



PRIVREDNA BANKA ZAGREB

Extraordinary General Meeting

15 February 2021

(material)

**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 adopted at its 33_20 meeting, held on 30 December 2020, the following

**D E C I S I O N
on calling the Extraordinary General Meeting**

of **Privredna banka Zagreb d.d.**, Zagreb, Radnička cesta 50, which will be held on **15 February 2021**, beginning at **11.00 a.m.**, in the conference room of the Hilton Garden Inn Hotel in Zagreb, Radnička cesta 21, 8th floor.

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

A G E N D A

1. Decision on the approval of the Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for business year 2019.

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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 16 February 2021, at the same location, beginning at the same time, and the Agenda of the meeting will remain the same.

If after calling the Extraordinary General Meeting of the Bank any circumstances arise concerning the SARS-Cov-2 virus pandemic or any other natural disaster that make it impossible to hold the Extraordinary General Meeting of the Bank, the Management Board of the Bank will make a decision on its revocation.

*Dinko Lucić, sgd.
President of the Management Board*

In Zagreb, 30 December 2020

No.: MB_33_20/2

**PRIVREDNA BANKA ZAGREB d.d.
EXTRAORDINARY GENERAL MEETING**

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Extraordinary General Meeting of the Bank held on 15 February 2021 made the following

**D E C I S I O N
on the approval of**

the Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for business year 2019

I.

The Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for business year 2019 is hereby approved.

II.

The Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for business year 2019, accompanied with the Auditor's report on the examination of the Report, is enclosed with this Decision as its integral part.

III.

This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 15 February 2021
No.: EGM_1_21/1

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Explanation of proposed Decision:

In accordance with Article 272r of the Companies Act, the Management Board and the Supervisory Board are required to compile once a year a clear and comprehensible report on all remuneration paid by the company to members of the Management Board and the Supervisory Board during the last business year.

In line with the abovementioned, the Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for the business year 2019 (hereinafter: the Report) is structured in two parts.

Part I of the Report provides general information, presenting structural components of the remuneration of Members of the Supervisory Board of the Bank and the Management Board of the Bank and the Incentive system for 2019 for the President and Members of the Management Board of the Bank.

Part II of the Report provides Quantitative data – data on all remuneration paid in and for business year 2019. The data relates to each Member of the Supervisory Board and the Management Board of the Bank (stating name and surname) who held office during 2019 and to each former Member of the Supervisory Board and the Management Board, and includes at least the following information:

- all fixed and variable parts of remuneration, their percentages in total remuneration, an explanation of how they are in line with current remuneration policy, including how they support the company's long-term performance and how the criteria for assessing that performance have been applied; (for the Members of the Management Board the fixed remuneration is broken down in a way to show fixed remuneration with contributions (1st and 2nd Pillar, taxes and surtaxes on fixed remuneration, variable remuneration is broken down in line with the applicable payout scheme)
- the number of shares (up-front and deferred) each Member of the Management Board of the Bank is entitled to
- comparative presentation of annual changes in remuneration, income, i.e. profit of the Bank and average remuneration of employees, etc.

The Remuneration Report is to be examined by the auditor examining also the Bank's annual financial reports. BDO Croatia d.o.o. has examined the Report and prepared an independent report on whether the Remuneration Report has been compiled in line with legal provisions and this Auditor's report is enclosed with the Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for the business year 2019.

After the Extraordinary General Meeting approves the Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for the business year 2019, in line with the provisions of Article 276a of the Companies Act, the Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for the business year 2019 and the Auditor's report will be made available free of charge on the Bank's website for a period of ten years.

The Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for the business year 2019 is enclosed with and will be published together with the draft Decision.

Independent report with expressing limited assurance on Remuneration Report for the Bank PRIVREDNA BANKA ZAGREB d.d., Zagreb**Underlying subject matter**

Pursuant to the regulations specified in paragraphs 1 and 2 of Article 272r of the Companies Act applicable in the Republic of Croatia (“Reporting Requirements”) and the contract concluded with PRIVREDNA BANKA ZAGREB d.d., Zagreb (“the Bank”), we performed an engagement with the expression of limited assurance of the attached Report on remuneration of Members of the Supervisory board and the Management board of Privredna banka Zagreb d.d. for the business year 2019 (“the Remuneration Report for 2019”) prepared by the Management Board and the Supervisory Board of the Bank, in which all remuneration paid or committed to be paid by the Bank to each current and former member of the Management Board and the Supervisory Board during the financial year ended 31 December 2019 are disclosed. Our task, based on the procedures performed and the evidence gathered, is to express a conclusion in the form of an independent report with expressing a limited assurance on the Remuneration Report.

Basis of preparation

Reporting requirements for the preparation of the Remuneration Report are the information required by the paragraphs 1 and 2 of Article 272r of the Companies Act.

Management board and Supervisory board responsibilities

The Management Board and the Supervisory Board are responsible for the content and presentation of the Remuneration Report prepared in accordance with Article 272r of the Companies Act and for such internal controls as the Management Board determines are necessary to enable the preparation of the Remuneration Report that is free from material misstatements whether due to fraud or error.

The Bank's Management Board is responsible for measuring and reporting remuneration in accordance with the Reporting requirements as well as the selection and application of policies and the forming of appropriate estimates and judgments during the preparation of the Report.

Practitioner's responsibilities

Our responsibility is to review the Remuneration Report and, based on the work performed and the evidence gathered, to express a conclusion in the form of an independent report with expressing limited assurance on the Remuneration Report. Our limited assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (amended) issued by the International Auditing and Assurance Standards Board (IAASB). The standard requires that we plan and perform the engagement and gather sufficient appropriate evidence to form our conclusion as to whether the Remuneration Report has been prepared, in all material respects, in accordance with the Reporting Requirements.

We have acted in accordance with the independence requirements and ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

BDO Croatia d.o.o. operates in accordance with International Standards on Quality Control (ISQC 1) and maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements of professional standards and applicable legal and regulatory requirements.

Procedures aimed at gathering evidence for the purpose of limited assurance engagements are more limited than is the case when issuing a reasonable assurance and accordingly less assurance is given than in the case of a reasonable assurance or an audit. Our engagement did not include the audit or review of the Remuneration Report or any accounting and other evidence on the basis of which it was prepared. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. The nature and scope of our work were determined on the basis of risk assessment and our professional judgement exercised for the purpose of obtaining a limited assurance and do not include an opinion of the appropriateness of the remuneration of Management and Supervisory Board.

In respect of the subject matter we have performed following procedures:

- Inquiries to responsible persons in order to gain understanding of the remuneration policy and procedures related to preparation of the Remuneration Report, as well as inquiries regarding the accuracy of disclosures in the Remuneration Report,
- Understanding of the Company's internal controls, processes and systems set up for the preparation of the Remuneration Report,
- Comparison of the names of persons entered in the court register with the names of persons listed in the Remuneration Report as current and former members of the Management Board and the Supervisory Board during the financial year ended 31 December 2019,
- Reconciliation, on the sample basis, of input data disclosed in the Remuneration Report with the supporting documentation provided by the Bank, and
- Reading the Remuneration Report and confirming the presentation is in accordance with Article 272r of the Companies Act.

Limitations in the preparation of the Remuneration Report

The interpretation of performance results is to some extent subjective because it takes into account both qualitative and quantitative aspects. Due to the inherent subjectivity in the interpretation of qualitative reward criteria, but also subjectivity in measuring quantitative goals (for example, related to the subsequent risk monitoring for variable receipts), various acceptable methodologies for measuring the achievement of individual goals and subsequent risk monitoring are possible. Furthermore, in the preparation of the Remuneration Report, various other assessments and judgments were used, which include, those related to: compliance with the remuneration policy; an explanation of how employees' remuneration were taken into account in the calculation of average remuneration and which employees were included in that calculation.

Statement of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board of the Bank declare that the Remuneration Report for 2019 is accurate and complete and that it contains all the regulations of the Reporting Requirements.

Conclusion

Based on our work performed and evidence gathered, nothing has come to our attention that causes us to believe, that the Remuneration Report for 2019 is not prepared in such a way that it contains data required by paragraphs 1 and 2 of Article 272r of the Companies Act.

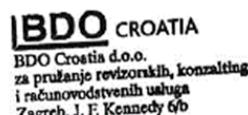
This conclusion is formed on the basis of, and is subject to, the inherent limitations set forth in the Limitations in the preparation of the Remuneration Report and Limitations of distribution and use sections.

Limitations of distribution and use

Our report is intended solely for the use prescribed in Article 272r of the Companies Act and may not be published or used for any other purpose. To the fullest extent permitted by law, we do not accept responsibility and do not agree to any obligations to any party other than the Bank in connection with our work, this independent report with expressing limited assurance or the conclusions we have reached.

Zagreb, 23rd December 2020

BDO Croatia d.o.o.
Trg J. F. Kennedy 6b
10000 Zagreb



Ivan Čajko, Member of the Management Board

Ivan Čajko, Certified Auditor

Appendix

1. The Report on remuneration of Members of the Supervisory board and the Management board of Privredna banka Zagreb d.d. for the business year 2019



PRIVREDNA BANKA ZAGREB

**The Report on remuneration of Members of the Supervisory Board
and the Management Board of Privredna banka Zagreb d.d. for the
business year 2019**

Contents	
Introduction	3
PART I – General Information	5
Presenting structural components of the remuneration of Members of the Supervisory Board of the Bank and the Management Board of the Bank	5
Incentive system for 2019 for the President and Members of the Management Board of the Bank	6
PART II – Quantitative data.....	9
1. Presentation of remuneration of the Members of the Supervisory Board and the Management Board	9
1.1. Remuneration of the Members of the Supervisory Board of the Bank.....	9
1.2. Remuneration of the former Members of the Management Board of the Bank in 2019.....	9
1.3. Remuneration of the Members of the Management Board of the Bank.....	11
2. Comparative presentation of annual changes in remuneration, income, i.e. profit of the Bank and average remuneration of employees	19
3. Clawback of variable parts of remuneration	19
4. Exception from the Remuneration Policy	19
5. Remuneration paid or committed to a Member of the Management Board of the Bank in 2019 by a third party in connection with activities performed as a Member of the Management Board of the Bank	20
6. Remuneration that the Bank has undertaken to pay to a Member of the Management Board of the Bank in case of early termination of membership in the Management Board of the Bank	20
7. Remuneration that the Bank undertook to pay to a Member of the Management Board of the Bank in case of regular termination of membership in the Management Board	21
8. Remuneration that the Bank undertook to pay to a former Member of the Management Board of the Bank whose membership in the Management Board was terminated in 2019, in connection with the termination of membership in the Management Board of the Bank	21
<i>Final provisions.....</i>	21

Introduction

The Report on remuneration of Members of the Supervisory Board and the Management Board of Privredna banka Zagreb d.d. for the business year 2019 (hereinafter: the Remuneration Report or the Report) has been prepared to meet the requirements from pars. 1 and 2 of Article 272.r of the Companies Act.

The Remuneration Report provides information about all remuneration that the Company or some other Company of the same **paid out or undertook to pay out to the current and the former Members of the Management Board and Supervisory Board over the last business year.**

With the aim of publishing data in accordance with regulatory obligations, this Report illustrates the implementation and compliance with the provisions of PBZ Group Remuneration and Incentive Policies – 2019 (hereinafter: PBZ Group Remuneration Policy or Remuneration Policy), adopted by the Decision of the Management Board of the Bank of 17.09.2019, approved by the Supervisory Board on 26.09.2019 after the positive advice by the Company Remuneration Committee, which apply and are to be interpreted in line with the relevant regulatory framework of the Republic of Croatia (primarily the Credit Institutions Act and the Croatian National Bank's Decision on employee remuneration) and internal regulations of Intesa Sanpaolo Group in the part that is not contrary to the abovementioned Croatian regulatory framework.

As of 31 December 2019, the PBZ Group was composed of Privredna banka Zagreb d.d., six Subsidiaries (PBZ Card d.o.o., PBZ stambena štedionica d.d., PBZ Leasing d.o.o., PBZ Nekretnine, Intesa Sanpaolo banka Bosna i Hercegovina d.d., and Intesa Sanpaolo banka d.d. Slovenia), and one associated Company (PBZ Croatia osiguranje d.d.).

In Privredna banka Zagreb d.d. the **Management Board of the Bank** is responsible for the implementation of the Remuneration Policy, which is regularly aligned with the regulations of the Republic of Croatia and the European Union and the standards and internal regulations of Intesa Sanpaolo S.p.A. (hereinafter: the Parent Bank), and it is also responsible for the implementation of all decisions of the Bank's Supervisory Board, with prior involvement of the Remuneration Committee, in accordance with the aforementioned Remuneration Policy.

There were no significant amendments to remuneration management policies and practices in relation to those from 2018, apart from those related to the alignment of certain provisions with the Intesa Sanpaolo Group's Remuneration and Incentive Policies, taking into account also regulatory requirements, while other amendments were related to regular updating and definition of certain processes involving corporate bodies/committees and structures of the Bank and defining their duties and responsibilities, in line with its proper PBZ Group Remuneration and Incentive Policy – 2019, adopted by the Bank in September 2019. In this regard, in order to comply with a specific request of the JST submitted to the Parent Bank, in March 2019 the Bank first had to acknowledge the ISP Group Guidelines on Remuneration, Incentives and Identification of Staff a Material Impact on the Risk Profile, and then in March 2020 it had to adopt its own PBZ Group Guidelines on Remuneration, Incentives and Identification of Staff a Material Impact on the Risk Profile, together with the PBZ Group Remuneration Policy (in May 2020), which together make the Remuneration and Incentive System Framework adopted to ensure sound and prudent management of the Company in

line with the interests of all stakeholders according to the criteria of equality, sustainability and competitiveness.

In any case, remuneration systems must take into account current and future risks and the level of capital strength and guarantee remuneration based on results actually achieved and sustainable over time.

In 2019 the Supervisory Board of the Bank and the Management Board of the Bank each acted as a body composed of seven members, as follows:

Supervisory Board of the Bank

- Ignacio José Jaquotot Calvo, President of the Supervisory Board – term of office from 23 April 2019
- Draginja Đurić, Deputy President of the Supervisory Board – term of office from 1 April 2017
- Adriano Arietti, independent Member of the Supervisory Board – term of office from 22 February 2017
- Branko Jeren, independent Member of the Supervisory Board – term of office from 22 April 2019
- Giulio Moreno, Member of the Supervisory Board – term of office from 29 November 2017
- Paolo Sarcinelli, Member of the Supervisory Board – term of office from 31 March 2019
- Christophe Velle, Member of the Supervisory Board – term of office from 18 October 2019.

In 2019 the end of the term of office of: Mr Giovanni Boccolini, President of the Supervisory Board of the Bank – tendered his resignation effective from 2 April 2019, and Mr. Ignacio José Jaquotot Calvo began his first term of office in the Supervisory Board of the Bank as its President. The term of office of Mr. Jeren, Mr. Sarcinelli and Mr. Velle underwent a renewal in 2019 for the next three years (Mr Sarcinelli was replaced by Mr Vivona on 4 February 2020).

Management Board of the Bank

- Dinko Lucić, President of the Management Board, manages the activities of the Management Board and coordinates all business functions within the Bank and the PBZ Group, and is also responsible for Control and Staff functions: Compliance, Anti-Money Laundering, HR and Organization, Legal Affairs, PR and Marketing Communication, General Secretariat and Customer Satisfaction – term of office from 11 February 2018;
- Alessio Cioni, Deputy President of the Management Board, responsible for Control and Staff functions: Cybersecurity and BCM, Project Management in terms of strategic projects, area under the authority of the Chief Financial Officer: Accounting, Planning and Control, Treasury and ALM, Administrative and Financial Governance, Procurement, Research, Data Management, coordination of the CRO Area (save for the Risk Management Department) and of the COO Area (save for the Treasury Back Office), coordination of PBZ Group Companies in the segment of finance (CFO Area), and coordination of Subsidiary Banks in alignment with the Banking Subsidiaries Coordination Committee – term of office from 13 September 2017;
- Darko Drozdek, Member of the Management Board, responsible for the Small Business and SME Division – renewed term of office from 24 October 2019;

- Ivan Gerovac, Member of the Management Board, responsible for the Corporate Division – term of office from 11 February 2018;
- Draženko Kopljarić, Member of the Management Board, responsible for the operations Area (Chief Operating Officer): Payments, Back Office, ICT, Real Estate and Logistics – term of office from 11 February 2018;
- Ivan Krolo, Member of the Management Board, responsible for the Retail Division – term of office from 11 February 2018;
- Andrea Pavlović, Member of the Management Board, responsible for the CRO Area - renewed term of office from 15 May 2019.

PART I – General Information

Presenting structural components of the remuneration of Members of the Supervisory Board of the Bank and the Management Board of the Bank

Remuneration is paid to Members of the Supervisory Board of the Bank according to the duties and responsibilities assigned to them.

In accordance with the provisions of the Articles of Association of Privredna banka Zagreb d.d. from April 2016, the remuneration to be paid to the Members of the Supervisory Board for their work amounts to one average net salary paid out in the Bank in the previous month. The President of the Supervisory Board is entitled to receive the remuneration for his work in the amount of 1.5 of the amount referred to in the previous paragraph of this Article.

Further to the foregoing, remuneration of the Members of the Supervisory Board of the Bank is established in a fixed amount.

Variable remuneration amounts, bonuses linked to results, profit-sharing clauses or options to buy shares at predetermined prices are not normally envisaged. Exemptions from this principle are envisaged only on an exceptional and justified basis, in accordance with the ISP Group Remuneration and Incentive Policies and the relative supervisory regulations in force.

Members of the Supervisory Board normally have the right to reimbursement of the expenses incurred as a result of their office.

Remuneration of employees, and thus also the President and Members of the Management Board of the Bank, is divided into the following elements:

- **fixed component** that is permanent and irrevocable by nature and determined on the basis of predetermined and non-discretionary criteria such as a contract, the function performed by the employee, assigned responsibilities, and specific experience and expertise;
- **variable component** that is related to the employee's performance and aligned with the achieved results and potentially assumed risks, consisting of:
 - short-term variable component that is paid through incentive systems
 - all variable short-term and long-term components related to the period of employment (stability, non-competition, one-off retention and similar agreements) or extraordinary agreements (entry bonus);
 - all discretionary benefits.

It is noteworthy that guaranteed bonuses are not envisaged and neither are prior agreements governing benefits or severance pay payable in connection with or at the moment of early termination of office of Members of the Supervisory Board of the Bank or in case of early termination of the employment agreement with Members of the Management Board of the Bank and/or employees of the Bank.

Incentive system for 2019 for the President and Members of the Management Board of the Bank

The Incentive System for the President and Members of the Management Board aims to guide the behaviour and managerial actions towards reaching the objectives set for the Bank's strategy and in the Business plan and to reward the best annual performance assessed with a view to optimise the risk/return ratio.

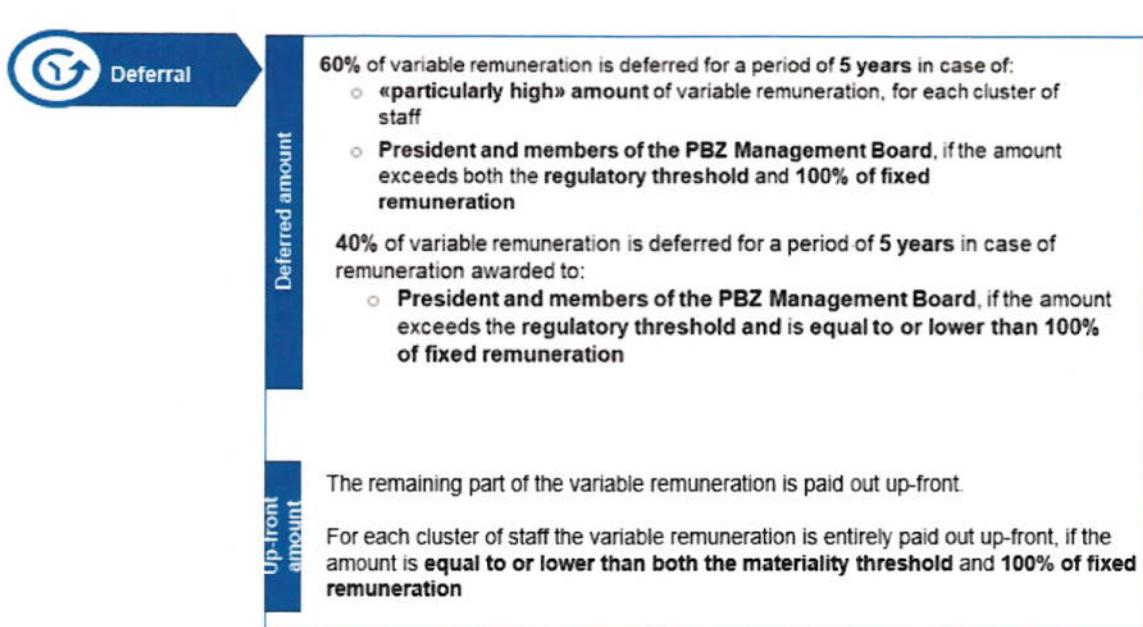
This System is formalised through Performance Scorecards.

Performance Scorecards include both KPI¹'s of economic-financial nature and non-financial KPIs.

The total amount due is attributed annually based on the evaluation of the results of the individual Performance Scorecard and according to the Bank's and ISP Group yearly results.

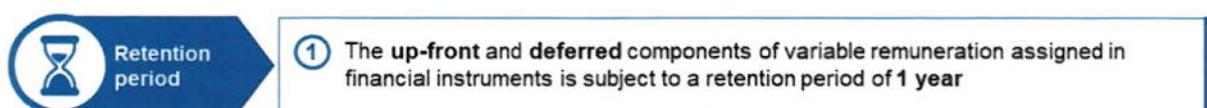
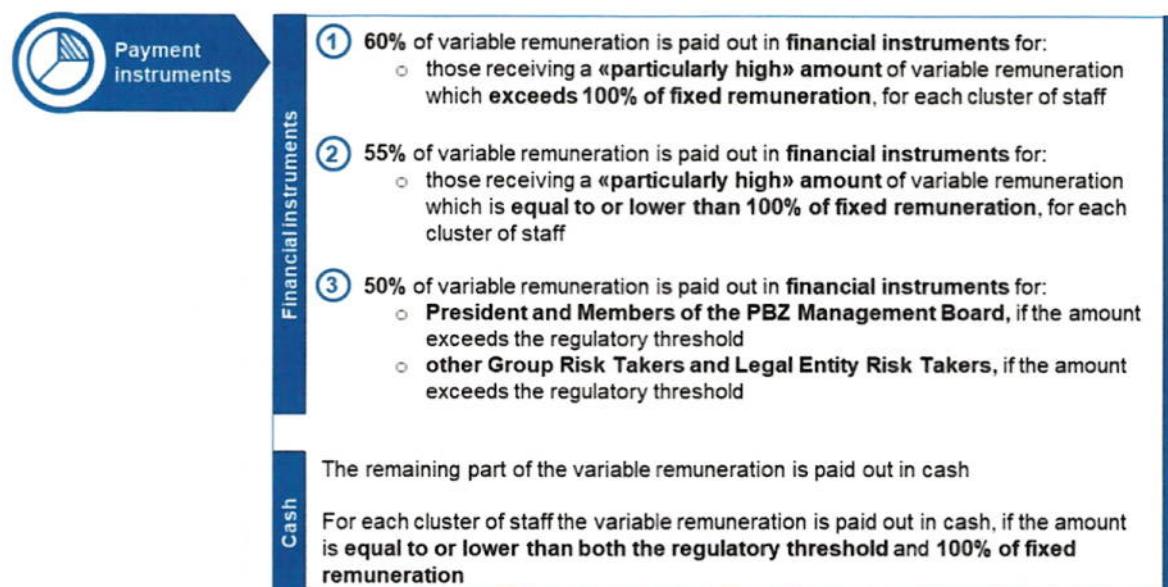
The incentive system for 2019, which is based on financial instruments, applies to the President and Members of the Management Board of the Bank and variable remuneration is above the *materiality threshold* set in line with the CNB Decision on employee remuneration at HRK 200,000 gross and/or 30% of gross fixed remuneration on an annual level.

Provided below is an overview of the implementation of the Remuneration System referring to the Members of the Management Board of the Bank for 2019:



¹ KPI - Key Performance Indicator

As provided by the PBZ Group Remuneration and Incentive Policies, for the three-year period 2019-2021, is considered particularly high the variable remuneration exceeding 400,000 €.



Financial instruments awarded to Members of the Management Board of the Bank whose bonus exceeds the regulatory threshold are ordinary shares of Privredna banka Zagreb d.d. (PBZ-RA ticker), the price of which is set according to its market price as of 27 April 2020 – the value of one ordinary share of PBZ was HRK 870,00 or EUR 115,193644489 according to the middle exchange rate of the Croatian National Bank (EUR 1 = HRK 7,5525 HRK).

In the event of deferral, each instalment is subject to a subsequent adjustment mechanism - *malus conditions* - according to which the accepted relative amount and number of financial instruments allocated, if any, may be reduced, even reduced to zero, in the year in which the deferred instalment is paid, in accordance with the level of implementation of the minimum regulatory conditions in relation to a sound capital base (CET1²) and liquidity (NSFR³), representing compliance with the associated limits established as part of the PBZ Group and ISP Group's RAF⁴ as well as financial sustainability conditions (No Loss and Positive Gross Income). In case one of the conditions is not met, the deferred part is reduced to zero; if the sustainability requirement is not met, the deferred share is reduced by 50%.

The right to reimbursement of remuneration or reimbursement of bonuses already paid as a prescribed mechanism (the so-called Clawback mechanism) may be activated in relation to

² CET1 - Common Equity Tier 1

³ NSFR - Net Stable Funding Ratio

⁴ RAF – Risk Appetite Framework

- disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel, also taking into account the relative legal, contribution and fiscal profiles;
- behaviour non-compliant with the legal and regulatory provisions, Articles of Association or any codes of ethics and conduct established *ex ante* by the Group and from which a “significant loss” derived for the Bank or the customer.

These mechanisms may be applied for 5 years following the payment of a single instalment (up-front or deferred) of variable remuneration.

PART II – Quantitative data

1. Presentation of remuneration of the Members of the Supervisory Board and the Management Board

1.1. Remuneration of the Members of the Supervisory Board of the Bank

SUPERVISORY BOARD REMUNERATION (PAID FOR/IN 2019)

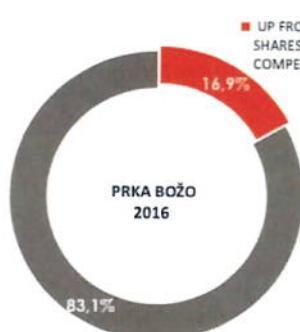
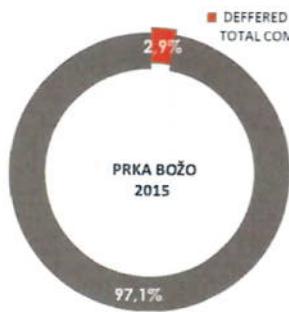
Supervisory Board	Fixed remuneration paid in 2019 for 2019*	Fixed remuneration paid in 2019 for 2018*	Other payments**
Đurić Draginja	- kn	- kn	- kn
Sarcinelli Paolo	- kn	- kn	- kn
Velle Christophe	- kn	- kn	- kn
Arietti Adriano	163.304 kn	40.858 kn	20.214 kn
Julio Moreno	163.118 kn	- kn	27.852 kn
Jeren Branko	163.145 kn	13.619 kn	- kn
Igancio José Jaquotot Calvo	- kn	- kn	17.392 kn
Boccolini Giovanni	- kn	- kn	9.631 kn

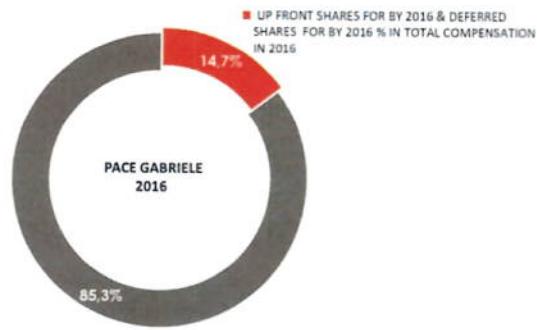
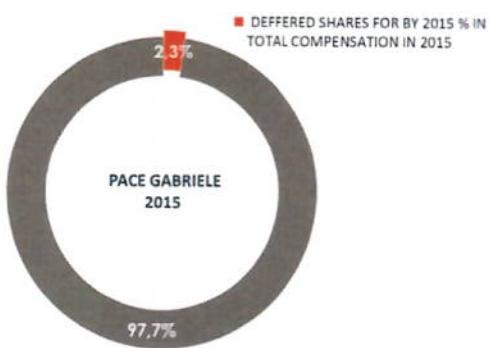
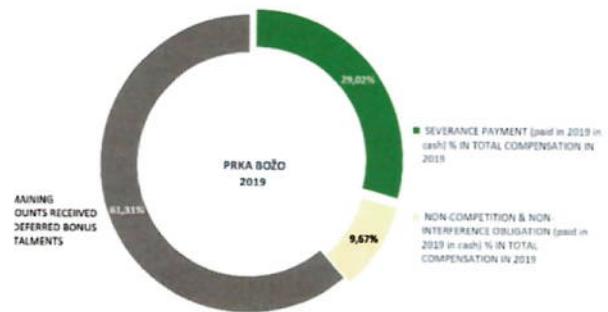
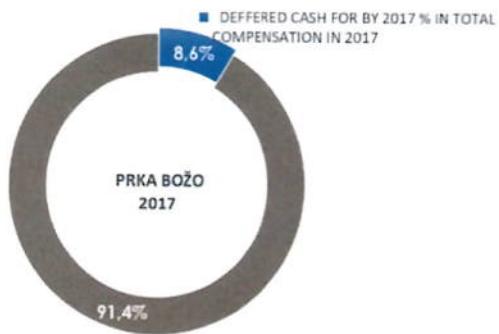
*the amounts relate to the remuneration for membership in the Supervisory Board (according to the Parent Bank rules, those Members that are part of ISP Group cannot receive any membership fee)

** the amounts refer to the costs and salary in kind calculations related to travel and other expenses (accommodation, taxi, fees related to the verification of different documentation, etc.)

Members of the Supervisory Board of the Bank are not entitled to receive variable remuneration and therefore the Bank's shares.

1.2. Remuneration of the former Members of the Management Board of the Bank in 2019





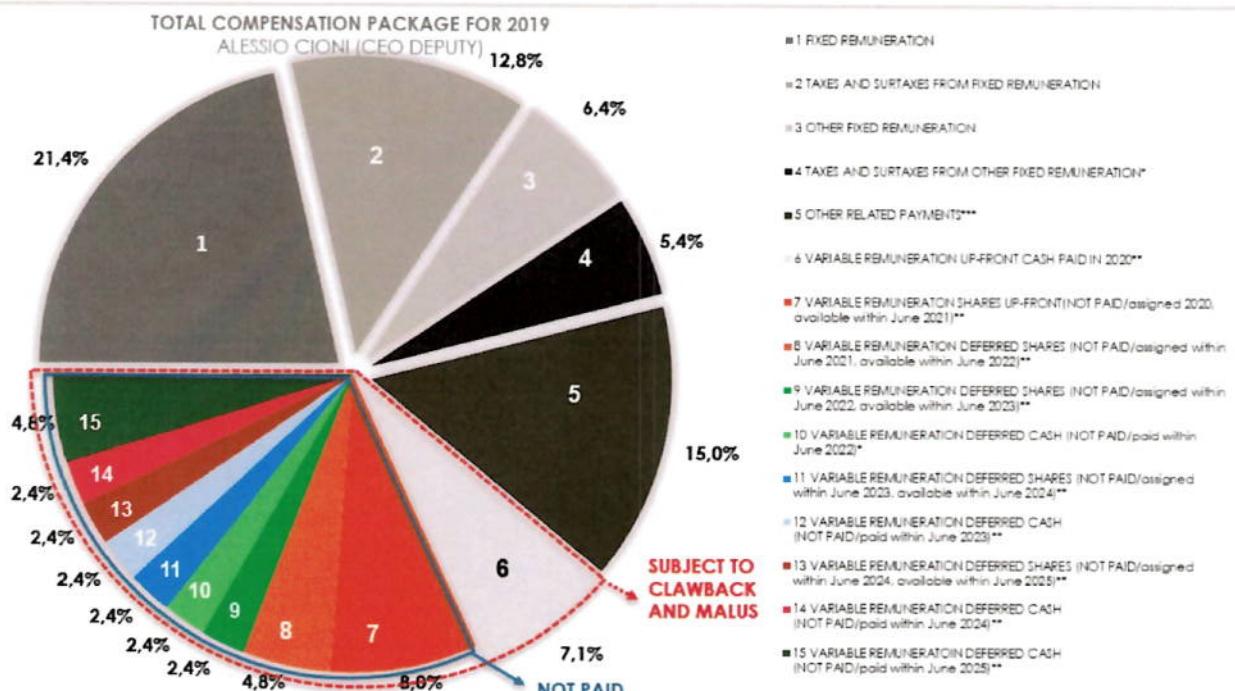
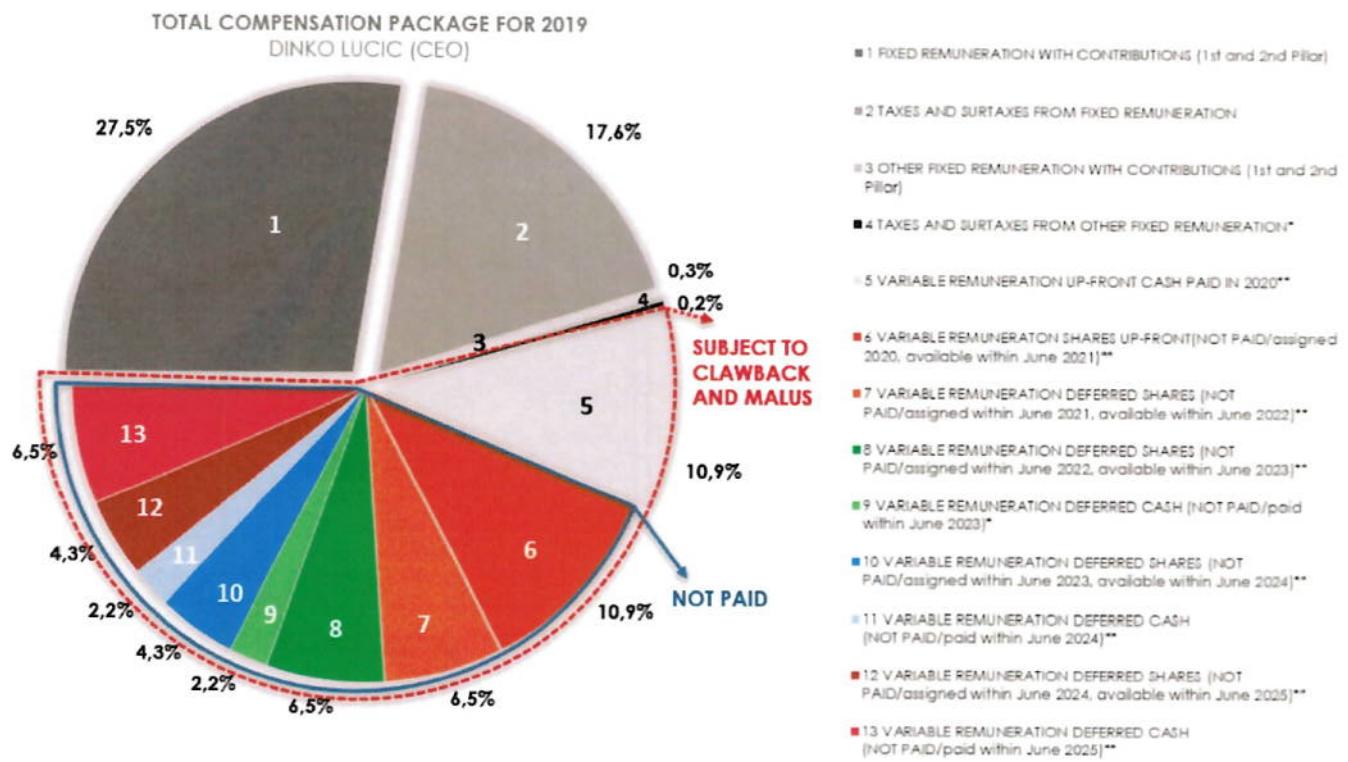
GROSS I IN HRK - TOTAL PAID IN 2019 - PBZ EX MB MEMBERS

EX PBZ MANAGEMENT BOARD MEMBERS	DEFERRED SHARES FOR BY 2015*	NO OF DEFERRED SHARES FOR BY 2015	UP FRONT SHARES FOR BY 2016*	NO OF UP FRONT SHARES FOR BY 2016	DEFERRED SHARES FOR BY 2016*	NO OF DEFERRED SHARES FOR BY 2016	DEFERRED CASH FOR BY 2017*	SEVERANCE PAYMENT (paid in 2019 in cash)	NON-COMPETITION & NON-INTERFERENCE OBLIGATION (paid in 2019 in cash)
PRKA BOŽO	275.984 kn	16.234	1.055.970 kn	62.189	351.979 kn	20.729	762.318 kn	1.157.733 kn	385.913 kn
PACE GABRIELE	96.580 kn	5.681	377.126 kn	22.210	125.703 kn	7.403			

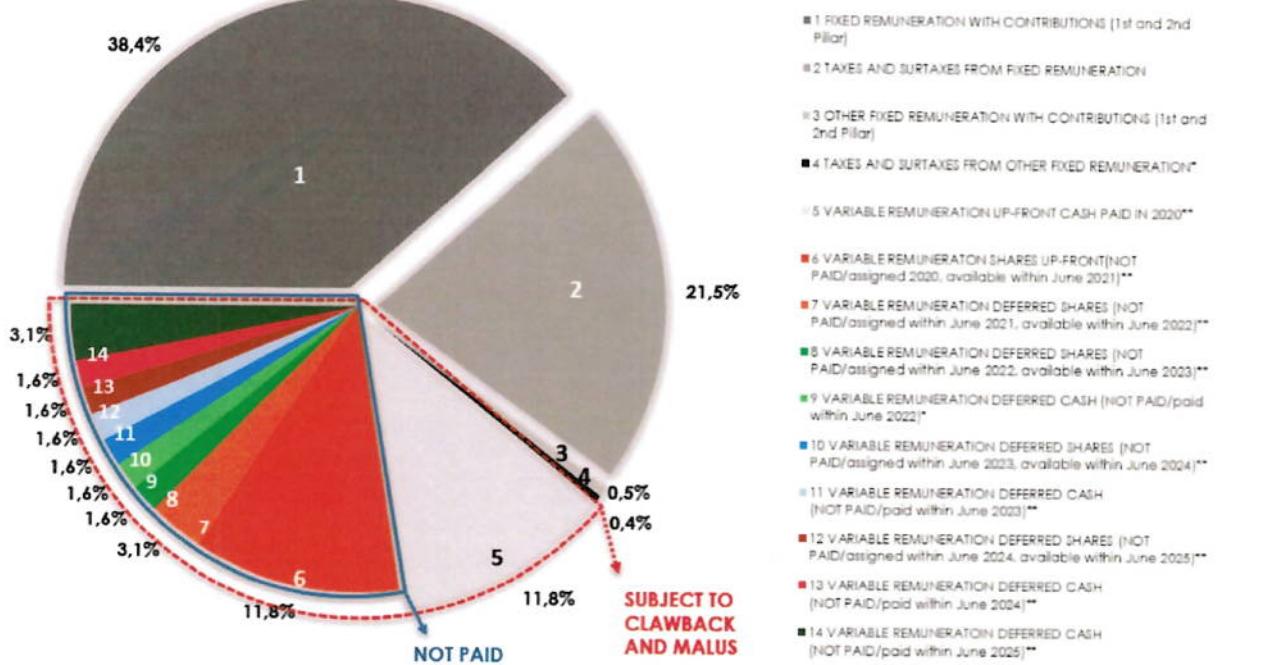
*the amounts refer to deferred installments of variable remuneration for previous years which was under possibility of malus and clawback according to ISP/PBZ Remuneration Rules

1.3. Remuneration of the Members of the Management Board of the Bank

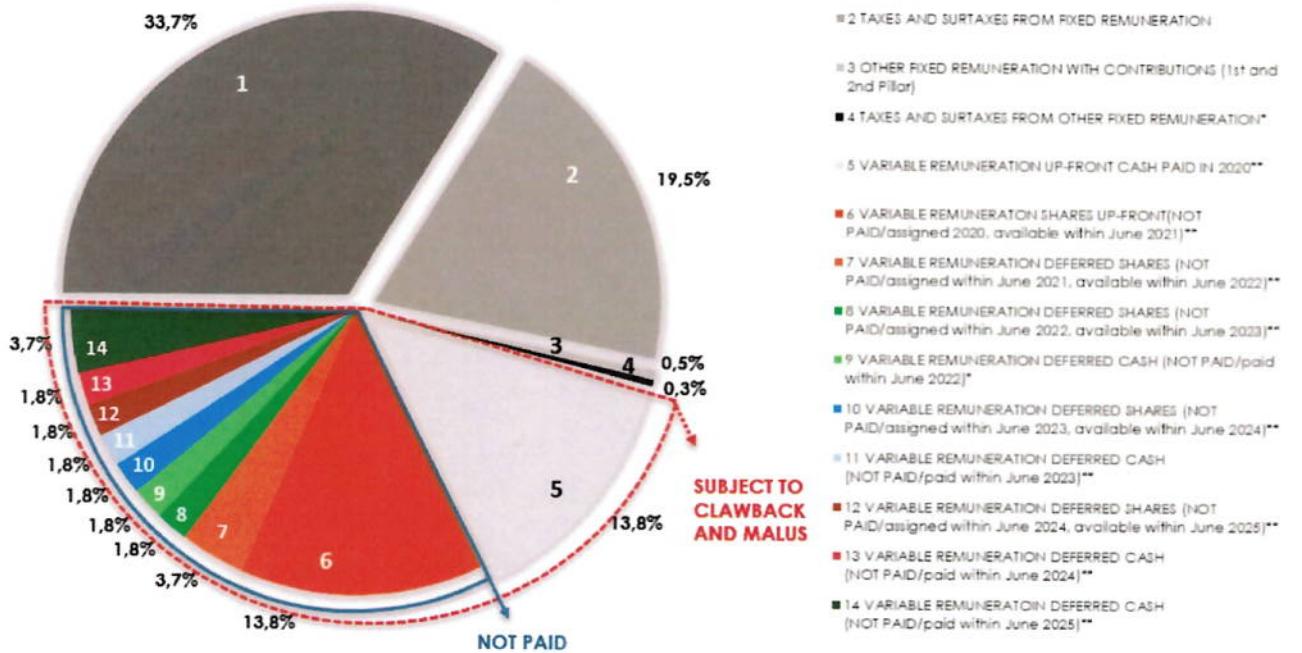
Competence Criteria



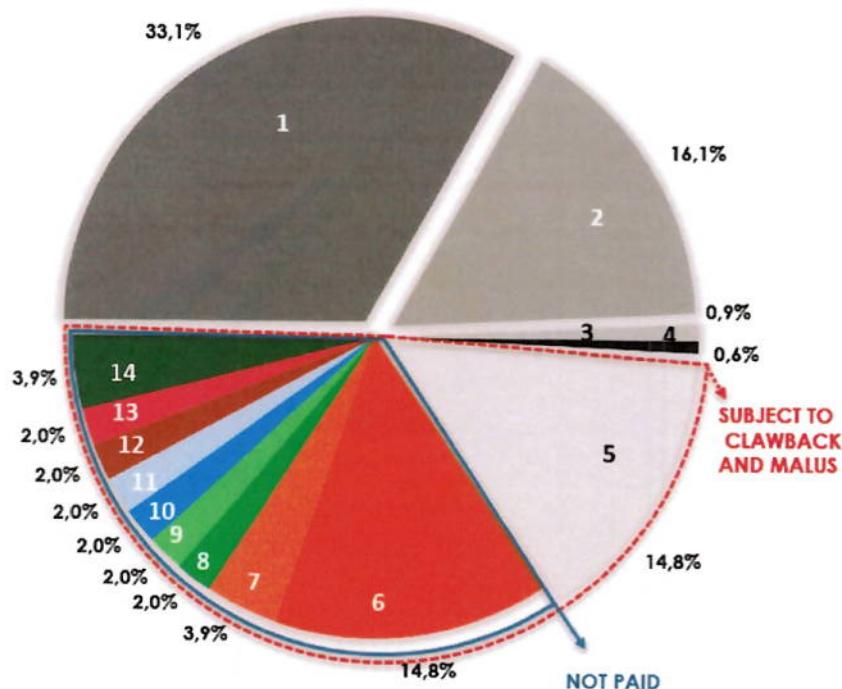
TOTAL COMPENSATION PACKAGE FOR 2019
IVAN GEROVAC MEMBER OF THE BOARD



TOTAL COMPENSATION PACKAGE FOR 2019
DRAZENKO KOPLJAR (MEMBER OF THE BOARD)

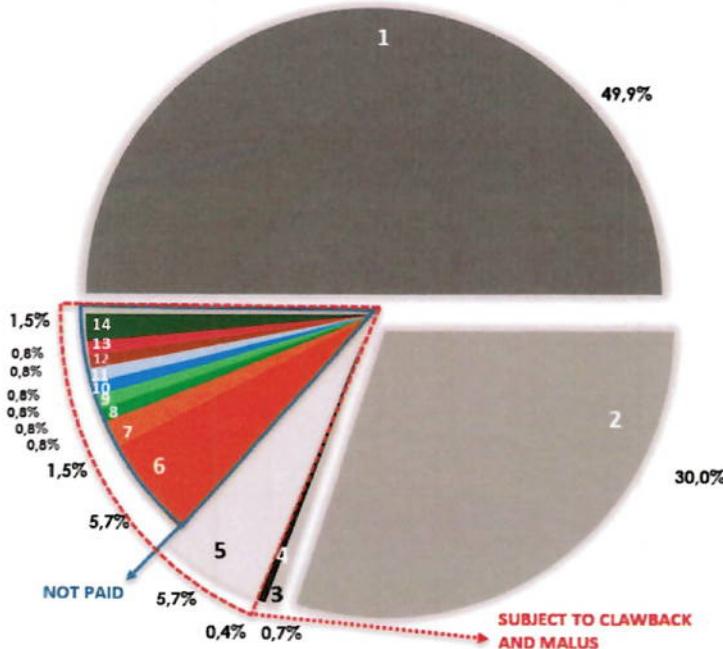


TOTAL COMPENSATION PACKAGE FOR 2019
IVAN KROLO (MEMBER OF THE BOARD)



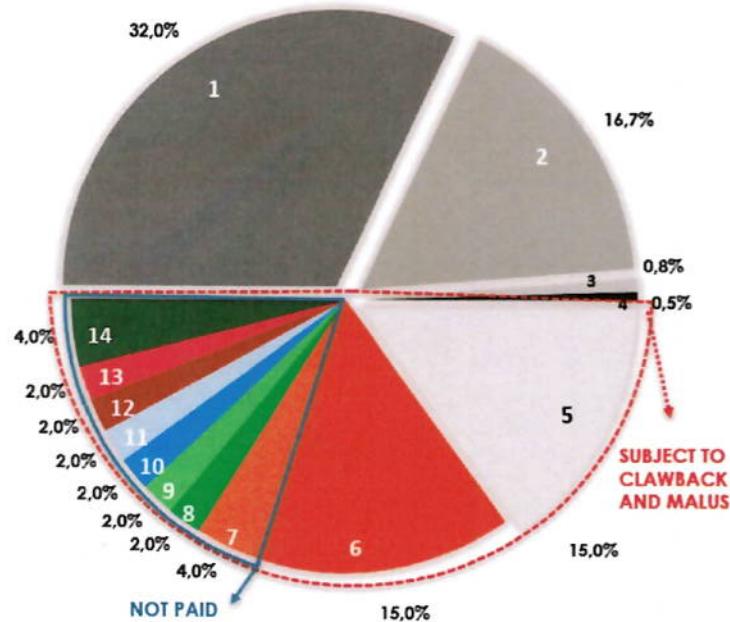
- 1 FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)
- 2 TAXES AND SURTAXES FROM FIXED REMUNERATION
- 3 OTHER FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)
- 4 TAXES AND SURTAXES FROM OTHER FIXED REMUNERATION*
- 5 VARIABLE REMUNERATION UP-FRONT CASH PAID IN 2020**
- 6 VARIABLE REMUNERATION SHARES UP-FRONT (NOT PAID/assigned 2020, available within June 2021)**
- 7 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2021, available within June 2022)**
- 8 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2022, available within June 2023)**
- 9 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2022)*
- 10 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2023, available within June 2024)**
- 11 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2023)**
- 12 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2024, available within June 2025)**
- 13 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2024)**
- 14 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2025)**

TOTAL COMPENSATION PACKAGE FOR 2019
ANDREA PAVLOVIC (MEMBER OF THE BOARD)



- 1 FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)
- 2 TAXES AND SURTAXES FROM FIXED REMUNERATION
- 3 OTHER FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)
- 4 TAXES AND SURTAXES FROM OTHER FIXED REMUNERATION*
- 5 VARIABLE REMUNERATION UP-FRONT CASH PAID IN 2020**
- 6 VARIABLE REMUNERATION SHARES UP-FRONT (NOT PAID/assigned 2020, available within June 2021)**
- 7 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2021, available within June 2022)**
- 8 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2022, available within June 2023)**
- 9 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2022)*
- 10 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2023, available within June 2024)**
- 11 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2023)**
- 12 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2024, available within June 2025)**
- 13 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2024)**
- 14 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2025)**

**TOTAL COMPENSATION PACKAGE FOR 2019
DARKO DROZDEK (MEMBER OF THE BOARD)**



■ 1 FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)

■ 2 TAXES AND SURTAXES FROM FIXED REMUNERATION

■ 3 OTHER FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)

■ 4 TAXES AND SURTAXES FROM OTHER FIXED REMUNERATION*

■ 5 VARIABLE REMUNERATION UP-FRONT CASH PAID IN 2020**

■ 6 VARIABLE REMUNERATION SHARES UP-FRONT (NOT PAID/assigned 2020, available within June 2021)**

■ 7 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2021, available within June 2022)**

■ 8 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2022, available within June 2023)**

■ 9 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2022)*

■ 10 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2023, available within June 2024)**

■ 11 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2023)**

■ 12 VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2024, available within June 2025)**

■ 13 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2024)**

■ 14 VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/paid within June 2025)**

TOTAL FIXED AND VARIABLE REMUNERATION PAID FOR PBZ FOR 2019 (GROSS !)

MANAGEMENT BOARD	FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)***	TAXES AND SURTAXES FROM FIXED REMUNERATION	OTHER FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)***	TAXES AND SURTAXES FROM OTHER FIXED REMUNERATION*	OTHER RELATED PAYMENTS***	VARIABLE REMUNERATION UP- FRONT CASH PAID IN 2020**	SUBJECT TO MALUS AND CLAWBACK							
							VARIABLE REMUNERATION SHARES UP- FRONT PAID/assigned within June 2021**	VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2021, available within June 2022)*	VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/Paid within June 2021**)	VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2022, available within June 2023)*	VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/Paid within June 2022**)	VARIABLE REMUNERATION DEFERRED SHARES (NOT PAID/assigned within June 2023, available within June 2024)*	VARIABLE REMUNERATION DEFERRED CASH (NOT PAID/Paid within June 2023**)	
LUDIĆ ĐINKO Shares No****	1.917.920 kn	1.224.080 kn	30.271 kn	14.484 kn		757.150 kn	757.150 kn	454.290 kn	454.290 kn	151.430 kn	303.860 kn	151.430 kn	302.860 kn	454.290 kn
CIONI ALESSIO Shares No****	1.225.306 kn	729.299 kn	367.555 kn	310.662 kn	856.433 kn	407.694 kn	454.295 kn	272.574 kn	136.287 kn	136.287 kn	136.287 kn	136.287 kn	136.287 kn	272.574 kn
GEROVAC IVAN Shares No****	1.186.764 kn	665.541 kn	16.262 kn	11.588 kn		363.432 kn	526	312	156					158
KOPLJAR ĐEŽENKO Shares No****	1.217.996 kn	704.081 kn	17.232 kn	12.352 kn		499.719 kn	363.432 kn	96.915 kn	48.458 kn	48.458 kn	48.458 kn	48.458 kn	48.458 kn	96.915 kn
KROLO ĐEŽENKO Shares No****	889.551 kn	454.031 kn	21.420 kn	17.670 kn		397.504 kn	416	111	55					57
PAVLOVIĆ ANDREA Shares No****	1.455.191 kn	994.953 kn	20.031 kn	13.680 kn		397.504 kn	572	152	76					78
DROZDEK DARKO Shares No****	919.915 kn	480.325 kn	22.256 kn	13.847 kn		431.576 kn	455	121	60					63
							188.530 kn	50.275 kn	25.137 kn	25.137 kn	25.137 kn	25.137 kn	25.137 kn	50.275 kn
							216	57	28					31
							431.576 kn	115.087 kn	57.543 kn	57.543 kn	57.543 kn	57.543 kn	57.543 kn	115.087 kn
							494	131	65					69

*The amounts refer to the cost of salary in kind (usage of company car, accommodation, international Healthcare Programme, taxes etc.)

**Subject to clawback and malus

***Italian Social Security Contributions - Company Pension Fund & Company Health Insurance

****For Alessio Cioni contributions 1st and 2nd Pillar do not apply

*****PBZ share countervalue as of 27th April 2020 = 115.193,4

Applicable pay-out schedules for Members of the Management Board for the 2019 performance bonus:

Pay-out schedule for the President of the Management Board:

Gross Amount €	UP-FRONT CASH (paid in May 2020) €	UP-FRONT SHARES (assigned 2020, available within June 2021) €	DEFERRED SHARES (assigned within June 2021, available within June 2022) €	DEFERRED SHARES (assigned within June 2022, available within June 2023) €	DEFERRED CASH (paid within June 2023) €	DEFERRED SHARES (assigned within June 2023, available within June 2024) €	DEFERRED CASH (paid within June 2024) €	DEFERRED SHARES (assigned within June 2024, available within June 2025) €	DEFERRED CASH (paid within June 2025) €
100%	20%	20%	12%	12%	4%	8%	4%	8%	12%

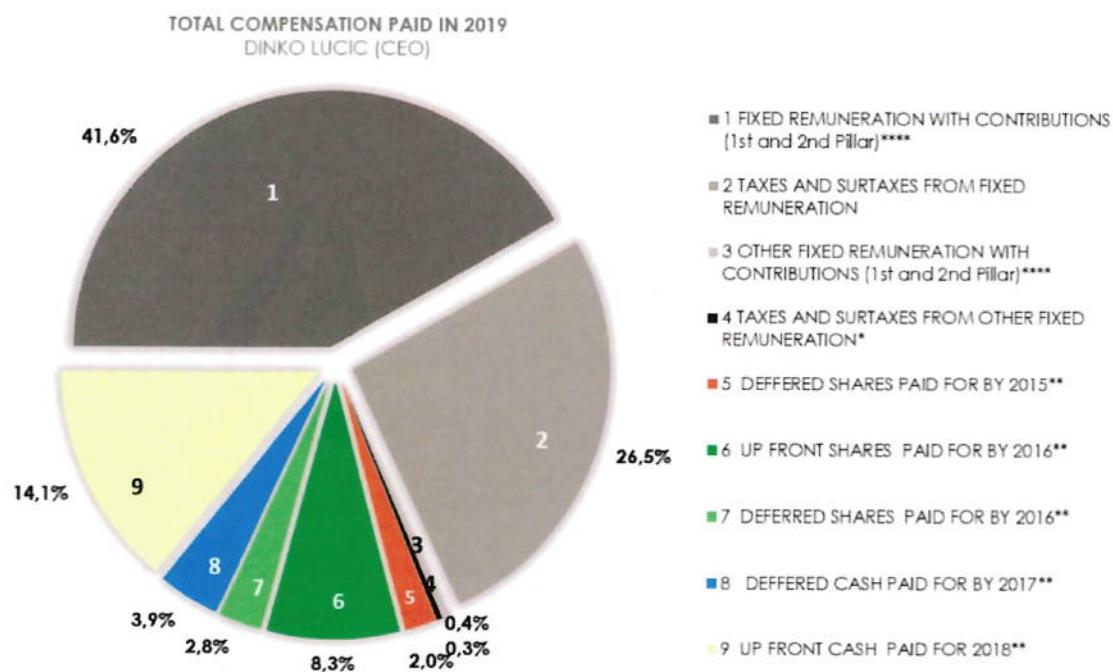
Pay-out schedule for the Deputy President of the Management Board:

Gross Amount €	UP-FRONT CASH (paid in May 2020) €	UP-FRONT SHARES (assigned 2020, available within June 2021) €	DEFERRED SHARES (assigned within June 2021, available within June 2022) €	DEFERRED SHARES (assigned within June 2022, available within June 2023) €	DEFERRED CASH (paid within June 2022) €	DEFERRED SHARES (assigned within June 2023, available within June 2024) €	DEFERRED CASH (paid within June 2023) €	DEFERRED SHARES (assigned within June 2024, available within June 2025) €	DEFERRED CASH (paid within June 2024) €	DEFERRED CASH (paid within June 2025) €
100%	20%	20%	12%	6%	6%	6%	6%	6%	6%	12%

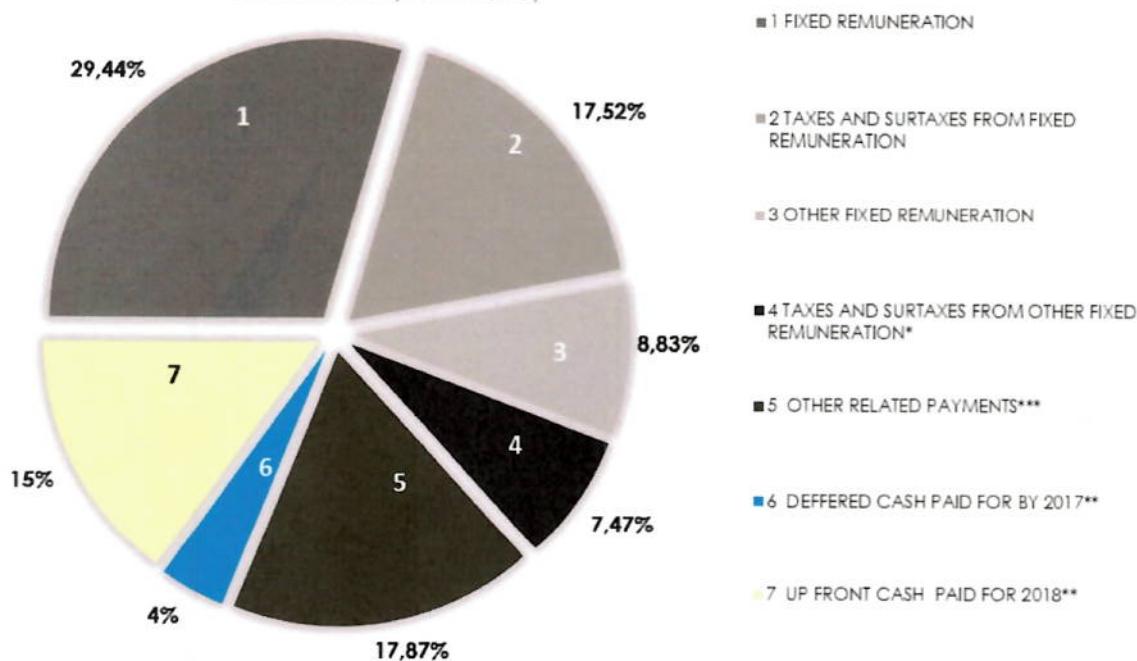
Pay-out schedule for other Members of the Management Board:

Gross Amount €	UP-FRONT CASH (paid in May 2020) €	UP-FRONT SHARES (assigned 2020, available within June 2021) €	DEFERRED SHARES (assigned within June 2021, available within June 2022) €	DEFERRED SHARES (assigned within June 2022, available within June 2023) €	DEFERRED CASH (paid within June 2022) €	DEFERRED SHARES (assigned within June 2023, available within June 2024) €	DEFERRED CASH (paid within June 2023) €	DEFERRED SHARES (assigned within June 2024, available within June 2025) €	DEFERRED CASH (paid within June 2024) €	DEFERRED CASH (paid within June 2025) €
100%	30%	30%	8%	4%	4%	4%	4%	4%	4%	8%

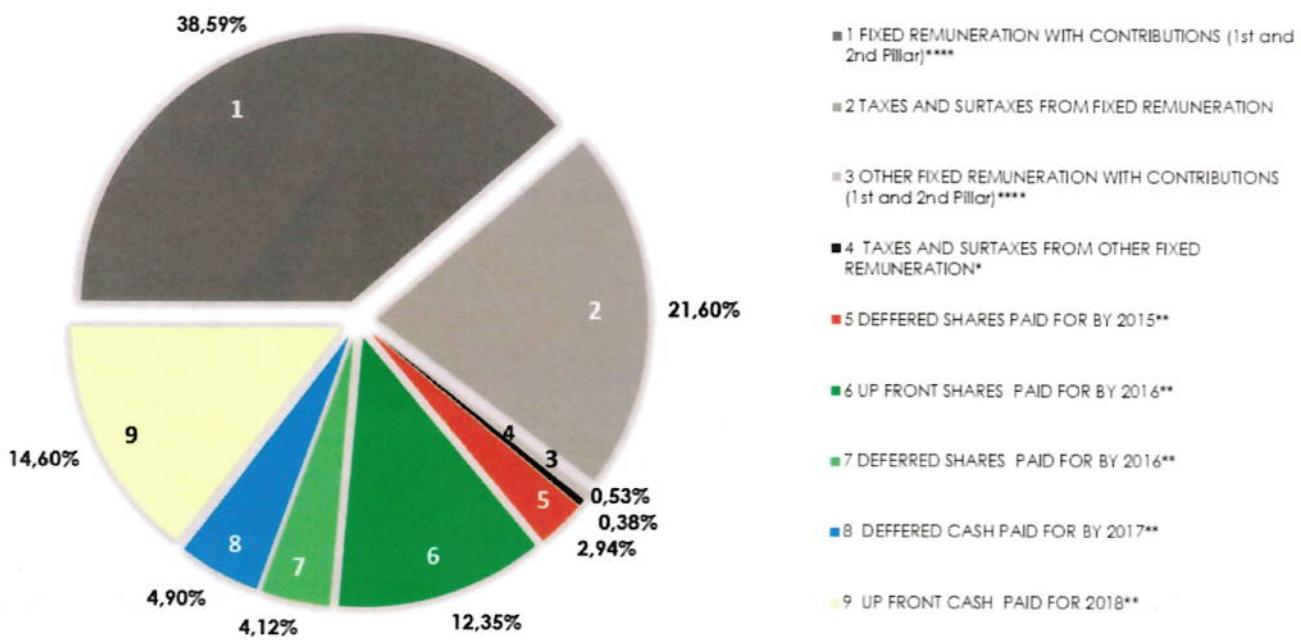
Cash Criteria

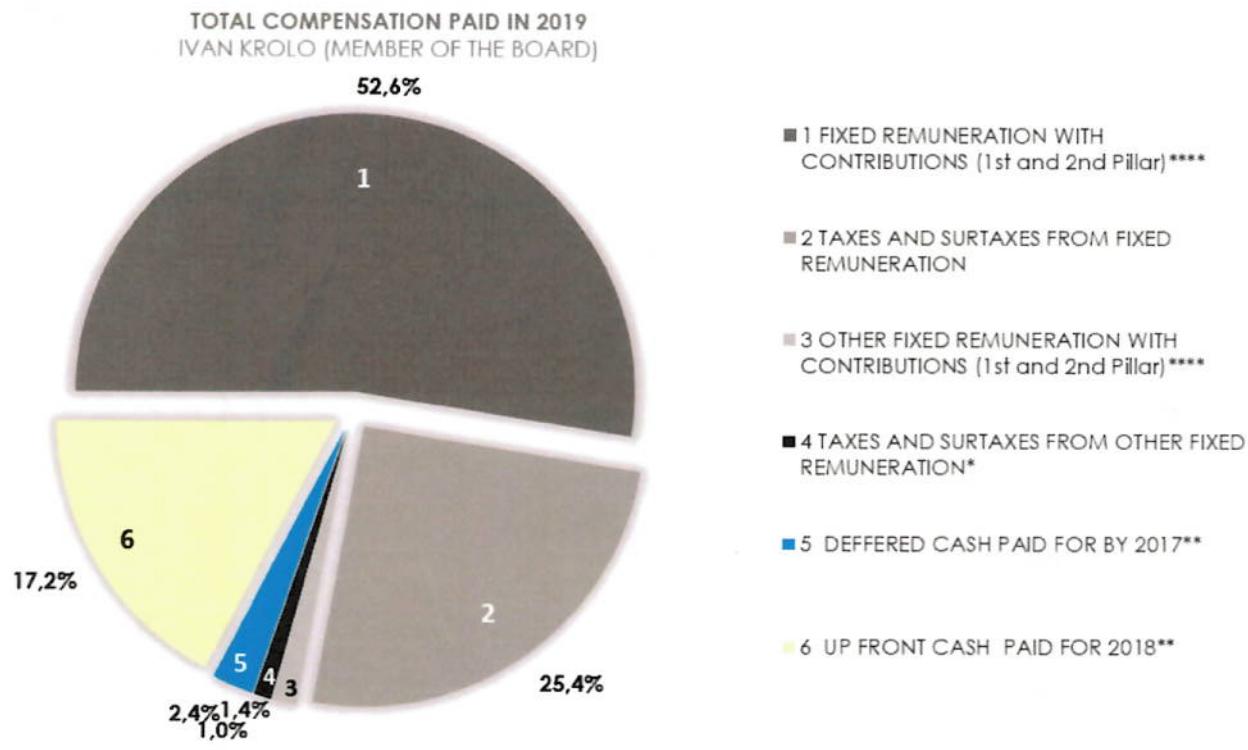
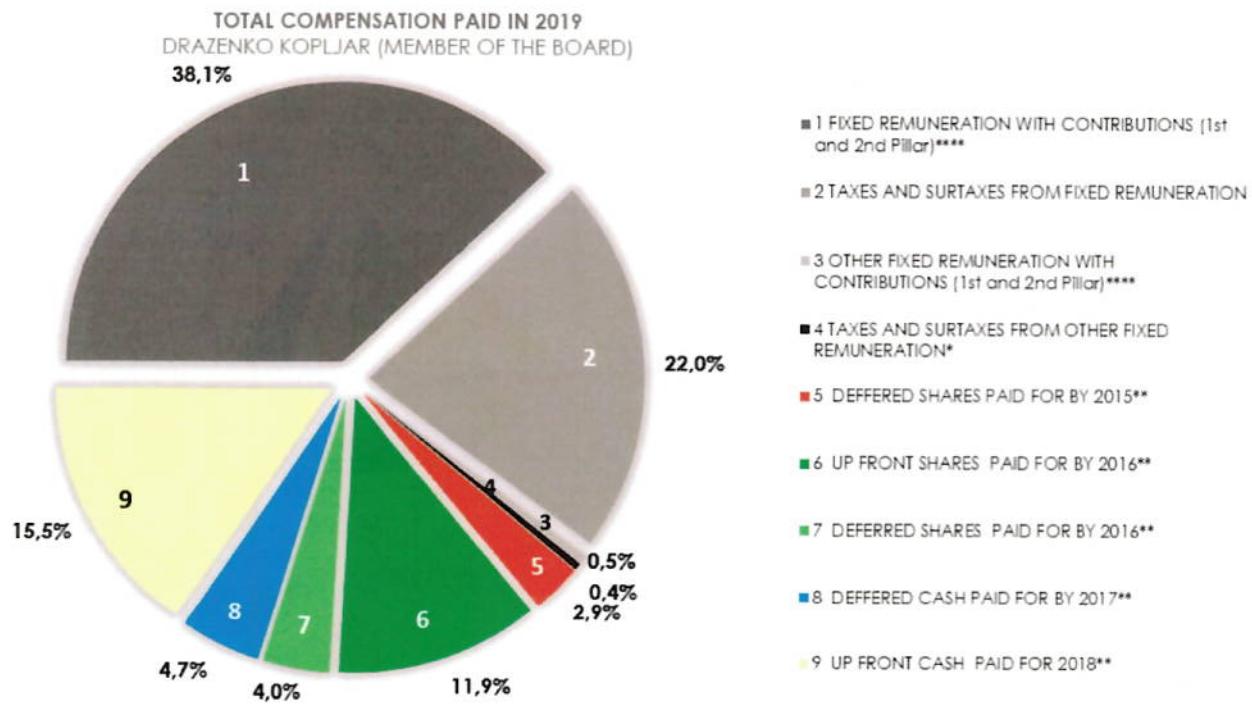


TOTAL COMPENSATION PAID IN 2019
ALESSIO CIONI (DEPUTY CEO)

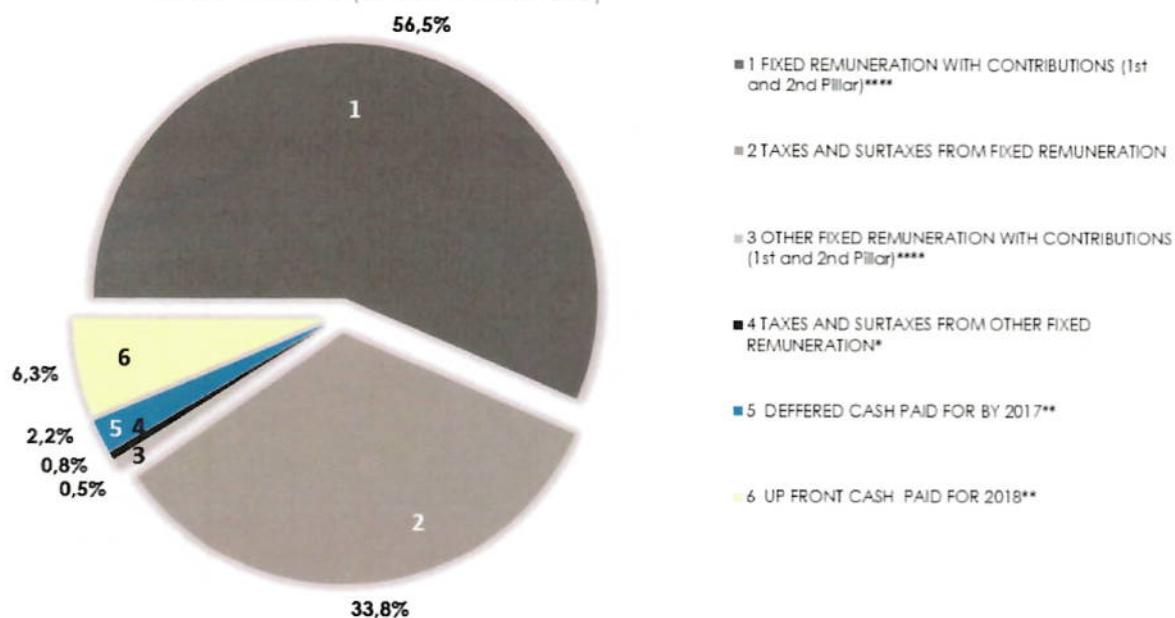


TOTAL COMPENSATION PAID IN 2019
IVAN GEROVAC (MEMBER OF THE BOARD)

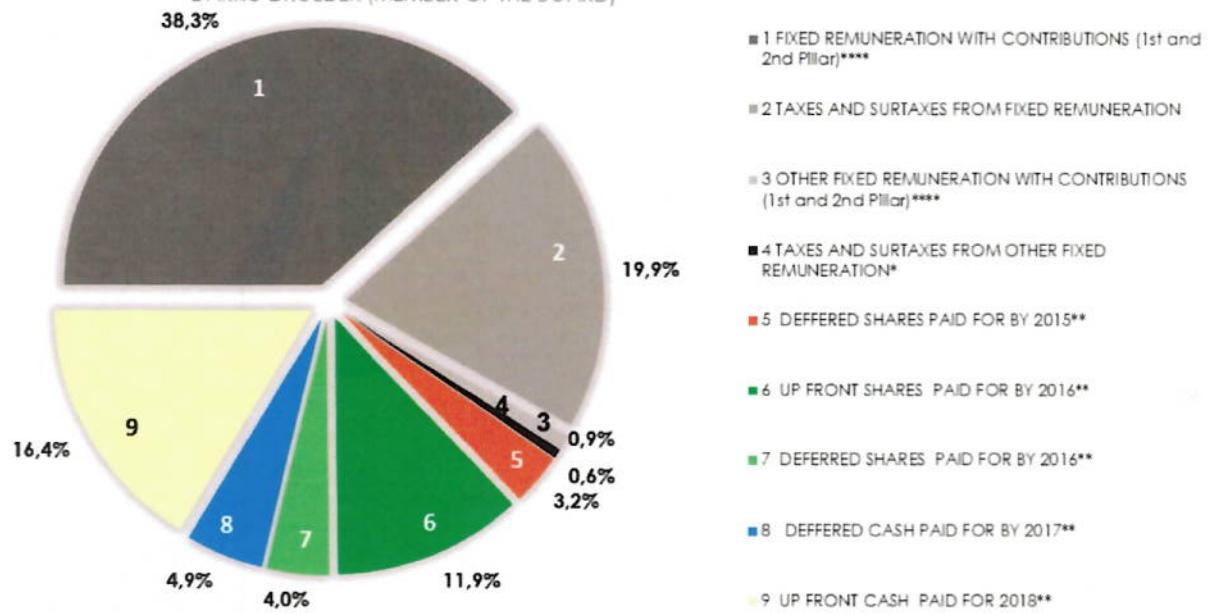




TOTAL COMPENSATION PAID IN 2019
ANDREA PAVLOVIC (MEMBER OF THE BOARD)



TOTAL COMPENSATION PAID IN 2019
DARKO DROZDEK (MEMBER OF THE BOARD)



The structure and payment plan of remuneration are in line with the relevant Remuneration Policies and regulatory framework as shown in Part I of this Report.

TOTAL FIXED AND VARIABLE REMUNERATION PAID FOR PBZ IN 2019 (GROSS I)

MANAGEMENT BOARD	FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)****	TAXES AND SURTAXES FROM FIXED REMUNERATION	OTHER FIXED REMUNERATION WITH CONTRIBUTIONS (1st and 2nd Pillar)***	TAXES AND SURTAXES FROM OTHER FIXED REMUNERATION*	OTHER RELATED PAYMENTS***	DEFERRED SHARES PAID FOR BY 2015**	UP FRONT SHARES PAID FOR BY 2014**	DEFERRED SHARES PAID FOR BY 2014**	DEFERRED CASH PAID FOR BY 2017**	UP FRONT CASH PAID FOR 2018**
LUCIĆ DINKO	1.886.364 kn	1.201.027 kn	20.271 kn	14.484 kn		89.678 kn	377.126 kn	125.703 kn	176.760 kn	639.307 kn
Shares No					5276		22210	7403		
CIONI ALESSIO	1.224.930 kn	729.169 kn	347.555 kn	310.662 kn	743.662 kn				161.361 kn	624.021 kn
GEROVAC IVAN	1.178.444 kn	659.640 kn	16.262 kn	11.588 kn		89.678 kn	377.126 kn	125.703 kn	149.566 kn	446.028 kn
Shares No					5276		22210	7403		
KOPLJAR DRAŽENKO	1.210.204 kn	698.568 kn	17.232 kn	12.352 kn		93.141 kn	377.126 kn	125.703 kn	149.566 kn	490.631 kn
Shares No					5479		22210	7403		
KROLO IVAN	885.310 kn	426.831 kn	23.620 kn	17.070 kn					40.791 kn	289.918 kn
PAVLović ANDREA	1.651.350 kn	987.307 kn	22.031 kn	13.680 kn					63.527 kn	185.102 kn
DROZDEK DARKO	912.781 kn	475.300 kn	22.256 kn	13.847 kn		77.250 kn	282.853 kn	94.273 kn	116.933 kn	390.275 kn
Shares No					4545		16658	5552		

* the amounts refer to the cost of salary in kind (company car, accommodation, International Healthcare Programme insurances, taxes etc.)

**the amounts refer to deferred installments of variable remuneration for previous years (2015,2016,2017 & 2018) paid in 2019,

which was under possibility of minus and clawback rules according to ISP/PBZ Remuneration Rules

***Italian Social Security Contributions* - Company Pension Fund & Company Health Insurance

**** For Alessio Cioni contributions 1st and 2nd Pillar do not apply

2. Comparative presentation of annual changes in remuneration, income, i.e. profit of the Bank and average remuneration of employees

PBZ d.d. (In HRK)	2019.	2018.	2017.	2016.	2015.
Income	3.997.341.085,66	3.320.741.607,11	3.816.522.965,02	3.839.310.433,43	3.163.829.709,75
Net profit	1.879.591.356,54	1.379.820.597,56	1.443.444.287,42	1.605.188.350,76	193.167.296,47

PBZ d.d. (In HRK)	2019.	2018.	2017.	2016.	2015.
Annual average remuneration per employee (gross I)*	182.032,40	187.148,36	193.519,88	187.969,92	216.376,31

* average receipts in the year refer to total gross and net salary payments, pension and health insurance contributions and taxes and surtaxes of the Bank's employees paid for the business year divided by the average number of employees during the year on the basis of full-time equivalent

The ratio of average remuneration of the Members of the Management Board of the Bank and average remuneration of employees is balanced and in line with the practices in the Banking Industry.

3. Clawback of variable parts of remuneration

In 2019, the Bank did not request the return of variable parts of remuneration from Members of the Management Board of the Bank, nor the return of remuneration from Members of the Supervisory Board of the Bank.

4. Exception from the Remuneration Policy

In 2019, the Bank did not deviate from the Remuneration Policy in accordance with the provisions of Article 247a, paragraph 2 of the Companies Act.

5. Remuneration paid or committed to a Member of the Management Board of the Bank in 2019 by a third party in connection with activities performed as a Member of the Management Board of the Bank

During 2019, no third party paid or undertook to pay the Members of the Management Board of the Bank remuneration in connection with the activities he performed as a Member of the Management Board of the Bank.

6. Remuneration that the Bank has undertaken to pay to a Member of the Management Board of the Bank in case of early termination of membership in the Management Board of the Bank

Based on international and national best practices, the PBZ Group, in compliance with ISP Remuneration and Incentive Policies has set a maximum limit equal to 24 months of the fixed remuneration for compensation paid by way of severance. The adoption of this limit can lead to a maximum disbursement of the amount that equals twice the maximum fixed remuneration payed.

Members of the Management Board of the Bank may receive remuneration based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration and within an agreement reached in order to settle a current or potential dispute (independently from the context in which the agreement is drawn up), if calculated according to the formula defined by Intesa Sanpaolo, approved previously by the ISP Shareholders' Meeting and indexed to the number of years of employment in the Group. This amount can't be anyway lower than the amount resulting from the provisions of the Labour Act.

Members of the Management Board

Company tenure (years)	Severance
Up to 2	2 months of fixed remuneration
More than 2 and up to 21	2 months of fixed remuneration + half month for each year of employment (starting from the third year)
More than 21	12 months of fixed remuneration

The principles for the definition of severance - inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigations – are:

- protecting the level of sound capital base;
- “no reward for failure”;
- unobjectionability of individual behaviour (consistency with compliance breach absence criteria).

In 2019, there was no early termination of membership in the Management Board of the Bank.

7. Remuneration that the Bank undertook to pay to a Member of the Management Board of the Bank in case of regular termination of membership in the Management Board

In 2019, there was no regular termination of membership in the Management Board of the Bank, and thus no payment of remuneration or reservation of amounts on that basis.

8. Remuneration that the Bank undertook to pay to a former Member of the Management Board of the Bank whose membership in the Management Board was terminated in 2019, in connection with the termination of membership in the Management Board of the Bank

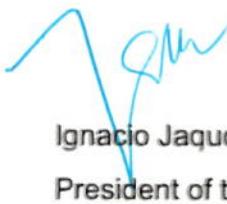
There was no termination of membership in the Management Board of the Bank during 2019, and thus neither the payment of remuneration nor the reservation of amounts on that basis.

Final provisions

This Remuneration Report, as well as the Auditor's Report on the Examination of Remuneration Report, shall be published and made available free of charge by the Bank for a period of ten years on its website after the General Meeting of the Bank has decided on the Report in accordance with law.

In Zagreb, 23rd December 2020

Dinko Lucić
President of the Management Board


Ignacio Jaquotot
President of the Supervisory Board

