

Independent report with expressing limited assurance on Remuneration Report

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

Subject of examination

Based on the provisions of Article 272.r paragraph 3 of the Act on Companies and contracts concluded with Hrvatska poštanska banka ("the Bank"), we performed an engagement with the expression of limited assurance on the attached Remuneration Report for the year ended 31 December 2023 ("Remuneration Report") compiled by the Bank's Management Board and Supervisory Board.

Our engagement with the expression of limited assurance refers to the subject of the investigation as to whether the Remuneration Report contains data in accordance with Article 272.r paragraphs 1 and 2 of the Companies Act.

Applicable criteria

Applicable criteria for determining individuals to be included in the Remuneration Report related to the publication of their receipts are contained in the provisions of Article 272.r paragraphs 1 and 2 of the Act on trading companies.

Inherent limitations

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

The Bank's management is responsible for publishing the Remuneration Report on the Bank's website in accordance with Article 272.r paragraph 4 of the Companies Act, as well as for the accuracy of the data contained therein. The scope of our work does not include reviewing the above, therefore, we do not assume any responsibility for any changes and additions that may occur in the Remuneration Report or any difference between the report we issued and the data displayed on the Bank's website.

Special purpose and distribution restriction

Our report is intended exclusively for the Bank's Management Board and Supervisory Board for the purpose of reporting on the Remuneration Report prepared by the Bank for the year ended 31 December 2023, in accordance with Article 272.r of the Companies Act. Based on the procedures performed and described below, this report expresses a conclusion with limited assurance, and its purpose is not, nor does it represent, a legal opinion on compliance with Article 272.r of the Companies Act.

To the fullest extent permitted by law, we accept no responsibility and accept no liability to any other party, other than the Bank's Management and Supervisory Board, in connection with our work or this independent limited assurance report or conclusions to which we came from.

Responsibilities of the Management Board and the Supervisory Board

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

- compilation of the Remuneration Report for the year 2023 in accordance with the requirements for publication from Article 272.r paragraphs 1 and 2 of the Companies Act,
- identification of individuals who will be included in the Remuneration Report in accordance with Article 272.r paragraph 1 of the Companies Act,
- selection and application of appropriate receipts policies, as well as for making reasonable judgments and assessments in relation to the data published in the Remuneration Report,
- measurement of receipts for the year ending on 31 December 2023 in accordance with the provisions of Article 272.r paragraphs 1 and 2 of the Companies Act, and
- publication of the Remuneration Report on the Bank's website in accordance with the provisions of Article 272.r paragraph 4 of the Companies Act.

The Bank's Management and Supervisory Board are responsible for the design, implementation and maintenance of internal control systems that reasonably ensure that the previously described data do not contain material errors, whether due to fraud or error. Additionally, the Bank's Management and Supervisory Board are responsible for ensuring the completeness and accuracy of the documentation submitted to us.

Our responsibility

Our responsibility is to issue a report on the Remuneration Report in accordance with the requirements of Article 272.r paragraph 3 of the Companies Act. We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Amended) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

Applicable quality management requirements

We apply the International Standard on Quality Management 1 (ISQM 1) and in accordance with the above, ensure the design, implementation and functioning of the quality management system, including policies and procedures related to compliance with ethical requirements and professional standards and with applicable legal and regulatory requirements.

Compliance with independence requirements and other ethical requirements

We have met the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the International Ethical Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional behaviour.

Summary of work done

Regarding the subject of the investigation, we carried out the following procedures:

- we inquired members of the Management Board, the Supervisory Board and other persons in the Bank, in order to gain an understanding of the receipts policy and the procedure for compiling the Remuneration Report;
- we received from the Bank a list of all members of the Bank's Management Board and Supervisory Board during the year 2023, and we checked whether their receipts were published in the Remuneration Report;
- we reconciled the data on receipts presented in the Remuneration Report with the Bank's accounting records (main ledger and subsidiary ledgers) for the year ending on 31 December 2023;
- we reviewed, on the basis of a sample, the Bank's relevant documentation (contracts and payments) related to the data on receipts presented in the Remuneration Report; and
- we checked whether the Remuneration Report contains all the information required by the provisions of Article 272.r paragraphs 1 and 2 of the Companies Act.

The nature and extent of our procedures are determined based on risk assessment and our professional judgment to express a limited assurance conclusion.

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

We believe that the evidence we have received is sufficient and adequate and that it forms an appropriate basis for our limited assurance conclusion.

Conclusion with limited assurance

Based on our work performed and the evidence obtained, nothing has come to our attention that would cause us to believe that the Remuneration Report for the year ended 31 December 2023 is not in all material respects in accordance with the requirements set forth in Article 272.r paragraphs 1 and 2 of the Companies Act.

Zagreb, 28 March 2024

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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 2023



Remuneration Report for the Members of the
Management Board and Supervisory Board for
2023

March 2024

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 2023

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 Group 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 provisions of the separate Remuneration Policy for members of the Management Board and Supervisory Board of Hrvatska poštanska banka p.l.c. (hereinafter referred to as: Remuneration Policy for members of the Management Board and Supervisory Board), which is established by the Supervisory Board and approved by the General Assembly.

Remuneration Policy for members of the Management Board and Supervisory Board is based on the Group Remuneration Policy. For all matters not explicitly regulated by Remuneration Policy for members of the Management Board and Supervisory Board, the provisions of the Group Remuneration policy are applied.

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 2 to 5 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.

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*.

Members of the Management Board shall not be entitled to variable remuneration for 2023, such as annual or multiannual bonuses related to the financial results of the Bank.

In accordance with the contracts on the performance of duties of the President / Member of the Management Board, the Group Remuneration Policy and the Remuneration Policy for members of the Management Board and Supervisory Board, the members of the Management Board can acquire the right to a bonus or other awards only when and if the Supervisory Board of the Bank makes a decision by which such variable remuneration is determined, awarded and can be paid out.

Such variable remuneration may be determined, awarded and paid out in accordance with the provisions of valid Decision on staff remuneration of the Croatian National Bank (as well as its amendments) and/or any new regulation that forcibly regulates the issue, as well as the Bank's valid Remuneration policies.

In 2023, the Management Board operated as follows:

- Marko Badurina, President; mandate until 12.9.2023., and from 13.9.2023.
- Anto Mihaljević, Member; mandate until 12.9.2023., and from 13.9.2023.
- Ivan Soldo, Member; mandate until 12.9.2023., and from 13.9.2023.
- Tadija Vrdoljak, Member; mandate from 13.9.2023.
- Josip Majher, Member; mandate from 13.10.2023.

In 2023. the Bank:

- did not demand the return of variable remuneration paid to members of the Management Board in the previous mandates,
- paid all obligations defined by law, i.e. had no additional obligations for payments defined by law,
- did not act contrary to the provisions of the valid Remuneration Policy.

The former Management Board was entitled to remuneration in 2022 – 2. differed part of severance payment which was realised in 2023. as defined in the Decision on Staff Remuneration and the Remuneration Policy:

Member of the former Management Board	Mandate from - to	Function in the former Management Board	Deferred part of variable remuneration		
			Severance payment (gross I) - paid in cash in 2023 EUR	Severance payment (gross I) – assigned shares realized for 2022 in 2023. EUR	Severance payment (gross I) – deferred payment ¹ EUR
Tomislav Vuić	2014/09/10 - 2019/09/10	President	5.758,05	4.528,90	30.574,98
Domagoj Karadjole	2014/12/22 – 2019/09/10	Member	4.411,27	3.568,23	23.904,63
Mladen Mrvelj	2014/12/17 – 2019/09/10	Member	4.349,44	3.568,23	23.719,11

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 – not more than 50% in cash and not less than 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.

¹ Total remaining gross 1 award 2023-2025. (3rd - 5th deferred part) = cash + shares

The second deferred payment (40%) in the period over 5 years	Not more than 50% paid in cash	1/5 of the deferred amount paid on 17 December 2023
	Not less than 50% paid in shares	1/5 of the deferred amount transferred to the investors account with SKDD in the name of the Member of the Board, on 17 December 2023

Remuneration paid to the current Members of the Management Board in 2023 is as follows:

Member of the Management Board	Function in the Management Board	Fixed remuneration (gross I) for 2023 EUR	%	Remuneration in kind (gross I) for 2023 EUR	%	Total (gross I) for 2023 EUR	%
Marko Badurina	President	155.010,39	95,35%	7.563,24	4,65%	162.573,63	100,00%
Anto Mihaljević	Member	138.834,60	94,47%	8.126,79	5,53%	146.961,39	100,00%
Ivan Soldo	Member	131.888,09	93,99%	8.439,52	6,01%	140.327,61	100,00%
Tadija Vrdoljak	Member	46.661,46	97,51%	1.191,01	2,49%	47.852,47	100,00%
Josip Majher	Member	32.222,87	95,77%	1.421,72	4,23%	33.644,59	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.

Remuneration of the members of the Management Board for 2023. are in accordance with the existing Remuneration Policy, other internal acts of the Bank and their contracts on the performance of the duties of the President / member of the Management Board.

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 2023, 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 2023, is listed in the table below:

Member of the Supervisory Board	Function in the Supervisory Board	Fixed remuneration (gross I) for 2023 EUR	%	Remuneration in kind (gross I) for 2023 EUR	%	Total EUR	%
Marijana Miličević	President	4.640,13	100,00%	-	0,00%	4.640,13	100,00%
Marijana Vuraić Kudeljan	Member	4.568,37	100,00%	-	0,00%	4.568,37	100,00%
Mislav Ante Omazić	Deputy President	9.272,85	100,00%	-	0,00%	9.272,85	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. EUR	Net profit / loss mil. EUR	Average gross annual remuneration (EUR)
2023	204,93	84,22	22.111,25
2022	98,35	17,65	21.478,73
2021	108,97	26,81	20.507,08
2020	106,05	24,16	19.551,81
2019	110,69	19,11	18.865,79
2018	100,87	20,17	17.940,48
2017	108,30	1,06	17.852,58
2016	108,70	24,02	17.637,94
2015	103,66	16,32	18.668,51

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 2023 was determined by the Management Board and the Supervisory Board on 28 March 2024 and it is submitted to the General Assembly for approval.

President of the Management Board

Marko Badurina

President of the Supervisory Board

Marijana Miličević