

NOTICE OF ESSENTIAL RECALCULATION ELEMENTS IN KUNA-EURO CONVERSION

Dear Sir or Madam,

In view of the fact, on 1 January 2023, the euro will become the official currency of/in the Republic of Croatia, we would hereby like to inform you about important elements of calculations which are to be made within the context of the conversion of the Croatian kuna to the euro (hereinafter: the conversion) and during the period of dual display of prices stipulated by the *Law on the Introduction of the Euro as the Official Currency in the Republic of Croatia* (hereinafter: the Law), as well as provide you with other important information related to the introduction of the euro as the official currency.

On the date of the introduction of the euro as the official currency, Privredna banka Zagreb d.d. (hereinafter: the Bank) will carry out the conversion of kuna funds governed by the concluded deposit agreement, loan agreements, as well as the conversion of any other monetary values, automatically and free of charge, at the fixed rate of conversion, which is

1 euro = HRK 7.53450.

The Bank shall carry out the conversion and rounding by applying the rule for the conversion and rounding defined by Article 14 of the Law.

RULES FOR THE CONVERSION FROM THE KUNA TO THE EURO

The conversion will be performed by applying the full numerical expression of the fixed conversion rate and rounding the obtained amount in accordance with mathematical rules for rounding, where the obtained result, in accordance with the rules for the conversion and rounding set out in Articles 4 and 5 of the Council Regulation (EC) No. 1103/9, will be rounded to two decimal places, on the basis of the third decimal.

When carrying out the above-mentioned conversion in accordance with the rules for conversion and rounding set out in Articles 4 and 5 of the Council Regulation (EC) No. 1103/9, the following mathematical rule for rounding shall be applied:

- if the third decimal is less than five, the second decimal remains unchanged;
- if the third decimal is five or more, then the second decimal must be rounded up, i.e. must be increased by one.

On the date of the introduction of the euro, the Bank will carry out the conversion and rounding [of kuna amounts] in deposit, savings and transaction accounts, in other payment accounts, and [of amounts] related to payment instruments as well as other records in HRK, which amounts will be converted to euro amounts free of charge and without changing the unique transaction account number (IBAN) or the contract/agreement number.

BASIC PRINCIPLES OF THE INTRODUCTION OF THE EURO

In the process of the introduction of the euro, the following principles shall be applied: the principle of consumer protection, the principle of prohibition of unjustified price increases, the principle of continuity of legal instruments, the principle of efficiency and economy, and the principle of transparency and information dissemination.

Privredna banka Zagreb d.d.

Radnička cesta 50, HR-10000 Zagreb, Hrvatska; Tel. 01 636 0000, Fax 01 636 0063; www.pbz.hr; SWIFT: PBZGHR2X. Upisana u registar Trgovačkog suda u Zagrebu pod br. 080002817, statistički broj: 3269841, OIB 02535697732, IBAN: HR64 2340 0091 0000 0001 3. Temeljni kapital Banke u iznosu od: 1.876.574.700,00 kuna, uplaćen je u cijelosti i podijeljen je na 18.765.747 dionica svaka nominalne vrijednosti od 100,00 kuna po dionici. Uprava Banke: Dinko Lucić (predsjednik), Andrea Pavlović, Antonio Bergalio, Draženko Kopljar, Hrvoje Dajak, Vedrana Jelušić Kašić, predsjednik Nadzornog odbora: Ignacio Jaquoto

DUAL DISPLAY OF PRICES

The Bank shall display in both currencies the important information related to the use of banking and financial services. Dual display [of prices] has become obligatory as of 5 September 2022, and this obligation will end 12 months after the introduction of the euro.

The important information referred to in the paragraph above shall be deemed to include the following prices and other monetary values:

- Tariff of fees
- in an account statement showing the balance and transactions made in the transaction account which, up until the date of the introduction of the euro, has been a kuna account: the initial and the closing account balance, as well as the overdraft amount
- when providing the services of internet and mobile banking for a transaction account which, up until the date of the introduction of the euro, has been a kuna account: the account balance and the overdraft amount or the available balance displayed on at least one screen/in at least one menu within the account (over)view
- on ATMs, when making cash withdrawals by using pre-defined [withdrawal] amounts offered on the screen, as well as the account balance amount when making inquiries about the account balance, if this is available on the screen and in the printout, on condition that cash is paid out to the client whose account is held with i.e. maintained by the ATM owner/user.
- with regard to kuna loans that have been offered in the period before the date of the introduction of the euro: the total loan amount and the amount of a monthly instalment in the repayment schedule and the European Standardised Information Sheet (ESIS), i.e. other prescribed form which is used to provide information to a consumer prior to the conclusion of a loan agreement
- with regard to the existing kuna loans: the outstanding loan balance and the past due balance in an annual loan statement.
- with regard to an annual notice of kuna deposit balance: the deposit balance.

DUAL CIRCULATION OF CASH

Starting from 1 January 2023, the period of dual circulation of both euro and kuna cash will begin, which will last until 14 January, until the end of that day.

During that period, it will be possible to make cash payments for goods and services in both currencies.

TRANSACTION ACCOUNTS

All kuna funds in transaction accounts will be converted to the euro on the date of the introduction of the euro, so that, after the conversion has been carried out, you will be able to continue with your regular activities and execute transactions, as usual, in all your accounts held at the Bank.

All the existing accounts will retain their unique account numbers (IBANs), and, due to the conversion of account balances from the kuna to the euro, the account names will be adjusted to these changes.

For example, the existing transaction accounts in HRK will become transaction accounts in EUR.

In the case of transaction accounts with overdrafts, the Bank will – on the date of the introduction of the euro – convert the overdraft balance, which you can continue to use in the same manner. New overdrafts approved by the Bank after the introduction of the euro will be made available to clients in adequate euro amounts.

The existing *transaction accounts in foreign currencies* are not the subject of the conversion. At the moment of the conversion, all the respective currencies and all the respective balances of these foreign currency accounts will remain unchanged, including the euro [as a foreign currency], so that they will become transaction accounts in EUR and foreign currencies.

Therefore, in the context of i.e. for the purpose of the introduction of the euro, it is not necessary for you to undertake any activities in relation to your existing transaction accounts.

Nevertheless, if - before the date of the introduction of the euro - you have held an account both in HRK and in EUR at the Bank, within 60 days from the date of the introduction of the euro you will be able to close one or more accounts free of charge and transfer the funds recorded in these accounts to the account of your choice kept at the Bank. If you do not exercise the above-mentioned right, you will continue to pay fees for all accounts in the same manner as you have done this prior to the introduction of the euro.

DEBIT AND CREDIT CARDS

If - before the date of the introduction of the euro - you have held an account in HRK and you have been issued a card (e.g. a Visa Inspire current account card), such cards will remain valid until the date indicated on the card itself, and you can [continue to] use them for all payments and cash withdrawals.

Card limits will be converted into the euro, and you will be informed of their amounts in the usual way.

The approved *charge* limit or the approved amount of a *revolving* card loan will be converted to the euro by the Bank, applying the fixed conversion rate, where the resulting amount will be rounded up to the nearest ten.

LOANS

If - before the date of the introduction of the euro - you have taken a kuna loan, the Bank will convert your loan on 1 January 2023 from the kuna to the euro at the fixed conversion rate stated in this notification, in accordance with the rules for the conversion and rounding set out in the Law, and, from that moment on, you will settle all your loan obligations in EUR.

If - before the date of the introduction of the euro - you have taken a loan with a currency clause in EUR, starting from 1 January 2023 you will be repaying such a loan in EUR.

An individualised notification containing the information on important elements of the calculation i.e. conversion into the euro, on parameters, the margin (fixed portion) and the level of the interest rate, in connection with your loan after the introduction of the euro as the official currency, will be sent to you by the Bank no later than two weeks before the introduction of the euro, in the agreed manner, except for loans with regard to which there are past due obligations.

The Bank will act in the same way also in the case of loans which it handles i.e. administers [as an agent] in the name and for the account of the principal, on the basis of a contractual relationship (such as different programmes launched by ministries, counties, and cities/towns), of which an individualised notification will be sent to a client.

We would like to note that the outsourced service providers that perform the activities referred to in this notification are also required to perform the said activities in the same manner as the Bank.

DEPOSITS

All kuna funds in deposit accounts and [kuna funds representing] sight savings deposits will be converted to the euro on the date of the introduction of the euro at the fixed conversion rate specified in this notification, free of charge and in compliance with the rule for the conversion and rounding defined by Article 14 of the Law, so that, after the conversion has been carried out, you will be able to continue with your regular activities and normally execute transactions involving all your deposits at the Bank.

All the existing deposit accounts and sight savings deposits will retain their unique account numbers, and, due to the conversion of deposits from the kuna to the euro, in relation to certain deposit accounts and sight savings deposits, the Bank will adjust the account names so as to reflect these changes.

For example, the existing deposit accounts and sight savings deposits in HRK will become deposit accounts and savings deposits in EUR.

The existing deposit accounts and sight savings deposits in foreign currencies are not the subject of the conversion. At the moment of the conversion, all the respective currencies [of these deposits] and all the respective deposit balances will remain unchanged, including the euro [as a foreign currency], so that they will become deposit accounts and sight savings deposits in EUR or in EUR and foreign currencies.

Therefore, in the context of i.e. for the purpose of the introduction of the euro, it is not necessary for you to undertake any activities in relation to your existing deposit accounts and sight savings deposits.

Pursuant to the principle of the continuity of contracts and other legal instruments, the introduction of the euro will not affect the validity of existing contracts that govern deposit accounts and sight savings deposits in HRK.

If you have concluded contracts with the Bank that govern deposits and sight savings deposits in HRK, a notification containing the information on the conversion and the level of the interest rate on these deposits and sight savings deposits will be delivered to you by the Bank in the manner that has been agreed upon in connection with a particular deposit / sight savings account (by e-mail / by mail to the postal address/ or delivered to the Bank branch office) no later than two weeks before the introduction of the euro.

HOUSING SAVINGS DEPOSITS

All the existing housing savings deposits will retain their unique account numbers at the Bank, and, due to the conversion of such deposits from the kuna to the euro, the names of the housing savings deposits will be duly adjusted.

Housing savings deposits in HRK will be converted to the euro on the date of the introduction of the euro at the fixed conversion rate specified in this notification, free of charge and in compliance with the rule for the conversion and rounding defined by Article 14 of the Law, so that, after the conversion has been carried out, you will be able to continue with your regular activities and normally execute transactions involving all your housing savings deposits held at the Bank.

As of 1 January 2023, with regard to housing savings deposit contracts denominated in HRK that include a currency clause in EUR [i.e. which are indexed to EUR], you will continue to pay-in amounts in EUR.

Therefore, in the context of i.e. for the purpose of the introduction of the euro, it is not necessary for you to undertake any activities in relation to your existing housing savings deposits.

If you have concluded housing savings contracts with the Bank in HRK, a notification containing the information on the conversion and the level of the interest rate on these housing savings deposits will be delivered to you by the Bank in the manner that has been agreed upon in connection with a particular housing savings deposit (by e-mail, by mail to the address of permanent/temporary residence, or by mail to another agreed mailing address) no later than two weeks before the introduction of the euro.

ATMs

ATMs will, as of 1 January 2023, start to pay out euro banknotes, at first in smaller denominations of 10 and 20 euro, and later larger denominations will gradually be introduced, as appropriate.

Since it is necessary to adjust the entire PBZ ATM-network to the new currency and, eventually, load ATMs with euro banknotes in order to enable their normal functioning starting from 1 January 2023, it can be expected that gradually, during December 2022, a certain number of ATMs will become unavailable.

In order to make kuna and euro cash more available to consumers at ATMs, the Bank will temporarily stop charging a fee for cash withdrawals via debit cards at ATMs of other banks in the Republic of Croatia in the period from 15 December 2022 to 15 January 2023.

In order to make the transitional period easier for you, we recommend that you should use other cashless payment channels such as card payments or *On-line* banking [PBZ digital banking].

You can check the information on the availability of ATMs on the website of the Bank: www.pbz.hr/gradjani/poslovnice-i-bankomati.

CURRENCY CHANGEOVER DEADLINES

During the first 12 months from the date of the introduction of the euro, the Bank will exchange kuna cash for euro cash at the fixed conversion rate in accordance with the rule for the conversion and rounding set out in Article 14 of the Law at all its branch offices, free of charge. During the same period, it will be possible to exchange kuna cash under the same conditions and in the same way at the Financial Agency (FINA) and HP – Croatian Post.

After the expiry of the 12 months from the date of the introduction of the euro, the Bank will no longer provide the currency changeover service, and from that day on, it will be possible to exchange kuna cash for euro cash only at the Croatian National Bank, free of charge, where kuna banknotes will be exchanged for an unlimited period of time, and kuna coins will be exchanged for up to three years from the date of the introduction of the euro.

We recommend that, prior to the introduction of the euro, you should deposit kuna funds in your account at the Bank, and, in this way, they will automatically be converted to the euro.

Kuna coins can be deposited quickly and easily into your kuna transaction account at the Bank by using self-service coin deposit machines that can be found in certain branch offices.

The list of locations that have such machines is available at the website of the Bank: www.pbz.hr.

It will be possible to deposit kuna coins through coin deposit machines almost until the end of 2022, after which time coin deposit machines will be adjusted in order to enable acceptance of euro coins. Natural persons (i.e. individuals) will not be charged a fee for depositing coins.

THE PERIOD OF SUPPLY OF STARTER KITS OF EURO COINS

The supply of consumers and business entities with starter kits of euro coins will begin one month before the date of the introduction of the euro at the earliest.

The Bank will supply all consumers with starter kits for consumers, regardless of whether or not they are clients of the Bank. A consumer will pay HRK 100 for one starter kit, which contains 33 euro coins of all denominations, whose value is EUR13.28. It is important to note that it is forbidden to put euro coins into circulation, i.e. to use them as legal tender, before the date of the introduction of the euro.

ON-LINE BANKING [PBZ DIGITAL BANKING]

Users of *On-line* banking [PBZ digital banking] will continue to be able to easily manage their finances within the existing application, which will be adjusted so as to meet the requirements related to the period of dual display of prices as well as the conversion of the existing kuna amounts of assets and liabilities to the euro.

PAYMENT ORDERS

Payment orders in HRK that are received before the date of the introduction of the euro, and which should be executed after the date of the introduction of the euro, will be executed in EUR in the amount corresponding to the kuna amount stated in the payment order, by applying the fixed conversion rate and by applying the rules for the conversion and rounding.

Payment orders (payment slips) in which the payment amount is stated in HRK (including the use of 2D bar code) and which the payee has prepared, printed and delivered to the payer in advance, which you will submit for execution at branch offices and at points of sale of our agents (iNovine, NTL, Studenac, Bakmaz, Petrol, Crodux, INA, Tommy and the Town of Slavonski Brod) after the date of the introduction of the euro, the Bank will execute in EUR in the amount corresponding to the kuna amount stated in the payment order, by applying the fixed conversion rate and in accordance with the rules for the conversion and rounding. The Bank and the agents will receive (i.e. accept) previously printed payment orders in which the payment amount is stated in HRK up until the expiry of six months from the date of the introduction of the euro.

Payment orders as of 1 January 2023 which are manually entered in digital banking or are uploaded via bulk order files should be issued in EUR (if a payment is to be made on the basis of a bill or an

invoice issued in HRK, then the client after 1 January 2023 should convert such an amount into the euro by applying the fixed conversion rate and rounding rules).

EXCHANGE RATE LIST

As of the date of the introduction of the euro as the official currency, the exchange rate list will be duly adjusted, and the Bank will publish the exchange rate list of the euro against other currencies.

SAFE DEPOSIT SERVICES

Pursuant to the principle of the continuity of contracts and other legal instruments, the introduction of the euro will not affect the validity of existing Safe Deposit Box Lease Agreements.

The fee for the use of a safe deposit box will, after 1 January 2023, continue to be paid in EUR in accordance with the Bank tariff of fees which is currently in force.

USERS OF INVESTMENT SERVICES (BROKERAGE AND CUSTODY SERVICES)

If you are the user of a brokerage service or a custody service, you will be informed of the elements of the conversion no later than three months before the date of the introduction of the euro (by 30 September 2022) via a separate general notification for clients of the financial service provider which will be made available on the website of the Bank and also via an advertisement published in the print media, so that you will be informed of the implementation of the conversion no later than within 30 days from the date of the introduction of the euro via an individualised notification (by 31 January 2023) using the agreed method of communication.

LEARN MORE

You can find more information on the introduction of the euro as the official national currency on www.pbz.hr and on www.euro.hr.

If you have any additional questions, you may contact us on a toll-free phone number 0800 365 365, by e-mail, sending your message to pbz365@pbz.hr or by paying a visit to the nearest PBZ branch office.

With best regards,

Privredna banka Zagreb d.d.