of a court judgement (compulsory dissolution);

14.1.3. due to insolvency, in accordance with the procedure provided by law.

14.2. 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.

14.3. Compulsory dissolution of the Bank shall be carried out in the cases and in accordance with the procedure provided by law or other legislation.

14.4. 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.

Approved by resolution of a special general meeting of the shareholders on May 30 2007.