

Annual General Meeting

27 March 2017

(explanation of proposed decisions)

Agenda

1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2016
2. Annual financial statements of the Bank and consolidated annual financial statements for 2016 (*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 2016
 - 2.2 Decision on granting the approval of action to members of the Management Board of the Bank for the year 2016
 - 2.3 Decision on granting the approval of action to members of the Supervisory Board of the Bank for the year 2016
3. Decision on the appointment of the external auditor who shall conduct the audit of the Bank's financial statements for the year 2017
4. Decision on the suitability of members of the Supervisory Board of the Bank based on the regular suitability assessment
5. Policy on the structure of the Supervisory Board of Privredna banka Zagreb d.d.
6. Policy on the assessment of the suitability of members of the Supervisory Board

1. The Supervisory Board Report on supervision exercised over the conduct of business affairs in the Bank in 2016

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 2016.*

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 2016

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 30% of the profits earned in 2016 as dividend, i.e. HRK 25,33 per share, based on last year's business results.

2.2 Decision on granting the approval of action to members of the Management Board of the Bank for the year 2016

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 2016

(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 2017

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 sixth 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 the Bank*, adopted by the Management Board of the Bank.

5. Policy on the structure of the Supervisory Board of Privredna banka Zagreb d.d.

According to the Croatian National Bank'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 from 2014, the Management Board adopted (with the consent of the Supervisory Board and a positive opinion of the parent bank) the Policy on the structure of the Management Board and the Supervisory Board of the Bank. In the meantime, in October 2016 the Decision on the amendments to the mentioned CNB Decision was adopted, calling for the alignment of the valid Policy on the structure of the Management Board and the Supervisory Board of the Bank.

Considering that under the CNB Decision the Policy on the target structure of the Supervisory Board of the Bank is now adopted by the General Meeting of the Bank, while the Policy on the target structure of the Management Board of the Bank is adopted by the Management Board of the Bank subject to the consent of the Supervisory Board, the Policy on the structure of the Management Board and the Supervisory Board of the Bank was split into two separate documents, one of which – meaning the aligned Policy on the structure of the Supervisory Board, is submitted to the General Meeting for adoption.

6. Policy on the suitability assessment of the members of the Supervisory Board of the Bank

The amendments to the Croatian National Bank'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 necessitated also the amendments to the internal Policy on the suitability assessment of the members of the Supervisory Board that was adopted in 2015 by the General Meeting of the Bank.

Zagreb, February 2017

Privredna banka Zagreb d.d.