

Regulations of Competitive Bidding in the Sale of the Most Valuable Real Estate Objects Owned by the Insolvent AS PNB Banka and its Group Companies

Riga, 15 June, 2021

1. General information

- 1.1. These regulations ('the Regulations') lay down the procedure for the sale of the most valuable real estate ('RE') owned by the insolvent AS PNB Banka, registration No 40003072918, ('PNB Banka') and its subsidiaries ('Group Companies') via a competitive bidding ('Competitive Bidding'), including the sale of several RE objects as an aggregation of property, or the sale of the RE and movable property as an aggregation of property.
- 1.2. These Regulations shall be binding upon any persons that are interested in acquisition of the RE and are willing to identify themselves for participation in the Competitive Bidding ('Applicant'), as well as for registered Competitive Bidding participants that have submitted their applications ('Participants'), including the Participant that will be the winner of the Competitive Bidding and/or will be invited to sign the Sales Purchase Agreement ('SPA').
- 1.3. PNB Banka and its Group Companies sell the RE in cooperation with SIA LATIO limited liability company, registration number: 41703000843 ('Latio').
- 1.4. The Competitive Bidding shall be announced publicly on the website of the national gazette of the Republic of Latvia *Latvijas Vēstnesis*, the information will be published and freely available on the website of PNB Banka www.pnbbanka.eu, as well as on the website of Latio <https://izsoles.latio.lv>; furthermore, the information on the Competitive Bidding shall be forwarded for publishing to the Latvian news agency 'LETA'.
- 1.5. The Competitive Bidding announcement shall contain the following information:
 - a short description of the RE;
 - the starting price of the RE;
 - an indication, whether the RE price is subject to the value-added tax and the taxable amount;
 - the location of the RE and examination opportunities;
 - the time and place for getting familiarised with the Regulations, including the draft SPA;
 - the deadline for applying, bidding and submitting the terms of paying the offered price (bid);
 - amount of the participation fee, the account number to which it shall be transferred, and the deadline of such transfer;
- 1.6. The Applicant shall be entitled to examine the RE at its location, in order to assure itself of the RE's composition, condition and quality, since the RE is offered for sale in its current actual and legal state, including any inseparable adjuncts, as well as rights and obligations attached thereto. The Applicants may obtain information about the RE from a representative of Latio by meeting in person, or send their questions via e-mail to the address specified in the announcement, as well as familiarise with other RE-related financial documentation and restricted access information by signing a Non-Disclosure Agreement with the Bank or Latio.
- 1.7. The starting price specified in the announcement is the minimum value, at which the RE may be sold at the Competitive Bidding.
- 1.8. The Regulations are publicly available on the websites www.pnbbanka.eu (PNB Banka) and <https://izsoles.latio.lv/active/> (Latio).

2. Participation in the Competitive Bidding

- 2.1. To file a valid price offer and become a Participant of the Competitive Bidding, the Applicant must take the following steps:

- 2.1.1. complete the application form ('Application') indicating the amount of the bid and its payment terms, if any, and confirming acceptance of the present Rules; specifying the source and/or the structure of the funds from which the bid price is going to be paid, as well as providing the contact information;
 - 2.1.2. pay the participation fee ('Participation Fee') of **EUR 121,- (one hundred twenty one euro)**, including VAT 21%, within the set term and to the account specified in a relevant Competitive Bidding announcement. The Participation Fee must be paid only from the Applicant's own bank account provided in the Application. The Participation Fee is non-refundable and may not be included in the bid amount, whatever the result of further actions and the outcome of the Competitive Bidding;
 - 2.1.3. complete an on-site identification procedure at the office of PNB Banka. In certain cases, if agreed with PNB Banka, the identification may be completed remotely, on the terms set forth by PNB Banka;
 - 2.1.4. sign a Non-Disclosure Agreement with Latio and/or PNB Banka if the Applicant is willing to familiarise with the RE-related financial documents and other restricted access information before taking part in the Competitive Bidding;
 - 2.1.5. submit the registration documents referred in this section of the Regulations to PNB Banka;
- 2.2. PNB Banka, including its Group Companies, are the subject of the Law on Prevention of Money Laundering and Terrorism and Proliferation Financing ('the AML Law') and the Law on International and National Sanctions ('the Sanctions Law'); therefore, under the AML Law PNB Banka is obliged to carry out the due diligence procedures to verify the legitimate origin of funds and the level of welfare of the Applicant and its ultimate beneficial owner ('UBO'), while, under the Sanctions Law PNB Banka is obliged to check both the Applicant and its UBO against the sanctions lists.
 - 2.3. In order to participate in the Competitive Bidding, the Applicant shall provide PNB Banka with the originals (if possible) or derivatives of the documents referred to herein. **Any submitted document derivatives must comply with the requirements referred to in paragraph 2.4 hereof.**
 - 2.4. **Copies or sets of document derivatives ('Copy/Copies') shall be deemed as compliant with these Regulations and adequately certified, if either of the following certification methods is applied:**
 - 2.4.1. a copy of a document or a set of document derivatives is certified by the Applicant himself. The first page of a copy must bear the words 'Copy' or 'Set of Document Derivatives' in the upper right-hand corner. An authentication statement shall contain the words 'True Copy' or 'True Set of Document Derivatives', a personal signature and a full name, a personal identity number, and the date of authentication. The Applicant may also submit a set of document derivatives executed in compliance with the Cabinet Regulations No 558 of 04.09.2018 laying down the procedures for drawing up and preparing documents, while also presenting the originals at the office of PNB Banka;
 - 2.4.2. copies or a set of document derivatives is certified by a representative of PNB Banka;
 - 2.4.3. copies or a set of document derivatives is certified by a sworn notary; or
 - 2.4.4. a copy or a set of document derivatives is forwarded to PNB Banka's e-mail address specified in the announcement: izsole@pnbbanka.eu, but only from the e-mail address specified by the Applicant in the Application. The copy or the set of document derivatives shall be sent via e-mail in the form of an electronic document where such copies of a document or a set of document derivatives is certified by the Applicant with a secure electronic signature and a time stamp.
 - 2.5. If the Applicant is a natural person, he/she shall submit a Copy of his personal identification document during the on-site identification procedure, which shall take place at the office of PNB Banka.
 - 2.6. If the Applicant is represented by another natural person, the following documents must be submitted:
 - 2.6.1. a Copy of the Applicant's personal identification document;

- 2.6.2. a power of attorney duly legalized or issued in the form of a notarised deed in the Republic of Latvia authorising the person to represent the Applicant in the Competitive Bidding and sign the ('SPA') for and on behalf of the Applicant; and
 - 2.6.3. a Copy of the authorised representative's personal identification document.
- 2.7. Where the Applicant is a legal entity, the following documents shall be issued irrespective of the country of registration:
- 2.7.1. a Copy of the applicable Articles of Association;
 - 2.7.2. where the legal entity is represented by a person acting other than ex officio (i.e. the person is not registered in the commercial register as an official of the company with the right to represent the company), the person must submit an original power of attorney authorising him/her to represent the Applicant in the Competitive Bidding and sign the SPA for and on behalf of the Applicant. That being the case, the power of attorney must be submitted together with a copy of the authorised representative's personal identification document, while also presenting the original thereof at PNB Banka's office;
 - 2.7.3. where the legal entity is represented by a person acting ex officio (i.e. the person is registered in the commercial register as a company official with the right to represent the company), the respective official must submit a Copy of his personal identification document, while also presenting the original thereof at PNB Banka's office;
 - 2.7.4. corporate ownership structure showing the way the UBO exercises control over the company (where the company is controlled through the mediation of a legal entity, the following details of all such legal entities should be provided: company name, company registration number, registered office. Where the company is controlled through the mediation of a legal formation, the following information should be provided about the authorised person or persons of equal capacity (position): name, surname, personal identity number (if any) (if there is no personal ID number, then the date, month and year of birth);
 - 2.7.5. information/documents identifying the Applicant's UBO;
 - 2.7.6. information/documents certifying the control exercised and beneficial ownership enjoyed by the Applicant's UBO ;
 - 2.7.7. a copy of the personal identification document of UBO(s); and
 - 2.7.8. Copies of the company's annual report(s) for the past 2 years (preferable, audited by independent auditors).
- 2.8. Where the Applicant is a joint-stock company registered in the Republic of Latvia, then it must additionally submit a copy of the effective shareholders' register.
- 2.9. If the Applicant is a joint-stock company registered abroad, it shall additionally submit information or documents confirming its registered office and actual business addresses. Additionally, one must submit a certificate from the respective country's competent authority (commercial register) regarding the legal entity specifying, at least, the following particulars:
- 2.9.1. full name of the company;
 - 2.9.2. legal form;
 - 2.9.3. Applicant's status (e.g. active, insolvent);
 - 2.9.4. date of registration;
 - 2.9.5. registration number;
 - 2.9.6. country of registration;
 - 2.9.7. description of business activities;
 - 2.9.8. registered office;

- 2.9.9. actual business address (if different from the registered office);
- 2.9.10. information about the Applicant's officials, i.e. Board Members, Council Members and other senior officials of the company;
- 2.9.11. information about shareholders; and
- 2.9.12. information about UBOs.

If any of the above particulars are missing from a certificate issued by the competent authority (commercial register) of a foreign country, copies of other documents must be provided to certify the missing information (e.g. shareholders' register, good standing certificate).

- 2.10. 'Know Your Customer' Questionnaire ('KYC Questionnaire') with relevant annexes.
- 2.11. Documents certifying the origin of funds and welfare of the Applicant and its UBO, i.e. an account statement printout (of all existing accounts) for the past 1 (one) year evidencing the legitimate origin of the funds, from which the Applicant plans to pay the price offered for the RE ('Bid') in full or in part. Until the payment of the Bid, the Applicant is obliged to keep the funds allocated for the Bid separately from any other of its funds (on a separate account, or reserved by its credit institution's accept, or otherwise). This will make the flow of money traceable for due diligence purposes and will help ascertain that the Bid is paid using this particular money.
- 2.12. Any of the abovementioned documents may be submitted by the Participant in Latvian, English or Russian, in the original format, duly legalised or endorsed with an Apostille (where applicable), or in the form of a notarised derivative which may, if necessary, also be legalised by the legally established procedure or endorsed with an Apostille.
- 2.13. During a physical identification procedure at the office of PNB Banka, the Applicant or its legal or authorised representative (paragraph 2.1.3 hereof) shall be obliged to present the original identification documents of the legal entities/natural persons, which will be copied and the conformity of the copies with the original will be certified by a representative of PNB Banka.
- 2.14. Documents submitted for participation in the Competitive Bidding are not returned to the Applicant or the Participant.

3. Competitive Bidding Procedure

- 3.1. The Application indicating the amount of the Bid shall be submitted in writing in Latvian, Russian or English, with the Bid value (i.e. the offered price) indicated in EUR (euro) and written out in both figures and words. If the Bid value written out in figures differs from the Bid value written out in words, the value written out in words shall prevail.
- 3.2. The starting price indicated in the announcement is the lowest possible price for the RE, and the bids that are below the indicated starting price shall not be regarded as binding, and it shall be considered that the Applicant failed to meet the bidding deadline.
- 3.3. The minimum number of Participants is one.
- 3.4. After the deadline for Bid submission indicated in the announcement ('Bidding Date'), PNB Banka either registers the Applicant as the Participant, or rejects the registration.
- 3.5. PNB Banka notifies the Applicant about the Applicant's registration as the Participant or a rejection of such registration within 2 (two) business days after the Bidding date by sending a respective e-mail to the address the Applicant has specified in the Application. In the event of rejection, it shall not be subject to appeal. Once the aforementioned notification is sent to the specified Applicant's e-mail, it shall be considered that the Applicant or the Participant has received the information on the same day.

- 3.6. The Participant, who, in the Bank's opinion, offers the most favourable price and terms of payment, incl. SPA terms and conditions, shall be declared the winner of the Competitive Bidding ('Winner'). The Winner is obliged to pay the security deposit ('Deposit') –1% of the Bid, within 5 (five) business days after receiving the relevant notification, and shall, therefore, have an obligation to enter into the SPA and purchase the RE at the bid price, provided that all the conditions and prerequisites for the Winner to take over the RE in its ownership are fulfilled. PNB Banka has the right to reject any Bid made by the Participant and not to recognise any Participant as the Winner of the Competitive Bidding.
- 3.7. For the sake of clarity, it is hereby explained that prior to the Bidding Date PNB Banka shall not conduct an enhanced due diligence of the Applicant, including, the enhanced due diligence of legitimate origin of the Applicant's funds; instead, PNB Banka shall only conduct an initial general verification to confirm that the information in the submitted documents corresponds to the information provided by the Applicant.
- 3.8. The Applicant shall not be registered as the Participant if:
- 3.8.1. the Applicant has failed to fulfil his obligations under these Regulations within the specified deadlines, incl. failed to pay the Participation Fee or to submit all the required documents;
 - 3.8.2. the Applicant has failed to submit the Application with the binding Bid.
- 3.9. After the Bidding Deadline PNB Banka shall carry out an evaluation of the submitted Applications and within 30 (thirty) days notify the Participant, which has been recognised as the Winner, on his status and shall invite such Participant to pay the Deposit. Other Participants shall be notified that their offers have not been accepted. PNB Banka shall have the right to request from the Participants any additional information and clarifications related to the submitted Applications. Accordingly, in case the transaction with the Winner is not effected, PNB Banka reserves the right to invite another Participant to confirm his previous Bid and, if the Participant agrees, he/she shall be subject to the same terms and conditions, as those applicable to the Winner, including the obligation to pay the Deposit.
- 3.10. The respective notification shall be sent to the Applicant's e-mail specified in the Application. Once the notification is sent to the Applicant's e-mail address specified in the Application, it shall be considered that the Applicant, Participant, Winner has received the information on the same day.
- 3.11. After the Participant is declared the Winner and has paid the Deposit, PNB Banka conducts an enhanced due diligence of the Winner and verifies the legitimacy of the Winner's funds.
- 3.12. The Winner shall be excluded from the list of Participants, if:
- 3.12.1. the Winner has failed to pay the Deposit in due time and amount;
 - 3.12.2. PNB Banka has not been provided with information and documents, necessary to meet the requirements of the due diligence under the AML Law and the Sanctions Law, which includes verification of the UBO's welfare and the legitimate origin of funds, in the amount as PNB Banka deems fit in order to conduct a substantive verification, including, without limitation, if within the term laid down herein or determined by PNB Banka it does not receive the requested additional documents and/or information, or, if the provided information and documents are inadequate;
 - 3.12.3. PNB Banka, for reasons beyond its control, is unable to conduct the due diligence and implement measures required under the AML Law and/or the Sanctions Law, or, a review of the provided documents and information has raised concerns over money laundering and/or terrorism and/or proliferation financing, sanctions breach, concealment of the UBO, or illegitimate origin of funds;
 - 3.12.4. the provided documents and information raise concerns over any violations of regulatory enactments or consummation of suspicious transactions by the Winner and/or any of its group or affiliated companies;
 - 3.12.5. the Winner has failed to meet its obligations under the Regulations, Sales Purchase Agreement, including has not provided all documents and/or paid the Bid price.

4. Conclusion of the Agreement

- 4.1. Prior to signing the SPA, the Winner shall confirm the legitimate origin of funds, including the Bid, and shall submit all necessary documents to evidence the same, as well as provide information on the ultimate UBO. When conducting an enhanced due diligence PNB Banka shall be entitled to request further information and documents from the respective Winner, which the latter shall be obliged to submit within such deadlines and in such amount as required by PNB Banka.
- 4.2. Until the payment of the Bid price (i.e. the purchase price), the Winner is obliged to keep the funds allocated for this purpose separately from any other of its funds (on a separate account, or reserved by its credit institution's accept, or otherwise). This is necessary to track the flow of funds upon conducting the enhanced due diligence of their origin and ensure that these particular funds will be used to pay the bid price.
- 4.3. The Participant, including the Winner may use a loan to pay the final Bid price, such as a loan issued by a credit institution registered in Latvia or any other Member State of the European Union or the European Economic Area, or Switzerland, by informing PNB Banka on the Bidding Date; the parties may also agree to use an escrow account for the payment of the Bid price.
- 4.4. PNB Banka and its supervisory bodies/persons shall, within 75 (seventy-five) days after paying the Deposit, conduct the due diligence of the Winner and verify the legitimacy of the source of the funds, from which the Winner is going to pay the Bid price. Where a longer term is needed to conduct the verification and the due diligence, PNB Banka shall be entitled to extend the term by sending a notice to the e-mail address indicated in the Winner's Application.
- 4.5. Should PNB Banka deem that the Winner has adequately proved the legitimate origin of his funds, and the due diligence of the Winner and its UBO has raised no concerns or obstacles for the conclusion of the SPA, PNB Banka shall send the Winner an invitation (to the e-mail address provided in the Application) to sign the SPA and pay the Bid price (the received and withheld Deposit shall be included in the Bid) within such deadline as specified by PNB Banka, but not less than 5 (five) business days. Prior to signing the SPA, the Winner shall submit an account statement to PNB Banka to evidence that the Bid price will be paid using the same funds that have been verified within the due diligence procedures.
- 4.6. If the Winner plans to pay the Bid price from the borrowed funds, compliant with paragraph 4.3 hereof, the term for entering into (signing) the SPA shall be extended by mutual agreement of the parties. In case the parties fail to agree within the term laid down in paragraph 4.4. hereof on the extension of the SPA signing deadline, the implications described in paragraph 4.9. shall apply to the Winner.
- 4.7. The Winner or, whenever applicable under these Regulations, the other participant, shall enter into the SPA in compliance with the draft SPA attached hereto and the terms of the offer expressed in the Winner's Application, that have been accepted by PNB Banka or the Group Company, at the same time complying with these Regulations and the procedure for signing the SPA described herein.
- 4.8. Should PNB Banka deem that the Winner has failed to provide adequate proof of the legitimate origin of its funds, or the due diligence of the Winner and its UBO has raised concerns, or there are any other obstacles for the conclusion of the SPA, PNB Banka shall refuse to enter into the SPA with the Winner and the Deposit shall be refunded, unless there are any obstacles to such refund justified by the applicable laws and regulations or the present Regulations. That being the case, PNB Banka shall have the right to offer the RE to another participant at his Bid price, or to declare the Competitive Bidding void, in that case PNB Banka shall be authorized to dispose of the RE at its sole discretion. PNB Banka, incl. the Group Company, are authorized to keep the Deposit, should the Winner, incl. the Participant, fail to provide any information necessary to conduct the due diligence, or the provided information is insufficient.

- 4.9. In case the Winner does not sign the SPA or does not pay the Bid price within the term specified herein, or does not provide the account statement referred to in paragraph 4.5 hereof, PNB Banka shall be entitled to offer the RE to another Participant at his Bid price and the terms of the offer that have been accepted by the Bank or the Group Company; while, the Winner will be deemed to have opted out of purchasing the RE and shall not be refunded the Deposit.
- 4.10. On the occurrence of the circumstances referred to in paragraph 4.8 or 4.9 above, PNB Banka invites another Participant to confirm his Bid, of which the other Participant should inform PNB Banka within 5 (five) business days from PNB Banka's invitation. In case the that other Participant confirms his offer by the set deadline, he shall be obliged to pay the Deposit within 10 (ten) business days after receiving PNB Banka's invitation, and, this being the case, the Participant shall be subject to the same terms and conditions as the Winner. However, in case the that other Participant failed to confirm his offer and/or pay the Deposit, the Participant will be deemed to have opted out of purchasing the RE and the Competitive Bidding shall be declared void, or PNB Banka will invite another Participant to confirm the his offer.
- 4.11. The Winner is obliged to cooperate with the credit institution, where PNB Banka or the Group Company, has opened a bank account, and submit all information and documents requested thereby, if such information and documents are requested to verify the origin of incoming funds.
- 4.12. If the credit institution, where PNB Banka of the Group Company has a bank account to receive the Bid price, seizes the funds paid by the Winner under the AML Law or the Sanctions Law, PNB Banka or the Group Company shall be entitled to unilaterally withdraw from the Competitive Bidding and the SPA by notifying the Winner, and declare the Competitive Bidding void, and PNB Banka shall be entitled to dispose of the RE at its sole discretion. That being the case, neither the owner of the RE (PNB Banka or the Group Company), nor PNB Banka shall be held liable for any damage to the Winner, and shall not reimburse any losses incurred by the latter, including the Deposit or any other funds.
- 4.13. The Bid shall exclude any taxes, duties or other charges applicable and/or related to the purchase and sale of the RE, as well as to recording of changes in the land registry folio. All and any extra payments related to the purchase/sale of the RE, or recording of any changes in the land registry folio shall be borne by the Winner in addition to the Bid price.
- 4.14. Any rights and benefits, which may arise due to ownership of the RE, shall only be taken over by the acquirer of the RE on the day of signing the SPA and paying the purchase price (the Bid).
- 4.15. If documents or information submitted to PNB Banka by the Applicant, the Participant, the Winner raise concerns over money laundering and/or terrorism and/or proliferation financing, or sanctions breach, PNB Banka shall be entitled to act compliant with the AML Law or the Sanctions Law. That being the case, neither the Group Company, nor PNB Banka shall bear any liability or reimburse any damage.

5. Miscellaneous

- 5.1. By signing and submitting the Application, the Applicant confirms that it is informed and agrees:
- that PNB Banka will process the Applicant's personal data for the purposes of the Competitive Bidding, execution of the SPA and other potential agreements, and for protection of legitimate interests of PNB Banka and its Group Companies, thus enforcing its legal obligation as per Paragraph 1(c) of Article 6 of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), and the Applicant agrees to such processing and has no claims against PNB Banka and its Group Company (owner of the RE) in this regard and will not lodge any such claims in the future;

- to the due diligence activities to be performed in compliance with the AML Law, the Sanctions Law, and the present Regulations, and hence undertakes to provide all and any information and documents requested by PNB Banka,
- to communicate electronically with PNB Banka by using the e-mail address provided in the submitted Application.

5.2. By signing and submitting the Application, the Applicant certifies that:

- it is aware of the actual condition of the RE and it has no objections against the physical condition and/or legal status thereof. The Applicant undertakes to waive any claims with regard to the physical condition and/or legal status of the RE;
- the Applicant has reviewed the Regulations and the draft SPA, deems them mutually beneficial, and waives any claims with regard to the Regulations and the SPA, and will not lodge any such claims in the future, including claims relating to changes in the purchase price and/or losses.

5.3. The Competitive Bidding shall be declared void if:

- 5.3.1. there are no application submitted within the prescribed term;
- 5.3.2. none of the Applicants is registered as Participant;
- 5.3.3. all Participants are excluded from the list of registered Participants;
- 5.3.4. the SPA is not concluded;
- 5.3.5. the Winner or an equal participant have failed to pay the Bid within the time and in the manner as provided in the Regulations and the SPA and/or the Bid (purchase price) is unavailable to the owner of the RE.

5.4. All and any issues not provided for herein shall be subject to the applicable regulatory provisions of the Civil Law of the Republic of Latvia, as well as the provisions applicable to the RE.

5.5. PNB Banka may make changes and updates to these Regulations at any time by publishing a notice of change on its website and indicating the date of last change. Any changes to the Regulations may only come into force upon publication of a respective notice of change on the website of PNB Banka. The Applicant shall also be subject to the version of the Regulations in force on the day of signing the Application.

5.6. If any of the provisions hereof becomes unenforceable or invalid pursuant to any applicable legal regulations or is deemed unenforceable or invalid pursuant to any competent authority or court decision, it shall not affect the validity or applicability of the Regulations in general, and the invalid provisions should, where possible, be amended in such a way as to ensure compliance with the applicable legal regulations and approximate the original provision as closely as possible.

5.7. The headings of sections herein are used for convenience purposes only and in no way affect the interpretation of these Regulations.

5.8. Any disputes that cannot be resolved through negotiations shall be resolved in the court of the Republic of Latvia, subject to the laws and regulations of the country.

- Attachments:
- 1. Application
 - 2. KYC Questionnaire with 4 Annexes for a natural person
 - 3. KYC Questionnaire with 4 Annexes for a legal entity
 - 4. Draft Sales and Purchase Agreement

NB! This is a courtesy translation of the Regulations from Latvian. In case any interpretation is required, or any misunderstandings, disagreements or other type of disputes arise, the Latvian version of the Regulations shall prevail.