



PRIVREDNA BANKA ZAGREB

Annual General Meeting 31 March 2014

(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 230th meeting, held on 11 February 2014, made the following

DECISION
on calling the Annual General Meeting

of **Privredna banka Zagreb d.d.**, Zagreb, Radnička cesta 50, which will be held on **31 March 2014**, 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 2013
2. Annual financial statements of the Bank and consolidated annual financial statements for 2013 (*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 2013
 - 2.2 Decision on granting the approval of action to members of the Management Board of the Bank for the year 2013
 - 2.3 Decision on granting the approval of action to members of the Supervisory Board of the Bank for the year 2013
 - 2.4 Decision on payment of the remuneration to the President of the Supervisory Board of the Bank for the year 2013
3. Decision on the appointment of the external auditor who shall conduct the audit of the financial statements of the Bank for the year 2014
4. Decision on the suitability of Members of the Supervisory Board of the Bank
5. Decision on the election of two new members of the Supervisory Board of the Bank

If a quorum stipulated by the Articles of Association of Privredna banka Zagreb d.d. is not constituted at this General Meeting, then the Annual General Meeting will be held on 1 April 2014 at the same location, beginning at the same time, and the Agenda of the meeting will remain the same.

Božo Prka, sgd.

President of the Management Board

In Zagreb, 11 February 2014

No.: UB 4402 – 230/14

**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 2013**

I.

In 2013 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 2013 the Supervisory Board held four regular meetings, namely: on 22 February, 8 May, 19 July and 6 November, as well as ten meetings by letter.

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 Management Board and 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: the budget for 2013, strategies and policies for assuming and managing risks, strategies and procedures for assessing adequacy of internal capital, regulations which establish and ensure adequate functioning of control functions and, having obtained prior opinion of the Audit Committee,

the annual work plan of the internal audit. Within the scope of its authority, the Supervisory Board approved 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 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. Members of the Management Board were regularly present at meetings of the Supervisory Board. Also in 2013 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 and other managers in cooperation with the Management Board.

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 three members, including one member of the Supervisory Board of the Bank. Four regular meetings were held in 2013: on 21 February, 7 May, 18 July and 5 November 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.

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 2013, the report of condition of the Bank and its subsidiaries, and the draft decision on the allocation of the Bank's profit earned in 2013, 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 2013.

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 2013, the mentioned financial

reports shall be 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 614.685.977,42 (after taxation), earned in the year ended on 31 December 2013, 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 2013 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 2013, 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.

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 2013 were confirmed, constitute an integral part of this Report.

György Surányi, sgd.

President of the Supervisory Board of the Bank

In Zagreb, 21 February 2014

No.: SB_2_14/3.1

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) and Articles 300.a, 300.b, and 300.d of the Companies Act, the Management Board of the Bank at its 230th meeting, held on 11 February 2014, adopted the following

D E C I S I O N
on the Annual financial statements of the Bank for 2013

1. The Management Board of the Bank compiled the Annual financial statements of the Bank for the year 2013, which are as stated below:

a) Balance sheet (in HRK million)

	2013 Subtotal	2013 Grand total
Total assets		65,617
Total liabilities	54,118	
Shareholders' equity	11,499	
Total liabilities and shareholders' equity		65,617
Off-balance sheet assets		10,689

b) Income statement (in HRK million)

	2013 Subtotal	2013 Grand total
Operating income		3,039
Provisions (net)	(775)	
Other operating expenses	(1,354)	
Depreciation and amortization	(127)	
		(2,256)
Profit before income taxes		783
Income taxes		(168)
Net profit for the year		615

c) Cash flow statement (in HRK million)

	2013 Grand total
Cash and cash equivalents at the beginning of the year	10,115
Cash and cash equivalents at the end of the year	9,741
Net decrease in cash and cash equivalents	(374)

d) Notes to financial statements

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2. The *Annual financial statements of the Bank for the year 2013* 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, 11 February 2014

No.: UB 4397 - 230/14

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_14 meeting, held on 21 February 2014, adopted the following

D E C I S I O N
on the Annual financial statements of the Bank for 2013

1. Consent is hereby given with respect to the below stated Annual financial statements of the Bank for the year 2013, which were compiled by the Management Board of the Bank:

a) Balance sheet (in HRK million)

	2013 Subtotal	2013 Grand total
Total assets		65,617
Total liabilities	54,118	
Shareholders' equity	11,499	
Total liabilities and shareholders' equity		65,617
Off-balance sheet assets		10,689

b) Income statement (in HRK million)

	2013 Subtotal	2013 Grand total
Operating income		3,039
Provisions (net)	(775)	
Other operating expenses	(1,354)	
Depreciation and amortization	(127)	
		(2,256)
Profit before income taxes		783
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Net profit for the year		615

c) Cash flow statement (in HRK million)

	2013 Grand total
Cash and cash equivalents at the beginning of the year	10,115
Cash and cash equivalents at the end of the year	9,741
Net decrease in cash and cash equivalents	(374)

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 2013, 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.

György Surányi, sgd.
President of the Supervisory Board

In Zagreb, 21 February 2014

No.: SB_2_14/2.1.1

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 230th meeting, held on 11 February 2014, adopted the following

D E C I S I O N
on the consolidated annual financial statements for 2013

1. The Management Board of the Bank compiled the consolidated annual financial statements of the Bank for 2013, which are as stated below:

a) Balance sheet (in HRK million)

	2013 Subtotal	2013 Grand total
Total assets		70,121
Total liabilities	57,349	
Shareholders' equity	12,772	
Total liabilities and shareholders' equity		70,121
Off-balance sheet assets		10,552

b) Income statement (in HRK million)

	2013 Subtotal	2013 Grand total
Operating income		3,726
Provisions (net)	(786)	
Other operating expenses	(1,722)	
Depreciation and amortization	(183)	
		(2,691)
Income arising from investments accounted by net equity method		17
Profit before income taxes		1,052
Income taxes		(231)
Net profit for the year		821

c) Cash flow statement (in HRK million)

	2013 Grand total
Cash and cash equivalents at the beginning of the year	10,107
Cash and cash equivalents at the end of the year	9,376
Net decrease in cash and cash equivalents	(731)

d) Notes to financial statements

- The consolidated annual financial statements for the year 2013* shall be submitted to the Supervisory Board of the Bank for examination and for obtaining its consent with respect to the statements.
- This Decision shall enter into force on the date when it has been adopted.

Božo Prka, sgđ.

President of the Management Board

In Zagreb, 11 February 2014

No.: UB 4398 - 230/14

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_14 meeting, held on 21 February 2014, adopted the following

D E C I S I O N
on the consolidated annual financial statements for 2013

1. Consent is hereby given with respect to the below stated consolidated annual financial statements of the Bank for 2013, which were compiled by the Management Board of the Bank:

a) Balance sheet (in HRK million)

	2013 Subtotal	2013 Grand total
Total assets		70,121
Total liabilities	57,349	
Shareholders' equity	12,772	
Total liabilities and shareholders' equity		70,121
Off-balance sheet assets		10,552

b) Income statement (in HRK million)

	2013 Subtotal	2013 Grand total
Operating income		3,726
Provisions (net)	(786)	
Other operating expenses	(1,722)	
Depreciation and amortization	(183)	
		(2,691)
Income arising from investments accounted by net equity method		17
Profit before income taxes		1,052
Income taxes		(231)
Net profit for the year		821

c) Cash flow statement (in HRK million)

	2013 Grand total
Cash and cash equivalents at the beginning of the year	10,107
Cash and cash equivalents at the end of the year	9,376
Net decrease in cash and cash equivalents	(731)

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 2013, 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.

György Surányi, sgd.

President of the Supervisory Board

In Zagreb, 21 February 2014

No.: SB_2_14/2.1.2

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 31 March 2014 made the following

D E C I S I O N
on the allocation of the Bank's profit earned in 2013

1. It is hereby ascertained that the Bank, in the year ended on 31 December 2013, earned net profit (i.e. profit after tax), in the amount of **HRK 614,685,977.42**.
2. Net profit of the Bank referred to in paragraph 1 above shall be distributed as follows:
 - the amount of **HRK 490,460,476.80**, i.e. **HRK 25.80** 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 the date of the adoption of this Decision and who become entitled to dividend payment on the same date.
Dividend shall be paid no later than 30 days as of the date of the adoption of this Decision.
 - the amount of **HRK 124,225,500.62** shall be allocated to the retained earnings.
3. Dividend which shall be paid in accordance with the provisions of this Decision shall be taxed in accordance with valid tax regulations.
4. It is hereby ascertained that the total accumulated retained earnings of the Bank amount to **HRK 7,305,691,981.09** on the date of adoption of this Decision.
5. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 31 March 2014

No.: GM _1_14/2.1

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 31 March 2014 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 2013 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 2013.
2. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 31 March 2014

No.: GM_1_14/2.2

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 31 March 2014 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 2013 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 2013.
2. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 31 March 2014

No.: GM_1_14/2.3

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 31 March 2014 made the following

D E C I S I O N

**on payment of the remuneration to the President of the Supervisory Board of the Bank
for the year 2013**

1. President of the Supervisory Board of the Bank shall be paid a remuneration in the kuna equivalent of EUR 52,500.00 net for the work performed in 2013, within 15 days after the adoption of this Decision.
2. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 31 March 2014

No.: GM_1_14/2.4

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 31 March 2014 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 2014**

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 2014.
2. This Decision shall enter into force on the date when it has been adopted.

Chairman of the General Meeting

In Zagreb, 31 March 2014

No.: GM_1_14/3

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 31 March 2014 made the following

DECISION

on the suitability of members of the Supervisory Board of the Bank

1. It is established that the candidates for members/members of the Supervisory Board are suitable to perform their functions, as follows:
 - Draginja Đurić, candidate for Member of the Supervisory Board, assessed suitable for the function of Member of the Supervisory Board,
 - Giovanni Gilli, candidate for Member of the Supervisory Board, assessed suitable for the function of Member of the Supervisory Board,
 - Branko Jeren, Member of the Supervisory Board, assessed suitable for the function of Member of the Supervisory Board,
 - Nora Kocsis, Member of the Supervisory Board, assessed suitable for the function of Member of the Supervisory Board,
 - Massimo Malagoli, Member of the Supervisory Board, assessed suitable for the function of Member of the Supervisory Board,
 - Paolo Sarcinelli, Member of the Supervisory Board, assessed suitable for the function of Member of the Supervisory Board,
 - Christophe Velle, Member of the Supervisory Board, assessed suitable for the function of Member of the Supervisory Board

Results of suitability assessment of the Supervisory Board members conducted by the competent authority are attached to this Decision and form its integral part.

2. It is assessed that the members of the Supervisory Board together or individually have the necessary expertise, skills and experience that allow independent and self-monitoring of operations of the credit institution, with an understanding of operations and significant risk of credit institutions, and that in accordance with Article 45, item 2 of the Credit Institutions Act, the Supervisory Board has one independent member.
3. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 31 March 2014

No.: GM_1_14/4

PRIVREDNA BANKA ZAGREB d.d.
ANNUAL GENERAL MEETING

Item 5

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 31 March 2014 made the following

D E C I S I O N

on the election of two new members of the Supervisory Board of the Bank

1. It is hereby established that the term of office of Mr Ivan Šramko on the Supervisory Board of the Bank expired on 29 March 2014 and that the term of office of Mr György Surányi ended on the date of this General Meeting due to his resignation.
2. Elected to the Supervisory Board of the Bank for a three-year term of office are as follows:
 - Mr **Giovanni Gilli**, BEcon, Director of Strategic Operations Unit of Intesa Sanpaolo, domiciled in Milan, Italian Republic,
 - Ms **Draginja Đurić**, Master in Technical Sciences, programme of Organisational Sciences for Management and Financial Risks, President of the Executive Board of Banca Intesa AD Belgrade, domiciled in Belgrade, Republic of Serbia.
3. This Decision shall enter into force on the date of its adoption.

Chairman of the General Meeting

In Zagreb, 31 March 2014

No.: GM _1_14/5