

Coop Pank AS

Supervisory Board Report

25. March 2020

Coop Pank AS continued to implement its planned strategy in 2019 and to create synergies between banking and trade. The Supervisory Board consisted of Jaanus Vihand (Chairman), Priit Põldoja, Jaan Marjundi, Roman Provotorov and Märt Meerits. Eleven Council meetings were held in 2019 and on two occasions decisions were taken electronically. The Supervisory Board was supported by the Remuneration Committee and the Audit Committee, which also acted as the Risk Committee. Based on the Internal Audit Capability, the Supervisory Board ensured that the operations of Coop Bank's consolidation group were compliant.

The Supervisory Board discussed once a month the results of economic activities of the Group and the fulfillment of set goals. The Management Board provided weekly reports to the Supervisory Board on sales results and monthly reports on the business results and prudential ratios of credit institutions. Risk reports and internal auditor's reports were reviewed quarterly. The Supervisory Board approved the Bank's Financial Recovery Plan, which sets out the policy framework for action in crisis situations. The principles of risk management and several other internal rules were updated. It was decided to expand its activities into a new field and to establish a subsidiary of the bank - Coop Kindlustusmaakler AS, whose main activity is insurance mediation.

In addition to regular board meetings, several board members have been involved in various projects and contributed to their implementation. The Supervisory Board's ongoing co-operation with the Management Board has been good, and all major issues related to the Bank's day-to-day operations have been addressed in open discussions. Throughout the year, the focus was on monitoring developments in real estate in Latvia and the most important project of the year was the first public offering of the Bank's shares.

In 2019, three capital increases were made to secure the bank's capitalization - in March the bank raised 2 million euros of subordinated loans, in June the bank increased its share capital by EUR 4 million and in December it raised 31 million euros through initial public offering of shares. Since the listing of the shares, it has been decided to apply the Corporate Governance Code, which contains recommended guidelines for listed issuers to ensure greater transparency. The Corporate Governance Report is presented in the Bank's Annual Report 2019. Coop Bank shares are traded on the stock exchange since December 10, 2019.

In 2019, one regular and two extraordinary shareholders' meetings were held. At the April 2019 Annual General Meeting, shareholders approved the 2018 Annual Report and the Board of Directors' proposal for profit distribution, a bonus issue to increase share capital, and a dividend policy that provided that no dividend is paid for the financial year 2019 or prior years. At the extraordinary shareholders' meeting held in June 2019, the Bank decided to increase the bank's capital by EUR 4 million by issuing new shares to existing shareholders.

At the extraordinary shareholders' meeting held in November 2019, it was decided to amend the Bank's Articles of Association, conditional increase of share capital and arrangement of public offering and listing of the shares. In accordance with the authorization given by the shareholders to the

Supervisory Board, the Supervisory Board approved the share issue volume, subscription price and distribution of shares to investors. In addition, the shareholders approved a new dividend policy and option program that was developed in cooperation between the Management Board and Supervisory Board. The aim of the dividend policy is to provide shareholders with a steady return through the distribution of the bank's profits since spring 2022. The prerequisite for paying out dividends is the capitalization of the bank. The purpose of the option program is to reconcile the interests and motivation of the key employees of the bank with those of the shareholders.

The results of AS Coop Pank Consolidation Group in 2019 were very good - the Group increased its business volumes by 40% for the third year in a row. During the year, the bank added nearly 19 thousand new customers. Product innovations, interest paid on current accounts, growth of the bank's reputation and initial public offering of the bank's shares at the end of the year had a positive impact on the growth in the number of customers.

The Supervisory Board approved the Bank's strategy and financial plan for 2020-2022, which envisages vigorous business growth over the next three years. It is likely that the financial plan will need to be revised in the light of the events at the beginning of 2020 and that the necessary adjustments will be made to ensure sustainable operations. The bank is well capitalized and prudential criteria are fulfilled.

On 25 March 2020, the Supervisory Board approved the Annual Report for the financial year 2019 compiled by the Management Boars and agreed to the Management Board's proposal for the distribution of profit.

Jaanus Vihand

Coop Pank AS

Chairman of the Supervisory Board