

**Coop Pank AS**  
**Management report of Supervisory Board**  
**19 March 2025**

**Organisation of the Supervisory Board's work**

A Supervisory Board consisting of six members was elected with a resolution of the general meeting of the bank's shareholders. Its members are Rainer Rohtla (chairman), Roman Provotorov, Jaan Marjundi, Raul Parusk, Viljar Arakas and Silver Kuus. There were no changes to the composition of the Supervisory Board in 2024.

The bank's Supervisory Board organises its work in the form of regular and extraordinary meetings. There were 14 meetings of the Supervisory Board in 2024. All of the members of the board took part in all of the meetings and votes that took place with the exceptions of Viljar Arakas, who was unable to attend the April meeting, and Silver Kuus, who was unable to attend the June meeting.

The usual activities of the Supervisory Board during the year included monthly discussions of the achievement of the group's goals, its economic performance and compliance with the prudential requirements established for credit institutions. The board also updated the internal guidelines needed for the day-to-day work of the bank. The bank's risk reports and internal auditor's reports were reviewed quarterly, while the instructions and precepts issued by the Financial Supervision Authority were reviewed on an ongoing basis.

The Supervisory Board was supported in its activities by the Remuneration Committee and the Audit Committee.

The Remuneration Committee is responsible for assessing the bank's remuneration policies and whether they align with the bank's strategy and objectives. Three meetings of the Remuneration Committee were held during the year. There were no changes to the composition of the committee in 2024.

The Audit Committee performs the tasks of such a committee arising from the Credit Institutions Act and the Auditors Activities Act, as well as the tasks of a risk committee arising from the Credit Institutions Act. Six regular meetings of the Audit Committee were held in 2024. There were no changes to the composition of the committee in 2024.

**Work of the bank's Internal Audit Unit**

The bank's Internal Audit Unit is an organisational unit working under the authority of the Supervisory Board. It is tasked with contributing to the improvement of the bank's operations and to the achievement of its objectives. Specifically, internal audits focus on assessing the effectiveness and efficiency of the bank's risk management, internal control and governance processes and on proposing improvements thereto.

The Supervisory Board's cooperation with the Internal Audit Unit proved very effective in 2024. The bank's Audit Committee regularly approved the work plans and audit results of the Internal Audit Unit under the authority granted to it by the Supervisory Board.

The Supervisory Board has assessed that as at the end of 2024, the bank's Internal Audit Unit is adequately staffed and that its operational capacity and competencies are commensurate with its mandate.

## **Business strategy and financial plan of the bank**

The Supervisory Board approves the business strategy, objectives and financial plan of the bank on an annual basis.

In May 2024, the board launched the process of updating the bank's long-term business strategy by gauging owners' expectations of the bank among major shareholders and, based thereon, agreeing with the board on the owners' expectations for the business strategy. The drafting of the strategy is ongoing; the board aims to complete it by the end of the year. In autumn 2024 the board was given an overview of the macroeconomic situation and forecasts in Estonia, of the bank's competitive position and of the results of its business lines. The bank's existing business strategy and objectives were updated on this basis in Q4 2024, while the financial plan for 2025 was approved in January 2025. In drawing up the business strategy for 2025, the conclusions drawn in the drafting of the long-term business strategy, the complex macroeconomic situation, the resulting market demand and potential growth areas were taken into account. In view of the economic conjuncture and changes in the interest rate environment, the Supervisory Board set clear objectives for the Management Board in terms of reducing costs and growing business volumes in order to compensate for lower profitability resulting from the drop in Euribor.

In 2024 the bank invested in and launched a number of solutions that support the bank's strong image (such as the 'Kaardivägi' programme, growth in the volume of pension assets working with Tuleva and the bolstering of business line teams), which in the view of the Supervisory Board are prerequisites for successfully continuing with the agreed growth strategy for the bank in 2025.

## **General risk framework of the bank**

Given the external environment, the Supervisory Board paid special attention to the quality of the credit portfolio and to the management of client sanction risks and the liquidity risks of the bank in 2023. The Management Board also provided the Supervisory Board with an overview of the guidelines of the Financial Supervision Authority for improving the area of corporate governance and risk management.

In order to deal effectively with risks, additional posts were created in 2024 in both the AML department and the Compliance department.

The annual, systematic activities of the Supervisory Board in regard to risk include the renewal and approval of the bank's financial recovery plan.

## **Liquidity and capital of the bank**

Home loan volumes grew steadily and strongly throughout 2024, with the bank launching a special offer for teachers at the beginning of the year which successfully contributed to this growth. Car leasing contributed steadily for 11 months before peaking in December due to the car tax coming into force in the new year. Demand for business loans was low for most of the year, but strengthened in Q4 for Coop Pank and across the board.

In order to secure Coop Pank's capital requirements, a subordinated loan agreement was signed between the bank and the European Energy Efficiency Fund in December 2023 on the basis of which the bank took out an unsecured subordinated Tier 2 loan in the amount of 15 million euros in February 2024. The bank repaid 2 million euros of the loan the following month.

In order to strengthen Tier 1 capital, in May 2024 a total of 6.5 million euros was added to equity from the profit for Q4 2023 and 19.5 million euros from the bank's nine-month profit for the current year, making a total of 26 million euros.

In summary, the bank raised an additional 39 million euros in capital for its development in 2024. In the view of the Supervisory Board, this will ensure that Coop Pank has sufficient capital buffers to cover potential risks and to implement the bank's growth strategy in 2025.

The bank ended the financial year with liquidity and capital ratios significantly above the regulatory requirement.

### **Transactions beyond the everyday economic activities of the bank**

Coop Pank recorded no transactions that went beyond the scope of its day-to-day business in 2024.

### **Management and management structure of the bank**

The Supervisory Board made no changes to the management structure of the bank in 2024. In the board's view, the current organisation of the bank's management corresponds to the bank's level of development and complexity. The Management Board continued to operate with five members in 2023. In October, the Supervisory Board extended the mandate of Management Board member and Chief Financial Officer Paavo Truu for a further three-year period from the end of his previous term of office.

Ongoing cooperation between the Supervisory Board and Management Board remains fruitful, with discussions held during the drafting of the bank's long-term strategy covering all of the key issues related to the bank's day-to-day and forward-looking operations.

In mid-2024 the Chairman of the Supervisory Board led a self-assessment of the board, in the course of which its members independently evaluated aspects of the board's work. As a result, the board decided to instigate a regular meeting (to be held at least once a year) between itself and major shareholders so as to obtain an overview of the shareholders' expectations. It was also agreed that the board should be given a better overview of the company's corporate communication activities and strategy in the future. Due to the importance of ESG and the obligation to carry out an audit in early 2026, the board wishes to be more actively involved in ESG-related issues in the future. Lastly, it was agreed that the Supervisory Board, working with the Management Board, would review the company's corporate governance practices at least once a year so as to ensure their appropriateness.

### **Work of the Supervisory Board in regard to shareholders**

The bank's shares have been listed on Tallinn Stock Exchange since December 2019. The bank has been open to investors, sharing monthly updates on its performance and providing quarterly presentations of results. The bank adheres to the principles of good corporate governance of Tallinn Stock Exchange.

One ordinary general meeting of shareholders was held in 2024, for which the Supervisory Board was involved in the preparation of draft resolutions. At the Annual General Meeting in April, shareholders approved the annual report for 2023 and the profit distribution proposal prepared by the Management Board. The meeting also appointed KPMG Baltics OÜ as the auditor of the collateral for the bank's covered bond portfolio. This was necessary because of the bank's planned issuing of such bonds in spring 2025.

The supervisory board adopted three resolutions relating to the option programme in 2024. In March and April, the Supervisory Board decided to issue a total of 1,022,000 options to 51 employees of the

bank group, exercisable in May 2027, at a price of 1.875 euros per share. It also decided to issue 745,000 new shares that month to exercise options issued to employees.

#### **Financial performance of the bank in 2024**

The bank continued to successfully implement its growth strategy in 2024, meeting most of the targets it set. Over the last eight years, the bank has increased its market share of deposits and loans from 1% to 6%. Year on year, the economy of scale resulting from growth is boosting the bank's performance indicators (net profit, cost/income ratio and return on equity). Both 2023 and 2024 were unusual in terms of the interest rate environment: whereas in 2023 the environment was favourable for banks, in 2024 the situation reversed in a way that saw base rates drop while the cost of deposits continued to increase compared to the previous year. In 2024 the bank achieved a ROE of 16.2%. This was mainly driven by growth in business volumes, but there was also a negative impact from the change in the interest rate environment (which significantly added to the bank's interest costs due to the increase in the average deposit rate) and from fierce, year-long competition on the home loan market.

On 19 March 2025 the Supervisory Board reviewed the Management Board's annual report for the financial year 2024 (consisting of the management report, the financial statements and the remuneration report), the certified auditor's report and the profit distribution proposal and approved them for submission to the general meeting of shareholders.