



PRIVREDNA BANKA ZAGREB

Annual General Meeting

16 March 2015

(explanation of proposed decisions)

Agenda

1. The Supervisory Board Report on supervision exercised over of the conduct of business affairs in the Bank in 2014.
2. Annual financial statements of the Bank and consolidated annual financial statements for 2014 (*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 2014
 - 2.2 Decision on granting the approval of action to members of the Management Board of the Bank for the year 2014
 - 2.3 Decision on granting the approval of action to members of the Supervisory Board of the Bank for the year 2014
3. Decision on the appointment of the external auditor who shall conduct the audit of the Bank's financial statements for the year 2015
4. Decision on the suitability of members of the Supervisory Board of the Bank based on the regular suitability assessment
5. Adoption of the Policy on the assessment of the suitability of Members of the Supervisory Board of the Bank

1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2014

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 2014.*

2. Decisions enclosed with the Annual Financial Statements for 2014:

2.1. Decision on the allocation of the Bank's profit earned in 2014

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.

The proposed dividend of HRK 27,00 per share is based on the business results achieved in the previous year.

2.2. Decision on granting the approval of action to members of the Management Board of the Bank for the year 2014

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 2014

(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 financial statements of the Bank for 2015

Pursuant to Article 275 of the Companies Act, the shareholders at the General Meeting decide 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 KPMG Croatia d.o.o., Zagreb, to conduct the audit of the Bank's financial statements for a fourth year in a row.

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 the suitability of members of the Supervisory Board of the Bank*, adopted by the General Meeting of the Bank, and the *Policy on the structure of the Management Board and the Supervisory Board of Privredna banka Zagreb d.d.*, adopted by the Supervisory Board of the Bank.

5. Adoption of the Policy on the assessment of the suitability of Members of the Supervisory Board of the Bank

In accordance with the provisions of the Credit Institutions Act and the new CNB Decision on the assessment of suitability of management and supervisory board members and key functions holders in credit institutions, the amendments to the Policy on the assessment of the suitability of the President and Members of the Management Board and key function holders of the Bank, adopted by the Extraordinary General Meeting held on 15 October 2013, are required.

Specifically, it is necessary to incorporate into the Policy the provisions regulating the role of newly founded Nomination Committee of the Supervisory Board, also in connection with the provisions of Directive 2013/36/EU related to representation of the underrepresented gender.

11 February 2015

Privredna banka Zagreb d.d.