

COOP PANK AS

ADDITIONAL TIER 1 TEMPORARY WRITE-DOWN NOTES

Issue price of the Additional Tier 1 Temporary Write-Down Notes: 100 per cent.

1 September 2023

Coop Pank AS, a limited liability company, with registration number 10237832, established and holding a credit institution authorisation in Estonia, (the “**Issuer**”) has decided to issue up to EUR 12,000,000 in aggregate nominal value of the Additional Tier 1 Temporary Write-Down Notes (the “**Notes**”).

The Notes are issued in one issue. The Notes are issued at the issue price of 100 per cent. of the Original Nominal Value of the Notes.

This document sets out the Terms and Conditions of the Notes (the “**Conditions**”).

IMPORTANT NOTICE

No person should form their investment decision regarding the Notes solely based on these Conditions. Investors considering an investment should familiarise themselves with and read carefully the information made available by the Issuer, including information regarding the business, financial performance and associated risks of the Issuer and its Group, and the Description of Risk Factors regarding the Notes made available by the Issuer either through the website of the Issuer <https://www.cooppank.ee/en/for-investors> or otherwise in connection with the Notes.

No action has been or will be taken in any country or jurisdiction by the Issuer that would permit a public offering of the Notes, or possession or distribution of any placement material in relation thereto, in any country or jurisdiction where action for that purpose is required. The Notes may not be sold or offered to be sold in a way that would qualify as a public offering and require registration and publication of a prospectus or similar disclosure document or sold or offered to be sold to investors in countries where such sale or offer would be unlawful. Persons who have access to these Conditions or other information made available by the Issuer must ensure that they comply with all applicable laws and regulations in each country or jurisdictions in or from which they purchase, sell or deliver the Notes, in all cases at their own expense.

TERMS AND CONDITIONS

1. Definitions and Interpretation

- (a) In these Conditions the following expressions have the following meanings:

“**Additional Tier 1 Capital**” means additional tier 1 capital for the purposes of the Applicable Banking Regulations.

“**Applicable Banking Regulations**” means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy then in effect in Estonia including, without limitation to the generality of the foregoing, the CRR, the SRM Regulation, the national laws implementing the CRD and the BRRD, delegated and implementing acts adopted by the European Commission and those regulations, requirements, guidelines and policies relating to capital adequacy, solvency, or resolution adopted by the EFSA, the European Banking Authority, the European Central Bank, and the European Single Resolution Board from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or Group).

“**BRRD**” means the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended, *inter alia*, by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 and, as the context permits, any provision of Estonian law, including the Estonian Financial Crisis Prevention and Resolution Act (in Estonian: *finantskriisi ennetamise ja lahendamise seadus*) transposing or implementing such directive, as amended or replaced from time to time.

“**Business Day**” means a day on which commercial banks settle payments in Tallinn and which is a settlement day of the Register and a TARGET Settlement Day.

“**Capital Event**” means the determination by the Issuer, after consultation with the EFSA, that the Outstanding Nominal Value of the Notes ceases or would be likely to cease to be included in whole, or in any part, or count in whole or in any part towards the Tier 1 Capital of either the Issuer or the Group due to

a change in the Applicable Banking Regulations that was not reasonably foreseeable at the time of the issuance of the Notes (other than by reason of a full or partial exclusion of the Outstanding Nominal Value of the Notes arising (i) as a result of a Write Down and/or (ii) by reason of any applicable limit on the amount of such capital under the Applicable Banking Regulations from time to time).

"**CDR**" means Regulation (EU) 241/2014 of 7 January 2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (Capital Delegated Regulation), as amended or replaced from time to time.

"**CET1 Capital**" means in respect of the Group, at any time, the sum, expressed in the euro, of all amounts that constitute common equity tier 1 capital of either the Issuer or the Group (as the case may be) as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Issuer in accordance with the Applicable Banking Regulations applicable to the Group on a consolidated basis, at such time (which calculation shall be binding on the Holders). For the purposes of this definition, the term "common equity tier 1 capital" shall have the meaning assigned to such term in the Applicable Banking Regulations then applicable to the Group (as the case may be).

"**CET1 Ratio**" means, at any time, the ratio of CET1 Capital of the Group, as at such date to the Risk Weighted Assets of the Group, as at the same date, expressed as a percentage and, for the avoidance of doubt, on the basis that all measures used in such calculation shall be calculated applying the transitional provisions set out in Part Ten of the CRR and applied in accordance with the Applicable Banking Regulations then applicable to the Group.

"**Conditions to Redemption**" means the conditions to redemption set out in Condition 6(e) (*Redemption and Purchase – Conditions to Redemption*).

"**CRD**" means Directive (EU) 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as implemented in Estonia and including as amended by the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019, as amended or replaced from time to time.

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended, *inter alia*, by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, as amended or replaced from time to time.

"**Distributable Items**" means the amount of the profits at the end of the latest financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments minus any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the Issuer's articles of association and sums placed to non-distributable reserves in accordance with Estonian law or the articles of association of the Issuer, those losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of the consolidated accounts, or, at any time, the meaning assigned to such term in CRR as interpreted and applied in accordance with the Applicable Banking Regulations then applicable to the Issuer.

"**EFSA**" means the Estonian Financial Supervision and Resolution Authority (in Estonian: *Finantsinspeksioon*) or any successor or replacement thereto.

"**Estonian Credit Institutions Act**" means the Credit Institutions Act (in Estonian: *krediiasutuste seadus*) of the Republic of Estonia.

"**Estonian Insolvency Act**" means the Insolvency Act (in Estonian: *pankrotiseadus*) of the Republic of Estonia.

"**First Interest Payment Date**" is 18 December 2023.

"**Group**" means, from time to time, the Issuer and each entity which is part of the banking group with a parent institution and/or banking group with a parent financial holding company to which (i) the Issuer belongs; and (ii) to which the own funds requirement on a consolidated basis due to prudential consolidation in accordance with the Applicable Banking Regulations apply.

"**Interest Commencement Date**" means the Issue Date of the Notes.

"**Interest Payment Date**" means the First Interest Payment Date, and 18 March, 18 June, 18 September, and 18 December annually. If an Interest Payment Date falls on a day that is not a Business Day, interest shall be paid on the next Business Day after the Interest Payment Date.

“**Issue Date**” is 18 September 2023.

“**Junior Securities**” means the share capital and any obligation of the Issuer ranking or, expressed to rank, junior to the Notes in a voluntary or involuntary liquidation (in Estonian: *likvideerimine*) or bankruptcy (in Estonian: *pankrot*) of the Issuer.

“**Loss Absorbing Instrument**” means at any time any instrument (other than the Notes) issued directly or indirectly by the Issuer which at such time (a) qualifies as Additional Tier 1 Capital of the Group, and (b) which is subject to utilisation and conversion or utilisation and write down (as applicable) of the outstanding nominal value thereof (in accordance with its terms or otherwise) on the occurrence, or as a result, of the CET1 Ratio of the Group falling below a specified level.

“**Maximum Distributable Amount**” means any maximum distributable amount (in Estonian: *maksimaalse väljamakse summa*) relating either to the Issuer and/or the Group (as the case may be) required to be calculated in accordance with Article 141 of the CRD as transposed or implemented into Estonian law (notably by a Regulation of the President of the Bank of Estonia No 13 of 9 July 2014 “Procedure for Calculation of Maximum Distributable Amount of Equity”, as amended) and in accordance with the Applicable Banking Regulations.

“**Maximum Reinstatement Amount**” means, in respect of any Reinstatement, the Net Profit of the Group multiplied by the sum of the aggregate Original Nominal Value of the Note and the aggregate initial principal value of all Written Down Additional Tier 1 Instruments of the Group, and divided by the total Tier 1 Capital of the Group as at the date of the relevant Reinstatement, or any higher amount permissible pursuant to Applicable Banking Regulations in force on the date of the relevant Reinstatement.

“**Net Profit**” means the consolidated net profit of the Group and shall be the most recent profits calculated on a statutory basis after the relevant body has taken a formal decision confirming such final profits of the Group, as applicable.

“**Notes**” mean the debt instruments issued by the Issuer under these Conditions with the status set out in Condition 4 (*Status*) below.

“**Original Nominal Value**” means, in respect of a Note, EUR 100,000.

“**Outstanding Nominal Value**” means, in respect of a Note, the Original Nominal Value as reduced from time to time by any partial redemption or repurchase or upon occurrence of a Trigger Event, by a write-down and subsequent to any such reduction, by a write up, if any (up to the Original Nominal Value) in accordance with these Conditions.

“**Parity Securities**” means any (i) subordinated and undated debt instruments or securities of the Issuer which are recognized as Additional Tier 1 Capital of the Issuer, from time to time by the EFSA, and (ii) any securities or other obligations of the Issuer which rank, or are expressed to rank, on a voluntary or involuntary liquidation (in Estonian: *likvideerimine*) or bankruptcy (in Estonian: *pankrot*) of the Issuer, *pari passu* with the Notes.

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) or other legal entity.

“**Rate of Interest**” means the fixed rate of 12.00 per cent. *per annum*.

“**Reference Date**” means the accounting date as at which the applicable Relevant Profits were determined.

“**Reinstatement Amount**” means the amount, subject to the Maximum Reinstatement Amount, by which the Outstanding Nominal Value of each Note in effect prior to the relevant Reinstatement, is to be reinstated and written up on the Reinstatement Effective Date on the balance sheet of the Issuer on such date, as specified in the Reinstatement Notice.

“**Reinstatement Effective Date**” means the date on which the Outstanding Nominal Value of each Note is reinstated and written up on the balance sheet of the Issuer (in whole or in part), as specified in the relevant Reinstatement Notice.

“**Reinstatement Procedure**” means the procedures set out in Condition 7(b)(ii).

“**Reinstatement Notice**” means the notice to be delivered by the Issuer to the Holders in accordance with Condition 12 specifying the Reinstatement Amount and the Reinstatement Effective Date.

“**Register**” means the Estonian Register of Securities operated by Nasdaq CSD SE Estonian branch (registration code 14306553, registered address Maakri tn 19/1, 10145 Tallinn, Estonia) or any other such securities depository within the European Economic Area appointed by the Issuer from time to time (or any successor thereof) to carry out its duties to keep a register or its shares and the Notes.

“**Relevant Distributions**” means the sum of:

- (a) any distributions on the Notes made or scheduled to be made by the Issuer in the then current financial year of the Issuer; and
- (b) any distributions made or scheduled to be made by the Issuer on other Common Equity Tier 1 instruments or Additional Tier 1 Capital instruments in the then current financial year of the Issuer.

“**Relevant Capital**” means Tier 1 Capital.

“**Relevant Profits**” means the Net Profits of the Group.

“**Risk Weighted Assets**” means, at any time, the aggregate amount, expressed in the euro, of the risk weighted assets of either the Group (as the case may be), as at such date, as calculated on a consolidated basis in respect of the Group in accordance with the Applicable Banking Regulations applicable to the Group (as the case may be), on such date (which calculation shall be binding on the Holders). For the purposes of this definition, the term “risk weighted assets” means the risk weighted assets or total risk exposure amount, as calculated in accordance with the Applicable Banking Regulations applicable to the Group (as the case may be).

“**Resolution Authority**” means the European Single Resolution Board, the EFSA, or such other regulatory authority or governmental body with the ability to exercise any resolution powers as set out in the BRRD or the SRM Regulation in relation to the Issuer.

“**SRM Regulation**” means Regulation (EU) 806/2014 of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as amended *inter alia* by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019, and as amended or replaced from time to time.

“**Subordinated Indebtedness**” means any obligation of the Issuer whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of liquidation (in Estonian: *likvideerimine*) or bankruptcy (in Estonian: *pankrot*) of the Issuer to the claims of depositors and all other unsubordinated creditors of the Issuer.

“**Subsidiary**” has the meaning provided in the Estonian Commercial Code (in Estonian: *äriühendus*).

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilizes a single shared platform, and which was launched on 19 November 2007 (or any successor thereof).

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro.

“**Tax Event**” means:

- (i) any amendment to, or clarification of, or change in, the laws or treaties (or any regulations thereunder) of the Taxing Jurisdiction affecting taxation;
- (ii) any governmental action in the Taxing Jurisdiction affecting taxation; or
- (iii) any amendment to, clarification of, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known,

which amendment or change is effective, or such governmental action, pronouncement or decision is announced, on or after the Issue Date of the Notes, and under or due to which:

- (A) the Issuer is, or will be, subject to additional taxes, duties or other governmental charges with respect to the Notes or is not, or will not be, entitled to claim a deduction in respect of payments in respect of the Notes in computing its taxation liabilities (or the value of such deduction would be materially reduced);
- (B) the treatment of any of the Issuer's items of income or expense with respect to the Notes as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Issuer will not be respected by a taxing authority, which subjects the Issuer to additional taxes, duties or other governmental charges; or
- (C) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*).

“**Taxing Jurisdiction**” means the Republic of Estonia or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Issuer is treated as having a permanent establishment, under the income tax laws of such jurisdiction.

“**Tier 1 Capital**” means tier 1 capital for the purposes of the Applicable Banking Regulations.

“**Tier 2 Capital**” means tier 2 capital for the purposes of the Applicable Banking Regulations.

a “**Trigger Event**” shall occur if at any time the Issuer, EFSA or any agent appointed for such purpose by the EFSA has determined that the CET1 Ratio of the Group on a consolidated basis is less than the Trigger Level.

“**Trigger Level**” is 5.125 per cent.

“**Write Down**” means the write down of the Outstanding Nominal Value of each Note (in whole or in part, as applicable) by writing down such Outstanding Nominal Value (in whole or in part, as applicable) in accordance with the Write Down Procedure.

“**Write Down Amount**” means the amount by which the Outstanding Nominal Value of each Note is to be written down on the Write Down Effective Date, which shall be:

- (i) the amount (together with the write down on a pro rata basis of the other Notes and any utilization and conversion or utilization and write down (to the extent possible) of other Loss Absorbing Instruments to be written down or converted concurrently (or substantially concurrently)) that would be sufficient to restore the CET1 Ratio of the Group to at least the Trigger Level; or
- (ii) if that write down (together with the write down on a pro rata basis of the other Notes and any utilization and conversion or utilization and write down (to the extent possible) of any other Loss Absorbing Instruments to be written down or converted concurrently (or substantially concurrently)) would be insufficient to restore the CET1 Ratio to the Trigger Level, or the CET1 Ratio is not capable of being so restored, the amount necessary to reduce the Outstanding Nominal Value of such Note to one euro cent.

provided, however, with respect to each Loss Absorbing Instrument (if any) such pro-rata write down or conversion shall only be taken into account to the extent required to restore the CET1 Ratio of the Group to the lower of (a) such Loss Absorbing Instrument's trigger level, or where there is more than one such trigger level, the highest of such trigger levels as has been triggered thereon and (b) the Trigger Level in respect of which the Trigger Event has occurred and provided further, however, that to the extent the write down, or, as the case may be, conversion of the nominal value of any Loss Absorbing Instrument is not, or by the relevant Write Down Effective Date will not be, effective for any reason, the ineffectiveness of any such write down or, as the case may be, conversion shall not prejudice the requirement to effect a write down of each Note under these Conditions and the amount of any future potential write down or conversion (as the case may be) of such Loss Absorbing Instrument shall not be taken into account in determining, and so shall not reduce, the amount of the write down of the Outstanding Nominal Value of each Note.

“**Write Down Effective Date**” means the date on which the Write Down shall take place, or has taken place, as applicable.

“**Write Down Notice**” means the notice to be delivered by the Issuer to the Holders in accordance with Condition 12 specifying (i) that a Trigger Event has occurred and (ii) the Write Down Effective Date or expected Write Down Effective Date.

“**Write Down Procedure**” means the procedures set out in Condition 7(a)(ii).

“**Written Down Additional Tier 1 Instrument**” means a Loss Absorbing Instrument (other than these Notes) issued directly or indirectly by the Issuer and qualifying as Additional Tier 1 Capital of the Group that, immediately prior to any Reinstatement, has a prevailing nominal value which is less than its original nominal value due to a write down and that has terms permitting a principal write up to occur on a basis similar to that set out in Condition 7(b) in the circumstances existing on the relevant Reinstatement Effective Date.

- (b) In these Conditions:
 - (i) any reference to principal or nominal shall be deemed to include the redemption amount, any additional amounts in respect of principal which may be payable under Condition 8 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
 - (ii) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

2. **Form and Denomination**

(a) ***Form***

The Notes are issued in book-entry form. The Notes are not numbered.

(b) ***Registration***

The Notes are registered in the Register and assigned an ISIN code EE3300003649.

The Notes may be subscribed for only by such persons that have a securities account with the Register.

(c) ***Denomination***

The Notes will be issued in denominations of EUR 100,000.

(d) ***Currency of the Notes***

The Notes are issued in euro.

3. **Title, Transfer and Delivery**

(a) ***Title to the Notes***

Title to the Notes belongs to the person in whose name the Notes are registered in the Register (the “**Holder**”). Title to the Notes passes by registration of change of ownership in the Register.

(b) ***Transfer of the Notes and Transfer Limitation***

The Notes can be transferred by initiating respective transfers through the securities accounts with the Register.

Holders are not permitted to offer to sell, or to sell, or to otherwise transfer the Notes to any person in such increments that the consideration received would be less than 100,000 euros per sale or transfer and per purchaser or transferee without explicit written prior permission of the Issuer. Also, the Notes may not be sold or offered to be sold in a way that would qualify as a public offering and require registration and publication of a prospectus or similar disclosure document or sold or offered to be sold to investors in countries where such sale or offer would be unlawful.

The Notes will not be listed or admitted to trading on any trading venue.

(c) ***Delivery***

The Issuer organises the registration of the Notes in the Register and their deletion from the Register upon their redemption. Only persons who have securities accounts (whether directly or via a nominee structure) with the Register can subscribe for or purchase the Notes. The Register may temporarily block the Notes on a Holder’s securities account to ensure performance of corporate actions regarding the Notes.

4. **Status**

Ranking

The Notes issued pursuant to these Conditions constitute and will constitute direct, unsecured, subordinated obligations of the Issuer.

The Issuer expects the Notes to be instruments of the Issuer qualifying as Additional Tier 1 Capital instruments.

In the event of the voluntary or involuntary liquidation (in Estonian: *likvideerimine*) or bankruptcy (in Estonian: *pankrot*) of the Issuer, the rights and claims (if any) of the Holders of any Notes to payments of the then Outstanding Nominal Value, as reduced by any relevant Write-Down Amount in respect of a Trigger Event which has occurred but in respect of which the Write Down Effective Date has not yet occurred, (if any) of the Notes and any other amounts in respect of the Notes (including any accrued and uncanceled interest or damages awarded for breach of any obligations under these Conditions, if any are payable), will rank:

- (i) *pari passu* without any preference among the Notes;
- (ii) at least *pari passu* with payments to holders of present or future outstanding Parity Securities of the Issuer;
- (iii) in priority to payments to holders of present or future outstanding Junior Securities (including shares) of the Issuer; and
- (iv) junior in right of payment to the payment of any present or future claims of (a) depositors of the Issuer, (b) other unsubordinated creditors of the Issuer, and (c) subordinated creditors of the Issuer in respect of Subordinated Indebtedness (other than Parity Securities and Junior Securities) including, for the avoidance of doubt, Tier 2 Capital instruments,

subject, in all cases, to mandatory provisions of Estonian law, including but not limited to the Estonian implementation of Article 48(7) of the BRRD in paragraph 2 of § 131 of the Estonian Credit Institutions Act to the effect that claims resulting from items qualifying (whether in whole or in part) as own funds of the Issuer have a lower priority ranking than any claim that results from an item which does not qualify (whether in whole or in part) as own funds of the Issuer.

General

No Holder of the Notes shall be entitled to exercise any right of set-off or counterclaim against amounts owed by the Issuer in respect of the Notes held by it.

No collateral or guarantee is and shall at any time be provided to secure claims of the Holders under the Notes. Any collateral or guarantee already provided or granted in the future in connection with other liabilities of the Issuer may not be used for claims under the Notes.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets; therefore, the obligations of the Issuer under the Notes, if any, will not contribute to the determination of insolvency (in Estonian: *maksejõuetus*) of the Issuer in accordance with § 1(3) of the Estonian Insolvency Act.

Prior to any insolvency or liquidation of the Issuer, under the Applicable Banking Regulations, the competent Resolution Authority may write down (including to zero) the obligations of the Issuer under the Notes, convert them into shares or other instruments of ownership of the Issuer, in each case in whole or in part, or apply any other resolution measure, including (but not limited to) any deferral of the obligations, any transfer of the obligations to another entity, an amendment of the Conditions or a cancellation of the Notes.

5. Interest

The Notes shall be interest bearing. The application of Condition 5(1) (*Interest—Fixed Rate*) shall be subject to Condition 5(2) (*Interest Cancellation*).

(1) Interest — Fixed Rate

The Notes shall bear interest on their Outstanding Nominal Value from and including their Interest Commencement Date to, but excluding, the date of any final redemption at the Rate of Interest.

Such interest will be payable in arrears starting on each Interest Payment Date and on the date of any final redemption. The amount of interest payable in respect of each Note for any period shall be calculated by applying the Rate of Interest to the Outstanding Nominal Value, whereas interest for each full calendar month during the term of a Note will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and interest for the partial calendar month will be calculated on the basis of a 360-day year and the actual number of days elapsed (the 30/360 interest calculation convention).

The determination by the Issuer of all rates of interest and amounts of interest for the purposes of this Condition 5 shall, in the absence of manifest error, be final and binding on all parties.

(2) ***Interest Cancellation***

The application of Condition 5(1) (*Interest—Fixed Rate*) shall be subject to this Condition 5(2).

(a) ***Interest Payments Discretionary***

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Interest payments may be cancelled for an unlimited period.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

(b) ***Restriction on Interest Payments***

(i) Subject to the extent permitted in paragraph 5(2)(b)(ii) below, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date):

- (a) if the amount of such interest payment otherwise due, when aggregated together with any further Relevant Distributions and other distributions of the kind referred to in § 86⁵⁰ of the Estonian Credit Institutions Act (implementing article 141(2) of the CRD, as amended), plus any write-ups, where applicable, exceed (in aggregate) the amount of the Maximum Distributable Amount; or
- (b) such interest payment would cause, when aggregated together with other Relevant Distributions and any potential write-ups, the Distributable Items of the Issuer (as at such Interest Payment Date) to be exceeded; or
- (c) the EFSA orders the Issuer to cancel the interest payment on the Notes (in whole or in part) scheduled to be paid; or
- (d) if and to the extent that such payment would cause a breach of any other regulatory restriction or prohibition on payments on Additional Tier 1 Capital instruments pursuant to the Applicable Banking Regulations.

(ii) The Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restriction set out in paragraph 5(2)(b)(i) above.

(c) ***Effect of Interest Cancellation***

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with Condition 5(2)(a) and Condition 5(2)(b). Any interest cancelled (in each case, in whole or in part) in such circumstances shall be cancelled indefinitely and shall not accumulate or be payable at any time thereafter. For avoidance of doubt, any accrued but unpaid interest from the Trigger Event up to the Write-Down Effective Date shall also be automatically cancelled even if no notice has been given to that effect. Any interest payment (or part thereof) so cancelled shall not constitute an event of default, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation, including in the case of liquidation (in Estonian: *likvideerimine*) or bankruptcy (in Estonian: *pankrot*) of the Issuer.

The Issuer may use such cancelled payments without restriction to meet its obligations as they fall

due.

(d) *Notice of Interest Cancellation*

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Holders on or prior to the relevant Interest Payment Date. If practicable, the Issuer shall endeavour to provide such notice at least five (5) Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Holders any rights as a result of such failure.

6. Redemption and Purchase

(a) *No fixed redemption date*

The Notes shall be perpetual and shall have no final maturity.

The Notes are securities that are not redeemable at the option of the Holders and have no fixed redemption date, and the Issuer shall have the right to call, redeem, repay or repurchase them only in accordance with (and subject to) the conditions set out in Articles 77 and 78 of the CRR being met and not before five years from issuance, except where the conditions set out in Article 78(4) of the CRR are met (see conditions for Early Redemption as a result of a Tax Event, Early Redemption as a result of a Capital Event and Optional Early Redemption (Call)). The instrument shall become immediately due and payable only in the event of liquidation or bankruptcy of the Issuer, subject to the conditions in Condition 4 (*Status*).

(b) *Early Redemption as a result of a Tax Event*

Upon the occurrence of a Tax Event, but subject to the Conditions to Redemption and Condition 6(f) (*Trigger Event Post Redemption Notice*), the Issuer may, other than when the prevailing Outstanding Nominal Value of a Note is less than the Original Nominal Value, having given not less than 30 days' nor more than 60 days' notice to the Holders of Notes in accordance with Condition 12 (*Notices*) redeem all (but not some only) of the outstanding Notes at any time at a redemption amount equal to their Outstanding Nominal Value together with interest accrued to but excluding the date of redemption (excluding any interest cancelled in accordance with Condition 5(2) (*Interest Cancellation*)).

(c) *Early Redemption as a result of a Capital Event*

Upon the occurrence of a Capital Event but subject to the Conditions to Redemption and Condition 6(f) (*Trigger Event Post Redemption Notice*), the Issuer may, other than when the prevailing Outstanding Nominal Value of a Note is less than the Original Nominal Value, at its option, having given not less than 30 days' nor more than 60 days' notice to the Holders in accordance with Condition 12 (*Notices*), at any time redeem all (but not some only) of the Notes at its Outstanding Nominal Value, together with interest (if any) accrued to but excluding the date of redemption (excluding any interest cancelled in accordance with Condition 5(2) (*Interest Cancellation*)).

(d) *Optional Early Redemption (Call)*

The Issuer may (subject to the Conditions to Redemption and Condition 6(f) (*Trigger Event Post Redemption Notice*)), other than when the prevailing Outstanding Nominal Value of a Note is less than the Original Nominal Value redeem all (but not some only) the Notes at their Outstanding Nominal Value, together with accrued interest (if any) thereon (excluding any interest cancelled in accordance with Condition 5(2) (*Interest Cancellation*)).

The appropriate notice referred to in this Condition 6(d) is a notice given by the Issuer to the Holders of the Notes, which notice shall be signed by an authorised representative of the Issuer and shall specify:

- (i) the due date for such redemption, which shall be not less than 30 days after the date on which such notice is validly given; and
- (ii) the amount at which such Notes are to be redeemed, which shall be their Outstanding Nominal Value together with accrued interest thereon (excluding any interest cancelled in accordance with Condition 5(2) (*Interest Cancellation*)).

(e) *Conditions to Redemption*

The Issuer may redeem the Notes in accordance with Condition 6(b) (*Early Redemption as a result of a Tax Event*), 6(c) (*Early Redemption as a result of a Capital Event*) or 6(d) (*Optional Early Redemption (Call)*)

(and give notice thereof to the Holders) only if it has been granted the permission of the EFSA (if such permission is then required under the Applicable Banking Regulations) and:

- (i) on or before such redemption of the Notes, the Issuer replaces the Notes with capital instruments of an equal or higher quality on terms that are sustainable for its income capacity; or
- (ii) the Issuer has demonstrated to the satisfaction of the EFSA that its Tier 1 Capital and Tier 2 Capital would, following such redemption, exceed the capital ratios laid down in Article 92(1) of the CRR and the combined buffer requirement as defined in § 86⁴⁴ of the Estonian Credit Institutions Act transposing point 6 of Article 128 of the CRD by a margin that the EFSA considers necessary on the basis of the Estonian Credit Institutions Act transposing Article 104(3) of the CRD;
- (iii) in case of redemption in accordance with Condition 6(d), such redemption may only occur after five years after the issue date of the Notes; and
- (iv) in the case of redemption before five years after the issue date of the Notes if:
 - (a) the conditions listed in paragraphs (i) or (ii) above are met; and
 - (b) in the case of redemption due to the occurrence of a Capital Event, (i) the EFSA considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the EFSA that the Capital Event was not reasonably foreseeable at the time of the issuance of the Notes; or
 - (c) in the case of redemption due to the occurrence of a Tax Event, the Issuer demonstrates to the satisfaction of the EFSA that such Tax Event is material and was not reasonably foreseeable at the time of issuance of the Notes,

(the “**Conditions to Redemption**”).

The Issuer shall not give a notice of redemption if a Trigger Event has occurred.

Should it occur that the EFSA decides that the notes issued under these Conditions cannot be classified as Additional Tier 1 Capital instruments from the beginning (and not due to the occurrence of a Capital Event) and such position cause the Issuer to wish to call such notes, the Conditions to Redemption shall not be applicable and the Note shall be immediately redeemable in accordance with Condition 6(d) (*Optional Early Redemption (Call)*).

(f) ***Trigger Event Post Redemption Notice***

If the Issuer has elected to redeem the Notes but prior to the payment of the redemption amount with respect to such redemption, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and Write-Down shall occur in accordance with Condition 7 (*Loss Absorption Mechanism*).

(g) ***Cancellation of Redeemed and Purchased Notes***

All Notes redeemed or purchased in accordance with this Condition 6 will be cancelled (i.e., deleted from the Register based on the Issuer’s application) and may not be reissued or resold. References in this Condition 6(g) to the purchase of the Notes by the Issuer shall not include the purchase of the Notes otherwise than as a beneficial owner.

7. Loss Absorption Mechanism

(a) ***Write Down***

(i) ***Write Down Upon Trigger Event***

If a Trigger Event has occurred at any time, the Issuer shall write down the Outstanding Nominal Value of each Note (in whole or in part, as applicable) by writing down such Outstanding Nominal Value (in whole or in part, as applicable) on the Write Down Effective Date in accordance with the Write Down Procedure. The Write Down shall occur without delay (and within one month or such shorter period as the EFSA may require at the latest) upon the occurrence of a Trigger Event.

Upon the occurrence of a Trigger Event, the Issuer shall immediately inform the EFSA and shall deliver to the Holders notice in accordance with Condition 12 specifying (i) that a Trigger Event has occurred and (ii) the Write Down Effective Date or expected Write Down Effective Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise

invalidate, any such Write Down, or give Holders any rights as a result of such failure.

Other than as provided below in Condition 7(b) (*Reinstatement*), following a Write Down, no Holder will have any rights against the Issuer with respect to the repayment of any principal amount to the extent so written down or the payment of interest on any principal amount that has been so written down or any other amount on or in respect of any principal amount that has been so written down. Furthermore, any interest on any principal amount that is to be written down on the relevant Write Down Effective Date, in respect of an interest period ending on any Interest Payment Date falling between the date of a Trigger Event and the Write Down Effective Date shall also be deemed to have been cancelled upon the occurrence of such Trigger Event and shall not be due and payable.

A Trigger Event may occur on more than one occasion and the Outstanding Nominal Value of each Note may be written down on more than one occasion provided that the Outstanding Nominal Value of a Note may never be reduced to below one euro cent.

Any Write Down of a Note shall not constitute an event of default or a breach of the Issuer's obligations or duties or a failure to perform by the Issuer in any manner whatsoever and shall not, of itself, entitle Holders to petition for the insolvency of the Issuer or otherwise.

(ii) *Write Down Procedure*

Write Down Notice

If a Trigger Event has occurred at any time, the Issuer shall deliver a Write Down Notice to the Holders, as soon as reasonably practicable, and in any event not more than five (5) Business Days after such determination.

The Write Down Notice shall be sufficient evidence of the occurrence of such Trigger Event and will be conclusive and binding on the Holders.

Write Down

- (A) On the Write Down Effective Date, the Issuer shall write down the Outstanding Nominal Value of each Note in a sum equivalent to the relevant Write Down Amount of each Note. The Issuer shall organise and procure the registration of such reduction of the Outstanding Nominal Value of the Notes in the Register.
- (B) Notwithstanding that certain Loss Absorbing Instruments may be utilized and converted or utilized and written down in full (on a temporary or permanent basis in accordance with their terms), the Issuer will first to the extent possible procure that the outstanding principal amount of each security forming part of any series of Loss Absorbing Instruments to be converted or written down (as the case may be) concurrently (or substantially concurrently) is, or has been, utilized and converted or utilized and written down (in accordance with its terms) on a pro rata basis with the Outstanding Nominal Value of each Note.

Simultaneously with the delivery of the Write Down Notice to the Holders, or as soon as possible thereafter, the Issuer shall procure that a similar notice is, or has been, given in respect of any such Loss Absorbing Instruments (in accordance with their terms).

(b) ***Reinstatement***

(i) *Reinstatement after Write Down*

If a positive Net Profit of the Group is recorded at any time while the Outstanding Nominal Value of the Notes is less than the Original Nominal Value of the Notes, the Issuer may, at its sole and absolute discretion, reinstate and write up the Outstanding Nominal Value of the Notes in whole or in part in accordance with the Reinstatement Procedure (a "**Reinstatement**").

A Reinstatement may occur on more than one occasion provided that the Outstanding Nominal Value of a Note may never exceed its Original Nominal Value.

No Reinstatement may take place if (i) a Trigger Event has occurred in respect of which the Write Down has not occurred, (ii) a Trigger Event has occurred in respect of which Write Down has occurred but the CET1 Ratios of the Group have not been restored to, or above, the Trigger Level or (iii) the Reinstatement (either alone or together with all simultaneous reinstatements of other Written Down Additional Tier 1 Capital Instruments) would cause a Trigger Event to occur.

(ii) *Reinstatement Procedure*

Reinstatement Notice

If the Issuer exercises such discretion to effect a Reinstatement it shall give notice thereof to Holders specifying the Reinstatement Amount and the Reinstatement Effective Date (the “**Reinstatement Notice**”).

Reinstatement Amount

Reinstatements must be made on a *pro rata* basis with any other Written Down Additional Tier 1 Instruments (based on the then prevailing outstanding nominal value thereof).

The Reinstatement Amount shall be set by the Issuer at its discretion, save that it shall, when aggregated together with the reinstatement of the outstanding nominal value of temporarily written down Written Down Additional Tier 1 Instruments and distributions of the kind referred to in Article 141(2) of the CRD, as amended, be limited to the extent necessary to ensure the Maximum Distributable Amount is not exceeded thereby and provided that the sum of:

- (i) the aggregate amount of the relevant reinstatement on all the Note (out of the same Net Profit of the Group);
- (ii) the aggregate amount of any payments of interest in respect of the Notes that were paid on the basis of an Outstanding Nominal Value lower than the Original Nominal Value at any time after the Reference Date;
- (iii) the aggregate amount of the relevant reinstatement on Written Down Additional Tier 1 Instruments at the time of the relevant Reinstatement (out of the same Relevant Profits); and
- (iv) the aggregate amount of any payments of interest or distributions in respect of each Written Down Additional Tier 1 Instruments that were paid on the basis of a prevailing principal amount that is lower than the principal amount it was issued with at any time after the Reference Date,

does not exceed the Maximum Reinstatement Amount.

Effecting the Reinstatement

On the Reinstatement Effective Date and subject to the prior consent of the EFSA (to the extent such consent is required by the Applicable Banking Regulations), the Issuer shall cause the Outstanding Nominal Value of each Note to be reinstated and written up by an amount equal to the relevant Reinstatement Amount on a *pro rata* basis with each Note. The Issuer shall organise and procure the registration of such increase of the Outstanding Nominal Value of the Notes in the Register.

8. Taxation

- (a) Should any amounts payable in cash or in kind (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes be subject to withholding or deduction of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Estonia or any political subdivision thereof or any authority or agency therein or thereof having power to tax, the Issuer shall be entitled to withhold or deduct the respective taxes or duties. For the avoidance of doubt, any such withholdings or deductions shall be made by the Issuer on the account of the Holder with the Issuer having no obligation to compensate the withheld or deducted tax amounts to the Holder.
- (b) As the Estonian tax laws stand on the date of these Conditions, Estonian resident individuals are subject to paying income tax (20%) on the interest received from loans, securities (including the Notes) and other debt obligations, therefore, interest received by Estonian resident individuals from the Notes is subject to income tax in Estonia, which shall be withheld by the Issuer from the interest payments made to the resident individual Holders. Since all earnings of Estonian resident legal persons are taxed only upon distribution of profit, interest received by Estonian resident legal persons is not subject to immediate taxation. As a rule, interest payments received by non-resident persons (both legal persons and individuals) are exempt in Estonia (i.e., no withholdings are made), however, may be taxable in the Holders’ respective countries of residence.
- (c) Should an applicable treaty for the avoidance of double taxation set out lower withholding rates than those

otherwise applicable to the interest payment under Estonian domestic law, the respective Holder shall be requested to provide the documents necessary for application of the respective treaty (including, but not limited to, residence certificate issued or attested by the tax authority of the residence state of the Holder) at least 15 (fifteen) days prior to the payment. If such documents are not presented to the Issuer, the Issuer shall be entitled to withhold tax at the rates set out by the Estonian domestic legislation.

- (d) Estonian tax resident individuals may postpone the taxation of their (interest) income from the Notes by using an investment account for making transactions with the Notes and notifying the Issuer in writing at least 15 (fifteen) days prior to the payment that the Notes have been acquired by the Holder on the account of monetary means held at the Holder's investment account. If the relevant notice is not duly presented to the Issuer, the Issuer shall be entitled to withhold tax in accordance with the general withholding rules.
- (e) Any reference in these Conditions to interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8, or any undertaking given in addition thereto or in substitution therefor. For the avoidance of doubt, no additional amounts shall be payable by the Issuer in respect of payments of principal under the Notes. The mandatory restrictions on interest payments under Condition 5(2)(b) shall apply to any additional amounts *mutatis mutandis*.
- (f) If, due to any such interpretation by the tax authorities in the Taxing Jurisdiction or any amendment to, or clarification of, or change in, the laws or treaties (or any regulations thereunder) of the Taxing Jurisdiction affecting taxation; any governmental action in the Taxing Jurisdiction affecting taxation; or any amendment to, clarification of, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known, the payment of interest under the Notes is qualified as a payment of dividends and the obligation of the Issuer to pay corporate income tax in its own name and on its own account (i.e., not as withholding taxes attributable to the Holders) on the payment of interest (qualified as distribution of dividends) under the Notes, the Issuer will bear the tax burden of such payments and shall not make any deductions from the sums payable to the Holders. Should payment of interest (qualified as distribution of dividends) be also subject to withholding or deduction of any tax or duty in Estonia, in addition to the corporate income tax payable by the Issuer (e.g., in the event of regularly paid dividends, which on the date of these Conditions are taxable with the 14% corporate income tax at the level of the Issuer and the 7% withholding tax at the level of the individual Holder), the Issuer shall be entitled to withhold or deduct the respective taxes or duties on the account of the Holder as described under Condition 8(a) above. For avoidance of doubt, this does not preclude the Issuer's right to exercise Early Redemption of the Notes as a result of a Tax Event under Condition 6(b).

9. Payments

- (a) Payments of amounts (including accrued interest) due on the final redemption of Notes will be made to the Holders thereof, as appearing in the Register at the close of business of the Register on the Business Day preceding the due date for such payment. Payment of amounts due on the final redemption of Notes will be made simultaneously with deletion of the Notes, or, if so required by the Issuer, against delivery of the Notes to the Issuer. If the due date for payment of the final redemption amount of Notes is not a Business Day, the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Conditions.
- (b) Payment of amounts (whether principal, interest or otherwise) due (other than in respect of the final redemption of Notes) in respect of the Notes will be paid to the Holders thereof as appearing in the Register as of close of business of the Register on the third Business Day before the due date for such payment (the "**Record Date**").
- (c) Payments may be made by the Issuer directly or by the registrar of the Register acting as the Issuer's payment agent or by any other agent so appointed by the Issuer.

10. Limitation period

The limitation period of claims against the Issuer in respect of the Notes is 3 years from the due date for payment.

11. Meetings of Holders

Circumstances may arise that call for convening meetings of the Holders of Notes by the Issuer to consider matters

affecting their interests, including the modification or waiver of the Conditions, whereas any modification of these Conditions may only be made as proposed by the Issuer. Any modification or waiver of the Conditions which affects Notes will be effected in accordance with Applicable Banking Regulations.

The quorum at any meeting for passing a resolution will be one or more persons present (other than the Issuer or its affiliates) holding or representing a clear majority in Outstanding Nominal Value of the Notes or, at any adjourned meeting, one or more persons (other than the Issuer or its Subsidiaries) present whatever the Outstanding Nominal Value of the Notes held or represented by him or them or, in the case of a written consent without a meeting, the consent of persons holding or representing a clear majority in Outstanding Nominal Value of the Notes except that at any meeting, the business of which includes the modification of certain of the Conditions of the Notes (as further discussed below), the necessary quorum for passing an extraordinary resolution will be one or more persons (other than the Issuer or its Subsidiaries) present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third of Notes present and represented at the meeting.

Modifications of and amendments to the Conditions of Notes may be effected by the Issuer, and future compliance with any Notes by the Issuer may be waived, with the prior consent of Holders of the Notes representing not less than two-thirds of the Outstanding Nominal Value of Notes (excluding any Notes held by the Issuer or its Subsidiaries) or, in the case of a written consent without a meeting, the consent of persons holding or representing not less than two-thirds in Outstanding Nominal Value of the Notes (excluding any Notes held by the Issuer or its Subsidiaries).

Any modification shall be binding on the Holders and, any modification shall be notified by the Issuer to the Holders as soon as practicable thereafter.

12. Notices

(a) To Holders of the Notes

Notices to Holders will be deemed to be validly given if sent by e-mail to them at their respective e-mail addresses as recorded in the Register or otherwise known to the Issuer and will be deemed to have been validly given on the next Business Day after sending the notice by e-mail.

(b) To the Issuer

Notices to the Issuer will be deemed to be validly given if delivered to Maakri 30, 15014 Tallinn, Estonia or if delivered by e-mail to info@cooppank.ee (or at such other addresses as may have been notified to the Holders of the Notes in accordance with this Condition 12 or via the Issuer's website) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

13. Further Issues

The Issuer may from time to time without the consent of the Holders of the Notes create and issue further Additional Tier 1 Capital instruments and other debt securities.

14. Law and Jurisdiction

(a) The Notes and all non-contractual obligations arising out of or in connection with any of them are governed by Estonian law.

(b) The courts of Estonia shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes).