



**PRIVREDNA BANKA ZAGREB**

## **Annual General Meeting**

**21 July 2020**

**(explanation of proposed decisions)**

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## **Agenda**

- 1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2019**
- 2. Annual financial statements of the Bank and consolidated annual financial statements for 2019 (*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 2019**
  - 2.2 Decision on granting the approval of action to members of the Management Board of the Bank for the year 2019**
  - 2.3 Decision on granting the approval of action to members of the Supervisory Board of the Bank for the year 2019**
- 3. Decision on the appointment of the external auditor who shall conduct the audit of the Bank's financial statements for the year 2020**
- 4. Decision on the suitability of members of the Supervisory Board of the Bank based on the regular suitability assessment**
- 5. Decision on the suitability of candidates for members of the Supervisory Board of the Bank**
- 6. Decision on the election of two members of the Supervisory Board of the Bank**
- 7. Decision on the acceptance of the ratio between variable and fixed components of the remuneration for 2019**

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**1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2019**

The obligation to submit a report on supervision exercised over the conduct of business affairs in the Bank is stipulated in Articles 263, 300.c, and 300.d of the Companies Act, which includes also the obligation [of the SB] to report on the results of its examination of the annual financial statements, the Annual Management Board Report of Condition of the Bank and its Subsidiaries, and the proposed decision on profit allocation.

*There is **no voting** on this Agenda item, but instead, the participants of the Annual General Meeting are supposed **to take note of the Supervisory Board Report** on supervision exercised over the conduct of business affairs in the Bank in 2019.*

**2. Decisions enclosed with the Annual Financial Statements and Consolidated Annual Financial Statements for 2019:**

**2.1 Decision on the allocation of the Bank's profit earned in 2019**

Pursuant to provisions of Article 275 of the Companies Act, the Decision on the allocation of the Bank's profit is adopted by the General Meeting of the Bank after the Management Board of the Bank (in line with Articles 300.b and 300.c of the Companies Act) has presented a proposal of the Decision on the allocation of profit to the Supervisory Board of the Bank for examination and approval.

In view of the Croatian National Bank's decision of 20 March 2020, ordering the Bank to keep the net profits earned in the business year 2019 in the Bank's capital instead of allocating it for dividend payment in order to maintain soundness and stability of the financial system of the Republic of Croatia, a proposal is made to the General Meeting to allocate the entire net profits into retained earnings.

**2.2 Decision on granting the approval of action to members of the Management Board of the Bank for the year 2019**

Pursuant to Article 276 of the Companies Act, the shareholders at the General Meeting of the Bank once a year, on the occasion when the annual financial statements are presented to the General Meeting, decide on granting the approval of action to members of the Management Board and the Supervisory Board – by means of which they express their approval of the way in which members of the Management Board and the Supervisory Board ran the company in a given year.

**2.3 Decision on granting the approval of action to members of the Supervisory Board of the Bank for the year 2019**

(The explanation is the same as under 2.2 above)

**3. Decision on the appointment of the external auditor who shall conduct the audit of the Bank's financial statements for the year 2020**

Pursuant to Article 275 of the Companies Act, the shareholders at the General Meeting decide also on the appointment of the external auditor who shall conduct the audit of the company's operation as proposed by the Supervisory Board of the Bank.

In accordance with the recommendation of the Audit Committee of the Bank, the proposal is to appoint the audit firm BDO Croatia d.o.o., Zagreb, to conduct the audit of the Bank's financial statements for a second year in a row.

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#### **4. Decision on the suitability of members of the Supervisory Board of the Bank based on the regular suitability assessment**

According to the provisions of the Credit Institutions Act and the CNB's 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, the General Meeting decides on the suitability of members of the Supervisory Board of the Bank on a regular basis - once a year.

Before submitting the draft decision to the General Meeting, a suitability assessment of present members of the Supervisory Board was conducted at the Bank in accordance with the *Policy on the assessment of suitability procedure*, adopted with the consent of the Supervisory Board of the Bank, and the *Policy on the target structure of the Supervisory Board of Privredna banka Zagreb d.d.*, adopted by the General Meeting of the Bank.

#### **5. Decision on the suitability of candidates for members of the Supervisory Board of the Bank**

According to the provisions of the Credit Institutions Act and the CNB's 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, the General Meeting decides on the suitability of candidates for members of the Supervisory Board of the Bank.

Considering that the three-year term of office of a member of the Supervisory Board of the Bank, Mr Giulio Moreno, will end on 29 November 2020 and keeping in mind his contribution to the work of the Supervisory Board and the Audit Committee that he chairs, a proposal is put forth to re-elect him to the Supervisory Board and also to elect Mr Luca Leoncini Bartoli as a member of the Supervisory Board of the Bank instead of Mr Paolo Vivona, who has tendered his resignation from the Board effective from the beginning of the term of office of the new member.

Before submitting the draft decision to the General Meeting, a suitability assessment of the aforementioned candidates for members of the Supervisory Board was conducted at the Bank in accordance with valid regulations and internal regulations of the Bank and the Policy on the target structure of the Supervisory Board of Privredna banka Zagreb d.d., adopted by the General Meeting of the Bank.

#### **6. Decision on the election of two members of the Supervisory Board of the Bank**

Pursuant to Article 275 of the Companies Act the General Meeting decides on the election of members of the Supervisory Board.

After the suitability assessment of Mr Moreno and Mr Leoncini Bartoli had been performed by the Bank's expert service, the Nomination Committee issued a positive opinion on their suitability for performing the function of a member of the Supervisory Board of the Bank, proposing them to the Supervisory Board of the Bank as candidates for Supervisory Board members.

Further to the foregoing and according to the provisions of Article 280 of the Companies Act, the Supervisory Board submits to the General Meeting of the Bank the proposal to elect Mr Moreno and Mr Leoncini Bartoli as members of the Supervisory Board of the Bank for a three-year term of office subject to prior approval of the Croatian National Bank for performing the function of a member of the supervisory board of a credit institution.

*The resumes of the nominated candidates are available on the Bank's web site.*

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## **7. Decision on the acceptance of the ratio between variable and fixed components of the remuneration for 2019**

Based on the achievement of individually agreed goals and considering overall performance and performance-related behaviours, in particular with regard to managerial competencies, and in accordance with the Bank's values, the expressed evaluation of individual achievement of the set goals and the valid rules on remuneration, for the PBZ Group Risk Takers who are identified as ISP Group Risk Takers as well, and not belonging to the Control Functions, or to the PBZ Group Risk Takers identified as ISP Group Risk Takers operating in Banka Intesa Sanpaolo d.d. Slovenia (since the local regulations allow a maximum limit of 100%), a proposal is put forth to approve a higher ratio between the variable and the fixed component of the remuneration for 2019 up to a maximum 200% to 100%, in accordance with the Article 100.a of the Credit Institution Act, Official Gazette No 159/13, 19/15, 102/15, 15/18, 70/19 and 47/20.

In line with the above mentioned the proposed Decision relates to eight Risk Takers, namely seven employees of the Privredna banka Zagreb d.d. and one employee of the Intesa Sanpaolo Banka d.d., Bosnia & Herzegovina who perform the functions of the president, member of the Management Board and CFO as stated in the Decision.

The purpose of the proposed acceptance of higher ratio is not to automatically increase the variable remuneration to the abovementioned Risk Takers, but only to create preconditions for enabling a variable remuneration of more than 100%.

Considering all the risks that the Bank is exposed to as well as the requirements for maintenance of an adequate level of capital and liquidity, it is determined that the proposed Decision does not affect the fulfilment of regulatory obligations and that the implementation of this Decision has no material impact on the maintenance of adequate capital level of Privredna banka Zagreb d.d. and PBZ Group.

Zagreb, 18 June 2020

***Privredna banka Zagreb d.d.***