

Insolvent AS PNB Banka
(unified registration No 40003072918,
registered address – Elizabetes Street, 15-2, Riga, LV-1010)
REGULATIONS

for disposal of 100% shares owned by the insolvent AS PNB Banka in LAN Ltd, reg.
No. 286.110.1111186 (Armenia), through a competitive bidding

In Riga, on December 28, 2021

1. General Provisions

- 1.1. On 12 September 2019, the City of Riga Vidzeme District Court passed a court ruling within the case No C30710019, declaring the insolvency of the joint-stock company “AS PNB Banka”, unified registration No 40003072918 (“**Bank**”), and appointing Vigo Krastiņš as the administrator of the insolvency process.
- 1.2. These Competitive Bidding regulations (“**Regulations**”) lay down the procedure for organising a competitive bidding and selling 100% of shares in LAN Ltd, registration No. 286.110.1111186 (Armenia), which are in the Bank’s direct or indirect ownership (“**Asset**”). The Asset includes **100%** paid voting shares in LAN Ltd, registration No. 286.110.1111186 (Armenia) (“**LAN Ltd**”).
- 1.3. The property will be sold in a publicly announced competitive bidding (“**Competitive Bidding**”).
- 1.4. The Competitive Bidding is organised by the Bank’s insolvency process administrator Mr Vigo Krastiņš (“**Organizer**”).
- 1.5. The starting price specified in the Competitive Bidding announcement and Clause 2.3 hereof is the minimum value, at which the Asset can be sold in the Competitive Bidding.
- 1.6. The Competitive Bidding announcement shall be published on the Bank’s website www.pnbbanka.eu and in the official gazette of the Republic of Latvia *Latvijas Vēstnesis*, and the information on the Competitive Bidding shall be communicated for publishing to the national information agency LETA. The announcement shall contain the following information about the Asset:
 - name;
 - starting price;
 - application deadline;
 - amount of the participation fee, the account, where the fee should be paid, as well as payment due date;
 - amount of the deposit, the account, where it should be paid, as well as payment due date;
 - due date for submitting the bids;
 - time and place to review the Regulations.
- 1.7. The applicant that is registered as the participant of the Competitive Bidding and that makes the highest bid for the Asset in compliance with the procedure set out herein on or before the deadline specified in the announcement, will be declared the winner of the Competitive Bidding (“**Winning Bidder**”).
- 1.8. The applicant that is registered as the participant of the Competitive Bidding and that makes the second highest bid for the Asset in compliance with the procedure set out herein and meeting the deadline specified in the announcement or, in compliance with the provisions set forth in Clause 4.2., makes an equal bid as the Winning Bidder, will be declared the second winner of the Competitive Bidding (“**Second Winning Bidder**”).
- 1.9. The bids shall be submitted in writing in Latvian, with the bid value indicated in USD 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 bid written out in words shall prevail.
- 1.10. The provisions of the Competitive Bidding are published on the Bank’s website.
- 1.11. The Winning Bidder or, as the case may be, the Second Winning Bidder, will sign a Purchase Agreement (“**Purchase Agreement**”), in compliance with the terms and conditions as specified in the [draft Purchase Agreement attached hereto](#), as well as in compliance with the Regulations of the Competitive Bidding and the procedure for the conclusion of the Purchase Agreement described therein.
- 1.12. All and any issues not provided for herein are subject to the regulatory provisions of the applicable Civil Law of the Republic of Latvia, as well as the statutory provisions applicable to the Asset. Any disputes and misunderstandings shall be resolved in the general court of the Republic of Latvia, subject to jurisdiction as specified in the laws and regulations of the state.

2. Participation Fee. Deposit. Starting Price.

- 2.1. In order to participate in the Competitive Bidding, a one shall pay the participation fee of EUR 100,00 (one hundred euro), which is subject to 21% VAT, thus totalling EUR 121,00 (one hundred and twenty-one euro) ("**Participation Fee**"). The Participation Fee is non-refundable and is not included in the bid amount, notwithstanding the result of further actions and outcome of the Competitive Bidding. The amount of the Participation Fee will be indicated in the Competitive Bidding announcement.
- 2.2. In order to secure fulfilment of its liabilities, the participant of Competitive Bidding should pay the security deposit ("**Deposit**"). The Deposit amounts of 10% of the Starting Price (USD 2 807 218,00), which is USD 280 721,80 (two hundred eighty thousand seven hundred twenty-one dollar and 80 cents). The Deposit is exempt from the VAT. The Deposit shall be added to the bid made by the Competitive Bidding participant, who will sign the Purchase Agreement in accordance with the provisions set forth herein, provided that such participant fully complies with these provisions and the terms and conditions of the Purchase Agreement. The payments should be made in EUR at the exchange rate set by the Bank of Latvia.
- 2.3. The Starting Price is USD 2 807 218,00 (two million eight hundred seven thousand two hundred and eighteen dollars) ("**Starting Price**"). The Starting Price and the bid are exempt from the VAT. The bid should be made in
- 2.4. The Starting price shall be indicated in the Competitive Bidding announcement, and the bids that are below the indicated Starting price will not be regarded as binding, and it will be considered that the applicant failed to meet the deadline for bid submission.

3. Registration of the Participants

- 3.1. In order to apply for the Competitive Bidding, a person (either natural, or legal) should submit to the Organizer the documents indicated in Clauses 3.2., 3.3., as well as 3.4. and 3.5. (if applicable to that particular applicant and/or the bid made, see Clause 3.4.), and pay the Participation Fee and the Deposit.
- 3.2. In order to register for the Competitive Bidding, an applicant must transfer the following amounts to the accounts below within the term specified in the Competitive Bidding announcement: transfer to the account No **LV69BLIB1001005254003, Baltic International Bank SE**, the Participation Fee, payment purpose – "Competitive bidding participation fee", and the Deposit, payment purpose – "Competitive bidding deposit", and also submit an application addressed to the Bank to participate in the Competitive Bidding ("**Application**"). The Application form is provided in the attachment hereto. The aforementioned amount must be transferred exclusively from the applicant's own bank account, which has been indicated in the Application.
- 3.3. Along with the Application, the applicant is required to submit the following documents:
 - 3.3.1. If the applicant is a natural person:
 - a **notarised copy** of a personal identity document or a **copy*** certified by the Bank's employee approved by the Organizer;
 - if the applicant is represented by another natural person, the following documents should be submitted:
 - a **notarised copy of the applicant's personal identity document**;
 - a **power of attorney** legalised in accordance with the law or a power of attorney issued in a form of a notarised document in the Republic of Latvia, authorising a person to represent the applicant, and to bid at the Competitive Bidding and sign the Purchase Agreement on behalf of the applicant;
 - a **notarised copy** of a personal identity document of the authorised representative or a **copy*** certified by the Bank's employee approved by the Organizer;
 - a **resume with a description of the person's educational and professional background (CV)**;
 - a **description of a legitimate origin of funds**, wherefrom the applicant plans to pay the bid amount (can be included in the Application);
 - 3.3.2. If the applicant is a legal person, regardless of its registration country:
 - – a **certified copy of effective articles of association**;
 - – if the legal person is represented by a person that is not an official thereof, and has no right of representation, and is not recorded in the commercial register, **an original power of attorney**, authorising such person to represent the applicant, and to bid at the Competitive Bidding and sign the Purchase Agreement on behalf of the applicant. This being the case, upon submitting the power of attorney, the authorised representative shall also present the original of his/her **personal identity document** and submit a **notarised copy** of such personal identity document or a **copy*** certified by the Bank's employee approved by the Organizer;
 - if the legal person is represented by its official that has the right of representation and is recorded in the commercial register, a notarised copy of such official's personal identity document or a **copy*** certified by the Bank's employee approved by the Organizer;
 - **the company's ownership structure**, showing the way the ultimate beneficial owner exercises control over the company (if such control is exercised through the intermediary of a legal person, also specifying the names, registration numbers, and registered addresses of all intermediary legal persons. Whereas, if such control is exercised through the intermediary of a legal arrangement, also specifying the name, surname,

personal identity number (or, if a person has no such identity number, the date of birth)) of an authorised representative or a person holding an equivalent position;

- **information/documents certifying the applicant's ultimate beneficial owner:**
 - information/documents certifying the control of the ultimate beneficial owner and benefit acquired from the legal person (the applicant);
 - information about **educational and professional background of the beneficial owner/-s (CV)** and a notarised copy of such beneficial owner's/-s' **personal identity document** or a **copy*** certified by the Bank's employee approved by the Organizer;
- **the company's annual report/-s for the last 2 years** (preferably reviewed by an independent auditor).

3.3.3. If the applicant is a joint-stock company registered in the Republic of Latvia, in addition to the information/documents mentioned in Clause 3.3.2. herein, **a copy of the effective shareholders' register** should be submitted.

3.3.4. If the applicant is a legal entity registered abroad, in addition to the information/documents mentioned in Clause 3.3.2. herein, the following should be submitted:

- a statement on the legal person from a competent authority (commercial register) in the respective country, legalised in accordance with the law or apostilled, and containing at least the following information, including historical data over the past 5 years:
 - o full legal name;
 - o legal form;
 - o customer status (e.g. active, insolvent);
 - o registration date;
 - o registration number;
 - o registration country;
 - o description of economic activity;
 - o registered address;
 - o actual business address (if differs from the registered address);
 - o information about the customer's officials, i.e. board, council members, and other senior officials of the company;
 - o information about shareholders;
 - o information about ultimate beneficial owners.
- if the statement from the respective competent authority (commercial register) lacks any of the aforementioned data, the applicant should submit copies of other documents containing the missing information (such as, shareholder's register, good standing certificate);
- information/documents confirming the registered and the actual business address, such as, utility bills.

**The copy of a personal identity document may be submitted also in the form of an electronic document (edoc) certified with a safe electronic signature and a time stamp by the bearer him-/herself. The original of the certified document shall be presented prior to potential signing of the Purchase Agreement.*

3.4. In case the applicant applies for a Competitive Bidding, where the starting price for the Asset equals or exceeds EUR 15 000,- (fifteen thousand euro), or previously at the time of the Bank's insolvency proceedings the applicant has already obtained any property or asset from the Bank or persons related to the Bank, and the total amount of these transactions, including also the Starting Price for the Asset, which the applicant wishes to buy within the Competitive Bidding it applies for, equals or exceeds EUR 15 000,- (fifteen thousand euro), as well as, if the bid made by the applicant equals or exceeds EUR 15 000,- (fifteen thousand euro), then apart from the documents specified in Clause 3.2. and 3.3., the applicant must additionally submit to the Organizer a KYC questionnaire (Know Your Customer) attached hereto, **with all information fields filled in and together with all annexes thereto.**

3.5. Upon submitting the KYC questionnaires referred to in Clause 3.4., **the applicant must provide the Organizer with the data, information, as well as relevant documents** that the Organizer needs to conduct an enhanced due diligence of the applicant and its ultimate beneficial owner, in compliance with the requirements of the Law on Prevention of Money Laundering and Terrorism and Proliferation Financing of the Republic of Latvia ("**the AML/CTPF Law**") and the Law on International Sanctions and National Sanctions of the Republic of Latvia ("**the Sanctions Law**"), thus enabling the Organizer to verify the legitimate origin of the applicant's funds. Thus, for instance, the applicant must provide:

- **information and documents describing the applicant's and its ultimate beneficial owner's property status, including, without limitation – account statements for the past year** (should be submitted prior to or on the day of application), **declarations of property status, documents confirming the ownership of property, deeds of gift, loan agreements, purchase agreements;**
- **information and documents that support the receipt of funds and justify the legitimate origin thereof, including, without limitation – for natural persons – statements of all existing accounts for one year** (should be submitted prior to the day of application), **tax declarations, salary verification**

documents, decisions on dividend disbursements, deeds of gift, loan agreements; for legal persons – statements of all existing accounts for one year (should be submitted prior to the day of application), **information, documents on major business partners** (agreements, consignment notes, advance invoices, shipping documents, customs documents, a.o.).

- 3.6. The applicant may submit the documents mentioned in Clause 3.3., 3.4., and 3.5. in Latvian, Russian, or English.
- 3.7. For the sake of clarity, it is explained that the documents mentioned in Clause 3.3. herein should be submitted in the original form, i.e. legalised in a certain manner or apostilled (whenever applicable), or in the form of a notarised derivative, which is likewise legalised as required by law or apostilled.
- 3.8. The documents submitted to register and participate in the Competitive Bidding are not returned to the applicant or the participant.
- 3.9. When the bidding deadline indicated in the Competitive Bidding announcement falls due, the Organizer either registers the applicant as the Competitive Bidding participant, or refuses the registration. The applicants are registered as Competitive Bidding participants in the same order as they have submitted the documents referred to in Clauses 3.2., 3.3., 3.4., and 3.5. herein. The Organizer notifies the applicant about the latter being registered or refused to be registered as the Competitive Bidding participant, by sending a respective e-mail to the address specified in the submitted application. In case of refusal, it is not subject to any appeal. As soon as the aforementioned notification is sent to the e-mail address specified in the application, it is considered that the applicant has received the information on the same day.
- 3.10. The applicant shall not be registered as the Competitive Bidding participant, if:
 - the applicant fails to meet the deadlines for fulfilling the obligations assigned hereby, including, has failed to pay the Participation Fee or the Deposit, has failed to provide all the documents;
 - has not made a bid in due time.
- 3.11. For the sake of clarity, it is hereby noted that **the Organizer shall not conduct an enhanced due diligence of the applicant** prior to the deadline for bid submission specified in the Competitive Bidding announcement, including, the enhanced due diligence of legitimate origin of the applicant's funds; instead, the Organizer shall only conduct an initial general verification and check whether the information in the submitted documents corresponds to the information provided by the applicant.
- 3.12. In case the applicant is refused registration as the Competitive Bidding participant, the paid Deposit shall be returned within 5 (five) business days from the deadline for bid submission specified in the Competitive Bidding announcement, unless there are any obstacles to such return justified by the applicable laws and regulations or the present Regulations.
- 3.13. Once the applicant is registered as the participant of the Competitive Bidding, the Organizer conducts an enhanced due diligence of the Winning Bidder and the Second Winning Bidder, and verifies the legitimate origin of their funds, at the same time notifying the bidders that they have been declared the Winning Bidder and the Second Winning Bidder of the Competitive Bidding, while also notifying other participants that they have been outbid. The respective notifications shall be sent by e-mail to the address specified in the application. As soon as the aforementioned notification is sent to the e-mail address specified in the application, it is considered that the applicant has received the information on the same day.
- 3.14. The enhanced due diligence of the Winning Bidder and the Second Winning Bidder, as well as the enhanced due diligence of the origin of their funds shall be conducted within 15 (fifteen) business days from the day they are notified of being declared the Winning Bidder and the Second Winning Bidder. The rest of the Competitive Bidding participants will have their Deposit amount repaid within 5 (five) business days from the day they are notified of being outbid.
- 3.15. **The Winning Bidder and the Second Winning Bidder are obliged to prove their funds are of legitimate origin.** Upon conducting an enhanced due diligence of the Competitive Bidding participant, the Organizer is authorised to request additional documents and information, and the Competitive Bidding participant is obliged to provide such documents and information in such amount and within such term as determined by the Organizer.
- 3.16. The Competitive Bidding participant shall be excluded from the list of the registered Competitive Bidding participants (no longer shall be declared the Winning Bidder or the Second Winning Bidder), if:
 - the Organizer does not obtain credible information and documents, necessary to meet the requirements of the due diligence stipulated in the AML/CTPF Law, including the due diligence of legitimate origin of funds, in the amount that would be adequate for conducting a substantive verification, including, without limitation, if within the term determined herein or the term determined by the Organizer it is not provided with the requested additional documents and/or information;
 - for reasons beyond the Organizer's control it is unable to perform verifications and/or implement measures stipulated in the AML/CTPF Law or the Sanctions Law, or the assessed documents submitted by the participant raise concerns as to money laundering and/or terrorism and proliferation financing.
- 3.17. In case the Competitive Bidding participant is excluded from the list of registered participants (is no longer the Winning Bidder or the Second Winning Bidder), the paid Deposit shall be returned within 5 (five) business days

from the day of evaluation of the participant (see Clause 3.14.), unless there are any obstacles to such return justified by the applicable laws and regulations or the present Regulations.

3.18. By signing and submitting the Application to the Organizer, the applicant agrees:

- and is aware about personal data processing performed by the Organizer, which is necessary to ensure the process of Competitive Bidding, enter into the Purchase Agreement, and secure the legitimate interests of the Organizer, and the applicant agrees to such processing and has no claims against the Organizer in this regard and will not lodge any such claims in the future;
- to due diligence activities to be performed in compliance with the AML/CTPF Law, the Sanctions Law, and the present Regulations, and hence undertakes to provide all and any information and documents requested by the Organizer,
- to communicate electronically with the Organizer by using the e-mail address provided in the submitted Application.

3.19. By signing and submitting the Application to the Organizer, the applicant certifies that:

- he has reviewed all the information about the Asset, is aware of its actual and legal status, and agrees that all of the aforementioned meets his interests, and the applicant waives any claims against the Organizer in this regard;
- the applicant has reviewed the Regulations for the Competitive Bidding and the draft Purchase Agreement, and deems them mutually beneficial, and waives any claims against the Organizer with respect thereto, and will not lodge any such claims in the future, including claims relating to changes in the purchase price and/or losses.

3.20. The Organizer shall not report any identification data of the applicants prior to the deadline for bid submission specified in the announcement, except as otherwise expressly provided in the applicable laws and regulations.

3.21. The Organizer shall proclaim the Competitive Bidding void, if within the prescribed term there are no applicants to the Competitive Bidding or none of the applicants is registered for participation, or if the Winning Bidder or the Second Winning Bidder are excluded from the list of registered Competitive Bidding participants.

4. Competitive Bidding Procedure

4.1. The bid shall be made in writing and expressed clearly and unambiguously. The application shall contain the following information: applicant's data and banking details; description of the Asset taking into account the information provided in the Competitive Bidding announcement; the bid price expressed in USD, written out both in figures and in words.

*** If the bid price written out in figures differs from the bid price written out in words, the bid price written out in words shall prevail.*

4.2. If several applicants make equal bids for the Asset, the applicant that was the first to be registered as participant, shall be considered and recognised as the one that made the bid.

4.3. When registering the applicant as the Competitive Bidding participant, the Organizer shall also compare the bids the participants make for the Asset, and by sending a respective e-mail to the address provided in the application, shall inform the highest bidder that he/she has won the Competitive Bidding. Within the same term, the Second Winning Bidder shall be informed that he/she is the second winner of the Competitive Bidding, while all other participants shall be informed that they have been outbid.

4.4. Immediately having determined and assessed the Winning Bidder of the Competitive Bidding, the Organizer shall communicate the information about the Winner and the bid he/she has made for the Asset to the Financial and Capital Market Commission, if applicable subject to any regulations or other set requirements binding on the Bank.

4.5. If within the 14 (fourteen) day period following the day, when the Organizer has informed the Financial and Capital Market Commission about the Winning Bidder (if applicable), the Financial and Capital Market Commission has not expressed any objections against signing of the Purchase Agreement with that particular Winning Bidder, the Organizer shall send the Winning Bidder (to the e-mail address specified in the Application) and invitation to sign the Purchase Agreement within the term determined by the Organizer, which shall not be less than 5 (five) business days, and to pay the required amount of the bid, which is the difference between the bid and the paid Deposit. The payment should be made in EUR at the exchange rate set by the Bank of Latvia. The Deposit shall be included in the bid amount.

4.6. If Clause 4.4. does not apply, the Purchase Agreement between the Bank and the Winning Bidder shall be signed within the term determined by the Organizer, which shall not be less than 5 (five) business days following the day, when the Organizer has sent its announcement.

4.7. If the Winning Bidder does not sign the Purchase Agreement within the term indicated in Clause 4.5. or 4.6. and does not pay the required amount of the bid, i.e. the difference between the bid and the paid Deposit, the Organizer shall be entitled to pass the offer on to the Second Winning Bidder at the highest bid made thereby; whereas, as to the Winning Bidder, it shall be considered that the Winning Bidder has withdrawn from the purchase, and the paid Deposit shall not be returned. The provisions laid down in this clause, namely, that the Winning Bidder has

withdrawn from the purchase and the Deposit he has paid shall not be returned, unless there are any obstacles to such return justified by the applicable laws or the present Regulations, shall not apply to the case, where the Financial and Capital Market Commission has objected to signing of the Purchase Agreement between the Bank and the Winning Bidder, whereas, this being the case, the provisions of Clause 4.9. shall apply.

- 4.8.** Should any of the provisions laid down in Clause 4.8. apply, the Second Winning Bidder shall inform the Organizer that he/she agrees to purchase the Asset at the submitted bid price no later than within 5 (five) business days from the day of receiving the invitation from the Organizer. If the Second Winning Bidder has not provided his/her agreement within the specified term, it shall be considered that the Second Winning Bidder has withdrawn from the purchase and the Competitive Bidding shall be proclaimed void. This being the case, the Deposit paid by the Second Winning Bidder shall be returned by a transfer to the account specified in the Application within 5 (five) business days from the day, when the Competitive Bidding is proclaimed void subject to the conditions set forth herein, unless there are any obstacles to such return justified by the applicable laws and regulations. If the Second Winning Bidder has informed the Organizer that he/she agrees to purchase the Asset, the Second Winning Bidder shall be the subject to the same provisions as the Winning Bidder (see Clauses 4.4., 4.5., 4.6., 4.7., 4.9., 5.1. and 5.2.), except for the provisions on passing the offer to the Second Winning Bidder. If the consequences mentioned in Clause 4.7. ensue vis-a-vis the Second Winning Bidder as well, the Competitive Bidding shall be proclaimed void, and the Organizer shall be entitled to handle the Asset as it deems fit.
- 4.9.** For the sake of clarity, it is explained that Bank will sign the Purchase Agreement with the Winning Bidder, provided that no objections have been expressed by the Financial and Capital Market Commission. If the Financial and Capital Market Commission objects to the conclusion of such Purchase Agreement with the Winning Bidder, then the Competitive Bidding shall be proclaimed void, except where the offer is passed on to the Second Winning Bidder, and the Organizer shall be entitled to handle the Asset as it deems fit. This being the case, the Deposit paid by the Winning Bidder shall be returned by a transfer to the account specified in the Application within 5 (five) business days from the day, when the Competitive Bidding is proclaimed void subject to the conditions set forth herein, unless there are any obstacles to such return justified by the applicable laws and regulations.
- 4.10.** Accordingly, the Deposit paid by the Second Winning Bidder shall be returned within 5 (five) business days from the day, when the Winning Bidder and the Bank sign the Purchase Agreement in accordance with the present Regulations, and the Winning Bidder pays the remaining amounts, i.e. the difference between the bid and the paid Deposits), or in accordance with the provisions set forth in Clause 4.8., unless there are any obstacles to such return justified by the applicable laws and regulations.

5. Concluding Provisions

- 5.1.** If the credit institution, where the Bank has opened an account that will be used to pay the bid price, blocks the funds credited by the Winning Bidder in the context of the AML/CTPF Law or the Sanctions Law, then Bank shall be entitled to unilaterally withdraw from the Competitive Bidding and the Purchase Agreement by notifying the Winning Bidder on the matter, and to proclaim the Competitive Bidding void, and to handle the Asset as the Bank deems fit. This being the case, the Bank shall assume no liability towards the Winning Bidder and has no obligation to indemnify the Winning Bidder against any losses, including the Deposit, and the Winning Bidder shall not be entitled to seek such indemnification from the Organizer.
- 5.2.** The bid excludes any other taxes, charges and any similar payments applicable and/or relating to purchase, disposal, and reregistration of the Asset, if such are applicable. The aforementioned payments shall be borne by the Winning Bidder in addition to the bid made. Furthermore, in addition to the bid, the Winning Bidder shall bear any costs relating to recording and registration of the Winning Bidder's rights to the Asset. The Winning Bidder shall be exclusively responsible for requesting and obtaining all documents that are necessary to record and register the Winning Bidder's rights to the Asset, as well as for bearing any related costs and dealing with other formalities.

Attached:

1. Application
2. Draft Purchase Agreement.
3. KYC Questionnaire with 4 annexes for a natural person in Latvian.
4. KYC Questionnaire with 4 annexes for a legal person in Latvian.
5. KYC Questionnaire with 4 annexes for a natural person in English.
6. KYC Questionnaire with 4 annexes for a legal person in English.
7. KYC Questionnaire with 4 annexes for a natural person in Russian.
8. KYC Questionnaire with 4 annexes for a legal person in Russian.