



PRIVREDNA BANKA ZAGREB

Annual General Meeting

25 March 2016

(explanation of proposed decisions)

Agenda

1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2015
2. Annual financial statements of the Bank and consolidated annual financial statements for 2015 (*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 2015
 - 2.2. Decision on granting the approval of action to members of the Management Board of the Bank for the year 2015
 - 2.3. Decision on granting the approval of action to members of the Supervisory Board of the Bank for the year 2015
3. Decision on the appointment of the external auditor who shall conduct the audit of the Bank's financial statements for the year 2016
4. Decision on the suitability of members of the Supervisory Board of the Bank based on the regular suitability assessment and on the suitability of the candidate for member of the Supervisory Board
5. Decision on the election of a member of the Supervisory Board of the Bank
6. Decision on the amendments to Articles 15, 44, 63 and 64 of the Articles of Association of Privredna banka Zagreb d.d.

1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2015

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 2015.*

2. Decisions enclosed with the Annual Financial Statements and Consolidated Annual Financial Statements for 2015:

2.1. Decision on the allocation of the Bank's profit earned in 2015

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.

Proposal is made to pay out 100% of the profits earned in 2015 as dividend, i.e. HRK 10,16 per share, based on last year's business results in terms of high liquidity buffers and high capital adequacy ratio.

2.2. Decision on granting the approval of action to members of the Management Board of the Bank for the year 2015

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 2015

(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 2016

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 fifth year in a row**.

4. Decision on the suitability of members of the Supervisory Board of the Bank based on the regular suitability assessment and on the suitability of the candidate for member of the Supervisory Board

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. The General Meeting also decides on the suitability of a candidate for member of the Supervisory Board.

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 the Bank*, adopted by the Supervisory Board of the Bank.

5. Decision on the election of a member of the Supervisory Board of the Bank

Pursuant to Article 275 of the Companies Act the General Meeting of the Bank is to decide on the election of members of the Supervisory Board of the Bank. Considering that the three-year term of office of Mr Christophe Velle on the Supervisory Board will expire on 16 October 2016, in accordance with Article 280 of the Companies Act and based on the proposal of the Nomination Committee the Supervisory Board submits to the General Meeting of the Bank a draft decision on his re-election to the Supervisory Board.

6. Decision on the amendments to Articles 15, 44, 63 and 64 of the Articles of Association of Privredna banka Zagreb d.d.

By these amendments to the Articles of Association the earlier obligation to make publications in "Narodne novine" as the Official Gazette of the Republic of Croatia is replaced by publication on the website of the court register, in line with Article 174 of the Companies Act.

After EBRD stopped being a shareholder of the Bank, it became necessary to delete the provision on the direct appointment of a member of the Supervisory Board by EBRD. The provision on the direct appointment of a member of the Supervisory Board of the Bank by Intesa Sanpaolo Holding International, Luxembourg, no longer serves any purpose given that ISP Holding Int. now holds 97.47% of the Bank's shares.

The amendments to the title of chapter 14 and the provisions of Articles 63 and 64 are suggested in order to align with the provisions of the Credit Institutions Act governing the system of internal controls. Aside from internal audit, which was previously given particular attention in the Articles of Association, two equally important control functions - risk control function and compliance function have also been established at the Bank; hence, by amending Article 63, the Articles of Association are aligned with the provisions of Article 105 of the Credit Institutions Act. Amendments to Article 64 of the Articles of Association are based on the provision of Article 107, paragraph 3 of the Credit Institutions Act.

19 February 2016

Privredna banka Zagreb d.d.