

NOTICE OF ESSENTIAL RECALCULATION ELEMENTS IN KUNA-EURO CONVERSION

Dear Customer(s), Madame / Sir,

This is to inform you about the important recalculation elements to be applied when converting the Croatian kuna into euro (hereinafter: the conversion), about all relevant facts, as well as about the action Privredna Banka Zagreb d.d. (hereinafter: the Bank) will take concerning the introduction of the euro as the official currency.

DATE OF ADOPTING EURO AS THE OFFICIAL CURRENCY IN THE REPUBLIC OF CROATIA

On 1 January 2023 the euro will become the official currency in the Republic of Croatia in accordance with the **Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia** (Official Gazette 57/2022, 88/2022) (hereinafter: the Act).

FIXED CONVERSION RATE

On the day of introducing euro as the legal tender, the Bank will carry out the conversion of kuna funds pursuant to signed contracts/agreements on transaction accounts, deposits, loans, and other monetary values, at the fixed conversion exchange rate of

1 euro = 7.53450 kuna.

The Bank will carry out the conversion and rounding off by applying the rule for conversion and rounding off defined in Article 14 of the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia.

HRK-EURO CONVERSION RULES

Hereinafter detailed are the conversion rules. The conversion will be carried out by applying the total numerical amount of the fixed conversion rate while rounding off the calculated amount in line with mathematical rounding rules, whereas the obtained result will be rounded off in accordance with the rules for conversion and rounding, referred to in Articles 4 and 5 of the Council Regulation (EC) no. 1103/97, to two decimals, based on the third decimal (based on the rounding rule to 3 decimal places).

When performing the conversion, as set out in the previous paragraph in line with the rules for conversion and rounding referred to in Articles 4 and 5 of the Council Regulation (EC) no. 1103/97, applied will be the following mathematical rounding rule:

- If the third decimal place is less than five, the second decimal remains unchanged
- If the third decimal is equal to five or more, the second decimal is increased by one (rounded to a higher decimal).

The Bank will perform the conversion and rounding off, on the day of the euro adoption, of funds in deposits, savings and transaction accounts, other accounts for payments, payment instruments and other records in kuna into amounts in euro, free of charge and without changing the unique bank account number (IBAN) or contract/agreement number.

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FUNDAMENTAL PRINCIPLES FOR THE EURO INTRODUCTION

The fundamental principles of introducing the euro are consumer protection, banning unjustified price hikes, continuity of legal instruments, efficiency as well as transparency and information.

TRANSACTION ACCOUNTS

If, prior to the euro introduction date, you have been holding an open transaction account, either kuna or multi-currency (kuna and foreign currency), as of the euro introduction date, kuna account or kuna component of the multi-currency transaction account will become the euro account, i.e. euro component, to which also all the euro funds from the foreign currency component of the multi-currency account will be transferred. Foreign currency components of the transaction account will remain unchanged for other currencies (USD, GBP, CHF etc.).

As of the date of the introduction of the euro as the official currency, fees for account maintenance and payment services will be charged and collected in euros. The invoice for December 2022 will be calculated in HRK, but with displayed total amount in euros and will be collected in euros. All payment transaction fees, recorded in transaction accounts, starting from the introduction of the euro as the official currency, will be invoiced monthly and collected in euros.

However, if, before the euro introduction date, you have held at the same time an account both in kuna and foreign currency used solely for euro transactions, you can close one or more accounts, within 60 days from the euro introduction date free of charge, and transfer the funds recorded therein to an account of your choice held with the Bank. If you choose not to exercise this right, you will continue paying fees for all the accounts equally as before the introduction of the euro.

All existing accounts will retain their unique bank account number (IBAN), and accounts will be renamed in line with said changes due to the kuna-euro conversion.

FRONTLOADING OF EURO CASH

To adjust business activities in the new official currency, each business entity should determine its own needs as well as required adjustments regarding the currency changeover. The Bank will charge no fees for the conversion of the Croatian national currency kuna into euros. The frontloading of euro cash is necessary to enable business entities to give change to their customers exclusively in euros as from the date of the introduction of the euro, in accordance with legal provisions.

Should you require euro banknotes and coins after 1 January 2023, you can order them until 30 September 2022 by placing the order for the frontloading via the link: <https://csp.pbz.hr>

Our Notice about the of placing orders for the frontloading and the Frontloading Guidelines was sent in June 2022. Detailed information about the frontloading of euro cash is available on the Bank's internet page: <https://www.pbz.hr/en/srednji-poduzetnici/zamjena-kune-eurom.html>

(SUB-)FRONTLOADING PLAN

The sub-frontloading for business entities: 5 October – 29 December 2022. Simplified sub-frontloading for micro enterprises: 27 – 30 December 2022.

Pre-supply of starter kits for business entities: 1 – 30 December 2022.

DUAL CIRCULATION OF CASH

As of 1 January 2023, the period of dual circulation of both euro and kuna cash will enter into force and will last until 14 January, end of day. During that period it will be possible to make payments for goods and services in both currencies.

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Upon completed period of dual circulation that lasts until the end of the day of 14 January 2023, and particularly in the next few days following the expired dual circulation period, you will be able to use DNTs (day-night treasury vaults) for depositing kuna cash from dual circulation. By 31 January 2023, the Bank will change, free of charge, said deposited kuna cash into euros, concurrently depositing euro amounts to a transaction account, applying the fixed conversion rate and observing the recalculation and rounding rules.

CHANGE OF KUNA CASH BY DEPOSITING IT TO ACCOUNT IN EURO

As provided by the Act, in the 12-month period following the euro introduction and at customer request, the Bank will render the service of changing kuna cash into euros, free of charge, and concurrently depositing the exchanged funds to the euro account, applying the fixed conversion rate and observing the recalculation and rounding rules set out in the Act.

CASH-IN/CASH-OUT ATMS OPERATION

Given that the entire PBZ ATM network needs to be adapted to the new currency and eventually loaded with cash in euros for regular operation from 1 January 2023, it is anticipated that the use of a certain number of ATMs will be gradually restricted during December 2022. To facilitate the transition period, we advise you to make sure you are frontloaded with cash for your needs before or during December and to use other non-cash payment channels such as card payments and electronic banking for business entities or PBZ digital banking for business entities.

ADAPTATION TO THE USE OF ELECTRONIC BANKING SERVICES FOR BUSINESS ENTITIES OR PBZ DIGITAL BANKING FOR BUSINESS ENTITIES OR OTHER SERVICES/CHANNELS FOR ORDER PLACEMENT

If you are using the electronic banking service(s) for business entities or the PBZ digital banking service for business entities, you will be able to continue managing your finances in a simple manner using available applications after the conversion of the existing kuna amounts of assets and liabilities to the euro.

It is important to emphasize that, as of 1 January 2023, all non-cash national payments will be made in the euro currency, including also the previously issued scheduled kuna orders with value/execution date in 2023, which will be automatically recalculated in euros at the official conversion rate.

Payment orders from 1 January 2023, which are entered manually or uploaded by way of bulk order files and sent for execution using the Bank's services – electronic banking for business entities or PBZ digital banking for business entities, should be placed in euros. If, after 1 January 2023, you initiate the payment of a vendor invoice set in kunas, you should convert the payment amount to euros using the fixed conversion rate and rounding rules.

The only exception is the payment of vendor invoices by uploading 2D barcode, whereas the Bank will convert the kuna amount for payment to euro by applying the fixed conversion rate and observing the rounding rules until 30 June 2023.

CHANGE IN FORMAT FOR PLACING SCT [SEPA CREDIT TRANSFER] AND SDD SEPA DIRECT DEBIT] ORDERS

All the data about changes related to the SCT are available on: <https://www.sepa.hr/upute-za-korisnike/uvodenje-eura-kao-sluzbene-valute-u-republici-hrvatskoj-dokumentacija-za-sepa-kreditni-transfer-s-primjenom-od-01-01-2023/>

Customers using the SDD services have been advised of the changes in a separate notice, and the information about the changes are available on: <https://www.sepa.hr/upute-za-korisnike/uvodenje-eura-kao-sluzbene-valute-u-republici-hrvatskoj-dokumentacija-za-sepa-izravno-terecenje-s-primjenom-od-01-01-2023/>

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CARD-RELATED CHANGES

If you have been holding a transaction account, prior to the introduction of the euro, and using a card tied thereto (for example VISA Business Classic debit **card**), the cards will remain valid until the date indicated thereon and you can use them for all payments and cash withdrawals. The Bank will adapt background systems on the existing transaction account kuna component to run on the component of the national currency euro. Card limits will be converted into euro and you will be notified of their amounts via standard communication channels.

CHANGES RELATING TO LOANS OR CREDIT AND GUARANTEE OPERATIONS

If you have been granted a **kuna loan** prior to the introduction of the euro, the Bank will convert the kuna funds into euro currency on 1 January 2023, at the fixed conversion rate specified herein, in line with the recalculation and rounding rules as provided for by the Act. Thereafter, you will settle all your loan obligations in euros.

If you have been granted a **loan with a currency clause in EUR**, prior to the introduction of the euro, as of 1 January 2023 you will continue paying off such loan in euros.

If the **fixed interest rate** has been contracted for a contract in force, the interest rate will **remain unchanged** after the euro introduction date.

In the contract where a floating interest rate was stipulated, the parameter, as per which the floating interest rate was stipulated, remains the same, after the introduction of the euro, as the one stipulated before the euro introduction date. Exceptionally, if a kuna loan was contracted at the **floating interest rate** tied to yield on treasury bills in kunas of the Ministry of Finance, **the yield on treasury bills in euros of the Ministry of Finance will be used as the parameter**, with the beginning of the application of the interest rate calculated in this manner at the first regular interest calculation starting from the euro introduction date.

The calculation of **fees for loans and guarantees**, issued by the Bank before 31 December 2022 and expressed in kuna, as per which the payment is to be made after 1 January 2023, should be made in the euro currency when placing the order, i.e. converted into euro at the fixed conversion rate, observing the rounding rules.

The Bank will issue a notice with information about the key elements of the conversion, parameter, margin (fixed part) and amount of the interest rate applied to your loan after the introduction of the euro as the official currency, no later than two weeks after the euro introduction date in the agreed manner, excluding a case when your loan is due for payment. If you have debt service liabilities in kuna, they will be converted into euro, and you will be under obligation to settle them in euros after the euro introduction date.

The Bank will convert also all the other loans and guarantees in kuna and with currency clause in EUR from the HRK currency into the EUR currency by applying the fixed conversion rate referred to herein and observing the recalculation and rounding rules set out in the Act.

To all loans, as well as to all the other credit and guarantee facilities in kuna and with EUR currency clause, applied will be the principle of continuity of legal instruments, in line with Article 9 of the Act.

In the same way, the Bank will treat also loans it handles for and on behalf of a mandate-holder (agency business) based on a contractual relationship (such as various programmes of ministries, counties, and cities), about which an individual notice will be sent to customers.

CHANGES RELATING TO TERM DEPOSITS

If you have contracted a term deposit in kuna before the euro introduction date, the Bank will convert your term deposit funds, on 1 January 2023, from the HRK currency into the EUR currency at the fixed conversion rate referred to herein and observing the recalculation and rounding rules set out in the Act, and your term deposits will be thereafter at your disposition in euros.

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If you contracted a term deposit with the currency clause in EUR before the euro introduction date, from 1 January 2023 it will become the term deposit in euros. If a **fixed interest rate** was stipulated in the existing contract, the interest rate will **remain unchanged** after the introduction of the euro. If the term deposit was contracted at a **floating interest rate**, depending on the parameter no longer in use or modified due to the euro introduction, you will be informed about the recalculation, parameter and amount of the interest rate. The Bank will issue an individual notification, containing essential elements of recalculation, parameter, margin (fixed part) and the amount of the interest rate related to your term deposit in kuna or currency clause in euro, no later than two weeks following the euro introduction, in the agreed manner.

PAYMENT OF MATURED DEBTS

All matured obligations originated before 1 January 2023 will be converted into euro following the above-described conversion rules. All payments to the Bank where the calculation is presented in kuna, and the payment is to be made after 1 January 2023 (interest, principal, fees), should be made in euros.

DUAL DISPLAY OF PRICES

The Banks are under obligation to display prices dually only to consumers.

EXCHANGE RATE LIST

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

USERS OF FINANCIAL SERVICES (BROKERAGE AND CUSTODY SERVICES)

As the user of financial services (customer), you will be informed about the conversion elements no later than three months before the euro introduction date by way of a separate general notification (by 30 September 2022), which will be available on the Bank's website and advertisements in the press, and about the carried out conversion no later than 30 days after the day of the introduction of the euro by an individual notification (by 31 January 2023) in the agreed manner of communication.

FIND OUT MORE ABOUT THE MATTER

Get more information about the introduction of the euro as the official national currency on www.pbz.hr or www.euro.hr or dial toll free phone 0800 729 266, send an e-mail to com@pbz.hr and visit Sinergo Desk at a branch, or contact your relationship manager.

Sincerely,

Privredna banka Zagreb d.d.