

REPORT ON REMUNERATION PAID TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD MEMBERS FOR THE BUSINESS YEAR 2023

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Independent limited assurance report on the Remuneration Report of Zagrebačka banka d.d.

To the Management Board and Supervisory Board of Zagrebačka banka d.d.

We were engaged by the Management Board of Zagrebačka banka d.d. (the "Bank") to express limited assurance on the Remuneration Report for the year ended 31 December 2023, in the form of a conclusion given, that based on our work performed and evidence obtained, nothing has come to our attention to cause us to suspect that the Report has not been prepared in accordance with the requirements specified in Paragraphs 1 and 2 of Article 272r of the Companies Act applicable in the Republic of Croatia.

Management Board and Supervisory Board responsibilities

The Management Board and Supervisory Board are responsible for:

- compilation of the Remuneration Report for the year 2023 in accordance with the disclosure requirements of 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 remuneration policies, as well as making reasonable judgments and assessments in relation to the data disclosed in the Remuneration Report;
- measurement of remuneration for the year ended on 31 December 2023 in accordance with the requirements specified in 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 specified in Article 272.r paragraph 4 of the Companies Act.

Management is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation and presentation of the Remuneration Report that is free from material misstatement, whether due to fraud or error;
- measurement and reporting of compensations in accordance with the Reporting Criteria;
- selecting and applying policies as well as making judgments and estimates that are reasonable in relation to the preparation of the Remuneration Report.

Our responsibility

Our responsibility is to examine the Remuneration Report and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) - *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (IAASB).

We have fulfilled the requirements of independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

This version of the Independent limited assurance 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 the report takes precedence over this translation.



Independent limited assurance report on the Remuneration Report of Zagrebačka banka d.d. (continued)

We apply the International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services, issued by IAASB. The standard requires us to design, implement, and operate a quality management system, including policies and procedures relevant to compliance with ethical requirements and professional standards, as well as applicable legal and regulatory requirements.

The scope of the limited assurance engagement is significantly less than the scope of engagements where reasonable assurance is expressed regarding risk assessment procedures, including understanding internal controls and procedures performed in response to assessed risks. The nature and extent of our procedures were determined based on the risk assessment and our professional judgment to express a conclusion with limited assurance. Procedures included:

- inquiries,
- sample examination of relevant documentation,
- verification of the content of the Report against Applicable criteria.

Our engagement did not include an audit or review of the Remuneration Report or related accounting and other records on the basis of which it was compiled.

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

Limitations in the preparation of the Remuneration Report

The interpretation of performance results is to some extent subjective because it takes into account both qualitative and quantitative aspects. Due to the inherent subjectivity in interpreting qualitative reward criteria, but also subjectivity applied in measuring quantitative goals (for example, related to measuring results for the year), different acceptable methodologies for measuring the achievement of individual goals are possible. Furthermore, various other estimates and judgments were used in the preparation of the Remuneration Report, including, but not limited to: compliance with the remuneration policy; the manner in which the members of the Management Board and the Supervisory Board support the long-term success of the Bank and the manner in which the benchmarks for assessing that performance have been applied; an explanation of how workers' remuneration was taken into account in calculating average remuneration and what is the composition of workers included in that calculation.

Applicable Criteria

The applicable criteria for determining the individuals to be included in the Remuneration Report and the requirements related to disclosing their remuneration are contained in the provisions of Article 272.r paragraphs 1 and 2 of the Companies Act.

Statement of Management Board and Supervisory Board

The Management Board and the Supervisory Board state that the Remuneration Report for the year ended 31 December 2023 is accurate and complete and includes all required information as specified in Paragraphs 1 and 2 of Article 272r of the Companies Act.

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Independent limited assurance report on the Remuneration Report of Zagrebačka banka d.d. (continued)

Conclusion with limited assurance

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Remuneration Report for the year ended 31 December 2023 is not prepared, in all material respects, in compliance with the requirements specified in Paragraphs 1 and 2 of Article 272r of the Companies Act.

This conclusion should be considered in context with the remainder of our limited assurance report, especially in context with the *Limitations in the preparation of the Remuneration Report* and the *Restrictions on the use of our report* paragraphs.

Restrictions on the use of our report

Our report is intended solely for the purpose specified in Article 272r of the Companies Act. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Bank for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Croatia d.o.o. za reviziju
Croatian registered auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

19 April 2024

Katarina Kecko
Partner, Croatian registered auditor

1 The fixed and variable remuneration of Management Board and the Supervisory Board members for 2023

Zagrebačka banka (in further text: the Bank) ensures that the members of the Management Board of the Bank have the professional knowledge, skills and experience required to independently manage the Bank's operations and for understanding the operations and significant risks of the Bank. The conditions for the selection of members of the Management Board and the Supervisory Board of the Bank are determined by suitability assessment prescribed by the Policy for Election and Suitability Assessment of Management Board Chairman and Members in Zagrebačka banka d.d. and the Policy for the Election and Suitability Assessment of the Members of the Supervisory Board of Zagrebačka banka d.d, and supervises regularly, once a year, by conducting regular assessment of suitability of members of the Management Board and the Supervisory Board.

The Management Board of the bank in 2023 consisted of 7 members. In the table below are listed all members/Chairman of the Management Board in last mandate, with a note that below listed members/Chairman of the Management Board performed duty in 2023 from the beginning of the year.

Management Board member 2023	Function	Mandate	
		Beginning of	End in
Ivan Vlaho	Chairman	08.02.2023.	08.02.2027.
Dalibor Ćubela	Vice-Chairman	08.02.2023.	01.04.2023.
Jasna Mandac	Member	08.02.2023.	08.02.2027.
Tatjana Antolić Jasnić	Member	08.02.2023.	08.02.2027.
Slaven Rukavina	Member	08.02.2023.	08.02.2027.
Spas Blagovestov Vidarkinsky	Member	08.02.2023.	08.02.2027.
Gianluca Totaro	Member	08.02.2023.	08.02.2027.
Pavel Vinter	Member	08.02.2023.	08.02.2027.

The Supervisory Board of the bank in 2023 consisted of 7 members. In the table below are listed all Members/Chairman of the Supervisory Board in 2023.

Supervisory Board member 2023	Function	Mandate	
		Beginning of	End in
Simone Marcucci	Chairman	12.5.2022.	12.5.2026.
Zeynep Nazan Somer Ozelgin	Vice-Chairman	12.5.2022.	12.5.2026.
Danimir Gulin	Vice-Chairman	12.5.2022.	12.5.2026.
Mirjana Hladika	Member	12.5.2022.	12.5.2026.
Daniela Croitoru	Member	12.5.2022.	12.5.2026.
Davide Bazzarello	Member	12.5.2022.	12.5.2026.
Teodora Alexandrova Petkova	Member	12.5.2022.	12.5.2026.

1.1. The remuneration of Management Board members of Zagrebačka banka for 2023

Total remuneration related to Management Board members for 2023 (Gross 1):

In EUR	Fix remuneration	%	Variable remuneration for the year 2023	%	Other fix	%	Total	%
Ivan Vlaho	367.177,91	27%	800.000,00	59%	182.043,30	13%	1.349.221,21	100%
Dalibor Čubela	76.123,19	36%	90.000,00	43%	43.115,17	21%	209.238,36	100%
Jasna Mandac	166.320,83	56%	115.000,00	39%	13.119,36	4%	294.440,19	100%
Tatjana Antolić Jasnić	128.464,30	45%	89.000,00	31%	68.585,02	24%	286.049,32	100%
Slaven Rukavina	167.412,18	49%	155.000,00	45%	19.051,42	6%	341.463,60	100%
Spas Blagovestov Vidarkinsky	206.424,23	38%	180.000,00	33%	158.279,68	29%	544.703,91	100%
Gianluca Totaro	184.775,82	42%	110.000,00	25%	141.060,06	32%	435.835,88	100%
Pavel Vinter	231.805,39	51%	120.000,00	26%	106.608,99	23%	458.414,38	100%

Fixed remuneration of Management Board members includes fixed basic annual salary (for inbounds mobility premium included), Christmas allowance, vacation allowance and transportation allowance.

Other fix remuneration of Management Board members includes company car usage for private use, supplementary medical insurance, voluntary pension fund, life insurance, part of remuneration and obligational compensations for the inbound workers from other countries paid by home countries, and other remuneration in kind.

Variable remuneration presented related to bonus for the year 2023.

1.2. The remuneration of Management Board members of Zagrebačka banka in 2023

Total remuneration paid to Management Board members in 2023 (Gross 1):

In EUR	Fix remuneration	Variable remuneration paid in 2023*	Other fix	Total
Ivan Vlaho	367.177,91	90.852,01	182.043,30	640.073,22
Dalibor Čubela	76.123,19	97.572,30	43.115,17	216.810,65
Jasna Mandac	166.320,83	27.500,00	13.119,36	206.940,19
Tatjana Antolić Jasnić	128.464,30	20.625,00	68.585,02	217.674,32
Slaven Rukavina	167.412,18	37.438,78	19.051,42	223.902,39
Spas Blagovestov Vidarkinsky	206.424,23	59.349,19	158.279,68	424.053,11
Gianluca Totaro	184.775,82	26.142,41	141.060,06	351.978,29
Pavel Vinter	231.805,39	35.587,07	106.608,99	374.001,45

*bonus paid in 2023, only cash part.

Variable remuneration paid in year 2023 are related to performance related variable reward instalments paid in cash. Variable remuneration paid in 2023 are related to first bonus instalment for 2022, and to the deferred third bonus instalments for 2020 presented proportional to the time employed in Zagrebačka banka in year 2020 on position of Management Board member/Chairmen.

Part of bonus instalments paid in Zagrebačka banka d.d. ordinary shares ZABA-R-A in year 2023 is presented under section 3. of this document.

The 2023 Incentive System is based on a bonus pool at UniCredit Group level, with cascading at divisional/Zagrebačka banka Group level, based on the actual performance adjusted considering quality and risk indicators as well as cost of capital, ensuring a strong connection between profitability, risk and reward.

Activation of rewarding is linked to achievement of entry conditions, e.g. capital, liquidity and profitability criteria at UniCredit Group, divisional and Zagrebačka banka Group, with three possible scenarios that allow the confirmation to increase, reduce or cancel the bonus pool.

Additionally, in order to ensure consistency with the Risk Appetite Framework and the economic sustainability of the UniCredit Group and Division/Zagrebačka banka Group results over time, the bonus pool may be revised up/downwards, on the basis of the overall “quality of performance”. The methodology is based on a specific dashboard, including indicators covering all relevant risks and the risk position assumed, the adherence to regulatory requirements and the relationship between risk and profitability. The evaluation leads to the definition of a “multiplier” in order to define the adjustment of the bonus pool, which can fall in the range of 50%-120%.

At individual level, variable reward is then determined considering the individual performance appraisal and the reward Reference Value, a specific target variable opportunity which considers the internal and/or external benchmarking analysis for similar roles, the seniority, the maximum ratio between variable and fixed compensation. Additionally, for the CEO of Zagrebačka banka d.d., 60% of the variable reward is deferred and subject to additional long-term performance conditions, which act as a modifier of the individual variable reward.

For Material Risk Takers the payout of incentives is done through upfront and deferred instalments, in cash or in Zagrebačka banka ordinary shares, over a multi-year period and according to the defined deferral schemes. First upfront part is paid upon the activation of rewarding and approval of bonus pool for the year, and future deferrals are subject to the malus mechanism and the continuous employment condition as well as to the application of the Zero Factor according based on the financial performance of the financial year which may confirm, reduce or cancel eligibility to the reward Instalment.

1.3. The remuneration of Supervisory Board members of Zagrebačka banka in 2023

Members of the Supervisory Board are entitled to a remuneration for their work during their entire term of office, determined in gross amount and paid in onetime yearly payment. Members of the Supervisory Board are also entitled to compensation of other expenses connected with the participation at the Supervisory Board sessions in nett amount.

The remuneration payment to the Supervisory Board members for the work in 2023 realized in total gross amount of 80.279,23 EUR.

Total remuneration paid to Supervisory Board members in 2023 (Gross 1):

Supervisory Board 2023.	Function	Entitled for a remuneration 2023	Amount in EUR
Zeynep Nazan Somer Ozelgin	Vice-Chairman	YES	27.486,91
Danimir Gulin	Vice-Chairman	YES	27.268,76
Mirjana Hladika	Member	YES	25.523,56
Simone Marcucci	Chairman	NO	0,00
Daniela Croitoru	Member	NO	0,00
Davide Bazzarello	Member	NO	0,00
Teodora Alexandrova Petkova	Member	NO	0,00

Onetime yearly payment is not paid to following members of the Supervisory Board: Simone Marcucci, Teodora Alexandrova Petkova, Daniela Croitoru and Davide Bazzarelo in accordance with agreement between Bank and respective Supervisory Board members.

All the above is in accordance with the decision on determining and paying compensation to the members of the Supervisory Board of Zagrebačka banka d.d., adopted by the General Assembly on April 10th, 2024.

Contributions on respective Gross 1 remuneration amounts in this document are paid by the Bank according to the Law regulations.

2 Comparison of annual changes of remuneration, revenue and net profit of the bank and average remuneration paid to all employees based on full time employment

Average remuneration per employee paid in respective year	2023.	2022.	2021.	2020.	2019.
(Gross 1 in EUR)					
Annual remuneration	32.713	30.401	27.454	26.943	26.308
Zagrebačka banka d.d.	2023.	2022.	2021.	2020.	2019.
(In EUR)					
Revenue	787.439.184	585.427.567	584.826.098	479.777.750	558.552.561
Net profit	450.360.805	237.740.719	266.525.002	97.485.893	207.317.649

**For the above amounts from previous years it was used conversion rate of 7,5345.*

Average remuneration paid in respective year to all employees in Gross 1 amount includes a fixed and variable part of the salary, other remunerations in kind and all other remunerations arising from employment status (transportation allowance, vacation allowance, Christmas allowance, gift for children, jubilee awards, financial support for employees, occasional payments) for the business year, divided by the average number of employees equivalent to full time employment (FTE). For included bonuses this represents first bonus instalment for bonus of the previous year and all deferrals from previous years paid in respective year. All employees of the Bank included in calculation.

The reported total income includes net interest income, net fees and commissions income, net other operating income, net gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net income from financial assets and financial liabilities held for trading, net income on non-trading financial assets mandatorily measured at fair value through profit or loss, net income from hedge accounting, net income from exchange rate differences, net income from derecognition of investments in subsidiaries, joint ventures and associates, net income from derecognition of non-financial assets and dividend income.

3 Number of Shares and Share options allocated or committed to Management Board and Supervisory Board members

Part of bonus instalments in shares is paid in Zagrebačka banka d.d. ordinary shares ZABA-R-A, in determined number of shares, all in line with local regulations.

Number of allocated shares to Management Board members in 2023 is as follows (Number and value of shares are presented proportional to the time employed in Zagrebačka banka in respective year on position of Management Board member/Chairmen):

Management Board member	Program Year	No of shares	Share value on allocation day in EUR	Share price on allocation day in EUR	Date of allocation
Dalibor Ćubela	2020	732	8.776,68	11,99	4.4.2023.
	2022	3.506	42.036,94	11,99	4.4.2023.
Ivan Vlaho	2022	4.600	55.154,00	11,99	4.4.2023.
Pavel Vinter	2022	2.205	26.437,95	11,99	4.4.2023.
Gianluca Totaro	2022	1.402	16.809,98	11,99	4.4.2023.
Spas Blagovestov Vidarkinsky	2020	326	3.908,74	11,99	4.4.2023.
	2022	3.176	38.080,24	11,99	4.4.2023.
Slaven Rukavina	2020	251	3.009,49	11,99	4.4.2023.
	2022	2.220	26.617,80	11,99	4.4.2023.
Jasna Mandac	2022	1.744	20.910,56	11,99	4.4.2023.
Tatjana Antolić Jasnić	2022	856	10.263,44	11,99	4.4.2023.

There was no allocation of shares and share options in 2023 for Supervisory Board members, or commitment for share allocation from the Bank.

4 Return of variable remuneration

There was no request to Management Board or Supervisory Board member to repay to the Bank any received remuneration in 2023.

5 Deviations from the Remuneration Policy for Management Board members

There were no deviations from the Remuneration Policy for the Zagrebačka banka Group for 2023, adopted by the Supervisory Board.

6 Remuneration for Management Board members from a third party for his or her activity as Management Board member in 2023

No management Board member received any remuneration from a third party for his or her activity as Management Board member in 2023.

7 Compensations to Management Board member as obligation from the Bank in case of early termination of the Contract

No compensations and payments.

8 Compensations to Management Board member as obligation from the Bank in case of regular Contract expiration

No compensations and payments.

9 Compensations to former Management Board member as obligation from the Bank related to regular Contract expiration in 2022

No compensations and payments.

10 The highest compensations of the Management Board members

The upper limit of variable receipts is set at the level of total annual fixed remuneration, with the possibility of increasing it up to twice the annual amount of fixed remuneration with the approval of a qualified majority of shareholders. For the following functions, a more conservative approach is applied.

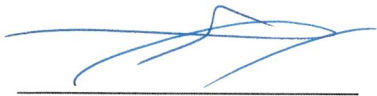
For control functions (Internal Audit, Risk Management, Compliance), the upper limit of variable remuneration is set at one third of the total annual remuneration of employees, which represents 50% of the annual amount of fixed remuneration.

For People & Culture – in accordance with Group guidelines, the ratio between variable and fixed remuneration cannot exceed the ratio of 0.8:1.

11 Final provisions

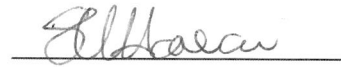
This report on remuneration paid, as well as the Auditor's Report on the examination of the report on remuneration paid, will be published by the Bank, and made available free of charge for a period of ten years on its website after the General Assembly decides on the Report in accordance with law.

General Assembly of Zagrebačka banka d.d. approved on its session on December 13rd 2023 the Decision on the approval of the Report on remuneration paid to the Management Board and the Supervisory Board members for the business year 2022.



Ivan Vlaho

Chairman of the Management Board



Simone Marcucci

Chairman of the Supervisory Board