

## **Coop Pank AS**

### **Supervisory Board Report**

17. March 2021

In 2020, Coop Pank started to increase its business volumes more vigorously with the aim of employing the capital attracted in the public offering of shares. Momentary setbacks occurred in March 2020 due to the spread of the coronavirus, but the bank was able to quickly reorganize its work and continue to implement the strategy planned for 2020 to 2022. The Bank's results in 2020 were very good and the internally set goals were met. The growth of the loan portfolio was 46% and 23 thousand new customers were added to the bank during the year. The bank has steadily increased its market share and reputation.

Based on the risks arising from the external environment, the Supervisory Board has been focusing on continuous credit risk assessment since April. For this, the Management Board presented a monthly risk analysis and various scenarios and their accompanying effects on the bank's capitalization. The last discussion on this was in November. As the situation then returned to normal, additional monitoring was terminated.

The Supervisory Board of the Bank changed at the shareholders' meeting held on 28 May 2020, when a new Supervisory Board was elected: Alo Ivask (Chairman), Ardo Hillar Hansson (Vice-Chairman), Jaan Marjundi, Roman Provotorov, Silver Kuus and Raul Parusk. Eleven Council meetings took place in 2020, and decisions were taken four times without convening a meeting. The activities of the Supervisory Board were supported by the Remuneration Committee and the Audit Committee, which also performed the functions of the Risk Committee. Relying on the internal audit unit, the Supervisory Board ensured that the activities of Coop Pank consolidation group complied with the established requirements.

Once a month, the Supervisory Board discussed the results of the Group's economic activities and the fulfillment of the set goals. The Management Board provided the Supervisory Board with weekly reviews of sales results and monthly reviews of business results and compliance with the prudential ratios established for credit institutions. Risk reports and internal auditor's reports were reviewed on a quarterly basis. The Supervisory Board approved the Bank's financial recovery plan, which sets out the principles for action in crisis situations. The remuneration principles of the banking group were reviewed, the principles of risk management and several other internal rules were updated.

In addition to regular meetings of the Supervisory Board, several members of the Supervisory Board have been involved in various projects and contributed to their implementation. The current co-operation of the Supervisory Board with the Management Board has been good and all important issues related to the day-to-day operations of the Bank have been addressed in the course of open discussions. As in previous years, in 2020 the focus was on monitoring the developments related to the real estate object in Latvia.

The Supervisory Board approved the Bank's strategy and financial plan for 2021-2023, which envisage the continuation of the same rapid growth strategy. The bank is well capitalized and has a prudent capital plan to support growing business volumes.

The bank's share has been trading on the stock exchange since December 10, 2019. The bank has been open to investors, shared monthly reviews of the bank's results and conducted quarterly presentations. As the principles of responsible operations have become increasingly important, the Bank has set itself the goal of moving forward in this direction and has also provided an overview of current activities in its annual report. The Bank follows the principles of good corporate governance.

In 2020, one regular shareholders' meeting was held. The shareholders approved the annual report for 2019 and the profit distribution proposal prepared by the Management Board. On the agenda of the general meeting was also the amendment of the articles of association, which, among other things, extended the competence of the Supervisory Board and gave the Supervisory Board the right to increase the share capital in order to facilitate the exercise of the option program adopted by shareholders.

In 2020, the Supervisory Board adopted two decisions on the option program. In April 2020, the it was decided to issue a total of 895 000 options to 39 employees with maturity of April 2023 and a price of 1.01 euros per share. In October 2020, the Supervisory Board decided to issue 1 167 700 new shares to exercise the options issued to the members of the Management Board, as a result of which the number of the Bank's shares increased to 90 623 866.

On 17 March 2021, the Supervisory Board approved the Annual Report for the financial year 2020 compiled by the Management Board and agreed to the Management Board's proposal for the distribution of profit.

Alo Ivask

Coop Pank AS Chairman of the Supervisory Board