



Remuneration Report for the Members of the
Management Board and Supervisory Board for
2021

March 2022

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 2021

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, 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.

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 2021, the Management Board operated as follows:

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

The former Management Board was entitled to remuneration in 2021 – differed part of severance payment which was realised in 2021 as defined in the Decision on Staff Remuneration and the Remuneration Policy:

		Part of variable remuneration not deferred		Deferred parts of variable remuneration			
Member of the Management Board	Function in the Management Board	Severance payment – assigned shares planned in 2020. ¹	Severance payment – assigned shares realized for 2020. ¹	Severance payment – paid in cash in 2021.	Severance payment – assigned shares planned in 2021. ¹	Severance payment – assigned shares realized for 2021. ¹	Severance payment - deferred payment ²
Tomislav Vuić	President	322.834,12	231.400,52	43.132,57	43.132,57	34.293,19	344.356,40
Domagoj Karadjole	Member	259.066,18	172.853,40	32.549,58	32.549,58	27.434,55	276.337,26
Mladen Mrvelj	Member	257.405,85	171.738,22	33.155,35	33.155,35	26.577,23	274.566,24

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	50% paid in cash	Paid in 2020.
	50% paid in shares	Was to have been transferred to the investors account with SKDD in the name of the Member of the Board, however it was not realized in 2020.
Deferred payment (40%) in the period over 5 years	50% paid in cash	1/5 of the amount was paid in 2021.
	50% paid in shares	1/5 of the amount was to have been transferred to the investors account with SKDD in the name of the Member of the Board, however it was not realized in 2020.

¹ The amounts stipulated in the column above cannot be accurately defined in as much as they depend on the market value of shares on the day of the assignment / calculation. Furthermore, remuneration in shares is treated as capital receipt in taxation terms, while cash is treated as remuneration. The amounts stated therefore represent the maximum amount of the expense of gross remuneration.

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 2021	%	Remuneration in kind	%	Total	%
Marko Badurina	President	1.107.321,87	98,16%	20.733,83	1,84%	1.128.055,70	100,00%
Anto Mihaljević	Member	998.899,28	97,72%	23.262,24	2,28%	1.022.161,52	100,00%
Ivan Soldo	Member	967.552,70	92,68%	76.447,85	7,32%	1.044.000,55	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
- Željko Lovrinčević, Deputy President (revoked 12 August 2021);
- Mislav Ante Omazić, Deputy President (appointed 13 August 2021);
- 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 2021, is listed in the table below:

Member of the Supervisory Board	Function in the Supervisory Board	Fixed remuneration (gross I) for 2021	%	Remuneration in kind (gross I) for 2021	%	Total
Marijana Miličević	President	43.677,90	100,00%	-	0,00	43.677,90
Željko Lovrinčević	Deputy President until 12 August 2021.	65.208,55	100,00%	-	0,00	65.208,55
Mislav Ante Omazić	Deputy President since 13 August 2021.	26.726,86	100,00%	-	0,00	26.726,86
Marijana Vuraić Kudeljan	Member	43.002,54	100,00%	-	0,00	43.002,54

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.

In 2021, Željko Lovrinčević was recalled and Mislav Ante Omazić was appointed as a new Deputy President of the Supervisory Board. The Bank did not pay any remuneration to the former member of the Supervisory Board, nor are there any receivables on that basis.

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)
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 2021 was determined by the Management Board and the Supervisory Board on 30 March 2022 and it is submitted to the General Assembly for approval.

President of the Management Board

Marko Badurina

President of the Supervisory Board

Marijana Miličević

For signatures, please refer to the original Croatian Report, which prevails.

Independent report with expressing limited assurance on Remuneration Report for HRVATSKA POŠTANSKA BANKA dioničko društvo, Zagreb

To the Management Board and Supervisory Board of Hrvatska poštanska banka dioničko društvo., Zagreb

We have been engaged by the Management Board of Hrvatska poštanska banka dioničko društvo ("the Bank") in order to perform an engagement based on the regulations specified in paragraph 3 of the Companies Act with the expression of limited assurance of the attached Remuneration report for the year ended 31 December 2021 ("the Remuneration Report") prepared by the Management Board and the Supervisory Board of the Bank.

Our task, based on the procedures performed and the evidence gathered, is to express a conclusion in the form of an independent report with expressing a limited assurance on the Remuneration Report.

Underlying subject matter and reporting requirements

Pursuant to the regulations specified in paragraph 3 of Article 272r of the Companies Act applicable in the Republic of Croatia ("Reporting Requirements") and the contract concluded with the Bank, we performed an engagement with the expression of limited assurance of the attached Remuneration report for the year ended 31 December 2021 ("the Remuneration Report") prepared by the Management Board and the Supervisory Board of the Bank.

Reporting requirements for determining the individuals to be included in the Remuneration Report and requirements related to the publication of their receipts are included in the regulations specified in paragraphs 1 and 2 of Article 272r of the Companies Act.

Management board and Supervisory board responsibilities

The Management Board and the Supervisory Board are responsible for:

- preparation of the Remuneration Report for 2021 year in accordance with the regulations specified in paragraphs 1 and 2 of Article 272r of the Companies Act,
- identification of individuals to be included in the Remuneration Report in accordance with Article 272r, paragraph 1 of the Companies Act,
- selection and application of appropriate remuneration policies, as well as for making reasonable judgments and estimates in relation to the data published in the Remuneration Report,
- measurement of receipts for the year ended 31 December 2021 in accordance with the regulations specified in paragraphs 1 and 2 of Article 272r of the Companies Act, and
- publishing the Remuneration Report on the Bank's website in accordance with the regulations specified in paragraph 4 of Article 272r of the Companies Act.

The Management Board and Supervisory Board of the Bank are responsible for designing, implementing and maintaining internal control systems that reasonably ensure that the data described above is free from material misstatement, whether due to fraud or error. In addition, the Management Board and Supervisory Board of the Bank are responsible for ensuring the completeness and accuracy of the documentation provided to us.

Our responsibilities

We conducted assurance engagement in accordance with paragraph 3 of Article 272r of the Companies Act and in accordance with International Standard for Assurance Engagements (ISAE) 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This regulation requires that we meet ethical standards and plan and execute an engagement to form a conclusion based on the evidence gathered as to whether the report contains information required in accordance with relevant legal requirements.

We apply International Standards on Quality Control (ISQC 1) and maintain a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements of professional standards and applicable legal and regulatory requirements.

We have acted in accordance with the independence requirements and ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

The nature and extent of our procedures are determined in terms of risk assessment and our expert judgment in order to gain limited assurance.

Regarding the underlying subject matter, we performed the following procedures:

- we made inquiries to members of the Management Board, the Supervisory Board and other persons in the Bank, in order to gain an understanding of remuneration policies and the procedure for preparing the Remuneration Report;
- we received from the Bank a list of all members of the Management Board and the Supervisory Board of the Bank during 2021 and we checked whether their receipts were published in the Remuneration Report;
- the data on receipts presented in the Remuneration Report were reconciled with the Bank's accounting records (general ledger and subsidiary ledgers) for the year ended 31 December 2021;
- based on the sample, we reviewed the relevant documentation of the Bank (contracts and disbursements) related to the receipts data presented in the Remuneration Report; and
- we checked whether the Remuneration Report contains all the information required by the regulations specified in paragraphs 1 and 2 of Article 272r of the Companies Act.

The scope of engagement with limited assurance is significantly smaller than the scope of engagement with reasonable assurance regarding risk assessment procedures, including an understanding of internal control and procedures performed in response to assessed risks.

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

Conclusion

Based on our work performed and evidence gathered, nothing has come to our attention that causes us to believe, that the Remuneration Report for 2021 is not prepared in such a way that it contains data required by paragraphs 1 and 2 of Article 272r of the Companies Act.

Limitations on the use of our report

Our report is intended solely for the Management Board and the Supervisory Board of the Bank for the purpose of reporting on the Remuneration Report prepared by the Bank for the year ended 31 December 2021 in accordance with Article 272r of the Companies Act. Our report is not, nor does it represent, a legal opinion on compliance with Section 272r of the Companies Act.

In the case of additional information or data provided to us, or in the case of misleading oral or written statements or explanations, our findings, interpretations or conclusions in our independent report with limited assurance may be incomplete or may result in the need for additional procedures not included in the scope of this engagement.

To the fullest extent permitted by law, we do not accept any responsibility and do not agree to any obligations to any party other than the Bank's Management and Supervisory Board in connection with our work or this independent report with expressing limited assurance or the conclusions we have reached.

Zagreb, 30 March 2022

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For signatures, please refer to the original Croatian auditor's report, which prevails.

Appendix

1. Management board and Supervisory board Remuneration Report for 2021