

Annual General Meeting

2 April 2019

(materials)

PRIVREDNA BANKA ZAGREB d.d.
MANAGEMENT BOARD

Pursuant to Article 39 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank) and Article 277 of the Companies Act, the Management Board of the Bank at its 4_19 meeting, held on 19 February 2019, made the following

DECISION
on calling the Annual General Meeting

of **Privredna banka Zagreb d.d.**, Zagreb, Radnička cesta 50, which will be held on **2 April 2019**, beginning at **11.00 a.m.**, at the Bank's premises in Zagreb, Radnička cesta 44 B1 – 8th floor.

At the Annual General Meeting of the Bank, the shareholders shall consider the following

AGENDA

1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2018
2. Annual financial statements of the Bank and consolidated annual financial statements for 2018 (confirmed by the Management Board and the Supervisory Board of the Bank), and Annual Management Board Report of Condition of the Bank and its Subsidiaries, and in this regard:
 - 2.1 Decision on the allocation of the Bank's profit earned in 2018
 - 2.2 Decision on granting the approval of action to members of the Management Board of the Bank for the year 2018
 - 2.3 Decision on granting the approval of action to members of the Supervisory Board of the Bank for the year 2018
3. Decision on the suitability and election of a member of the Supervisory Board of the Bank
4. Decision on the suitability of members of the Supervisory Board of the Bank based on the regular suitability assessment

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If a quorum stipulated by the Articles of Association of Privredna banka Zagreb d.d. is not constituted at this General Meeting, then the General Meeting will be held on 3 April 2019, at the same location, beginning at the same time, and the Agenda of the meeting will remain the same.

Dinko Lucić, sgd.

President of the Management Board

In Zagreb, 19 February 2019

No.: MB_4_19/5.1

**PRIVREDNA BANKA ZAGREB d.d.
SUPERVISORY BOARD**

Pursuant to Article 263, par. 3 and Articles 300.c and 300.d of the Companies Act and Article 53 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the Supervisory Board of the Bank submits to the General Meeting of the Bank the

R E P O R T
on supervision exercised over the conduct of business affairs
in Privredna banka Zagreb d.d. in 2018

I.

In 2018 the Supervisory Board of the Bank performed its duties as a body composed of seven members. The composition of the Supervisory Board did not change during the year. It was estimated that four members of the Supervisory Board meet the independence criteria, as laid down by the Credit Institutions Act, the CNB Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution, and the Corporate Governance Code accepted by the Bank. The number is deemed to be sufficient for the functioning of the Supervisory Board and its committees in line with the provisions of valid regulations.

II.

In the course of 2018 the Supervisory Board held 22 meetings with either physical presence of members or by letter. Meetings were held by letter in cases of utmost urgency or in the case when calling a meeting with physical presence of members was not possible for objective reasons. Four regular meetings that considered financial reports were held within the deadlines prescribed by law and the Bank's Articles of Association. Members of the Management Board regularly attended Supervisory Board meetings. As required by law, meetings were also attended by persons responsible for the operation of individual control functions.

The Management Board and the Supervisory Board acted in line with valid legal regulations governing their competence and roles and in line with the Articles of Association of the Bank.

Acting in conformity with the law, the Articles of Association of the Bank, as well as its Rules of Procedure, the Supervisory Board of the Bank supervised the conduct of the Bank's affairs, established the guidelines for the Bank's business policy, and actively contributed to its implementation, all on the basis of the reports of the Management Board on issues of importance for the conduct of business affairs and the condition of the Bank.

The Management Board provided the Supervisory Board with duly prepared, true, and timely reports on business policy and on other general issues related to the future conduct of business, financial plans, risk management strategies and policies, operational profitability, workflow, as well as income and the condition of the Bank, and other important issues. The Management Board of the Bank submitted financial reports on a quarterly, semi-annual, and annual basis and regularly discussed their implementation with the Supervisory Board. The

internal audit and the risk control function (in terms of credit, operational, and financial risks) submitted their statutory quarterly reports in a timely manner. Reports on the work of the risk control functions and the compliance function were submitted and considered semi-annually.

In accordance with the law, the Articles of Association of the Bank and its own decisions, the Supervisory Board gave consent to decisions of the Credit Committee of the Bank regarding the Bank's exposure to clients/groups of connected clients. It also gave consent to basic business documents the adoption of which falls within the competence of the Management Board of the Bank: the budget for 2018, strategies and policies for taking and managing risks, strategies and procedures for assessing adequacy of internal capital, and regulations which establish and ensure adequate functioning of control functions. Within its competence, the Supervisory Board supervised the adequacy and transparency of the Bank's organizational structure in line with the approved business strategy and risk management strategy.

Continuous and constructive cooperation of the Management Board and the Supervisory Board and their sharing of relevant information necessary to complete their tasks also contributed to the fulfilment of the supervisory function. The Supervisory Board had at all times the possibility to ask for and to obtain from the Management Board of the Bank information on any issue related to operations of the Bank which significantly affected or could have affected its position. The Management Board made sure, among other things, that members of the Supervisory Board had adequate access to information on the risk profile. Good and transparent cooperation, which was always in the best interest of the Bank, its customers and shareholders, i.e. all stakeholders, and was also in conformity with valid legal provisions and internal regulations, manifested itself in the open discussion between the Management Board and the Supervisory Board of the Bank and also in-between members of each of the two bodies.

In the light of the foregoing and the achieved financial results, the Supervisory Board finds that in 2018 the Management Board of the Bank was good and successful in managing the company's affairs in the best interest of all the shareholders and in line with its competence, as established by legal regulations and the Bank's Articles of Association. The Management Board also established clear internal relations in connection with risk-taking and risk management, including segregation of duties and responsibilities between the Supervisory Board, the Management Board, the appointed committees and the senior management, and it successfully fostered the risk culture.

Also in 2018 the Supervisory Board continued taking care of implementation of the long-term succession plan in connection with the composition of the Management Board of the Bank. In line with the procedure prescribed by law, it annually assessed suitability of the president and members of the Management Board of the Bank and persons responsible for the operation of control functions in the Bank. Based on the outcome of the suitability assessment conducted by the expert service of the Bank, and after obtaining a positive opinion of the Nomination Committee, the Supervisory Board found that the president and all members of the Management Board of the Bank were individually suitable to perform their respective functions and that the Management Board collectively had sufficient knowledge, skills and experience to perform its duties independently and without undue influence from other persons, and in particular to understand the Bank's activities and the main risks.

Keeping in mind the assessment of the knowledge, skills, and experience of individual members of the Supervisory Board conducted by the Bank's expert service, with a positive opinion of the Nomination Committee, and keeping in mind their participation and work done in the meetings of the Supervisory Board and its committees, the Supervisory Board finds that all of its members contributed significantly to its work, both individually and collectively, with their competences, experience, and dedication, thus enabling adequate and full supervision of the conduct of the Bank's affairs and complete performance of the Supervisory Board's function. Last year no conflict of interest of Management Board or Supervisory Board members was detected.

III.

The Supervisory Board was assisted by the Audit Committee in its work. The Chairman of the Audit Committee regularly reported on the Committee's work and the most important conclusions from the last meeting at the Supervisory Board meetings.

The Audit Committee worked in the previous year as a body composed of five members. The composition of the Audit Committee was aligned during the year with the provisions of the new Audit Act so that the Audit Committee is now composed of three independent members of the Supervisory Board of the Bank, who are appointed by the Supervisory Board, and two members appointed by the Bank's General Meeting. Since then, the president of the Supervisory Board of the Bank has also been the president of the Audit Committee. Most of the Audit Committee members are independent from the Bank. Five Audit Committee meetings were held in 2018 to discuss issues that fall within the competence of the Supervisory Board of the Bank. The Audit Committee helped the Supervisory Board perform its duties related to supervision over the process of financial reporting, audit process (including a recommendation for the selection of an independent external auditor given to the shareholders' meeting), as well as compliance with laws, regulations, rules, and the code of ethics. The Audit Committee in particular verified whether all the control functions are independent and properly skilled to accomplish their functions; analysed and evaluated together with the head of Internal Audit the annual plans, the activities, the headcount, the organizational structure and regulation of the Internal Audit function; examined the periodic reports of the heads of control functions (Risk Management, Internal Audit, Compliance) and the head of the anti-money laundering function as well as information on specific situations or corporate trends; analysed and proposed to the Supervisory Board any action to be taken, and monitored the adoption of the corrective actions recommended by the control functions of the Bank. The Supervisory Board supervised, with the assistance of the Audit Committee, adequacy and efficiency of the system of internal controls, which relies on three mutually independent control functions, with the aim of maintaining and improving a system of internal controls that enables the Bank to monitor and detect in a timely manner all risks to which it may be exposed in its operation.

In 2018, pursuant to the provisions of the Credit Institutions Act, the Bank held planned meetings of the Remuneration Committee, the Nomination Committee, and the Risk Committee, composed of Supervisory Board members, which are also responsible for the Bank's subsidiaries in the Republic of Croatia. The Management Board made sure that the committees of the Supervisory Board of the Bank had adequate access to all information and data necessary for them to perform their tasks, including information of relevant corporate functions. The meetings discussed issues falling within the competence of those committees, observing the deadlines set by law and the internal Charter of the Committees of the Supervisory Board. Based on regular work reports, decisions, and recommendations of its technical committees, the Supervisory Board finds that all the committees were successful in carrying out tasks falling within their competence in line with the law, by-laws, and the Charter of the Committees.

IV.

In line with legal obligations, the Supervisory Board of the Bank examined the Annual financial reports of the Bank and consolidated financial reports for 2018, the report of condition of the Bank and its subsidiaries, and the draft decision on the allocation of the Bank's profit earned in 2018, which were submitted by the Management Board. The Supervisory Board of the Bank made no remarks on the submitted reports and it found that the Annual financial reports and consolidated financial reports of the Bank (profit and loss account, balance sheet, cash flow report, and notes to financial reports) were prepared in accordance with the balances recorded in the business books and that they fairly disclosed the assets and the financial condition of the Bank and the PBZ Group, as was confirmed also

by the external auditor KPMG Croatia d.o.o., Zagreb, which audited the financial reports in 2018.

After the Supervisory Board of the Bank has given its consent to the Annual financial reports of the Bank and consolidated annual financial reports for 2018, the mentioned financial reports are considered confirmed by the Management Board and by the Supervisory Board of the Bank.

The Supervisory Board of the Bank accepted the Management Board report of condition of the Bank and its subsidiaries, and it agreed that the Bank's profit totalling HRK 1,379,820,597.56 (after taxation), earned in the year ended on 31 December 2018, should be allocated in the manner proposed by the Management Board of the Bank.

Based on the foregoing, the Supervisory Board of the Bank hereby presents the proposal to the Annual General Meeting of the Bank to take note of the Annual financial reports of the Bank and consolidated annual financial reports of the Bank for 2018 as well as the Management Board report of the condition of the Bank and its subsidiaries, and in this connection, to make the decision on granting approval of action to the members of the Management Board and the Supervisory Board of the Bank, as well as to adopt the decision on the profit allocation as proposed by the Management Board of the Bank.

Having supervised the conduct of the Bank affairs in 2018, which included also the review and examination of the Bank's documentation, the Supervisory Board established that the Bank acted in consistence with the law, by-laws, decisions of the Croatian National Bank related to performed supervisory examinations of particular segments of the Bank's operation, Bank's internal regulations, instructions and guidelines of the parent bank, as well as the decisions of the General Shareholders' Meeting of the Bank. Also, the Supervisory Board finds that the Bank's operations were successful in their entirety and that the planned objectives were accomplished.

Respective decisions of the Management Board and the Supervisory Board of the Bank, by means of which the Annual financial reports of the Bank and consolidated annual financial reports of the Bank for 2018 were confirmed, constitute an integral part of this Report.

Giovanni Boccolini, sgd.
President of the Supervisory Board

In Zagreb, 21 February 2019

No.: SB_3_19/4.1

**PRIVREDNA BANKA ZAGREB d.d.
MANAGEMENT BOARD**

Pursuant to Article 39 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the Management Board of the Bank at its 4_19 meeting, held on 19 February 2019 adopted the following

DECISION
on the Annual financial statements of the Bank for 2018

1. The Management Board of the Bank compiled the Annual financial statements of the Bank for the year 2018, which are as stated below:

a) Balance sheet (in HRK million)

	2018 Subtotal	2018 Grand total
Total assets		82,894
Total liabilities	68,743	
Shareholders' equity	14,151	
Total liabilities and shareholders' equity		82,894
Off-balance sheet assets		14,712

b) Income statement (in HRK million)

	2018 Ukupno	2018 Sveukupno
Operating income		3,342
Provisions (net)	(274)	
Other operating expenses	(1,469)	
Depreciation and amortization	(122)	
		(1,865)
Profit before income taxes		1,477
Income taxes		(97)
Net profit for the year		1,380

c) Cash flow statement (in HRK million)

	2018 Grand total
Cash and cash equivalents at the beginning of the year	16,972
Cash and cash equivalents at the end of the year	18,601
Net increase in cash and cash equivalents	1,629

d) Notes to financial statements

2. The *Annual financial statements of the Bank for the year 2018* shall be submitted to the Supervisory Board of the Bank for examination and for obtaining its consent with respect to the statements.
3. This Decision shall enter into force on the date when it has been adopted.

Dinko Lucić, sgd.
President of the Management Board

In Zagreb, 19 February 2019

No.: MB_4_19/4.1.1

PRIVREDNA BANKA ZAGREB d.d.
SUPERVISORY BOARD

Pursuant to Article 53 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank) and Article 300.d of the Companies Act, the Supervisory Board of the Bank at its 3_19 meeting, held on 21 February 2019, adopted the following

DECISION
on the Annual financial statements of the Bank for 2018

1. Consent is hereby given with respect to the below stated Annual financial statements of the Bank for the year 2018, which were compiled by the Management Board of the Bank:

a) Balance sheet (in HRK million)

	2018 Subtotal	2018 Grand total
Total assets		82,894
Total liabilities	68,743	
Shareholders' equity	14,151	
Total liabilities and shareholders' equity		82,894
Off-balance sheet assets		14,712

b) Income statement (in HRK million)

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		(1,865)
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	2018 Grand total
Cash and cash equivalents at the beginning of the year	16,972
Cash and cash equivalents at the end of the year	18,601
Net increase in cash and cash equivalents	1,629

d) Notes to financial statements

2. After the Supervisory Board of the Bank has given its consent with respect to the Annual financial statements of the Bank for 2018, the mentioned financial statements shall be considered confirmed by the Management Board and by the Supervisory Board of the Bank.
3. This Decision shall enter into force on the date when it has been adopted.

Giovanni Boccolini, sgd.
President of the Supervisory Board

In Zagreb, 21 February 2019

No.: SB _3_19/3.1

PRIVREDNA BANKA ZAGREB d.d.
MANAGEMENT BOARD

Pursuant to Article 39 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the Management Board of the Bank at its 4_19 meeting, held on 19 February 2019 adopted the following

DECISION
on the consolidated annual financial statements for 2018

1. The Management Board of the Bank compiled the consolidated annual financial statements of the Bank for 2018, which are as stated below:

a) Balance sheet (in HRK million)

	2018 Subtotal	2018 Grand total
Total assets		112,013
Total liabilities	94,943	
Shareholders' equity	17,070	
Total liabilities and shareholders' equity		112,013
Off-balance sheet assets		20,157

b) Income statement (in HRK million)

	2018 Subtotal	2018 Grand total
Operating income		4,880
Provisions (net)	(438)	
Other operating expenses	(2,360)	
Depreciation and amortization	(202)	
		(3,000)
Income arising from investments accounted by net equity method		14
Profit before income taxes		1,894
Income taxes		(174)
Net profit for the year		1,720
Attributable to:		
Equity holders of the Bank		1,681
Non-controlling interests		39

c) Cash flow statement (in HRK million)

	2018 Grand total
Cash and cash equivalents at the beginning of the year	20,565
Cash and cash equivalents at the end of the year	22,840
Net increase in cash and cash equivalents	2,275

d) Notes to financial statements

2. *The consolidated annual financial statements for the year 2018* shall be submitted to the Supervisory Board of the Bank for examination and for obtaining its consent with respect to the statements.
3. This Decision shall enter into force on the date when it has been adopted.

Dinko Lucić, sgd.

President of the Management Board

In Zagreb, 19 February 2019

No.: MB_4_19/4.1.2

PRIVREDNA BANKA ZAGREB d.d.
SUPERVISORY BOARD

Pursuant to Article 53 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank) and Article 300.d of the Companies Act, the Supervisory Board of the Bank at its 3_19 meeting, held on 21 February 2019, adopted the following

DECISION
on the consolidated annual financial statements for 2018

2. Consent is hereby given with respect to the below stated consolidated annual financial statements of the Bank for 2018, which were compiled by the Management Board of the Bank:

a) Balance sheet (in HRK million)

	2018 Subtotal	2018 Grand total
Total assets		112,013
Total liabilities	94,943	
Shareholders' equity	17,070	
Total liabilities and shareholders' equity		112,013
Off-balance sheet assets		20,157

b) Income statement (in HRK million)

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Operating income		4,880
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Depreciation and amortization	(202)	
		(3,000)
Income arising from investments accounted by net equity method		14
Profit before income taxes		1,894
Income taxes		(174)
Net profit for the year		1,720
Attributable to:		
Equity holders of the Bank		1,681
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c) Cash flow statement (in HRK million)

	2018 Grand total
Cash and cash equivalents at the beginning of the year	20,565
Cash and cash equivalents at the end of the year	22,840
Net increase in cash and cash equivalents	2,275

d) Notes to financial statements

3. After the Supervisory Board of the Bank has given its consent with respect to the consolidated annual financial statements for 2018, the mentioned financial statements shall be considered confirmed by the Management Board and by the Supervisory Board of the Bank.
4. This Decision shall enter into force on the date when it has been adopted.

Giovanni Boccolini, sgd.
President of the Supervisory Board

In Zagreb, 21 February 2019

No.: SB_3_19/3.2

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 2 April 2019 made the following

DECISION
on the allocation of the Bank's profit earned in 2018

1. It is hereby ascertained that the Bank, in the year ended on 31 December 2018, earned net profit (i.e. profit after tax), in the amount of **HRK 1,379,820,597.56**.
2. Net profit of the Bank referred to in paragraph 1 above shall be distributed as follows:
 - The amount of HRK 1,379,755,670.88, i.e. HRK 72.58 per share, shall be allocated for the payment of dividend to all the Bank's shareholders who are registered as holders of ordinary registered shares, with the exception of treasury shares, with the depository of the Central Depository and Clearing Company on 12 April 2019 (record date). The first day when the Bank's share trades without the right to dividend payout is 11 April 2019 (ex-date).

The claim for the payment of dividend shall mature on 18 April 2019 (payment date).
 - The amount of HRK 64,926.68 shall be allocated to the retained earnings.
3. It is hereby ascertained that the total accumulated retained earnings of the Bank amount to HRK 8,939,500,450.82 on the date of adoption of this Decision.
4. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 2 April 2019

No.: GM_1_19/2.1

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 2 April 2019 made the following

DECISION

on granting the approval of action to members of the Management Board of the Bank

1. After the Annual financial statements for 2018 have been presented to the Annual General Meeting of the Bank - which statements were confirmed by the Management Board and the Supervisory Board of the Bank, it is hereby ascertained that the Management Board of Privredna banka Zagreb d.d. managed the affairs of the Bank in accordance with the law and the Articles of Association of the Bank, and, based on the foregoing, members of the Management Board shall be granted the approval of action for the year 2018.
2. This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 2 April 2019

No.: GM_1_19/2.2

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 2 April 2019 made the following

DECISION

on granting the approval of action to members of the Supervisory Board of the Bank

1. After the Annual financial statements for 2018 have been presented to the Annual General Meeting of the Bank - which statements were confirmed by the Management Board and the Supervisory Board of the Bank, it is hereby ascertained that the Supervisory Board of Privredna banka Zagreb d.d. performed its functions in accordance with the law and the Articles of Association of the Bank, and, based on the foregoing, members of the Supervisory Board shall be granted the approval of action for the year 2018.
2. This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 2 April 2019

No.: GM_1_19/2.3

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 2 April 2019 made the following

D E C I S I O N

on the suitability and election of a member of the Supervisory Board of the Bank

I

Upon completion of the assessment of the suitability of the candidate for member of the Supervisory Board of the Bank, it was found that Mr **Ignacio Jose Jaquotot Calvo**, candidate for a member of the Supervisory Board, is suitable to perform the function of a member of the Supervisory Board.

II

Elected to the Supervisory Board of the Bank for a three-year term of office, starting on the date when the Croatian National Bank grants prior approval for the performance of the function of a member of the supervisory board of a credit institution, is as follows:

- Mr **Ignacio Jose Jaquotot Calvo**, resident in Milan, Italy; LL.M., in the place of Mr Giovanni Boccolini, whose membership on the Supervisory Board ended due to the resignation he tendered with effect from 2 April 2019.

III

This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 2 April 2019

No.: GM _1_19/3

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), Article 19, par. 3 and Article 22, par. 2 of the Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution (Official Gazette 93/2018), the shareholders at the Annual General Meeting of the Bank held on 2 April 2019 made the following

DECISION

on the suitability of members of the Supervisory Board of the Bank based on regular suitability assessment

1. Upon completion of the regular annual assessment of the suitability to perform the function of a member of the Supervisory Board of the Bank an assessment has been made that:
 - Ms **Draginja Đurić**, deputy president of the Supervisory Board,
 - Mr **Adriano Arietti**, Mr **Branko Jeren**, Mr **Giulio Moreno**, Mr **Paolo Sarcinelli** and Mr **Christophe Velle**, members of the Supervisory Board,are suitable to perform the function of a member of the Supervisory Board.
2. It is assessed that the members of the Supervisory Board collectively or individually have the necessary knowledge, skills and experience allowing it to monitor the Bank's operations independently and without undue influence from other persons and to have an understanding of its operations and significant risks.
3. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 2 April 2019

No.: GM_1_19/4