



Remuneration Report for the Members of the Management Board and Supervisory Board for 2022

March 2023

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



Independent limited assurance report on the Remuneration Report for the year 2022

To the Management Board and Supervisory Board of Hrvatska poštanska banka d.d.

Subject matter

Pursuant to the provisions of Article 272r item 3 of the Companies Act and the contract concluded with Hrvatska poštanska banka d.d. (the "Bank"), we performed a limited assurance engagement of the accompanying Remuneration Report for the Members of the Management Board and Supervisory Board for the year ended 31 December 2022 („Remuneration report“) for the year ended 31 December 2022 (the "Remuneration Report“) prepared by the Bank's Management Board.

Reporting criteria

The applicable reporting criteria for identifying the individuals to be included in the Remuneration Report and the disclosure requirements of their remuneration are contained in the provisions of Article 272r items 1 and 2 of the Companies Act.

Management and Supervisory Board's responsibilities

The Bank's Management Board and the Supervisory Board are responsible for:

- preparing the Remuneration Report for the year 2022 in accordance with disclosure requirements of Article 272r items 1 and 2 of the Companies Act,
- identifying the individuals to be included in the Remuneration Report in accordance with Article 272r item 1 of the Companies Act,
- selecting and applying appropriate remuneration policies as well as making judgments and estimates that are reasonable in relation to the information disclosed in the Remuneration Report,
- measurement of remuneration for the year ended 31 December 2022 in accordance with provisions of Article 272r items 1 and 2 of the Companies Act, and
- publishing the Remuneration Report on the Bank's website in accordance with provisions of Article 272r item 4.

The Bank's Management Board is also responsible for maintaining an internal control system that provides limited assurance that the information described above is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to report on the Remuneration Report in accordance with the requirements of Article 272r item 3 of the Companies Act. We performed a limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised) - *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.



Our independence and quality control

We apply International Standard on Quality Control 1 and, accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Federation of Accountants, based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

We have performed the following procedures regarding the subject matter:

- we inquired of members of Management, Supervisory Board and other persons within the Bank to gain understanding of the remuneration policies and the process applied in preparing the Remuneration Report;
- we received from the Bank a list of all members of the Management and Supervisory Boards during 2022 and checked whether their remuneration is disclosed in the Remuneration Report;
- we reconciled the remuneration information presented in the Remuneration Report with the Bank's accounting records (general ledger and subledgers) for the year ended 31 December 2022;
- we reviewed, on a sample basis, the relevant documentation (contracts and payments) related to the remuneration information presented in the Remuneration Report; and
- we checked whether the Remuneration Report contains all the information required by provisions of Article 272r items 1 and 2 of the Companies Act.

The nature and extent of our procedures were determined based on our risk assessment and our professional judgment in order to obtain limited assurance.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited conclusion.

Limited assurance conclusion

Based on our work performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Remuneration Report for the year ended 31 December 2022 is not prepared in accordance with the requirements specified in Article 272r items 1 and 2 of the Companies Act.

Restriction of distribution and use

This report has been prepared solely for the Management Board in accordance with the agreement between us, to assist the Bank in reporting the Remuneration Report, and is intended solely for the purposes specified in Article 272r item 3 of the Companies Act. We permit this report to be disclosed in the Bank's web page in accordance with Article 272r item 4 of the Companies Act.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank's Management Board for our work or this report, except where such terms are expressly agreed in writing.

In addition, based on the procedures performed and described above, this is a limited assurance report and it is not, nor is it intended to be, a legal opinion on the Bank's compliance with Article 272r items 1 and 2 of the Companies Act.



The Bank's Management Board is responsible for placing the Remuneration Report on the Bank's web-site and for accuracy of such information. The scope of our performed work does not include reviewing these matters; consequently, we do not assume any responsibility for any amendments that might have been made to the Remuneration Report underlying this Independent limited assurance report or any differences between the report issued by us and the information presented on the Bank's web-site.

PricewaterhouseCoopers d.o.o.
Zagreb, 30 March 2023

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Pursuant to Article 272. r of the Companies Act, the Supervisory Board and the Management Board of Hrvatska poštanska banka p.l.c. submit to the General Assembly the following document:

Remuneration Report for the Members of the Management Board and Supervisory Board for 2022

1. Introduction

The Remuneration Strategy of Hrvatska poštanska banka p.l.c. (hereinafter: the Bank) is defined by the *Remuneration Policy of Hrvatska poštanska banka p.l.c. and HPB Group* (hereinafter: *the Remuneration Policy*) and other related internal acts of the Bank, and in accordance with the *Decision on Staff Remuneration* brought by the Croatian National Bank (hereinafter: *Decision on Remuneration*).

The Remuneration Policy is aligned with the business strategy, goals, values and long-term interests of the Bank, including goals related to environmental, social and governance risks, which is particularly reflected in the quality-of-services orientation that the Bank provides to its customers; activities to attract, motivate and retain a quality workforce; and activities to deliver long-term value for the shareholders.

Equality of treatment is one of the key elements of the Remuneration Policy. All employees have the right to working conditions that are fair and transparent, regardless of gender or any other discriminatory criteria. For this purpose, the human resources management function will once a year, as part of the Report on the application of the Remuneration Policy, analyse current situation regarding application of gender neutral Remuneration policy and propose corrective measures if needed.

2. Management Board remuneration

Pursuant to the Bank's Articles of Association, the Management Board consists of three members who are entitled to remuneration for professional services rendered, consisting of base salary, and other remuneration and benefits included in the income arising from the concluded agreement for the performance of the President / Member of the Board functions, internal acts and / or decisions of the Bank.

Members of the Management Board shall not be entitled to variable remuneration such as annual or multiannual bonuses related to the financial results of the Bank.

Total remuneration amount for each Member of the Management Board is negotiated with the Supervisory Board, taking into consideration internal and external indicators such as the economic trends, market and banking industry best practices and other relevant indicators, with respect to the *Code of Corporate Governance of Companies in which the Republic of Croatia Holds Shares or Stakes*.

In 2022, the Management Board operated as follows:

- Marko Badurina, President;
- Anto Mihaljević, Member;
- Ivan Soldo, Member.

The former Management Board was entitled to remuneration in 2022 – differed part of severance payment which was realised in 2022 as defined in the Decision on Staff Remuneration and the Remuneration Policy:

			Part of variable remuneration not deferred	Deferred part of variable remuneration		
Member of the former Management Board	Mandate from - to	Function in the former Management Board	Severance payment (gross I) – assigned shares for 2020 realized in 2022 HRK	Severance payment (gross I) - paid in cash in 2022 HRK ¹	Severance payment (gross I) – assigned shares realized for 2021 in 2022 HRK	Severance payment (gross I) – deferred payment ²
Tomislav Vuić	2014/09/10 - 2019/09/10	President	231.400,52	0,00	34.293,19	136.492,16
Domagoj Karadjole	2014/12/22 – 2019/09/10	Member	172.853,40	0,00	27.434,55	107.539,28
Mladen Mrvelj	2014/12/17 – 2019/09/10	Member	171.738,22	0,00	26.577,23	107.539,28

For the deferred part of severance payment, subsequent risk profile shall be applied for variable remuneration as defined in the *Decision on Staff Remuneration* and the *Remuneration Policy*, and in the case all the criteria are met it shall be assigned and paid in equal amounts during the period from 2021 to 2025 – 50% in cash and 50% in the shares of Hrvatska poštanska banka. The deferred shares are a subject to a vesting period of one year, during which the shares are not to be sold or disposed of in any manner.

The shares which were to have been assigned in 2020 and 2021 were realized on 23 February 2022, pursuant to the Decision on a Temporary Restriction of Distributions of 14 January 2021 (Official Gazette 4/2021), by which the Croatian National Bank imposed a restriction on distributions of credit institutions until 31 December 2021, which includes dividend distribution, creation of an obligation to make dividend distribution, redemption of own shares and award of variable remuneration.

Remuneration not deferred (60%)	50% paid in shares	Transferred to the investors account with SKDD in the name of the Member of the Board, on 23 February 2022
The first deferred payment (40%) in the period over 5 years	50% paid in cash	1/5 of the amount paid on 31 December 2021
	50% paid in shares	1/5 of the amount transferred to the investors account with SKDD in the name of the Member of the Board, on 23 February 2022

¹ Payment of deferred part of severance approved 19.12.2022. with date of payout not sooner than 16.2.2023.

² The precise deferred effects of severance payment are subject to change as they depend on legislative amendments in the 5 - year deferment period. The most relevant amendments include tax rates and maximum monthly / annual caps in calculations of salary contributions. The amounts stated therefore represent the maximum amount of the expense of gross remuneration.

Remuneration paid to the incumbent Members of the Management Board in 2021 is as follows:

Member of the Management Board	Function in the Management Board	Fixed remuneration (gross I) for 2022 HRK	%	Remuneration in kind (gross I) for 2022 HRK	%	Total (gross I) for 2022 HRK	%
Marko Badurina	President	1.112.899,20	95,57%	51.600,09	4,43%	1.164.499,29	100,00%
Anto Mihaljević	Member	994.465,48	94,01%	63.357,97	5,99%	1.057.823,44	100,00%
Ivan Soldo	Member	964.318,87	94,29%	58.438,23	5,71%	1.022.757,10	100,00%

Remuneration in kind relates to the use of company cars on a 24-hour basis and other similar receipts assigned arising from an agreement or an internal act of the Bank.

Members of the Management Board were not paid nor is there an obligation to pay remuneration by third parties in connection with the professional services they perform as members of the Management Board.

3. Supervisory Board remuneration

The Supervisory Board (hereinafter: SB) supervises the work of the Management Board in accordance with the Articles of Association of the Bank and consists of a total of 3 members appointed by a decision of the General Assembly. In 2021, the Supervisory Board operated as follows:

- Marijana Miličević, President
- Mislav Ante Omazić, Deputy President);
- Marijana Vuraić Kudeljan, Member

Members of the SB are entitled to a monthly remuneration for their professional services in the Supervisory Board and the Supervisory Board committees appropriate to their engagement and the services they perform.

Remuneration paid to the Members of the Supervisory Board for 2022, is listed in the table below:

Member of the Supervisory Board	Function in the Supervisory Board	Fixed remuneration (gross I) for 2022 HRK	%	Remuneration in kind (gross I) for 2022 HRK	%	Total HRK	%
Marijana Miličević	President	34.956,36	100,00%	-	0,00	34.956,36	100,00%
Marijana Vuraić Kudeljan	Member	34.415,76	100,00%	-	0,00	34.415,76	100,00%
Mislav Ante Omazić	Deputy President	69.860,40	95,64%	3.187,90	4,36%	73.048,30	100,00%

Relevant regulations and internal and external indicators such as economic trends, market and banking industry best practices, and other relevant indicators were taken into account when determining the remuneration of the Members of the Supervisory Board.

The remuneration of the Members of the Supervisory Board does not include a variable component, i.e., it does not depend on the Bank's financial results in the past or future period.

Members of the Supervisory Board were not paid nor is there an obligation to pay remuneration by third parties in connection with the professional services they perform as Members of the Supervisory Board.

The Bank did not provide valuable gifts or benefits of significant value to the Members of the Supervisory Board.

4. Bank income / profit and average employee remuneration comparison

Year	Income mil. HRK	Net profit / loss mil. HRK	Average gross annual remuneration (HRK)
2022.	741	133	161.831,52
2021	821	202	154.510,58
2020	799	182	147.313,09
2019	834	144	142.144,27
2018	760	152	135.172,51
2017	816	8	134.510,24
2016	819	181	132.893,05
2015	781	123	140.657,91

Average gross annual employee remuneration includes all fixed and variable remuneration, remuneration in kind and other payments made in relation to employee status divided by the average number of employees for each year. The final number of employees at the end of each month was taken for the calculation of the average annual number of employees.

5. Report approval

The Remuneration Report for the Members of the Management Board and Supervisory Board for 2022 was determined by the Management Board and the Supervisory Board on 30 March 2023 and it is submitted to the General Assembly for approval.

President of the Management Board

Marko Badurina

President of the Supervisory Board

Marijana Miličević