



Remuneration report for members of the Management Board and Supervisory Board for 2020

March, 2021

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

Remuneration report for members of the Management Board and Supervisory Board for 2020

1. Introduction

Remuneration strategy of Hrvatska poštanska banka p.l.c. (hereinafter: the Bank) is defined by Remuneration policy of Hrvatska poštanska banka p.l.c. and HPB Group (hereinafter: Remuneration policy) and other related internal acts of the Bank, and in accordance with the Decision on staff remuneration brought by Croatian national bank.

Remuneration policy is in line with the business strategy, goals, values and long-term interests of the Bank, which is especially reflected in the focus on quality services that Bank provides to its clients; attracting, motivating and retaining a quality workforce; and creating long-term value for our shareholders.

2. Management Board remunerations

Pursuant to the conclusion of the Government of the Republic of Croatia proposing the appointment of candidates for members of the Management Board, the Supervisory Board appointed three members of the Management Board who are entitled to remuneration for their work including fixed payments and other benefits according to Board president/member work contracts, internal acts and/or decisions of the Bank.

Management Board members have no right to variable payments such as annual or multiannual bonuses related to financial gains of the Bank.

Total remuneration amount for each Board member is negotiated with Supervisory Board, while taking into consideration internal and external factors such as economic situation, best market and banking industry practices and other adequate factors, taking into consideration Corporate Governance Codex for Commercial Companies in which the Republic of Croatia has shares or stakes.

During 2020, the Management Board operated as:

- Marko Badurina, president;
- Anto Mihaljević, member;
- Ivan Soldo, member.

Former Management Board has the right to remuneration in 2020 – remaining part of contractual monthly remunerations related to non-compete clause of their work contracts and severance pay as defined in Decision on staff remuneration and Remuneration Policy:

| Management Board Member | Position in MB | Remaining part of contractual monthly remuneration | Severance pay – paid in cash in 2020 | Severance pay – assigned shares in 2020. ¹ | Severance pay – deferred payment ² |
|-------------------------|----------------|--|--------------------------------------|---|---|
| Tomislav Vuić | President | 570,137.01 | 432,776.26 | 322,834.12 | 430,445.50 |
| Domagoj Karadjole | Member | 448,687.01 | 345,223.80 | 259,066.18 | 345,421.58 |
| Mladen Mrvelj | Member | 446,580.01 | 343,264.43 | 257,405.85 | 343,207.80 |

For deferred part of severance pay, subsequent risk monitoring will be applied for variable receipts as defined in Decision on staff remuneration and Remuneration Policy, and in the case all the criteria are being met it will be assigned and paid in five equal parts in period from 2021 to 2025 – 50% in cash and 50% in Hrvatska poštanska banka shares.

For the shares assigned in 2020, as well as deferred ones, vesting period of one year is being applied, during which shares cannot be sold nor disposed in any way.

Remunerations paid to current Management Board members in 2020 are as follows:

| Management Board Member | Position in MB | Fixed receipt (gross I) for 2020 | % | Receipt in kind (gross I) for 2020 | % | Total (gross I) | % |
|-------------------------|----------------|----------------------------------|--------|------------------------------------|-------|-----------------|------|
| Marko Badurina | President | 1,104,189.52 | 97.80% | 24,783.25 | 2.20% | 1,128,972.77 | 100% |
| Anto Mihaljević | Member | 985,533.12 | 97.46% | 25,719.55 | 2.54% | 1,011,252.67 | 100% |
| Ivan Soldo | Member | 967,896.30 | 91.96% | 84,635.65 | 8.04% | 1,052,531.95 | 100% |

Receipts in kind relate to the use of cars on a 24 hour basis and other similar receipts assigned based on a contract or internal act of the Bank.

There has been no payment nor there is any third party payment obligation related to their work as management Board members.

¹ Amounts stated in this column cannot be accurately defined as they depend on market value of shares on the day of assignment/calculation. Besides, receipt in shares is treated as capital receipt in tax terms, while cash receipts is treated as remuneration. Amounts stated therefore present maximum remuneration expense.

² Exact deferred effects of severance pay are subject to change as they depend on law changes in the period of deferment of 5 years. Most important ones are changes in tax rates and maximum monthly/annual limitations for calculating salary contributions. Amounts stated therefore present maximum remuneration expense.

3. Supervisory Board remunerations

Supervisory Board (hereinafter: SB) supervises the work of the Management Board in accordance with the Bank's Articles of Association, and consists of a total of 3 members appointed by a decision of the General Assembly. During 2020, the Supervisory Board operated in the following formation:

- Marijana Miličević, president;
- Željko Lovrinčević, vice president;
- Marijana Vuraić Kudeljan, member.

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

Remunerations paid to the members of the Supervisory Board for 2020, are listed in the table below:

| Member of SB | Position in SB | Fixed receipt (gross I) for 2020 | % | Receipt in kind (gross I) for 2020 | % | Total (gross I) |
|--------------------------|----------------|----------------------------------|------|------------------------------------|----|-----------------|
| Marijana Miličević | President | 148,043.48 | 100% | - | 0% | 148,043.48 |
| Željko Lovrinčević | Vice president | 185,054.35 | 100% | - | 0% | 185,054.35 |
| Marijana Vuraić Kudeljan | Member | 145,176.92 | 100% | - | 0% | 145,176.92 |

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

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 business results in the past or future period.

During 2020, there were no changes in the members of the Supervisory Board and the Bank did not pay any fees to former members of the Supervisory Board, nor are there any receivables on that basis.

It has not been paid to the members of the Supervisory Board, nor is there an obligation to pay remuneration by third parties in connection with the work 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) |
|------|--------------------|-------------------------------|--|
| 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 payments, payment-in-kind and other payments made in relation to employee status divided by average number of employees for each year. Final number of employees at the end of each month was taken into calculation of average annual number of employees.

5. Report approval

Management and Supervisory Board Remuneration Report for 2020 was determined by the act of Management Board and Supervisory Board on March, 30th 2021 and along with Independent Auditor's Report is submitted to General Assembly for approval.

President of the Management Board

President of the Supervisory Board

Marko Badurina



Marijana Miličević



Independent report with expressing limited assurance on Remuneration Report for the Bank HRVATSKA POŠTANSKA BANKA d.d., Zagreb

Underlying subject matter

Pursuant to the regulations specified in paragraphs 1 and 2 of Article 272r of the Companies Act applicable in the Republic of Croatia (“Reporting Requirements”) and the contract concluded with HRVATSKA POŠTANSKA BANKA d.d., Zagreb (“the Bank”), we performed an engagement with the expression of limited assurance of the attached Remuneration report for members of the Management Board and Supervisory Board for 2020 (“the Remuneration Report”) prepared by the Management Board and the Supervisory Board of the Bank, in which all remuneration paid or committed to be paid by the Bank to each current and former member of the Management Board and the Supervisory Board during the last business year are disclosed. 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.

Basis of preparation

Reporting requirements for the preparation of the Remuneration Report are the information required by the 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 the content and presentation of the Remuneration Report prepared in accordance with Article 272r of the Companies Act and for such internal controls as the Management Board determines are necessary to enable the preparation of the Remuneration Report that is free from material misstatements whether due to fraud or error.

The Bank’s Management Board is responsible for measuring and reporting remuneration in accordance with the Reporting requirements as well as the selection and application of policies and the forming of appropriate estimates and judgments during the preparation of the Report.

Practitioner’s responsibilities

Our responsibility is to review the Remuneration Report and, based on the work performed and the evidence gathered, to express a conclusion in the form of an independent report with expressing limited assurance on the Remuneration Report. Our limited assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (amended) issued by the International Auditing and Assurance Standards Board (IAASB). The standard requires that we plan and perform the engagement and gather sufficient appropriate evidence to form our conclusion as to whether the Remuneration Report has been prepared, in all material respects, in accordance with the Reporting 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.

BDO Croatia d.o.o. operates in accordance with International Standards on Quality Control (ISQC 1) and maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements of professional standards and applicable legal and regulatory requirements.

Procedures aimed at gathering evidence for the purpose of limited assurance engagements are more limited than is the case when issuing a reasonable assurance and accordingly less assurance is given than in the case of a reasonable assurance or an audit. Our engagement did not include the audit or review of the Remuneration Report or any accounting and other evidence on the basis of which it was prepared. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. The nature and scope of our work were determined on the basis of risk assessment and our professional judgement exercised for the purpose of obtaining a limited assurance and do not include an opinion of the appropriateness of the remuneration of Management and Supervisory Board.

Practitioner's responsibilities (continued)

In respect of the subject matter we have performed following procedures:

- Reconciliation, on the sample basis, of input data disclosed in the Remuneration report with the supporting documentation provided by the Bank,
- Inquiries to responsible persons regarding the accuracy of disclosures in the Remuneration report, and
- Reading the Remuneration report and confirming the presentation is in accordance with Article 272r of the Companies Act.

Limitations in the preparation of the Remuneration Report

The interpretation of performance results is to some extent subjective because it takes into account quantitative aspects. Due to the subjectivity in measuring quantitative goals (for example, related to the subsequent risk monitoring for variable receipts), various acceptable methodologies for subsequent risk monitoring are possible. Furthermore, in the preparation of the Remuneration Report, various other assessments and judgments were used, which include, those related to: compliance with the remuneration policy; an explanation of how employees' remuneration were taken into account in the calculation of average remuneration and which employees were included in that calculation.

Statement of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board of the Bank declare that the Remuneration Report for 2020 is accurate and complete and that it contains all the regulations of the Reporting Requirements.

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 2020 is not prepared in such a way that it contains data required by paragraphs 1 and 2 of Article 272r of the Companies Act.


This conclusion is formed on the basis of, and is subject to, the inherent limitations set forth in the Limitations in the Preparation of the Remuneration Report and Limitations of distribution and use sections.

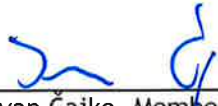
Limitations of distribution and use

Our report is intended solely for the use prescribed in Article 272r of the Companies Act, and may not be published or used for any other purpose. To the fullest extent permitted by law, we do not accept responsibility and do not agree to any obligations to any party other than the Bank in connection with our work, this independent report with expressing limited assurance or the conclusions we have reached.

Zagreb, 31 March 2021

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za pružanje revizorskih, konzalting
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Zagreb, J. F. Kennedy 6/b


Ivan Čajko, Member of the Management
Board


Ivan Čajko, Certified Auditor

Appendix

1. Management board and Supervisory board Remuneration Report for 2020