



PRIVREDNA BANKA ZAGREB

Annual General Meeting

16 March 2015

(materials)

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 at its 1_15 meeting, held on 22 January 2015, made the following

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

of Privredna banka Zagreb d.d., Zagreb, Radnička cesta 50, which will be held on **16 March 2015**, beginning at **12.00 noon**, at the Bank's premises in Zagreb, Radnička cesta 44 B1 – 8th floor.

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

A G E N D A

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

Božo Prka, sgd.
President of the Management Board

In Zagreb, 22 January 2015

No.: MB _1_15/7.1

**PRIVREDNA BANKA ZAGREB d.d.
SUPERVISORY BOARD**

Pursuant to Article 263, par. 3 and Articles 300.c and 300.d of the Companies Act and Article 53 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the Supervisory Board of the Bank submits to the General Meeting of the Bank the

**R E P O R T
on supervision exercised over the conduct of business affairs
in Privredna banka Zagreb d.d. in 2014**

I.

In 2014 the Supervisory Board of the Bank performed its duties as a body composed of seven members, of whom five members were elected by the Annual General Meeting and two members were appointed by the biggest shareholders of the Bank - Intesa Sanpaolo Holding International S.A., Luxembourg and the European Bank for Reconstruction and Development, London. One member of the Supervisory Board is independent, as laid down by the Credit Institutions Act and the Corporate Governance Code accepted by the Bank.

II.

In the course of 2014 the Supervisory Board held four meetings with physical presence of members, namely: on 21 February, 21 May, 25 September and 4 December, as well as 11 meetings by letter. Members of the Management Board regularly attended Supervisory Board meetings and, also, the requirement regarding the participation of persons responsible for the operation of individual control functions was also met.

Acting in conformity with the law, the Articles of Association of the Bank, as well as its Rules of Procedure, the Supervisory Board of the Bank supervised the conduct of the Bank's affairs, established the guidelines for the Bank's business policy, and actively contributed to its implementation, all on the basis of the reports of the Management Board regarding the issues of importance for the conduct of business affairs and the condition of the Bank.

The Management Board provided the Supervisory Board with duly prepared, true and timely reports on business policy and on other general issues related to the conduct of business, financial plans, risk management strategies and policies, operational profitability, workflow, as well as income and the condition of the Bank and other important issues. The Management Board of the Bank submitted to the Supervisory Board the financial reports on a quarterly, semi-annual and annual basis and discussed their implementation with the Supervisory Board. Quarterly reports of the internal audit and the risk management and control function (credit, operational, and financial risks) were also submitted to the Supervisory Board in a timely manner. Reports on the work of the risk management function and the compliance function were submitted and considered semi-annually.

In accordance with the law, the Articles of Association of the Bank and its own decisions, also last year the Supervisory Board gave consent to decisions of the Credit Committee of the Bank regarding the Bank's exposure to customers/groups of related parties. The Supervisory Board gave consent to basic business documents adopted by the Management Board of the Bank: the budget for 2014, strategies and policies for assuming and managing risks, strategies and procedures for assessing adequacy of internal capital, and regulations which establish and ensure adequate functioning of control functions. Within the scope of its authority, the Supervisory Board gave consent to changes to the organizational structure of

the Bank at the macro and mezzo level, thus exercising supervision over the adequacy of the Bank's organizational structure.

Continuous cooperation of the Management Board with the Supervisory Board also contributed to the fulfilment of the supervisory function. The Supervisory Board had at all times the possibility to ask for and to obtain from the Management Board information on any issue related to operations of the Bank which significantly affected or could have affected its position. Good and transparent cooperation, which was always in the best interest of the Bank, its customers and shareholders, and was also in conformity with the currently valid legal provisions and internal regulations, manifested itself in the open discussion between the Management Board and the Supervisory Board of the Bank and also in-between members of each of the two bodies.

Also in 2014 the Supervisory Board continued taking care of implementation of the long-term succession plan, by means of thoughtful and timely appointment of members of the Management Board of the Bank on the basis of a prior assessment of their suitability for the function of the president or member of the Management Board and with the approval of the Croatian National Bank.

Last year, as required by law, the Supervisory Board of the Bank participated for the first time in the process of regular suitability assessment of members of the Management Board and persons responsible for the operation of control functions in the Bank. Based on the outcome of the suitability assessment conducted by the expert service of the Bank, the Supervisory Board found that the president and each member of the Management Board of the Bank were suitable to perform their respective functions and that the Management Board collectively had sufficient knowledge, skills and experience to perform its duties independently and without undue influence from other persons, and in particular to understand the Bank's activities and the main risks.

III.

The Supervisory Board was assisted by the Audit Committee in its work. The Chairman of the Audit Committee regularly reported on the Committee's work at the meetings of the Supervisory Board.

The **Audit Committee**, appointed in accordance with the law and the parent bank rules, worked in the previous year as a body composed of five members, including two members of the Supervisory Board of the Bank. Six meetings were held in 2014: on 20 February, 20 May, 28 July, 24 September, 5 November, and 3 December to discuss issues that fall within the scope of authority of the Supervisory Board of the Bank. The Audit Committee helped the Supervisory Board to perform its duties related to supervision over the process of financial reporting, audit process (including a recommendation for the selection of an external auditor given to the shareholders' meeting), as well as compliance with laws, regulations, rules, and the code of ethics. The Supervisory Board supervised, with the assistance of the Audit Committee, adequacy of the system of internal controls, which relies on three mutually independent control functions (internal audit, risk control, and compliance) with the aim of establishment of a system of internal controls that will enable the Bank to monitor and detect in a timely manner all risks to which it may be exposed in its operation.

In 2014, pursuant to the provisions of the new Credit Institutions Act and within the statutory deadline of 30 June 2014, the Bank, being a significant credit institution, established three technical committees of the Supervisory Board of the Bank: the **Remuneration Committee**, the **Nomination Committee**, and the **Risk Committee**, which are also responsible for its subsidiaries. Each committee has three members appointed from among Supervisory Board members, of whom one is appointed as the chairman. All members of the Supervisory Board who have been elected to the newly established committees have adequate knowledge, skills, and expertise required under Croatian regulations for membership in the committees, and in particular the Risk Committee. By the end of 2014 all the three committees held meetings to discuss issues falling within the scope of their authority according to the law and the internal Charter of the Committees of the Supervisory Board.

IV.

As is required by law, the Supervisory Board of the Bank examined the Annual financial reports of the Bank and consolidated financial reports for 2014, the report of condition of the Bank and its subsidiaries, and the draft decision on the allocation of the Bank's profit earned in 2014, which were submitted by the Management Board. The Supervisory Board of the Bank made no remarks on the submitted reports and it found that the Annual financial reports and consolidated financial reports of the Bank (profit and loss account, balance sheet, cash flow report, and notes to financial reports) were prepared in accordance with the balances recorded in the business books and that they fairly disclosed the assets and the financial condition of the Bank and the PBZ Group, as was confirmed also by the external auditor KPMG Croatia d.o.o., Zagreb, which audited the financial reports in 2014.

After the Supervisory Board of the Bank has given its consent to the Annual financial reports of the Bank and consolidated annual financial reports for 2014, the mentioned financial reports are considered confirmed by the Management Board and by the Supervisory Board of the Bank. The Supervisory Board of the Bank accepted the Management Board report of condition of the Bank and its subsidiaries, and it agreed that the Bank's profit totalling HRK 642,906,577.82 (after taxation), earned in the year ended on 31 December 2014, should be allocated in the manner proposed by the Management Board of the Bank.

Based on the foregoing, the Supervisory Board of the Bank hereby presents the proposal to the Annual General Meeting of the Bank to *take note* of the Annual financial reports of the Bank and consolidated annual financial reports of the Bank for 2014 as well as the Management Board report of the condition of the Bank and its subsidiaries, and in this connection, to *make the decision* on granting approval of action to the members of the Management Board and the Supervisory Board of the Bank, as well as to adopt the decision on the profit allocation as proposed by the Management Board of the Bank.

Having supervised the conduct of the Bank affairs in 2014, which included also the review and examination of the Bank's documentation, the Supervisory Board established that the Bank acted in consistence with the law, by-laws, decisions of the Croatian National Bank related to performed supervisory examinations of particular segments of the Bank's operation, Bank's internal regulations, instructions and guidelines of the parent bank, as well as the decisions of the General Shareholders' Meeting of the Bank.

In the supervision exercised by the European Central Bank in cooperation with the Croatian National Bank, which included the asset quality review and the stress test, the Bank achieved by far the best results, which positioned it as the most trustworthy and the best capitalized bank in Croatia and a bank which is, by the same token, also most resilient to any potential stress.

Respective decisions of the Management Board and the Supervisory Board of the Bank, by means of which the Annual financial reports of the Bank and consolidated annual financial reports of the Bank for 2014 were confirmed, constitute an integral part of this Report.

Giovanni Gilli, sgd.

President of the Supervisory Board

In Zagreb, 6 February 2015

No.: SB_2_15/4.1

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), the Management Board of the Bank at its 2_15 meeting, held on 29 January 2015 adopted the following

D E C I S I O N
on the Annual financial statements of the Bank for 2014

1. The Management Board of the Bank compiled the Annual financial statements of the Bank for the year 2014, which are as stated below:

a) Balance sheet (in HRK million)

	2014 Subtotal	2014 Grand total
Total assets		68,881
Total liabilities	57,222	
Shareholders' equity	11,659	
Total liabilities and shareholders' equity		68,881
Off-balance sheet assets		11,760

b) Income statement (in HRK million)

	2014 Subtotal	2014 Grand total
Operating income		2,937
Provisions (net)	(575)	
Other operating expenses	(1,412)	
Depreciation and amortization	(126)	
		(2,113)
Profit before income taxes		824
Income taxes		(181)
Net profit for the year		643

c) Cash flow statement (in HRK million)

	2014 Grand total
Cash and cash equivalents at the beginning of the year	9,074
Cash and cash equivalents at the end of the year	11,966
Net increase in cash and cash equivalents	2,892

d) Notes to financial statements

2. The *Annual financial statements of the Bank for the year 2014* shall be submitted to the Supervisory Board of the Bank for examination and for obtaining its consent with respect to the statements.
3. This Decision shall enter into force on the date when it has been adopted.

Božo Prka, sgd.

President of the Management Board

In Zagreb, 29 January 2015

No.: MB_2_15/1.1.1

PRIVREDNA BANKA ZAGREB d.d.
SUPERVISORY BOARD

Pursuant to Article 53 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank) and Article 300.d of the Companies Act, the Supervisory Board of the Bank at its 2_15 meeting, held on 6 February 2015, adopted the following

D E C I S I O N
on the Annual financial statements of the Bank for 2014

1. Consent is hereby given with respect to the below stated Annual financial statements of the Bank for the year 2014, which were compiled by the Management Board of the Bank:

a) Balance sheet (in HRK million)

	2014 Subtotal	2014 Grand total
Total assets		68,881
Total liabilities	57,222	
Shareholders' equity	11,659	
Total liabilities and shareholders' equity		68,881
Off-balance sheet assets		11,760

b) Income statement (in HRK million)

	2014 Subtotal	2014 Grand total
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		(2,113)
Profit before income taxes		824
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Net profit for the year		643

c) Cash flow statement (in HRK million)

	2014 Grand total
Cash and cash equivalents at the beginning of the year	9,074
Cash and cash equivalents at the end of the year	11,966
Net increase in cash and cash equivalents	2,892

d) Notes to financial statements

2. After the Supervisory Board of the Bank has given its consent with respect to the Annual financial statements of the Bank for 2014, the mentioned financial statements *shall be considered confirmed* by the Management Board and by the Supervisory Board of the Bank.
3. This Decision shall enter into force on the date when it has been adopted.

Giovanni Gilli, sgd.
President of the Supervisory Board

In Zagreb, 6 February 2015

No.: SB_2_15/3.1.1

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), the Management Board of the Bank at its 2_15 meeting, held on 29 January 2015 adopted the following

D E C I S I O N
on the consolidated annual financial statements for 2014

1. The Management Board of the Bank compiled the consolidated annual financial statements of the Bank for 2014, which are as stated below:

a) Balance sheet (in HRK million)

	2014 Subtotal	2014 Grand total
Total assets		72,716
Total liabilities	59,491	
Shareholders' equity	13,225	
Total liabilities and shareholders' equity		72,716
Off-balance sheet assets		11,695

b) Income statement (in HRK million)

	2014 Subtotal	2014 Grand total
Operating income		3,650
Provisions (net)	(559)	
Other operating expenses	(1,778)	
Depreciation and amortization	(175)	
		(2,512)
Income arising from investments accounted by net equity method		21
Profit before income taxes		1,159
Income taxes		(245)
Net profit for the year		914

c) Cash flow statement (in HRK million)

	2014 Grand total
Cash and cash equivalents at the beginning of the year	9,021
Cash and cash equivalents at the end of the year	11,906
Net increase in cash and cash equivalents	2,885

d) Notes to financial statements

2. *The consolidated annual financial statements for the year 2014* shall be submitted to the Supervisory Board of the Bank for examination and for obtaining its consent with respect to the statements.
3. This Decision shall enter into force on the date when it has been adopted.

Božo Prka, sgđ.

President of the Management Board

In Zagreb, 29 January 2015

No.: MB_2_15/1.1.2

PRIVREDNA BANKA ZAGREB d.d.
SUPERVISORY BOARD

Pursuant to Article 53 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank) and Article 300.d of the Companies Act, the Supervisory Board of the Bank at its 2_15 meeting, held on 6 February 2015, adopted the following

D E C I S I O N
on the consolidated annual financial statements for 2014

1. Consent is hereby given with respect to the below stated consolidated annual financial statements of the Bank for 2014, which were compiled by the Management Board of the Bank:

a) Balance sheet (in HRK million)

	2014 Subtotal	2014 Grand total
Total assets		72,716
Total liabilities	59,491	
Shareholders' equity	13,225	
Total liabilities and shareholders' equity		72,716
Off-balance sheet assets		11,695

b) Income statement (in HRK million)

	2014 Subtotal	2014 Grand total
Operating income		3,650
Provisions (net)	(559)	
Other operating expenses	(1,778)	
Depreciation and amortization	(175)	
		(2,512)
Income arising from investments accounted by net equity method		21
Profit before income taxes		1,159
Income taxes		(245)
Net profit for the year		914

c) Cash flow statement (in HRK million)

	2014 Grand total
Cash and cash equivalents at the beginning of the year	9,021
Cash and cash equivalents at the end of the year	11,906
Net increase in cash and cash equivalents	2,885

d) Notes to financial statements

2. After the Supervisory Board of the Bank has given its consent with respect to the consolidated annual financial statements for 2014, the mentioned financial statements *shall be considered confirmed* by the Management Board and by the Supervisory Board of the Bank.
3. This Decision shall enter into force on the date when it has been adopted.

Giovanni Gilli, sgd.

President of the Supervisory Board

In Zagreb, 6 February 2015

No.: SB_2_15/3.1.2

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 16 March 2015 made the following

D E C I S I O N
on the allocation of the Bank's profit earned in 2014

1. It is hereby ascertained that the Bank, in the year ended on 31 December 2014, earned net profit (i.e. profit after tax), in the amount of **HRK 642,906,577.82**.
2. Net profit of the Bank referred to in paragraph 1 above shall be distributed as follows:
 - The amount of **HRK 513,272,592.00**, i.e. **HRK 27** per share, shall be allocated for the payment of dividend to all the Bank's shareholders who are registered as holders of ordinary registered shares, with the exception of treasury shares, with the depository of the Central Depository and Clearing Company on 13 April 2015 (record date). The claim for the payment of dividend shall mature on 14 April 2015 (payment date).
 - The amount of **HRK 129,633,985.82** shall be allocated to the retained earnings.
3. It is hereby ascertained that the total accumulated retained earnings of the Bank amount to **HRK 7,442,000,143.61** on the date of adoption of this Decision.
4. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 16 March 2015

No.: GM _1_15/2.1

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 16 March 2015 made the following

D E C I S I O N

on granting the approval of action to members of the Management Board of the Bank

1. After the Annual financial statements for 2014 have been presented to the Annual General Meeting of the Bank - which statements were confirmed by the Management Board and the Supervisory Board of the Bank, it is hereby ascertained that the Management Board of Privredna banka Zagreb d.d. managed the affairs of the Bank in accordance with the law and the Articles of Association of the Bank, and, based on the foregoing, members of the Management Board shall be granted the approval of action for the year 2014.
2. This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 16 March 2015

No.: GM _1_15/2.2

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 16 March 2015 made the following

D E C I S I O N

on granting the approval of action to members of the Supervisory Board of the Bank

1. After the Annual financial statements for 2014 have been presented to the Annual General Meeting of the Bank - which statements were confirmed by the Management Board and the Supervisory Board of the Bank, it is hereby ascertained that the Supervisory Board of Privredna banka Zagreb d.d. performed its functions in accordance with the law and the Articles of Association of the Bank, and, based on the foregoing, members of the Supervisory Board shall be granted the approval of action for the year 2014.
2. This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 16 March 2015

No.: GM _1_15/2.3

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 16 March 2015 made the following

D E C I S I O N
on the appointment of the external auditor who shall conduct the audit of
the financial statements of the Bank for the year 2015

1. The audit firm **KPMG Croatia d.o.o., Zagreb**, Ivana Lučića 2a, is hereby appointed as the external auditor that shall conduct the audit of the financial statements of the Bank for the year 2015.
2. This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 16 March 2015

No.: GM _1_15/3

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), the shareholders at the Annual General Meeting of the Bank held on 16 March 2015 made the following

DECISION

1. After completing the regular annual suitability assessment of members of the Supervisory Board of the Bank, it is assessed that:
 - Giovanni Gilli, President of the Supervisory Board,
 - Draginja Đurić, Deputy President of the Supervisory Board,
 - Branko Jeren, Nora Kocsis, Massimo Malagoli, Paolo Sarcinelli, and Christophe Velle, Members of the Supervisory Board,are suitable to perform the function of member of the Supervisory Board.
2. It is assessed that the members of the Supervisory Board of the Bank individually and collectively possess adequate knowledge, skills and experience required to supervise the business of the Bank independently without undue influence from other persons, and in particular to understand its activities and the main risks.
3. This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 16 March 2015

No.: GM _1_15/4

Pursuant to Article 55 of the Articles of Association of Privredna banka Zagreb d.d. (hereinafter: the Bank), and Article 45, paragraph 4 of the Credit Institutions Act the shareholders at the Annual General Meeting of the Bank held on 16 March 2015 made the following

Policy
on the assessment
of the suitability of Members of the Supervisory Board of the Bank

1. INTRODUCTION

Article 1

(1) Pursuant to the provisions of the Credit Institutions Act and subordinate regulation Decision on assessment of the suitability of the president of the management board, member of the management board, member of the supervisory board, and key function holder in a credit institution, Privredna banka Zagreb d.d. (hereinafter: Bank) upon adoption of this Policy of assessment of the suitability of the members of the Supervisory Board of the Bank (hereinafter: Policy) defines the system of suitability assessment for the members of the Supervisory Board of the Bank.

Article 2

(1) The following is defined by the Policy:

1. procedure of suitability assessment including deadlines for delivery of documentation, deadlines and method for conducting the procedure, method of responding by the persons being assessed and reporting on the results of the procedure
2. structure of the Supervisory Board of the Bank
3. procedure of the suitability assessment: preparatory activities of the expert service, role of the Nomination Committee, competent authority responsible for the assessment of suitability of the members of the Supervisory Board of the Bank
4. information and documentation which shall be provided by the members of the Supervisory Board to the competent authority responsible for the assessment of suitability,
5. situations and circumstances for which an extraordinary assessment of suitability of the individual members of the Supervisory Board shall be conducted
6. method of communication and frequency of conducting suitability assessment
7. form and method of safe-keeping the documentation on conducted procedure of suitability assessment

Article 3

(1) The Policy regulates only the internal process of suitability assessment of the members of the Supervisory Board of the Bank.

(2) The Policy does not define and stays out of the obligations of the candidates of the Bank in the area of the communication with the regulator for obtaining prior consent in accordance with the applicable regulations.

Definitions

Article 4

(1) For the purposes of this Policy "procedures" are:

- investigations, prosecutions and criminal procedures and
- procedures preceding the passing of final and enforceable ruling, final and enforceable coercive measure and offence or administrative sanction.

(2) For the purposes of this Policy, "close links" are persons closely linked pursuant to Art. 22 of the Credit Institutions Act, and persons linked by blood in a straight line with no restriction and in a collateral line up to two times removed and in-laws. For the purposes of this Policy, the in-laws are relatives by marriage and not by blood, including parents, brothers and sisters of the spouse, their children and spouses of the children.

(3) For the purposes of this Policy, "significant business relation" is a business relation, which meets any of the following conditions:

- if the total liabilities of the members of the Supervisory Board of the Bank and the persons related thereto to the Bank exceed the total claims and investment into the Bank by the amount which is by two per cent higher than its share capital
- the Bank or person/entity related thereto has an investment in the share capital instrument which exceeds 25% of the share capital of the company controlled by the member of the Supervisory Board
- if the company related to the member of the Supervisory Board earns the major part of income from service provision to the Bank.

(4) For the purposes of this Policy "conflict of interest" are circumstances when private interests of the person are contrary to the interests of the Bank, especially when private interests of the person influences or may influence his/her impartiality in performing duties.

(5) For the purposes of this Policy "candidate" is a person for which the Bank assesses suitability or has submitted the request for prior consent to appointment to the function of a member of the Supervisory Board.

(6) For the purposes of this Policy "Authority competent for suitability assessment" is the Human Resources Division (expert service).

(7) For the purposes of this Policy "Nomination Committee" is a committee of the Supervisory Board of the Bank composed of at least three of its members.

Structure of the Supervisory Board

Article 5

(1) When deciding on candidates for members of the Supervisory Board, the shareholders of the Bank must take into consideration that optimal variety of the structure of the Supervisory Board of the Bank is ensured, in order to perform the function of supervision of the operations of the Bank, as well as having in mind the suitability of the Supervisory

Board as a whole, having regard to the nature, scale and complexity of activities, risk profile and the business strategy of the Bank.

Specific Role of the Nomination Committee

Article 6

- (1) The Nomination Committee shall define the conditions for professional knowledge, abilities, dedication to duty fulfillment and experience of the president and each individual member of the Supervisory Board of the Bank in more detail, thereby taking into account that the entire composition of the Supervisory Board has necessary professional knowledge, abilities and experience which make possible impartial and independent execution of duties.
- (2) The Nomination Committee shall regularly examine the effectiveness and appropriateness of this Policy and issue adequate recommendations for improvements
- (3) When assessing suitability of individual members of the Supervisory Board of the Bank, the Nomination Committee shall take care of the suitability of the Supervisory Board as a whole.
- (4) The Nomination Committee shall determine the targeted representation ratio of the underrepresented sex in the Supervisory Board and propose a strategy to achieve the targeted representation levels.

2. CONDITIONS FOR SUITABILITY OF MEMBERS OF THE SUPERVISORY BOARD OF THE BANK

Article 7

- (1) A member of the Supervisory Board of the Bank can be the person who meets the following conditions:
 - a. is of a good repute,
 - b. has adequate professional knowledge, ability and experience necessary for running business of a credit institution,
 - c. is not in conflict of interest in relation to the Bank, shareholders, members of the Supervisory Board, key function holders and senior management of the Bank,
 - d. who can devote time enough for meeting the liabilities under the scope of the own authority and
 - e. who meets the conditions for a member of the Supervisory Board in accordance with the Companies Act.

Good repute

Article 8

- (1) The Authority competent for suitability assessment will take into account, when considering the category of a good repute of a candidate, all available circumstances and knowledge. The Authority competent for suitability assessment will consider that a person is not of good repute:

-
1. who is finally convicted or against whom the criminal procedure is pending for any of criminal offences under Art. 35, par. 1, sub-par. 1, indented line i) of the Credit Institutions Act,
 2. who is finally convicted or against whom the criminal procedure is pending for any of criminal offences which are not included in Art. 35, par. 1, sub-par. 1, indented line i) of the Credit Institutions Act, but which could influence on a good repute of the person,
 3. a foreign citizen who is finally convicted or against whom the criminal procedure is pending for any of crimes which are by the own description consistent with the crimes under par. 1) and 2) hereunder,
 4. who is finally convicted, against whom a measure is imposed or against whom competent courts or bodies keep procedures due to irregularity or non-compliance with any of the regulation applicable on banking, financial or insurance activity or applicable on organization of securities market, securities or payment transaction instruments, non-compliance with the regulations applicable on provision of financial services or any other relevant regulations, which might give rise to any material doubt about a good repute of the candidate,
 5. who manages, or managed at the time when the offence took place, the company which was finally convicted, against which measures were imposed or against which the procedures under par. 4 hereunder are pending, which might give rise to any material doubt about a good repute of the candidate,
 6. who is not renowned for his/her former professional work and personal integrity,
 7. whose business results endanger the person's reputation,
 8. whose financial instability endangers the person's reputation and
 9. for which there is any other reason for suspicion that the person is not of a good repute.

(2) When evaluating the conditions under par. 1, sub-par. 2), 3), 4) and 5) of this article, the Authority competent for performing suitability assessment will consider all the available information with regard to the type of conviction, stage of proceedings and level of appeal, punishment received, effect of rehabilitation measures, current aggravating and mitigating circumstances, significance of offence and misdemeanor, period past from the time of criminal or misdemeanor offence and conduct of such a person in such a time. The Authority competent for suitability assessment will take care also of more minor incidents, which individually do not deteriorate but cumulatively may deteriorate a good repute.

(3) Additionally, when evaluating the conditions under par. 1, sub-par 4) and 5) of this article, the Authority competent for suitability assessment will consider the information on all relevant former measures, convictions, procedures relating to the candidates or company managed by the candidate now or in the past, which conducted or are being conducted by the Croatian National Bank or any other responsible authority.

(4) When evaluating the conditions under par. 1, sub-par. 6) of this article, the Authority competent for suitability assessment will analyze the information showing incorrect conduct of the candidate in former professional work, such as non-transparent activities or non-cooperation with responsible bodies and authorities, refusal or withdrawal of the license for carrying out managerial functions or performing trade, business or profession, if being the reasons for terminating labor contract, dismissing from the key or similar function, and ban of running business or representing a legal entity imposed by the responsible authority.

(5) When evaluating the conditions under par. 1, sub-par. 7) and 8) of this article, the Authority competent for suitability assessment will consider financial and business results of a company in which the candidate is or was a significant shareholder or in which the candidate has or had significant shareholdings, or in which he/she had performed the function of the member of the management board or any other managerial function, before it

was established that the company committed any major irregularity or violated law in the own business, pre-bankruptcy settlement was conducted over the company, bankruptcy procedure initiated, decision on forced liquidation made or license withdrawn, which might have impact on the candidate's repute. The Croatian National Bank will thereby appraise whether the person's conduct contributed to such a situation.

(6) When evaluating the conditions under par. 1, sub-par. 8) of this article, the Authority competent for suitability assessment may consider the financial soundness of the candidate and its potential impact on the candidate's repute. It can thereby analyze:

- a) that the candidate's assets do not jeopardize the fulfillment of his financial liabilities in the future,
- b) whether the candidate is included on the list of unreliable debtors (for example HROK, list of tax debtors of the Ministry of Finance, black list, credit registries and the like),
- c) whether the candidate's assets were subject to personal bankruptcy,
- d) whether civil lawsuits or administrative proceedings were initiated against the candidate,
- e) whether the candidate was finally convicted or whether a criminal procedure is pending against the candidate for any of crimes which are not listed in Art. 35, par. 1, sub-par. 1, indented line i), of the Credit Institutions Act,
- f) data on clean offence record of the candidate and whether offence proceedings are pending against the candidate and
- g) large investments or exposure and received loans.

Professional knowledge and abilities

Article 9

(1) The Authority competent for suitability assessment will consider that appropriate professional knowledge is at least finished graduate studies in a relevant area, in accordance with the regulations governing the scientific activities and high education as well as recognition of foreign educational qualifications.

(2) Exceptionally from par. 1 of this article, a member of the Supervisory Board of the Bank who can with his/her experience and work in the Supervisory Board provide evidence that he/she fulfils the conditions from Art 52, par. 1, Item 2 of the Credit Institutions Act, is not required to have a graduate degree in a relevant area.

(3) Relevant area from par. 1 hereof is considered the following:

- economy and similar areas (for example finance, management),
- law and related areas (for example administration) or
- mathematics, physics, IT science, electrical engineering and related areas

(4) The Authority competent for suitability assessment can, at assessment of professional knowledge of the candidate, except from attained educational level in accordance with par. 1 and 2 of this article check a continuous professional training of the candidate in the following areas:

- financial markets,
- accounting framework,
- regulatory framework and prudential requirements,
- strategic planning and understanding of business strategy, business plan and its execution,

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- risk management (identifying, assessing, measurement, monitoring, controlling and mitigating the main types of risks of credit institutions),
 - corporate governance including the system of internal controls and
 - analysis of financial information of a credit institution.

Necessary experience of members of the Supervisory Board

Article 10

- (1) The Authority competent for suitability assessment will consider that appropriate experience is:
- experience in a management body or supervisory board of a credit institution,
 - experience in a management body or supervisory board of a financial institution,
 - work in a body responsible for supervision of credit or financial institutions,
 - experience gained from long-time academic work,
 - experience gained from long-time work in a body of government administration or in legal bodies at key managerial positions with high level of independency,
 - long-time experience in managing of organizational units of a credit or financial institution which are essential for performing the above mentioned institution's activities,
 - experience in managing of branches of a credit or financial institution,
 - experience of a procurator or advisor to the management body of a credit or financial institution or
 - long-time experience in managing of financial affairs at legal persons which have high economic significance and significant scope of activities
- (2) The experience from par. 1 of this article is considered to be minimum five years of continuous experience gained from the activities of a member of a management board or supervisory board in a credit institution or minimum seven years of a continuous experience at the tasks from par. 1 of this article.
- (3) When assessing the experience of the Supervisory Board candidate, the Authority competent for suitability assessment shall verify whether a member is experienced enough to critically examine decisions and efficiently supervise the Management Board of the Bank as well as fulfill other liabilities stipulated for a member of a supervisory board.

Conflict of interest and independence of members of the Supervisory Board

Article 11

- (1) The Authority competent for suitability assessment will consider that there is a conflict of interest if:
- a member of the Supervisory Board or his/her close link has a significant business relation with the Bank,
 - if a member of the Supervisory Board is at the same time also a member of the supervisory board or management board in any other credit or financial institution, a mixed-activity financial holding company or a financial holding company and which are not part of the same group of credit institutions which also include the Bank or
 - any other circumstances indicated that there is a conflict of interest.
- (2) The Authority competent for suitability assessment, when assessing other circumstances which indicate that the candidate is in a conflict of interest, will take into account the following:

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- former and present positions at which the candidate worked or has been working in the Bank or in other companies,
 - personal, professional and other business relations with members of the Management Board, members of the Supervisory Board, key function holders and senior management of the Bank or its subsidiary or parent company and
 - personal, professional or any other personal relations with the holders of a qualified share in a Bank or its subsidiary or parent company.
- (3) It shall be considered that a member of the Supervisory Board is independent:
- if he/she is neither a shareholder of the Bank or the Bank's affiliated company,
 - if he/she is not a member of a Management Board which is affiliated to the company and if he/she has not been on the indicated position in the last five years,
 - if in the last five years he/she has not been a member of the Management Board or the key function holder in the Bank,
 - if he/she is not an employee of the company affiliated to the Bank or in the last three years an employee of the Bank of a company affiliated to the Bank which is not covered by the previous subparagraph of this paragraph,
 - if, save the remuneration for office of the member of the Supervisory Board of the Bank and its affiliated companies, he/she receives no or has not been receiving any significant remuneration,
 - if in the last three years he/she has not been a member, partner or employee of an audit company that provides or provided audit services to the Bank or to the company affiliated to the Bank,
 - if he/she is not a member of the Management Board of another company in which a member of the Management Board of the Bank is a member of the Supervisory Board,
 - if he/she is not affiliated to the members of the Management Board of the Bank and
 - if he has not been a member of the Supervisory Board of the Bank for more than 12 years.

Dedication to duty fulfillment

Article 12

(1) The Authority competent for suitability assessment shall consider that a member of the Supervisory Board may not be dedicated sufficiently to the fulfillment of obligations under his/her competence if at the same time he/she performs:

- the function of the president or a member of a management board of another credit institution as well as one more function of a member of a management board in another company or the function of managing a public company or limited partnership,
- the function of a member of a management board and more than two functions of a member of a supervisory board or
- more than four functions of a supervisory board member.

(2) When conducting assessment from par. 1 of this article, one function is considered to be the function of the member of the management board or supervisory board:

- in the companies within the same group
- in the companies in which the Bank has a qualified share.

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- (3) Functions of the member of the management board and supervisory board in non-profit organizations are not the focus of consideration.

3. THE PROCESS OF MAKING DECISIONS ON SUITABILITY

Authority for making decisions on the suitability

Article 13

- (1) The decision on suitability of members of the Supervisory Board shall be made by the General Meeting, taking into account the opinion from the Nomination Committee.
- (2) The provisions of this Policy shall not affect other liabilities prior to the appointment of members of the Supervisory Board consistent with the applicable regulations and internal documents.

Preparatory activities of the Authority competent for suitability assessment and the role of the Nomination Committee

Article 14

- (1) The preparatory activities for suitability assessment of members of the Supervisory Board of the Bank are carried out by the Authority competent for suitability assessment.
- (2) Upon the completion of the preparatory procedure, the Authority competent for suitability assessment establishes the results of suitability assessment in a form of a conclusion, pursuant to which the Management Board of the Bank prepares a proposal of the decision on the suitability. The proposal of the decision shall be delivered to the Nomination Committee for opinion, after which the General Meeting adopts the decision on the suitability for each member of the Supervisory Board of the Bank.

Cooperation with the other organizational units

Article 15

- (1) The Authority competent for suitability assessment gathers, in cooperation with the Secretariat of the Bank and Compliance Division (and if necessary with other organizational units) all the information necessary for suitability assessment.
- (2) The manner and method of cooperation between the competent authority and other organizational units can be regulated in more detail by a protocol.

4. PROCEDURE OF SUITABILITY ASSESSMENT

Frequency of suitability assessment

Article 16

- (1) The Bank shall carry out the procedure of suitability assessment and make decision on suitability of each candidate before he/she is appointed to the function of a member of the Supervisory Board of the Bank.

(2) The Bank shall at least on an annual basis reassess the suitability and make decision on suitability of members of the Supervisory Board of the Bank with the aim of establishing their permanent suitability for performing the function to which they are appointed.

(3) Exceptionally from par. 2 of this article, the Bank shall carry out an extraordinary suitability assessment of members of the Supervisory Board of the Bank at the occurrence of situations and circumstances due to which an extraordinary suitability assessment of each member of the Supervisory Board shall be made. Such circumstances are the following:

- Learning about the proceedings pending against the members of the Supervisory Board of the Bank,
- Learning about circumstances that may represent a conflict of interest,
- Learning about circumstances that indicate the impossibility of further work at respective position,
- Other important circumstances that may influence suitability assessment

(4) When carrying out the procedure from foregoing paragraph of this article, the Authority competent for suitability assessment can make only a partial assessment of influence of such changed circumstances on the suitability of members of the Supervisory Board of the Bank.

Starting the procedure of suitability assessment

Article 17

(1) The Authority competent for suitability assessment initiates the suitability assessment procedure in the following situations:

- at appointment of candidate for members of the Supervisory Board of the Bank,
- at regular annual suitability assessment of already appointed members of the Supervisory Board of the Bank,
- at the need of extraordinary suitability assessment.

(2) The Authority competent for suitability assessment contacts the candidates or members of the Supervisory Board of the Bank, defines, and notifies the above-mentioned candidates about the method and scope of document collection.

(3) The members of the Supervisory Board of the Bank and the candidates for indicated positions shall completely and with no delay cooperate with the competent authority and make available all information and documents necessary for making decisions on suitability in accordance with the deadlines from Art. 19 hereunder.

(4) All the communication between the members of the Supervisory Board of the Bank on one side and competent authority on the other side shall be stored on a durable medium (paper, electronic mail and the like).

(5) The competent authority shall define, in cooperation with other organizational units, in detail methodology and the manner of collection of data and documents necessary for the suitability assessment.

Conclusions of the Authority competent for suitability assessment

Article 18

(1) Upon the analysis of all the available information, documents and statements, the Authority competent for suitability assessment prepares the assessment of suitability of each

individual candidate/member of the Supervisory Board of the Bank and makes the following conclusions:

- Conclusion on suitability / insufficient suitability of a candidate/a member of the Supervisory Board,
- Conclusion on calling for the implementation of measures for removing deficiencies regarding suitability with appropriate deadline for corrective actions by the candidate/member of the Supervisory Board,
- Conclusion of a technical nature defining the scope for gathering documentation for one or more candidates' members of the Supervisory Board.

(2) Taking into account the conclusion on suitability / insufficient suitability of the candidate/member of the Supervisory Board, the Management Board shall prepare a proposal for the decision on the suitability of a member of the candidate/member of the Supervisory Board and deliver it to the Nomination Committee for opinion. The decision on the suitability of the candidate/members of the Supervisory Board shall be then adopted by the General Meeting.

Deadlines and notifications

Article 19

(1) The authority competent for suitability assessment shall prepare at least on an annual basis the suitability assessment for members of the Supervisory Board of the Bank.

(2) The General Meeting shall at least on an annual basis, pursuant to the conclusions of the authority competent for suitability assessment as well as proposals of decisions defined by the Management Board of the Bank, adopt a decision on the suitability of members of the Supervisory Board.

(3) The candidate, i.e. a member of the Supervisory Board, shall provide all necessary documents and statements upon the request of the competent authority with no delay, no later than 15 days after the receipt of the request.

(4) The authority competent for suitability assessment shall, no later than within 10 work days after the adoption of the conclusion on suitability, notify the candidate on the result of the preparation of the suitability assessment and give the appropriate proposal to the Management Board of the Bank for making a proposal of the decision of the General Meeting on the suitability of members of the Supervisory Board.

(5) The authority competent for suitability assessment shall notify the Croatian National Bank on adopted decisions on suitability of members of the Supervisory Board of the Bank no later than by 30 June of a current year for the previous year.

(6) Exceptionally, if the information change which might indicate that the president or member of the Supervisory Board of the Bank does not meet the prescribed conditions anymore, the authority competent for suitability assessment shall notify the Croatian National Bank thereupon with no delay, and not later than within eight days after the change has been detected.

Suitability assessment follow-up

Article 20

(1) If the General Meeting in the procedure of subsequent suitability assessment finds out that a member of the Supervisory Board of the Bank is not suitable anymore, it shall make decision on recall of the member of the Supervisory Board of the Bank with no delay.

(2) Exceptionally, if the authority competent for suitability assessment appraises that the deficiencies in suitability are minor and can be removed in a short term, the authority competent for suitability assessment can define the deadline for responding appropriately as to re-establish the suitability of such a member of the Supervisory Board.

(3) Members of the Supervisory Board shall notify the competent authority on every important event or circumstance which has significant influence on their suitability for carrying out duties to which they have been appointed, or at least on an annual basis notify the competent authority (upon call) on the fact that the information, on the basis of which the initial assessment was made, remained unchanged.

Article 21

(1) The Bank shall store all the documentation about conducted suitability assessments of members of the Supervisory Board of the Bank in an adequate way and keep at least for 5 years.

5. OTHER REQUIREMENTS AND FINAL PROVISIONS

Implementation on subsidiaries

Article 22

(1) The provisions of this Policy shall be appropriately implemented throughout the subsidiaries of the Bank, which have the status of a credit institution.

(2) The subsidiaries from par. 1 hereof shall adopt this Policy as the own internal regulation and implement it in an appropriate scope.

(3) The authority competent for suitability assessment of the Bank shall prepare the suitability assessment for members of the Supervisory Board of the subsidiaries from par. 1. of this article.

Professional training

Article 23

(1) Members of the Supervisory Board of the Bank shall continuously upgrade their professional knowledge and ensure their permanent appropriateness within the scope of their authority.

(2) For the purpose of keeping the continuity and adequacy of professional knowledge the following areas of priority are established for upgrading of professional knowledge of the persons appointed to the functions from par. 1. of this article:

- Strategic management and planning
- Regulatory and prudential frame
- Financial markets
- Accounting and finance
- Internal audit
- Risk management
- Human resources management and organization

(3) For the purposes of this Policy the upgrading of knowledge and competencies is considered to be any participation at professional specialist programs (course, seminar, workshop), forum and conferences within the country and abroad, and participation in strategic meetings, coordination and educational programs organized by the Intesa Sanpaolo Group.

(4) The obligation of professional training of members of the Supervisory Board is established in minimum of 3 days in a year.

(5) The activities of a professional training are documented thorough the annual review of personal education in accordance with the organizational and individual needs for upgrading of professional knowledge.

Article 24

(1) This Policy shall be adopted by the General Meeting of the Bank at the proposal of the Management Board of the Bank. The procedure of amending the Policy is identical to the procedure of adoption.

(2) Upon entry into force of this Policy, the Policy of Assessment of the Suitability of Members of the Supervisory Board from October 2013 shall cease to be in force.

Chairman of the General Meeting

In Zagreb, 16 March 2015

No.: GM _1_15/5