



BALTI INVESTEERINGUTE GRUPI PANK AS
BOND ISSUE PROSPECTUS

TOTAL NOMINAL VALUE OF THE ISSUE
LVL 4 100 000

41 000 BONDS WITH INTEREST RATE 7,25% PER ANNUM

BOND ISSUE WITH MATURITY DATE MAY 23, 2008

ISIN CODE EE3300086271

TALLINN
April 2007

Arranger: aktsiaselts SEB Eesti Ühispank

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ANNEXES

- 1) Copy of the resolution of the Board of Issuer as of November 23, 2006;
- 2) Copy of the resolution of the Board of Issuer as of December 12, 2006;
- 3) Copy of the Articles of Association of the Issuer;
- 4) Financial report 2006 of the Issuer;
- 5) Financial report 2005 of the Issuer;
- 6) Terms and Conditions of the Bond Issue.

1. PERSONS RESPONSIBLE

Balti Investeeringute Grupi Pank AS (reg. code in Estonian Commercial Register: 10183757), located at Rüütli 23, 51006 Tartu, Estonia (hereinafter referred to as “the Issuer”), represented by the members of the Board:

Targo Raus	Chairman of the Board
Veiko Kandla	Member of the Board
Eero Varkki	Member of the Board

shall be responsible for the authenticity and completeness of all the data presented in this Bonds prospectus (hereinafter referred to as “the Prospectus”).

The signatories certify that they have adopted all appropriate and reasonable measures to verify the authenticity and completeness of the data contained in the Prospectus and that to their knowledge nothing has been omitted which would have a significant effect on the content or meaning of the data contained within.

Tallinn, ____ April 2007

Targo Raus
Chairmen of the Board

Veiko Kandla
Member of the Board

Eero Varkki
Member of the Board

2. SUMMARY

This section of the Prospectus is a summary and it should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of all information in the Prospectus by the Potential Investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff Investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

The responsible for the information included in the Prospectus hold civil liability, but only in the case if the summary is misleading, inaccurate or conflicting to the other sections of the Prospectus. Before deciding to invest, potential investor should thoroughly and objectively consider the risks associated to investing into the offered bonds.

Issuer

Balti Investeeringute Grupp AS was established on September 22, 1992 and registered with Commercial Register of the Republic of Estonia on January 30, 1997. The registry code of the issuer is 10183757. On September 27, 2005 Balti Investeeringute Grupp AS received license of a credit institution. On November 9, 2005 the name of AS Balti Investeeringute Grupp was changed to Balti Investeeringute Grupi Pank AS.

- Balti Investeeringute Grupi Pank AS (BIG) is a commercial bank specialised in financing consumer credits.
- BIG has a mission to make consumer financing (small financing) easily accessible for everybody by being flexible and proactive.
- Currently BIG is operating in Estonian and Latvian market being one of biggest provider of loans to private individuals after universal banks and leasing companies in the Baltics.
- BIG has been able to keep aggressive growth rates for recent years and has a good market position for further growth.

The Issuer received banking license in September 2005 and started offering term deposits from March 2006. The Issuer has no plans to start offering demand deposits or to set up payment services or other universal bank activities. The focus will remain on existing client segment and there is no plan to enter mortgage loan market, product development is directed to raising effectiveness in administering increasing number of small loan contracts.

The Issuer is a parent company of a consolidation group which consists of Balti Investeeringute Grupi Pank AS and its 100% subsidiaries AS Baltijas Izaugsmes Grupa and OÜ Rütli Majad.

Further information on the Issuer can be found from part 5 of the Prospectus.

Important agreements, patents and licenses

The Issuer has no knowledge of any important agreements concluded by the Issuer and which could affect the Issuer's capability to fulfil its liabilities due to investors regarding the issued Bonds.

The Issuer holds a credit institution operating licence issued by the Financial Supervision Authority on September 27, 2005. The licence allows Balti Investeeringute Grupi Pank AS to operate as a credit institution.

The Issuer does not plan to expand its activities to other product categories or activities allowed by the credit institution license. The Issuer plans to remain focused on consumer credit services. In addition, the Issuer accepts term deposits supporting its main activities.

The issuer does not hold any patents or other licences which considerably influence the business activities and economic results of the issuer.

Financial information summary

The financial information presented herein is based on audited consolidated financial reports.

During the past couple of years Balti Investeeringute Grupi AS has enjoyed a rapid growth in its business activity and profits. There has been a substantial increase in loans given out by the Issuer during recent years. The total sum of loans given out has more than doubled each year surpassing the one billion kroon mark by the end of 2006.

The most notable change on the liabilities side is a significant increase in debt securities issued by the group - by the end of 2006 the group has issued debt securities worth virtually half a billion kroons. There has been a rapid growth in interest income during a couple of past years as well. Interest expenses have also risen rapidly in percentage terms; however in absolute values the rise in interest expenses does not reach by far the rise in interest income. In addition there has been a sharp ascent in administrative expenses, but this doesn't also have a significant effect, considering the fact that net income of 2006 has approximately tripled compared to 2005, amounting to 174 million kroons.

Detailed information regarding the financial standing of the Issuer can be found from part 7 of the Prospectus.

Auditor of the Issuer and legal advisory

The financial reports of the Issuer for financial years 2005-2006 were audited by KPMG Baltics AS (registry code 10096082). The leading auditors for these years were authorized public accountants Taivo Epner and Maret Tambek.

More detailed information regarding the auditor of the Issuer can be found from part 4 of the Prospectus.

The company has an in-house legal department. However, throughout the years, the company has also used services from various law firms, including law firm Raidla & Partners, Concordia Attorneys at Law and Sorainen Law offices.

Management of the Issuer

The main management bodies of the Issuer are the Supervisory Board and the Management Board.

The Supervisory Board of the Issuer consists of five members:

Parvel Pruunsild	Chairman of the Supervisory Board
Meelis Luht	Member of the Supervisory Board
Juhani Jaeger	Member of the Supervisory Board
Vahur Voll	Member of the Supervisory Board
Linda Terras	Member of the Supervisory Board

The Management Board of the Issuer consists of three members:

Targo Raus	Chairman of the Management Board
Veiko Kandla	Member of the Management Board
Eero Varkki	Member of the Management Board

More detailed information regarding the management of the Issuer can be found in section 8.2 of the Prospectus.

Risk factors

The main risk factors that influence the Issuer are borrowers' (the Issuer's clients) credit risk, market risks (interest rate risk, foreign exchange risk, and price risk), liquidity risk and operational risks. Before the purchase of the Bonds the Investor should independently analyze risks related to the bonds, since risks can substantially influence the Issuer's ability to duly fulfil the obligations arising from the bonds.

Risks related to the Bonds are liquidity and price risk. Detailed information on the impact of different risks on the Issuer and its Bonds can be found in the section 3 of the Prospectus.

Bonds

A Bond is a coupon debt security, representing the Issuer's unsecured and unsubordinated debt obligation, issued and redeemed in accordance with "Balti Investeeringute Grupi Pank AS Bond Issue Term and Conditions".

The Issuer's debt obligations arising from the Bonds rank *pari passu* with the rest of the Issuer's unsecured and unsubordinated debt obligations. The issued Bonds are freely transferable and encumberable.

The term of the Bonds issued through primary issue shall be 1,5 years, with value date on November 23, 2006 and maturity date on May 23, 2008.

The Issuer shall pay interest to the Bonds, the rate of which was determined pursuant to purchase offers submitted during primary distribution. The interest rate is 7,25% p.a. (Act/Act).

Interest payment days shall be on May 23, 2007 and May 23, 2008. If the interest payment day is not a banking day in Estonia, the interest payment shall be made on the following banking day.

In accordance with the resolution of the Board of Issuer as of December 12, 2006 and pursuant to clause 5.4 (Annex 2 of the Prospectus) of the Terms and Conditions of the Bonds issue, the Issuer increased the issue volume and issued within the framework of the issue the Bonds representing the same rights and bearing the same redemption conditions.

The value date of the additionally issued Bonds was December 12, 2006.

The Bonds are nominated in Latvian lats (LVL). The nominal value of the Bonds is 100 LVL.

All in all the total value of the issued Bonds is LVL 4 100 000 (four million one hundred thousand lats) in nominal value. The total number of the Bonds issued is 41 000 (forty-one thousand).

The Bonds were registered with the Estonian Central Securities Register according to the *Estonian Central Securities Register Act* and other applicable legal acts under ISIN-code EE3300086271 on November 23, 2006. Additionally issued Bonds were registered on December 12, 2006.

Bond Issue

The primary distribution of the Bond issue was carried out by way of *private placement*. The arranger was aktsiaselts SEB Eesti Ühispank.

The subscription period of Bonds commenced November 14, 2006 and ended at 12 p.m. (Estonian time) on November 21, 2006. The total volume of the Bond issue in its nominal value was LVL 3 055 000 (three million fifty-five thousand lats) and 30 550 (thirty thousand five hundred and fifty) Bonds were issued. The issue price of a Bond was LVL 100,00 (one hundred lats).

The subscription period of the additionally issued Bonds commenced December 5, 2006 and ended at 12 p.m. (Estonian time) on December 8, 2006. The total volume of additional issue was LVL 1 045 000 (one million forty five thousand lats) in nominal value and 10 045 (ten thousand forty five) Bonds were issued. The issue price of Bonds was LVL 100,00 LVL plus accrued interest of LVL 0,377397, i.e. in total LVL 100,377397 (one hundred lats and 37,7397 santimas).

The Bonds shall be listed in the bond list of the Tallinn Stock Exchange in accordance with a respective decision of the listing committee within six months of the primary Issue as of submission of the listing application by the Issuer.

The use of the proceeds

Funds that have been raised as a result of Bond issue shall be used for general corporate purposes of the Issuer, mainly supporting the growth of the loan portfolio in both Estonian and Latvian market.

Documents available to the public

All interested persons have the possibility to get acquainted with the following documents:

- Articles of association of the Issuer – Rüütli 23, 51006 Tartu, Republic of Estonia and on the Issuer's website <http://www.big.ee/>;
- Financial information of the Issuer – Rüütli 23, 51006 Tartu, Republic of Estonia and on the Issuer's website <http://www.big.ee/>;
- Prospectus – on the Issuer's website <http://www.big.ee/>.

The aforementioned documents shall be available on the website of the Tallinn Stock Exchange after respective decision of the listing committee. The web page address of OMX Tallinn Stock Exchange is <http://www.ee.omxgroup.com/>.

3. RISK FACTORS

Each Investor should carefully review the risks described in this section. Risk factors that could influence the value of the bonds are specific risks related to issued securities (section 3.1), to the Issuer (section 3.2), or other risks (section 3.3). Besides risk factors outlined in this part of the Prospectus, other risks influencing the performance of the Bonds may exist and should be considered by a potential investor before making the investment decision. In order to evaluate how the Issuer manages risks brought out in sections 3.2 and 3.3, potential investor should familiarize himself with the risk management procedures of the Issuer, brought out in section 3.4 of the Prospectus.

3.1. Risk factors associated to the type of securities issued

Security-specific risks related to the issued bonds could be outlined as follows:

- market risk (liquidity risk);
- credit risk;
- interest rate risk.

Market risk alias liquidity risk should be evaluated by a potential investor considering that despite listing the bonds on Tallinn Stock Exchange, there is no guarantee of sufficient liquidity in the secondary market of the bonds and the investor might bear a loss due to not being able to sell the securities on the secondary market or having to sell them at an unfavourable price.

As a **credit risk**, a potential investor should assess specific credit risks associated with the Issuer as well as general credit risk of the bonds. As a specific credit risk, events that undermine the creditworthiness of the Issuer should be considered. As a general credit risk, a possibility should be considered that future bond issuers with similar profile offer higher yield to attract investors, and as a result of that the yield on the Bonds should have been higher as well.

Interest rate risk should be assessed by a potential investor considering that besides the activities of the Issuer the developments of financial markets may affect the value of the bonds and when the interest rates are rising, the value of existing bonds may go down, and vice versa.

3.2. Main risks associated to the Issuer

The risks described below may negatively affect the Issuer and, at the extreme, may cause the Issuer's insolvency and default on the Bonds. The main risk factors influencing the financial performance of the Issuer are:

- borrowers' credit risk;
- liquidity risk;
- operational risks;
- market risks (interest rate risk, foreign exchange rate risk, real estate market risk).

Credit risk is a risk that the Issuer has to bear a loss, since a client who has taken a loan from the Issuer, does not fulfil his obligations duly. In some cases, the Issuer may be unable to assess the borrowers' credit

risk correctly because of fraudulent behaviour of the borrower or rapid change in the ability of the borrower to fulfil his obligations to the Issuer due to changing economic situation of the person.

Liquidity risk or risk of financing is a possibility that the Issuer may face difficulties in meeting his obligations duly, if the creditors of the Issuer no longer wish or can finance the activities of the Issuer.

Operational risks are risks that may realize due to various internal and external factors. Operational risks facing the Issuer consist of the following risks:

- technological risk – potential loss that may raise from various failures of hard- or software the Issuer is using;
- risk of procedures – potential loss that may realize as a result of not applying internal rules or applying inefficient or inadequate internal rules;
- risk of personnel – potential loss that may arise, if the Issuer employs disloyal or incompetent personnel for reaching its goals. Successful operations of the Issuer depend on the ability to motivate and retain personnel and on opportunities to attract new employees;
- legal risk – potential loss that may arise, if the Issuer inadequately evaluates legal matters affecting the Issuer.

Market risks are risks that may cause financial losses, if the value of a certain asset held by the Issuer changes. The most important market risks affecting the Issuer are:

- interest rate risk – a risk that the Issuer bears losses due to changes in interest rates of the market, as the interest rate of its liabilities does not match interest rate of his assets;
- foreign exchange risk – a risk of a potential loss, if foreign exchange rate of his assets and / or liabilities moves towards an unfavourable direction;
- real estate market risk – a risk of bearing a loss, if the value of real estate objects, used as collateral for loans, given out by the Issuer, deteriorates.

3.3. Other risks

Country risk or political risk – a risk that in the country or area, where the Issuer is active, goes through major (political) changes or events occur, as a result of which there is a risk that the Issuer may lose all or part of his investments in this country or area, or that the investments made in this country or area lose all or part of their value. As country or political risks, radical changes in economic and legal environment (e.g. nationalizing certain objects), social or domestic policy crises (e.g. riots), etc should be considered. Being Estonian and Latvian companies, the Issuer and its subsidiaries are dependent on the political and economic processes in these countries.

System risk – a risk of (mainly) technical failures in the systems of security depository, clearing house, stock exchange, or similar institutions may cause loss to investor due to unfulfilled or delayed transactions or incorrectly carried out transactions.

Risk of external attacks – a loss that may arise from illegal behaviour of clients, counterparties or other persons, who act for the purpose of personal gain (attack, fraud)

Counterparty risk – a risk that the investor bears losses due to a counterparty's failure to duly meet his obligations arising from a certain securities' trade.

3.4. Risk management system of the Issuer

The risk management system of the Issuer can be outlined as follows:

3.4.1 Credit risk management

Trends and changes in loan portfolio of the Issuer are monitored on continuous basis to immediately respond to changes in the market. Credit risk is measured and managed through the following principles:

- categorisation of loan portfolio based on payment discipline;
- analysis of the non-performing part of portfolio.

The categories of loan portfolio based on payment discipline are as follows:

- **payment delays** – loans, where payment obligations have not been met in time;
- **non-performing loans** – loans, where payment obligations have not been met for at least three consecutive payment terms and where the Issuer has used his right to unilaterally terminate the agreement;
- **write-offs** – non-performing loans are written off when, based on reasonable estimates, the amounts can not be recovered; normally after 3 years of initial default in fulfilling obligations to the Issuer;
- **defaulted loans** category includes loans, which have been provisioned 100% or written off the balance sheet in the respective year.

In case of delays in payments the Issuer's actions are as follows:

- Reminder is sent to the borrower;
- Provider or security or surety is notified of the obligation;
- A notification of the intention to terminate the loan agreement is sent to the borrower and provider of security or surety ;
- The loan contract is unilaterally terminated by the Issuer and respective amounts classified as non-performing loans.
- Non-performing loans are handled by the Issuer's legal department.

In order to **recover non-performing loans**, the Issuer uses the following procedures:

- negotiations and additional agreements with obligor;
- using services of companies specialized in debt collection;
- legal proceedings;
- enforcement procedures.

Investments and resources are targeted toward optimisation and automation of the collection process (payment delay forms, court filings, etc). However, significant part of the collection process relies on state bureaucracy and is time consuming – depending on the loan product, recovery can be expected between 12-18 months from default. It is costly and often inefficient to target fastening these processes by increasing internal efforts in debt collection.

Allowance for credit losses is based on IFRS standards and relies on quarterly review of the non-performing portfolio.

3.4.2 Management of liquidity and financing risk

The Issuer as a bank is subject to the supervision of the Estonian Financial Supervision Authority. The requirements, inter alia, define that:

- capital adequacy should be kept above 10%;
- reserve at the Central Bank of Estonia amounts at 15% of liabilities (excluding the liabilities of other Estonian financial institutions on the balance sheet of the Issuer).

In addition, the Issuer has established internal rules for the management of liquidity and financing risk. Forecasts, analysis and stress-tests are carried out on continuous basis. These rules and policies set limits on:

- ratio of current assets to total assets;
- ratio of equity to total assets;
- ratio of loan portfolio to total assets;
- diversification of financiers;
- diversification of financing instruments;
- limits on difference of duration of assets and liabilities.

Additional liquidity reserves are available due to money market loan limits and overdraft agreements concluded with the banks in Estonia and Latvia. The Issuer does not provide current accounts and overdraft loans to its customers – this makes cash flows relatively easy to predict and manage.

Short-term liquid assets of the Issuer are deposited with the Central Bank or into money instruments allowing redemption within one day.

3.4.3 Management of market risks

Interest rate risk

Issuer's wide interest rate spread (an average of 26,7% in 2006) covers potential interest rate risks. Issuer's funding is based on fixed interest rate or floating Euribor contracts. Issuer's wide spread well covers the potential risk of increase in Euribor.

Foreign exchange risk

The Issuer's assets are denominated in Estonian kroons and Latvian lats. The Issuer's liabilities are denominated in Estonian kroons (EEK), Latvian Lats (LVL) and euros (EUR). Foreign exchange risks between EUR and EEK are not considered significant due to Estonian Central Bank policies and the setup of Estonian monetary system. Foreign exchange risks relating to Latvian Lat are also considered to be low; however, the Issuer has partly hedged the risks by financing the part of the Latvian loan portfolio with Latvian Lat based debt. As of the year-end 2006, the open LVL risk in the Issuer's balance sheet was *ca* LVL 6 million.

Real estate market risk is managed through compliance to the following principles:

- Usually only I rank mortgage in land register is accepted as collateral for loans given out, in order to assure full satisfaction of claims of the Issuer in case the market value of the collateral deteriorates;
- The market value of the collateral is estimated based on written expert evaluations of selected real estate evaluators. Additional risk assessment of the collateral is done by the Issuer based on subjective information;

- As collateral only real estate from the areas of active and transparent real estate market are accepted. Such areas are determined by the Issuer in co-operation with accepted real estate evaluators.

Usual loan-to-value ratio is not higher than 70%, real loan-to-value ratio depends on the loan amount. In order to estimate the scale of real estate market risk, the Issuer carries out stress-tests on a continuous basis analyzing potential negative impact of the real estate price deterioration on loan-to-value ratio.

3.4.4 Management of operational risks

In general - the management board of the Issuer is responsible for the operational risk management. On the operational scale, operational risk management is carried out by department managers (e.g. manager of IT department, manager of legal department, manager of client service department etc).

Governance of **info-technological risk** is carried out following the rules stipulated by the Issuer, among which the following actions are envisaged: usage of recovery plans, usage of backup copies, restrictions on access to workstations and servers, and recording of actions and alterations.

Risk of procedures is managed following the internal rules stipulated by the management board of the Issuer. In addition to regulated daily procedures, the risk of procedures is managed by regular training of personnel.

Personnel risk is managed following the principles, including:

- Regular attesting of personnel, responsible for issuing loans;
- Personnel eligible to take obligations in the name of the Issuer have strict restrictions on the scope of the obligations taken;
- In main business activities, “rule of four eyes” is followed, meaning that at least two employees have to confirm the action;
- Material liability contracts are concluded between the Issuer and personnel in offices responsible for (holding?) material assets.
- In hiring new personnel, standard qualification principles, established by the Management Board, are followed: complying with the requirements of skills and education necessary for the office, background check and personnel tests, and probationary period is used.

Legal risk is managed through the following means:

- Loan contracts are concluded using standard contract forms which have been drawn up by the legal department of the Issuer, any variation from a standard contract form requires a special decision by authorized personnel;
- In case of need, legal opinions of external legal experts are used.

3.4.5 Management of other risks

Risk of external attacks is managed by using the following principles:

- Clients and partners of the Issuer are always identified;
- Loan disbursement decision must always be approved by at least to employees of the Issuer;
- Employees of the Issuer are trained to discover potential cases of fraud, for that purpose experts in the field are involved (among them security firms, Estonian Banking Association, Financial Intelligence Unit, etc);

- Services offered by the Issuer are subject to non-cash settlement ;
- Special rules are applied to guarantee physical security at the workplace.

4. AUDITOR AND LEGAL ADVISORS OF THE ISSUER

4.1. Auditor of the Issuer

The last available audited financial report is as of December 31, 2006. The financial reports of the Issuer for financial years 2005 and 2006 were audited by KPMG Baltics AS.

KPMG is a global network of professional firms providing audit, tax, and advisory services. KPMG operates in 148 countries. KPMG is one of the leading professional services firms in the Baltic States. KPMG in the Baltics is a swiftly growing practice with offices in Tallinn, Tartu, Riga, Vilnius and Klaipeda. KPMG member firms in Estonia, Latvia, and Lithuania operate as one business under common management. KPMG has been operating in Estonia since 1992 (prior to 04.07.2005 bearing the name Aktsiaselts KPMG Estonia) and was the first multinational business advisory firm to open an office in Estonia.

The leading auditors for these financial years were authorized public accountants Taivo Epner and Maret Tambek.

Information about the auditor

Reg. code in Estonian Commercial Register:	10096082
Registration place:	Tallinn
Legal address:	Ahtri 10A, 10151 Tallinn
Telephone:	+372 6 268 700
Fax:	+372 6 268 777
E-mail:	kpmg@kpmg.ee
Web page address:	http://www.kpmg.ee/

Pursuant to the opinion of the sworn auditor, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Balti Investeeringute Grupi Pank AS as of 31 December 2005 and 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The Issuer affirms that the independent auditor's report presented in the financial reports attached to the Prospectus has been presented accurately and correctly. According to the Issuer's knowledge no facts or other information have been omitted that might render the information given in the Prospectus on the auditor or its independent report false or misleading.

4.2. Legal advisors of the Issuer

The company has an in-house legal department. However, throughout the years, the company has also used services from various law firms including law firm Raidla & Partners, Concordia Attorneys at Law, and Sorainen Law offices.

5. THE ISSUER

5.1. General information on the Issuer

Legal name:	Balti Investeeringute Grupi Pank AS
Legal address:	Rüütli 23, 51006 Tartu, Estonia
Permanent location:	Rüütli 23, 51006 Tartu, Estonia
Telephone:	+ 372 626 4210
Fax:	+ 372 626 4211
E-mail:	big@big.ee
Web page address:	http://www.big.ee/
Place of registration:	Tartu, Estonia
Registration code:	10183757
Incorporation date:	September 22, 1992
Registration date:	January 30, 1997
Legal form:	public limited company
Legislation under which the Issuer operates:	the Issuer is incorporated and validly existing under the legislation of the Republic of Estonia.

5.2. Share capital

Amount of share capital:	EEK 80 000 000
Number of shares:	80 000
Nominal value:	EEK 1 000
ISIN code:	EE3100016015
Rights of a shareholder:	Ordinary shares. Each share grants the shareholder one vote at shareholders' meeting of the Issuer, allowing the shareholder to participate in the management of the company, profit distribution decisions and residual assets' distribution decisions (in case of the dissolution of the company).

In August 2005, the share capital of the Issuer was increased from EEK 7.184 million to EEK 80 million. Share capital was increased through bonus issue using retained earnings and part of the audited net income for the first half of year 2005. According to the articles of association of the Issuer, the minimum and maximum authorised share capital amount to 80 million kroons and 200 million kroons, respectively. The articles of association of the Issuer were updated in October 2005 to correspond to increased minimal and maximal amount of share capital, and the operating principles, arising from the receipt of the credit institution operating licence, were adjusted.

The Issuer as well as its subsidiaries do not possess any own shares.

5.3. Articles of association of the Issuer

The articles of association of the Issuer have been drawn up according to the Commercial Code of Estonia. The articles of association of the Issuer are attached to the Prospectus.

5.4. Recent significant developments

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

- The Issuer came out with subordinated floating rate bond issue in the nominal amount of 67.9 million EEK. Issue date of the bonds was January 30, 2007 and planned maturity date on January 30, 2014. Nevertheless – the bonds are callable by the Issuer quarterly starting from 30.01.2008. The interest rate on the bonds is 3-month EURIBOR + 3,00% until January 30, 2009, after which the interest rate will rise to 3-month EURIBOR + 7,00%, if not called;
- Commercial papers in the nominal amount of 71.9 million EEK were issued on March 2, 2007. The discount rate on the papers maturing on June 1, 2007, was 5,35% per annum;
- Commercial papers in the nominal amount of 25.5 million EEK 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% per annum;
- Floating rate bond issue in the amount of 42.75 million EUR was carried out in April with value date of April 11, 2007. The planned maturity date of the bonds is March 31, 2011, nevertheless – the Issuer has the option to call the issue before maturity date. Interest rate on the bonds is 3-month EURIBOR + 7.50% per annum.

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

In addition to new bond issues, the Issuer 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.

There are no other significant developments relevant to the Issuer's solvency since approval of the financial reports of 2006.

6. BUSINESS ACTIVITY

6.1. Principal activities

The Issuer is focused on consumer finance, offering cash loans to customers. The company has focused on this main activity since the establishment in 1992. The client group, the Issuer is focused on, is private individuals. The loan portfolio of private individuals accounts for about 96% of the total loan portfolio as of end of 2006. The size of the loan portfolio was ca EUR 65 million. While loans are issued within the range of EUR 300-20 000, the average loan size is 1 500 EUR.

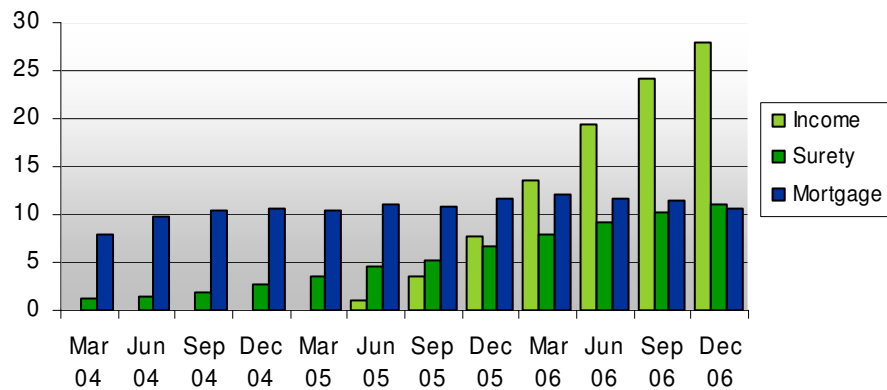
The structure of the loans is dependant on amount, term and other client-specific information. In general, the types of the loans given out are:

Income loans –

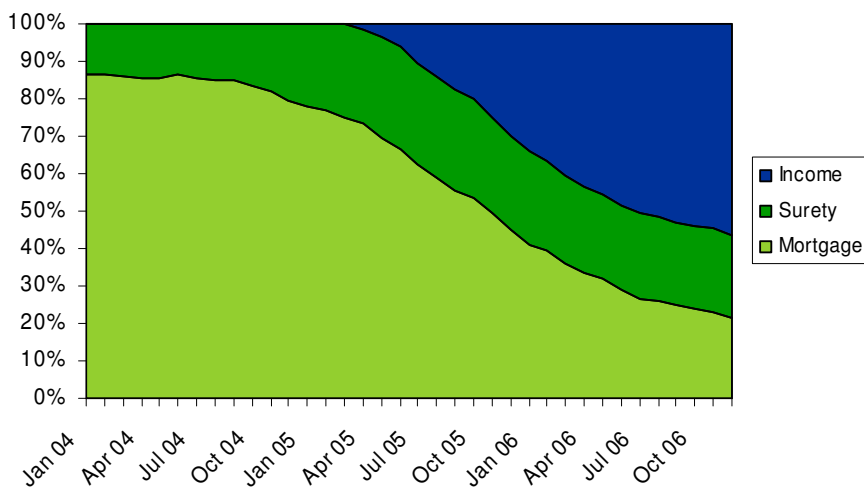
- Standard income loans - maximum loan amount EUR 7,700, application processing time is less than 24 hours;
- SMS loans – maximum loan amount EUR 200, application processing time is about 15 minutes;
- Surety loans – maximum loan amount dependant on surety provider(s), application processing time is less than 24 hours;
- Loans secured with mortgage – maximum loan amount depends on the value of the collateral.

The structure of the loans given out by the Issuer is described on the following graphs (information given as of year-end 2006).

**Growth of loan portfolio by type of loan in Estonia
(million EUR)**



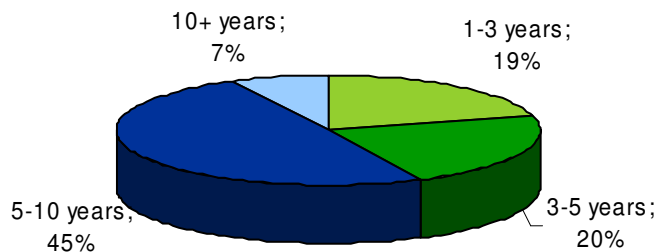
Loans by type



Up to year 2001, lending against mortgage was the primary business of the Issuer. Since then the Issuer has significantly reduced the mortgage and surety components of the credit stock in favour of income loans, which provide higher margins to the Issuer. Focusing on true and normal consumer finance (i.e. one without

mortgage collateral) is part of Issuer's long term strategy.

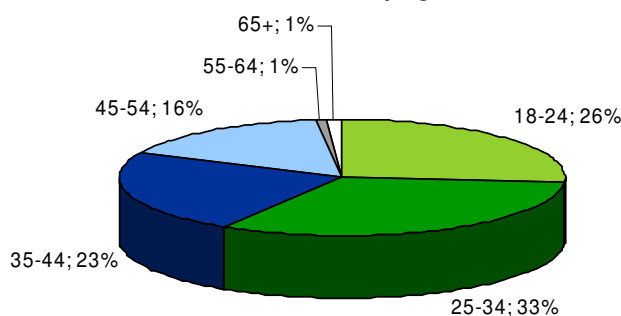
Loans by tenor



Issuer's client base is diversified in terms of age (see the graph below), gender (male 53% vs. female 47%) and region within its markets in Latvia and Estonia. The number of active client contracts stands at ca 44,000 as of the year-end 2006. Loans to one client group may not exceed 10% of equity of the Issuer. In reality the biggest loan of the Issuer is below EUR 400 000, i.e. the risk concentration limit is not a major restraint to the Issuer.

The Issuer started attracting **term deposits** from March 2006. By the end of the year, the deposits amounted to 127 million EEK (i.e. ca 10% of the liabilities of the Issuer). In the long term, the Issuer considers term deposits to be an important financing source; however, term deposits are not expected to provide a major part of financing the growth in the next few years.

Issuer's clients by age

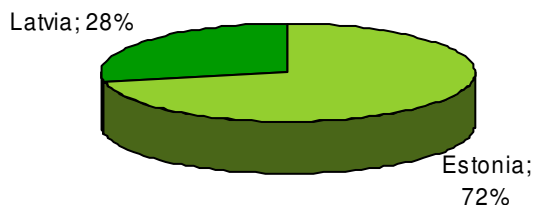


6.2. Principal markets

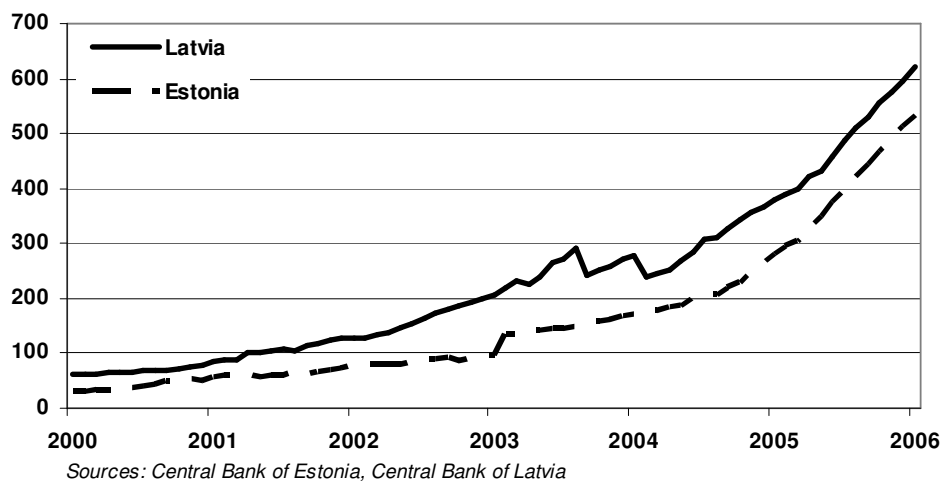
The Issuer is operating in Estonian and Latvian markets. The environment and Issuer's activities on both of these markets can be described as follows:

- The Issuer's loan portfolio consists of ca 40 000 loans with an average loan amount of EUR 1 500;
- The focus is on mid and lower income segment of the population;
- With the economic development and European Union related convergence, the living standard of the customer segment in these countries is rapidly improving, which is most outlined by:
 - high GDP growth rate and inflation;
 - shortage of labour;
 - significant rise in average salary.

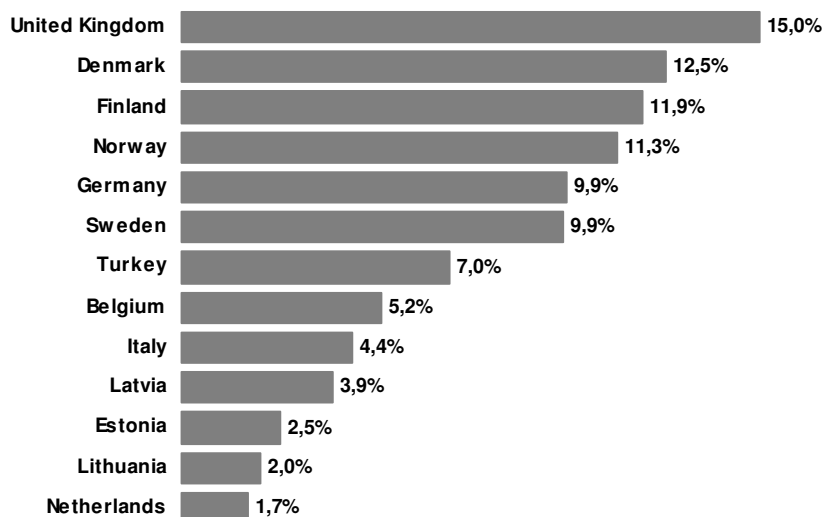
Issuer's clients by country



Consumer financing loans outstanding in Estonia and Latvia (EUR)

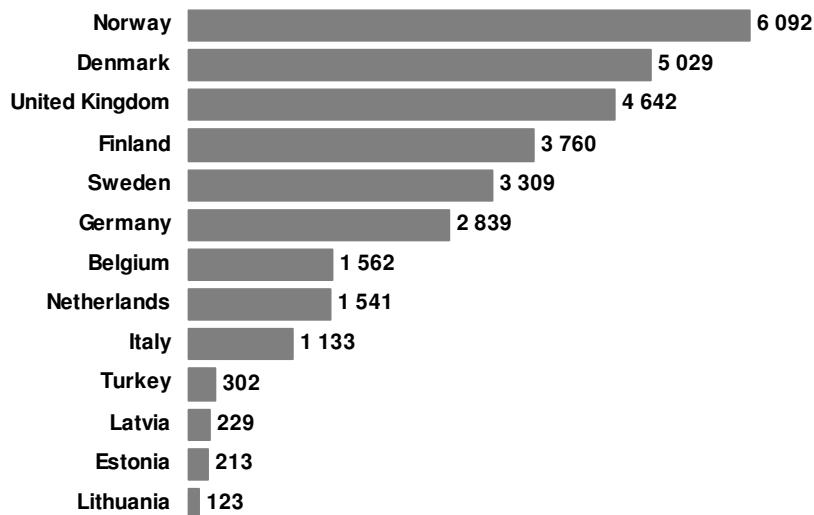


Consumer credit to GDP in selected European countries (%)



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

Consumer credit per capita (EUR)



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

The estimation of the Issuer's market share in Estonia and Latvia:

Estonia:	Consumer Credit	EUR 534 million
	BIG Loans	EUR 50 million
	Market share	9.31%

Latvia:	Consumer Credit	LVL 593.5 million
	BIG Loans	LVL 10.9 million
	Market share	1.84%

Source: Central Bank of Estonia, Central Bank of Latvia, Balti Investeeringute Grupi AS

6.2.1. Estonia

In Estonia, Balti Investeeringute Grupi Pank AS has 14 offices, mainly in shopping centres. The Issuer is represented in all the main cities of Estonia. The number of customers in Estonia totals 28 thousand as of year-end 2006. The aggregate loan portfolio in Estonia sums ca EUR 49.4 million (as of December, 2006).

The biggest competitors of the Issuer on Estonian market are mostly specialized consumer finance companies, indirectly also universal banks.

The direct competitors can be characterized mostly as small in size and with short history. The main players in consumer finance on Estonian market are:

- **Kagu Invest AS** – a consumer financing company that was established in 1992. As of year-end 2006 they had 5 sales offices and about 1000 clients in Estonia. They offer unsecured loans, surety loans and loans secured with mortgage. As of year-end 2006, the size of the loan portfolio of Kagu Invest was ca EUR 5.8 million. The company is presented on the local bond market with two commercial paper issues in total size of EEK 30 million.

- **Reval Credit AS** – an Estonian company that has been operating since 1999. The company is specialised mostly on credit secured with mortgage, but is giving out also consumer credit in amounts up to EEK 50 000. The loan portfolio of the company is ca EUR 6.5 million (as of year-end 2006). The company is presented on the local bond market with a commercial paper issue of EEK 11 million in size).
- **Mobile Credit Estonia OÜ** operating under trade mark Credit 24 – a consumer financing company introduced to the Estonian and Finnish market in the fall of 2006 and Lithuanian market at the beginning of 2007. The company has plans to enter the Latvian market. The company belongs to Mobile Credit Baltic AS group, which is listed in the AIM list of London Stock Exchange since January 2007.

Other, smaller players on consumer credit financing market of Estonia include companies like SMS Laen, Ferratum, Monetti, Euro24, and Ehital Liising.

In addition to consumer-financing specialized companies, there is also an indirect competition with the universal banks in Estonia, including Hansapank AS, SEB Eesti Ühispank AS, Sampo Pank AS, etc. This competition concerns their respective consumer credit products (credit cards, etc). However, the products offered by universal banks are not directly comparable with the Issuer and client focus.

The Issuer's **competitive advantages** over its competitors include:

- specialization and focus on a well-defined client segment allowing to develop processes and technologies to meet the customer needs;
- long track record - company has been exclusively focusing on consumer credits since its establishment in 1992.
- reliability – the Issuer is the only one among its consumer-finance specialized competitors holding a credit institution license. Since issuance of the license in 2005, the Issuer is subject to the supervision by the Estonian Financial Supervision Authority;
- well established trade mark – according to a recent survey prepared by market research company Emor, 72% of Estonians know the brand and services of BIG.

6.2.2. Latvia

The Issuer has been operating in the Latvian market through its subsidiary AS Baltijas Izaugsmes Grupa since 1996, but it was since late 2005 when the Issuer decided to allocate Latvia an important role in its business. At the time of concluding the Prospectus, the Issuer has 11 offices in Latvia, out of which 8 were established in 2006. The number of costumers stands at 11 thousand and loan portfolio size is EUR 15.7 million (as of year-end 2006).

In the Latvian market, the main competition in consumer financing comes from two players:

- GE Money – a subsidiary of American world-wide consumer and small financing specialized bank. Size of the loan portfolio of GE Money in Latvia was LVL 77 million (as of end 2006) with profit of LVL 2.6 million. GE Money has ca 152 000 clients in Latvia.
- Inserviss Group – a company specialized on consumer finance activities, operating in Latvia since 1995. The company is owned by French bank Societe Generale.

In addition to companies, specialised on consumer-financing, there is also an indirect competition with various universal banks in Latvia. This competition concerns their respective consumer credit products

(credit cards, etc). However, the products offered by universal banks are not directly comparable to the Issuer and client focus.

6.3. Strategy

The Issuer's mission is to make consumer financing (small financing) easily accessible for everybody by being flexible and proactive.

The Issuer's vision is to be one of the largest providers of consumer finance in Eastern Europe in 5 years.

6.4. Patents and licenses

The Issuer holds a credit institution operating license issued by the Financial Supervision Authority for indefinite period of time. The license allows Balti Investeeringute Grupi Pank AS to operate as a credit institution. The credit institution operating license was issued on September 27, 2005.

The issuer does not hold any patents or other licenses which considerably influence the business activities and economic results of the issuer.

6.5. Important agreements

The Issuer has no knowledge of any important agreements concluded by the Issuer, which could affect the Issuer's capability to fulfill his liabilities due to investors regarding the issued Bonds.

6.6. Legal proceedings and arbitration

Since the foundation of the Issuer in 1992, there has not been and at the moment of registration of the Prospectus there are no government interventions, lawsuits or arbitration processes which could affect or have affected substantially financial situation of the Issuer.

The Issuer lacks information on any action, which is planned to be filed in arbitration court or a court of law by third persons and which has or which may have a significant effect on the activity and/or financial state of the Issuer. Nor does the Issuer intend to file any action in the near future which has or which may have a significant effect on the activity and/or financial state of the Issuer.

6.7. Investments

The main development focus in 2006 was on further development of our technological base and IT solutions supporting rapid growth in terms of number of customers and contracts. More than 5 million EEK was invested in the client software.

Other investments were related to opening new sales offices both in Estonia and Latvia. Nevertheless - the sales offices are operating based on lease contracts, and therefore these are not considered as major investments for the Issuer.

The Issuer does not plan any major investments into fixed assets in 2007. Development of IT solutions is planned to continue in comparable volume to year 2006.

Although there are no final decisions made to this point, the Issuer is actively considering entering other foreign markets. Such decisions will be announced through Tallinn Stock Exchange system once the plans are more certain.

Financing of investments and general business activities is planned to be done through same means as until the present date:

- Equity
- Credit lines with Estonian and Latvian banks;
- Raising funds from both local and international bond markets.

7. FINANCIAL INFORMATION OF THE ISSUER

7.1. Financial statements

Audited consolidated annual reports of 2006 and 2005 have been attached to the Prospectus.

Consolidated balance sheet

(In millions of Estonian kroons)	31 Dec 2006	31 Dec 2005	31 Dec 2004
ASSETS			
Cash	0.005	0.005	0.027
Due from Central Bank	96.186	52.808	0
Due from credit institutions	44.728	5.027	3.189
Loans to customers	1,012.513	473.744	234.517
Allowance for credit losses	-20.819	-6.008	-3.010
Securities	0	0	10.784
Intangible assets	6.388	1.598	0.505
Property and equipment	18.087	12.697	12.161
Investment property	5.358	7.851	8.076
Other assets	0	0.256	2.407
Accrued income and prepaid expenses	48.551	13.403	7.867
TOTAL ASSETS	1,210.997	561.381	276.523
LIABILITIES			
Due to credit institutions	159.25	107.174	57.157
Deposits from customers	126.97	0	0
Other liabilities	1.151	2.878	4.883
Debt securities issued	481.687	295.06	122.66
Accrued expenses and deferred income	22.106	11.142	7.271
Deferred income tax liability	0	0.057	0.024
Subordinated liabilities	108.03	0	0
TOTAL LIABILITIES	899.194	416.311	191.995
EQUITY			
Share capital	80.000	80.000	7.184
Capital reserve	4.000	0.718	0.718
Unrealized exchange differences	0.437	0.025	-0.387
Retained earnings	53.537	13.460	44.043
Net income for the period	173.829	50.867	32.970
TOTAL EQUITY	311.803	145.070	84.528
TOTAL LIABILITIES AND EQUITY	1,210.997	561.381	276.523

Consolidated income statement

(In millions of Estonian kroons)	2006	2005	2004
Interest income	280.816	108.751	63.513
Interest expense	-26.752	-14.859	-11.41
Net interest income	254.064	93.892	52.103
Net fees and commissions	-0.039	-0.024	0.233
Fee and commission income	0.191	0.183	0.372
Fee and commission expense	-0.230	-0.207	0.139
Net gain / loss on financial transactions	-0.252	-0.028	-0.016
Administrative expenses	-72.514	-36.281	-26.521
Salaries	-24.415	-12.122	-7.605
Social security and health insurance charges	-7.562	-3.871	-2.416
Other administrative expenses	-40.537	-20.288	-16.5
Depreciation and amortization	-2.668	-1.534	-1.32
Impairment losses on financial assets	-15.338	-1.446	1.539
Other operating income	25.927	17.951	12.402
Other operating expenses	-10.777	-8.024	-4.491
Net income before tax	178.403	64.506	33.929
Income tax expense	-4.574	-1.176	-0.959
Net income for the period	173.829	63.330	32.97
Basic earnings per share	0.0022	0.0008	0.0046
Diluted earnings per share	0.0022	0.0008	0.0046

Consolidated cash flow statement

(In millions of Estonian kroons)	2006	2005	2004
Cash flows from operating activities			
Interest received	238.88	100.453	58.3
Interest paid	-21.336	-13.799	-9.073
Administrative expenses paid	-68.725	-49.27	-30.191
Other operating income received	21.604	13.909	12.651
Other operating expenses paid	-10.618	-1.796	-0.935
Doubtful receivables recovered	0.457	1.889	2.301
Proceeds from sale of other assets	0.109	4.577	2.297
Loans granted	-886.841	-412.327	-209.036
Repayment of loans granted	360.378	185.804	138.348
Change in mandatory reserve with Central Bank	-39.943	-31.703	0
Proceeds from debt securities issues	330.046	236.301	70.098
Paid on redemption of debt securities	-123.335	-65.024	-17.748
Proceeds from customer deposits	116.664	0	0
Paid on redemption of deposits	-13.032	0	0
Income tax paid	-1.523	-1.277	-1.158
Net cash used in operating activities	-97.215	-32.263	15.854
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets	-9.361	-2.757	-1.073
Proceeds from sale of property and equipment	0.135	0	0.041
Change in investment portfolio	0.006	11.118	-10.685
Net cash used in / from investing activities	-9.22	8.361	-11.717
Cash flows from financing activities			
Proceeds from issue of subordinated debt securities	108.003	0	0
Proceeds from loans from credit institutions	350.751	90.026	16.984
Repayment of loans to credit institutions	-299.348	-38.878	-17.051
Repayment of other loans	-1.454	-1.123	-0.357
Dividends paid	-7.5	-3.2	-1.5
Net cash from financing activities	150.452	46.825	-1.924
Effect of exchange rate fluctuations from foreign subsidiary	-0.881	0.001	0.002
Increase in cash and cash equivalents	43.136	22.924	2.215

7.2. Debt obligations of the Issuer

Debt obligations of the issuer have undergone a steady climb during the last years. Loans from credit institutions have increased from 57 million kroons by the end of 2004 to 159 million kroons by the end of 2006. Most considerable creditor is Sampo Pank to whom the issuer owes a debt of nearly 150 million kroons. Balti Investeeringute Grupi Pank AS has issued debt securities worth 590 million kroons by the end of 2006, which means that during that year the value of issued debt securities has virtually doubled compared to previous year.

Due to credit institutions

(In millions of Estonian kroons)	31 Dec 2006	31 Dec 2005	31 Dec 2004
Investment loan from Sampo Pank	149.339	93.000	52.475
Money market loan from SEB Eesti Ühispank	0	7.000	0
Loan from SEB Eesti Ühispank	1.475	2.147	2.79
Overdraft from Hansabanka	8.436	5.027	1.891
Total	159.250	107.174	57.157

Debt securities issued

(In millions of Estonian kroons)

Debt securities by maturity	31 Dec 2006	31 Dec 2005
Past maturity	1.918	2.163
Short-term debt securities	207.625	196.932
Maturing in 1-5 years	328.372	95.965
Maturing in more than 5 years	51.802	0
Total	589.717	295.060

7.3. Loans given out by the Issuer

Loans given out by the Issuer have risen substantially more than twice during both of the last two financial years. There has been a massive leap in loans given out against income, which makes up over 40% of the total loans by the end of 2006. The percentage of loans against income was practically non-existent in previous years. There has been a significant increase in guaranteed loans and unsecured loans as well. On the contrary, loans secured with real estate have had a slight decrease in 2006.

Loans by product type

(in millions of kroons)	31 Dec 2006	31 Dec 2005	31 Dec 2004
Income loans	585.038	137.511	0.030
Surety loans	224.336	134.560	49.703
Loans secured with real estate	203.139	201.673	184.784
Total	1.012.513	473.744	234.517

Loans to customers (In millions of Estonian kroons)	31 Dec 2006			31 Dec 2005		
	Loan portfolio	Allowance for doubtful loans	Net loan portfolio	Loan portfolio	Allowance for doubtful loans	Net loan portfolio
Overdue loans	128.415	-2.640	125.775	23.783	-0.302	23.481
Short-term loans	233.424	-4.800	228.624	131.170	-1.663	129.507
Loans repayable within 1 to 5 years	384.341	-7.903	376.438	196.024	-2.486	193.538
Loans repayable within more than 5 years	266.333	-5.476	260.857	122.767	-1.557	121.210
Total loans to customers	1.012.513	-20.819	991.694	473.744	-6.008	467.736

7.4. Operating capital

The issuer has enough operating capital for economic activity.

7.5. Information on trends

The Issuer's enhanced results of a couple of last years have been driven by several factors seen in both of the home markets of the Issuer – Estonia and Latvia:

- swift economic growth;
- consumers' positive assessment of economic environment;
- continuing expansion of Issuer's office network;
- dynamic marketing efforts of the Issuer;
- increased brand recognition.

Provided that economic trends remain favourable, the growth of Issuer's loan portfolio and outlook of the results will be robust also for the current and coming years.

7.6. Recent significant developments

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

7.7. Financial forecast

The Issuer does not prepare public projections of future financial results.

8. ORGANISATIONAL STRUCTURE

8.1. Structure of the Group

The consolidation group of the Issuer consists of Balti Investeeringute Grupi Pank AS (the Issuer) and two of its subsidiaries: AS Baltijas Izaugsmes Grupa and OÜ Rütli Majad.

8.1.1 Overview of the subsidiaries of the Issuer

AS Baltijas Izaugsmes Grupa is a 100% subsidiary of the Issuer incorporated in the Republic of Latvia.

Legal name:	AS Baltijas Izaugsmes Grupa
Legal address:	Citadelas 2, LV-1010 Riga, Latvia
Permanent location:	Citadelas 2, LV-1010 Riga, Latvia
Registration code:	40003291179
Incorporation date:	April 18, 1996
Registration date:	October 27, 2004
Legal form:	public limited company
Share capital:	EEK 6,73 million
Equity (as of 31.12.06)	EEK 35,7 million
Legislation under which the Issuer operates:	the Issuer is incorporated and validly existing under the legislation of the Republic of Latvia.

The core activity of AS Baltijas Izaugsmes Grupa is similar to Balti Investeeringute Grupi Pank AS - providing credit to private individuals in the Republic of Latvia. In 2006, the Latvian subsidiary of the Issuer opened eight new offices around Latvia, including two in Riga. As of the date of the Prospectus, the total number of offices in Latvia stands at 11. In addition, from November 2006 BIG offers its products in partnership with the Latvian postal services provider Latvijas Pasts at 220 post offices across Latvia.

The management of AS Baltijas Izaugsmes Grupa is carried out by CEO and sole member of the management board – Juris Pūce (personal identification code: 050758-10730), and supervisory board. Supervisory board of AS Baltijas Izaugsmes Grupa has three members – Targo Raus (chairman of the supervisory board), Veiko Kandla, and Eero Varkki. All-in-all the management and financing of AS Baltijas Izaugsmes Grupa is closely tied with that of the mother company as financing for the company is raised through Balti Investeeringute Grupi Pank AS; its products and services are closely related to those of the parent company and management is carried out in close co-operation between the mother- and daughter company.

OÜ Rütli Majad is a 100% subsidiary of the Issuer incorporated in the Republic of Estonia.

Legal name:	OÜ Rütli Majad
Legal address:	Rütli 23, 51006 Tartu, Estonia
Permanent location:	Rütli 23, 51006 Tartu, Estonia
Registration code:	10321320
Incorporation date:	November 27, 1997

Registration date:	November 27, 1997
Legal form:	private limited company
Share capital:	EEK 4.8 million
Equity:	EEK 6.999 million
Legislation under which the Issuer operates:	the Issuer is incorporated and validly existing under the legislation of the Republic of Estonia.

The core activity of OÜ Rütli Majad is management of real estate used for the group's other activities, holding of the group offices in Tartu (Rütli 21/23) and Tallinn (Tartu mnt 18). The management board of the company consists of Parvel Pruunsild, Vahur Voll and Targo Raus.

8.1.2 Overview of associated companies of the Issuer

The Issuer has no companies associated to it.

8.2. Management Bodies of the Issuer

The main management bodies of the Issuer are the Supervisory Board and the Management Board.

8.2.1 Supervisory Board

The Supervisory Board of the Issuer consists of five members:

Parvel Pruunsild	Chairman of the Supervisory Board
Meelis Luht	Member of the Supervisory Board
Juhani Jaeger	Member of the Supervisory Board
Vahur Voll	Member of the Supervisory Board
Linda Terras	Member of the Supervisory Board

All members of the supervisory board have extensive knowledge of financial sector due to finance-related education and work experience in the field. Both Parvel Pruunsild and Vahur Voll have been members of the management board of the Issuer before becoming members of the supervisory board (1992-1994, Parvel Pruunsild was the chairman of the management board). Juhani Jaeger has been working in the group since 1997 as a lawyer and since 2000 is also a member of the supervisory board. Meelis Luht is the financial director and member of the management board of AS Eesti Meedia (since 1998) and became a member of the supervisory board of the Issuer in 2005. Linda Terras has worked as chief accountant of AS Flora Kommerts (1993-2005), becoming member of the supervisory board of the Issuer as of year 2005.

Legal address and location of supervisory board is Rütli 23, 51006 Tartu, Republic of Estonia.

8.2.2 Management Board

The Management Board of the Issuer consists of three members: Targo Raus, Veiko Kandla, and Eero Varkki.

Targo Raus (personal identification code 36911260213) has been the Chairman of the Management Board of the Issuer since 2003. Prior to joining AS Balti Investeeringute Grupp he was a board member of AS

Eesti Ühispank (1998-2000) and AS Tallinna Pank (1992-1998). He is responsible for the general management of the company.

Veiko Kandla (personal identification code 37812116017) has been working in the group since January 2000 – as a lawyer, head of legal department and since 2004 as a credit manager. Veiko Kandla has been a member of the management board of the Issuer since May 2000. He is responsible for credit management.

Eero Varkki (personal identification code 374082932747) joined the group in 2004 and from this date he is both a member of the management board and financial manager of the Issuer. Prior to joining the Issuer, Eero Varkki worked as a financial manager in OÜ KV Retent (2000-2002) and A-Plus Farma OÜ (1999-2000). He is responsible for financial management and reporting.

Legal address and location of management is Rüütli 23, 51006 Tartu, Republic of Estonia.

8.2.3 Conflicts of interest of administration, management and supervision bodies

The persons mentioned in sections 8.2 have no conflict of interests between their obligations towards the Issuer and their private benefit or any other obligations. In order to prevent possible conflicts of interests, the Issuer abides by all restrictions stipulated under the regulations of Estonia regarding transactions with members of supervisory board, management board, or employees of internal audit division.

8.2.4 Payments made to the members of management and supervisory boards

In 2006 payments made to the members of the Issuer's management and supervisory boards totaled 4.012 and 0.664 million kroons, respectively.

8.2.5 Specific transactions with related parties

Related parties are defined as shareholders, who have significant influence over the Bank, companies in which they have a controlling interest, members of the Council and the Management Board, key management personnel, their close relatives and companies, in which they have a controlling interest, as well as associated companies. All transactions with related parties have been carried out on general market terms.

In 2006 OÜ Edelatuulik Invest and OÜ Stermand Invest, companies in which the member of the Issuer's supervisory board Linda Terras is a shareholder, concluded term deposit agreements with the Issuer. The interest rates of the deposits do not differ from the ones offered to other customers, who deposited similar amounts for the same term. As of December 31, 2006 the deposits placed with the Bank by companies related to Linda Terras totalled 6.85 million kroons.

8.2.6 Clauses regulating management and supervision of the Issuer

Management and supervision of the Issuer is carried out in accordance with Commercial Code of Estonia. There are no clauses in the articles of association that would restrict or extend the powers of the management board or supervisory board compared to the powers outlined in the Commercial Code. According to the articles of association of the Issuer, each member of the management board has the right to represent the company by himself.

8.2.7 Information on following Corporate Governance Codes

In matters related to the governance of the Issuer, the Issuer follows principles laid down in the Corporate Governance Codes of Tallinn Stock Exchange. The Corporate Governance Codes can be found on the web page of Tallinn Stock Exchange with address of http://files.ee.omxgroup.com/bors/press/HYT_eng.pdf.

8.3. Principal shareholders

As of the date of the Prospectus, the Issuer has two shareholders: Parvel Pruunsild and Vahur Voll. Both of the aforementioned shareholders are natural persons and residents of the Republic Estonia. Both of the shareholders have been principal founders of the company and owners since the establishment of the company.

Parvel Pruunsild (personal identification code 36906162723) owns 50%, i.e. 40 000 shares of the Issuer. Since the establishment until the present date he has actively participated in the management of the company, first as chairman of the management board and since 1994 as the chairman of the supervisory board.

Vahur Voll (personal identification code 37011262727) owns 50%, i.e. 40 000 shares of the Issuer. Since the establishment of the Issuer until the present date he has actively participated in the management of the company, first as a member of the management board and since 1994 as a member of the supervisory board.

The Issuer has no knowledge of any agreements, execution of which could lead to changes in the Issuer's shareholders' structure.

Standards of the Credit Institutions Act, strict control of compliance performed by the Financial Supervision Authority, the Issuer's internal audit division, co-ordination of authorities of the Issuer with the Financial Supervision Authority, as well as liability of members of supervisory and management boards of joint stock companies stipulated by the Commercial Code, are the factors ensuring that the control of the shareholders over the Issuer is not misused.

8.4. Personnel of the Issuer

As of the date of the Prospectus, the Issuer and his subsidiaries employ 300 persons in total.

Classifying employees by responsibilities, most of the employees are active in client service (see the following table).

Personnel of the Issuer by area of activity:

	Estonia	Latvia
Internal audit	2	
Management board	3	1
Human resource management, administration, training	16	7
IT	14	4
Financial and analytical departments	14	10

Credit management and legal departments	21	13
Marketing and sales	7	3
Phone and internet sales	31	
Retail network	69	74
On maternity leave	11	
Total	188	112

As a general principle the Issuer supports top-level personnel growth from inside the company rather than hiring new people from outside the bank. This principle has been applied on one hand - in order to offer good career opportunities to employees; on the other – to be sure that executives are familiar with the company and its developments, that they carry on corporate culture and they are emotionally attached to the company.

The personnel of the Issuer are youthful, active and purpose-oriented. The average age of the personnel of the Issuer is 27 years and more than 40% of them have higher education. As an employer the Issuer offers his employees friendly, stable work environment with clearly stated scope of liability. Improving professional skills of the employees are supported by well-established training system as well as development prospects inside the group.

9. INFORMATION ON THE BOND ISSUE

9.1. Terms and Conditions

The Bond is a coupon debt security, representing the Issuer's unsecured and unsubordinated debt obligations, issued and redeemed in accordance with "Balti Investeeringute Grupi Pank AS Bond Issue Terms and Conditions" (hereinafter referred to as the Terms and Conditions).

The Issuer's debt obligations arising from the Bonds rank *pari passu* with the rest of the Issuer's unsecured and unsubordinated debt obligations. The issued Bonds are freely transferable and encumberable.

The Bonds were nominated in Latvian lats (LVL). The nominal value of the Bonds was 100 LVL. The issue price of the Bond was its nominal value, i.e. á 100 LVL. The redemption price of the Bond was its nominal value together with the accrued interest.

The term of the Bonds, issued through primary distribution, shall be 1,5 years, with value date on November 23, 2006 and maturity date on May 23, 2008.

The primary distribution of the Bond issue was carried out by way of *private placement*. The arranger was aktsiaselts SEB Eesti Ühispank.

The subscription period of Bonds commenced November 14, 2006 and ended at 12 p.m. (Estonian time) on November 21, 2006. The total volume of the Bond issue in its nominal value was LVL 3 055 000 (three million and fifty-five thousand lats) and 30 550 (thirty thousand five hundred and fifty) Bonds were issued. The issue price of a Bond was LVL 100.00 (one hundred lats).

In accordance with the resolution of the Board of Issuer as of December 12, 2006 and pursuant to clause 5.4 (Annex 2 of the Prospectus) of the Terms and Conditions of the Bond issue, the Issuer increased the issue volume and issued within the framework of the issue the Bonds, representing the same rights and bearing the same redemption conditions.

The subscription period of the additionally issued Bonds commenced on December 5, 2006 and ended at 12 p.m. (Estonian time) on December 8, 2006. The total volume of the additional issue was LVL 1 045 000 (one million forty-five thousand lats) in nominal value and 10 450 (ten thousand four hundred and fifty) Bonds were issued. The issue price of Bonds was LVL 100,00 plus accrued interest of LVL 0,377397, i.e. in total LVL 100,377397 (one hundred lats and 37,7397 santimas).

The value date of the additionally issued Bonds was December 12, 2006 and maturity date shall be May 23, 2008.

The primary placement of the Bonds additionally issued within the framework of the issue, was carried out by way of *private placement*.

All in all the total value of the issued Bonds is LVL 4 100 000 (four million one hundred thousand lats) in nominal value. The total number of the issued Bonds is 41 000 (forty-one thousand).

The Terms and Conditions of Bond Issue have been attached to the Prospectus. The Terms and Conditions of these Bonds form an inseparable part of the Prospectus. The Issuer shall not undertake to set out all information related to the Terms and Conditions of the Bond issue in this prospectus.

9.1.1 Interest

The Issuer shall pay interest to the Bonds, the rate of which was determined pursuant to purchase offers submitted during primary distribution. The interest rate is 7,25% p.a. (Act/Act).

Calculation of interest shall be based on the actual number of days during the period between the two consecutive Interest payment days and a year of actual number of days (Act/Act). Interest is calculated for each interest period starting from the previous Interest payment day (included) until the next Interest payment day (excluded). The first interest period shall commence on the value date and shall end on the first Interest payment day. Every next interest period shall commence on the previous Interest payment day and shall end on the next Interest payment day.

Interest payment days shall be on May 23, 2007 and May 23, 2008. If the interest payment day is not a banking day in Estonia, the interest payment shall be made on the following banking day.

9.1.2 Payments to the Investors

All payments to the Investors by the Issuer in connection with the Bonds shall be made in LVL.

The Investor shall present the requisites of his LVL account to the Issuer at least 3 Banking days before arrival of the respective payment day. If the Investor fails to timely present the LVL account requisites to the Issuer and:

- a. the Investor is holding the Bond(s) on a securities account with Latvian Central Depository, the Payment Agent shall transfer the payable sum in LVL to the LVL account of the Investor tied to the securities account, which is opened with Latvian Central Depository;
- b. the Payment Agent has been presented the euro account number of the Investor; the Payment Agent shall transfer the equivalent of the payable sum in euros to the euro account of the Investor, on the basis of the SEB Eesti Ühispank LVL–euro exchange rate valid on the payment day.
- c. the Investor is holding the Bond(s) on a securities account with the Register, the Payment Agent shall transfer the equivalent of the payable sum in Estonian kroons to the Estonian kroon account of the Investor tied to the securities account, which is opened with the Register, on the basis of the SEB Eesti Ühispank LVL– Estonian kroon exchange rate valid on the payment day.

9.1.3 Redemption

The Bonds shall be redeemed, i.e. the redemption amount shall be paid to the Investors on the Maturity Date, i.e. on May 23, 2008.

As the redemption payment the Issuer shall pay the total redemption price of the owned Bonds to the Investor. The redemption price of the Bond shall be the nominal value of the Bond and the unpaid interest calculated to the same.

The redemption payments of the Bonds shall be paid to the Investors, who according to the Estonian Central Securities Register's information are the owners of the Bonds at 9 a. m. on the Maturity Date. Following the receipt of the redemption payments in the Investors' current accounts, the Bonds shall be considered redeemed and shall be removed from the Register.

9.2. Registration and listing of the Bonds

The Bonds were registered with the Estonian Central Securities Register according to the *Estonian Central Securities Register Act* and other applicable legal acts under ISIN-code EE3300086271 on November 23, 2006. Additionally issued Bonds were registered on December 12, 2006.

The Bonds shall be listed in the bond list of the Stock Exchange in accordance with a respective decision of the listing committee within six months of primary issue as of submission of the listing application by the Issuer.

9.3. Settlement and delivery of the Bonds

Bonds will be admitted to official Tallinn Stock Exchange listing in the Bonds' List in euros (EUR). Price of the bonds shall be calculated on the basis of central rate of LVL/EUR of the Bank of Estonia, which at the moment of preparing the prospectus is 1,4214909309 (19.04.2007). The price of the Bond in the Stock Exchange trading system is the price of the bond including accrued interest in euros (so-called dirty price).

Transactions will be settled through the Estonian Central Securities Register as delivery versus payment with value date T+3, in euros or Estonian kroons, respectively.

Besides the above currencies, transactions can be settled over-the-counter (OTC) also in other settlement currencies, incl. LVL, permitted by the Estonian Central Securities Register (ECSR), according to mutual agreement of the investors.

Over-the-counter transactions may be settled as delivery versus payment or free of payment (FOP) either as cross-border settlements or within ECSR, in accordance with the rules of settlement, established by ECSR.

9.4. The use of the proceeds

Funds that have been raised as a result of Bonds issue are used in the ordinary course of business of the Issuer to finance the growth of loan portfolio in both Estonia and Latvia.

9.5. Payment agent

Aksiaselts SEB Eesti Ühispank (reg. code in Estonian Commercial Register: 10004252), located at Tornimäe 2, 15010 Tallinn, Estonia, shall perform duties of the payment agent of Bond issue, mediating the issue-related payments. The bank also acts as a mediator of the information and documents between the Issuer and the Investors and shall perform other duties provided for in the Terms and Conditions of the Bond Issue.

9.6. Legal information

The basis for arranging the issue were the Balti Investeeringute Grupi Pank AS management board resolutions from November 23, 2006 and December 12, 2006. Copies of the said resolutions are enclosed to this prospect as Annexes no 1 and 2.

The Securities Market Act, the decree of the Minister of Finance No 14 on Listing Requirements, from 21.01.2003, the European Parliament and Council of Europe directive 2003/71/EC (Prospectus Directive), Commission regulation (EC) No 809/2004 (Prospectus Regulation) and the requirements established by the Tallinn Stock Exchange shall be applied to the Bond Issue.

9.7. Taxation

The Bonds proceeds are subject to taxation in accordance to the legislation, effective in the Republic of Estonia or in the Investor's home country.

The Payment Agent shall withhold income tax, if pursuant to the legal acts effective in the Republic of Estonia, income tax is to be withheld from the payments related to Bonds.

10. DOCUMENTS AVAILABLE TO THE PUBLIC

All interested persons have the possibility to get acquainted with the following documents:

- Articles of association of the Issuer – Rüütli 23, 51006 Tartu, Republic of Estonia and on the Issuer's website <http://www.big.ee/>;
- Financial information of the Issuer – Rüütli 23, 51006 Tartu, Republic of Estonia and on the Issuer's website <http://www.big.ee/>;
- Prospectus – on the Issuer's website <http://www.big.ee/>.

The aforementioned documents shall be available on the website of the Tallinn Stock Exchange after the respective decision of the listing committee. The web page address of OMX Tallinn Stock Exchange is <http://www.ee.omxgroup.com/>.