

# Annual Business Report for 2022

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# 1.1

Foreword by the President of the Executive Board

## Predrag Mihajlović

Dear Shareholders,

I believe that the previous 2022 was an extremely challenging year for all corporate and economy stakeholders, both in Serbia and worldwide. We faced the energy crisis caused by the war in Ukraine, which along with the pandemic crisis, had a multiple impact on the business environment. Despite all this, we managed to achieve record business results and this was also acknowledged by the international expert public with the Euromoney and The Banker awards for the Best Bank in Serbia. These annual accolades for the Best Bank are considered the market standard for excellence in banking and the most prestigious accolades in the financial world. When deciding on the best, financial experts and analysts compare banks' operations and evaluate success based on clearly defined criteria of market position, growth and performance, return on capital, strategic initiatives, technological development, and the quality and innovation of product and service offerings. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. In addition, one more prestigious magazine Global Finance proclaimed our Bank for the "Best Bank in FX Operations in Serbia in 2022", while the Euromoney magazine presented us with two more awards "Euromoney Market Leader in Serbia for Corporate Banking" and "Euromoney Market Leader in Serbia for Digital Solutions as highly regarded". Equally important, our projects and CSR activities have been recognized many times, which was made official at the very end of last year with the Socially Responsible Company Award in 2022, chosen by the Serbian Association of Managers.

All stated awards and accolades are yet another confirmation of our absolute commitment and expertise. We have succeeded in achieving record business results and a double-digit growth in all business segments with a total net loan balance of EUR



4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by cca 6% comparing to 2021, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily for SMEs operating in less economically developed areas of the country. We have additionally reinforced the position of the largest corporate and retail creditor, as well as the leader on the market of factoring, leasing and e-commerce services.

I am extremely proud to say that 2022 was the most successful year in the history of operations of OTP Group in Serbia. This also implies a responsible relationship towards natural resources and the environment, since sustainable banking rests on the premise that social and environmental objectives must be included in the creation of all financial policies and products. Precisely for this reason and in accordance with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. In June 2022, we at OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals.

Our network comprising 155 branches in 91 cities and 266 ATMs is among the largest in our country, through which we want to maintain a personal contact with our clients. In 2022 we expanded accessibility for private banking clients

by also opening a location in Novi Sad in order to provide comprehensive customer support in the domains of daily banking and investment services, as well as two OTP partner branches intended for partners, investors, brokers and third parties. At the same time, we are focused on innovation and digitization of operations, which provide clients with new benefits with a focus on enhancing digital banking and user experience.

We have defined the innovation strategy with four development directions and on this path we have realised more than 12 events with active participation of 1,180 colleagues. I would especially like to point out the format "INNOVATION Challenge", a challenge through which colleagues have the opportunity to learn how to develop ideas through different methodologies and thereby generate new ideas.

So far, there were 106 ideas during two challenges with active participation of 300 colleagues. This tells us that open communication exists among teams with an agile work principle and wish for creative thinking. I am glad that this was also recognised by HR professionals that presented to OTP banka the "Employer Partner" certificate, a prestigious HR accolade from consulting company "Selectio", as well as the "Human Driven Reshape" award for the best 2022 HR internship, for the BFF (back/front force) program, presented to us by ManpowerGroup.

Speaking of corporate social responsibility, we achieved excellent results and deservedly received numerous awards, which confirms that our activities and efforts to contribute to a sustainable future and a better and more humane society are recognized as examples of good practice. The Bank's priorities

in this area are ecology, sports, culture, support to socially sensitive groups, financial education and support to smaller local communities. I would like to particularly single out the Generator Zero competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with the BOOKA publishing house, and the partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. We have remained the official bank of the Olympic Committee of Serbia in the sixth Olympic cycle, as well as faithful institutional partners of the Gallery of Matica srpska, and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

Bearing in mind that we managed to complete 2022 with excellent results and initiatives, and knowing what challenging circumstances the whole world is facing, our awards have greater significance and give us optimism that we are ready to welcome the next year, determined to continue providing strong support to the economy and citizens.

Sincerely,



**Predrag Mihajlović**

## About OTP Group



OTP Group is the fastest growing banking group in Central and Eastern Europe, with unique knowledge of the region to which it is strategically committed, with exceptional profitability and stable capital and liquidity position. With integrity and determination OTP Group is working towards helping the development of the Central and Eastern European region to become the continent's growth engine.

OTP Group is headquartered in Hungary and has a diverse and transparent ownership structure. The banking group has been listed on the Budapest Stock Exchange since 1995.

We strive to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. We use synergy within our group and act as a driver of digital transformation of the region. The banking group provides universal financial services to over 16 million clients in 11 countries and employs more than 35,000 employees.

OTP Group is an inclusive, diverse and progressive European employer. OTP Group's future-oriented operations and development efforts focus on environmental, social and governance sustainability, while simultaneously aiming to reinforce its position as the best employer in the CEE region. We are developing financial literacy programs for the entire Group, while working to enable sustainable development across the region.

The predecessor of OTP Bank, National Savings Bank, was established in 1949 as a national, state-owned bank for the provision of services related to retail deposits and loans. Its activities and powers gradually expanded over the following years. In 1990, the National Savings Bank became a public company with a share capital of 23 billion forints. Its name was changed to National Savings and Commercial Bank. Subsequently, non-banking activities were separated from the bank, along with their supporting organizational units. The privatization of OTP Bank started in 1995. The ownership structure is currently characterized by diversity - shareholders

are mostly private and institutional (financial) investors.

OTP Bank started its international expansion targeting Central and Eastern European countries, which offer great potential for economic growth similar to Hungary. As the most active consolidator in the banking sector in the region, the Group has successfully acquired and integrated 23 banks since the early 2000s. Currently, the Bank is the market leader in Hungary, Bulgaria, Serbia and Montenegro, and as of 06 February 2023 it also became the market leader in Slovenia after closing the deal for the purchase of 100% of the Slovenian Nova KBM d.d. banka. Completion of the integration process of two Slovenian subsidiaries: SKB banka purchased in 2019 and Nova KBM banka is expected in 2024. New bank will be the largest foreign subsidiary of OTP Group.

In addition to Hungary and Slovenia, OTP Group currently operates in Albania (OTP Albania), Bulgaria (DSK Bank), Croatia (OTP banka Hrvatska), Romania (OTP Bank Romania), Serbia (OTP banka Srbija), Ukraine (JSC OTP Bank), Russia (OAO OTP banka), Moldova (Mobiasbanca) and Montenegro (Crnogorska komercijalna banka) through its subsidiaries. Additionally, in December 2022, the acquisition process of Alpha Bank Albania was completed, which further strengthens OTP Group's position on the Albanian market. Also, the purchase and sale contract on the privatization of the Uzbekistan's Ipoteka Bank was signed in the same period, by which OTP Group entered a new 12th market. With the rich experience from previous acquisitions, the Group will contribute to further development of this dynamic market with its innovative products and services.

For the first nine months of 2022, OTP Group's consolidated profit after tax stood at HUF 439.1 billion, which is higher by 18% compared to previous year. The adjusted 1-9M ROE stood at 19.1%. For the same period, the Group realized HUF 645 billion operating profit (+33% y-o-y). Total income for that period increased by 27% y-o-y, within that the net interest income increased by 25%, while net fee and commission income grew

slightly slower, by 21% y-o-y and other net non-interest income grew by 59%.

OTP Group is a pioneer in digitization and has been proactive for nearly 30 years in the field of digital transformation of its business and implementation of new technologies in the financial market. The strategic focus on innovation has opened up the possibility of working with more than 1,500 startup companies within the OTP Startup Booster program, which represents the most extensive innovation program of the Group, and in which OTP banka Srbija also participates. The goal of the program is to create new and innovative solutions for specific banking and organizational needs, as well as for broader socio-economic challenges, through long-term partnerships between OTP Group and startups, which has been recognized by multiple awards for the best incubator and accelerator program in Europe.

Sustainability is at the very top of OTP Group's priorities, with the aim of avoiding negative impacts on the environment and society, and exploiting the business improvement potential. OTP Group identifies its priorities in the field of sustainability in accordance with global challenges and trends, as well as with the expectations of stakeholders. Identified priorities include focusing on products that have a positive environmental and social impact, as well as financial education. In line with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. The Group has also signed the Principles for Responsible Banking of the United Nations, which is a unique framework for the sustainable operation of this sector, developed through a partnership between banks worldwide and the United Nations Environment Program Finance Initiative. We have thereby joined the world's largest banking community focused on sustainable financing.

In addition to the Best Bank award in Serbia received by OTP banka Srbija, the world magazine The Banker, recognizing the ambitious strategy of expansion, digital transformation and customer orientation, also awarded the parent OTP Bank in Hungary, as well as OTP Group members in Bulgaria, Slovenia and Albania. The prestigious magazine Euromoney also recognized that OTP is the best bank in five markets by presenting the "2022 Euromoney Excellence Awards" as the Best Bank to OTP Bank in Hungary, Bulgaria, Moldova and Albania, which proves its international expertise and leadership position in Central and Eastern Europe.



over  
**16 million**  
clients



more than  
**35,000**  
employees



**11 countries**  
in Europe

# 1.3

## About OTP banka Srbija a.d. Novi Sad



In the year in which the world-renowned magazines "Euromoney" and "The Banker" have proclaimed the OTP Banka for the best bank in Serbia record-breaking business results are recorded. These are traditional prestigious accolades awarded to financial institutions that provide clients with the highest level of service, innovation and expertise. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. Following the completed integration, the Bank managed to keep and enhance the position of the largest corporate and retail creditor in 2021 and 2022, as well as the leader in the market of factoring, leasing and e-commerce services.

Our comparative advantage and what distinguishes us in the banking market are the trust of our clients, the commitment of our partners, the expertise and dedication of our employees, with the strong support of the parent OTP Group.

In 2022 a double-digit growth in all business segments was generated with a total net loan balance of EUR 4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by ca 6% y-o-y, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily

for SMEs operating in less economically developed areas of the country.

Our network comprising 155 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 266 ATMs is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

OTP banka pays great attention to corporate social responsibility and with reason it has positioned itself as a green transition leader in Serbia in implementing ESG principles of action. In June 2022, OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals. In addition, we are finding innovative ways to achieve energy efficiency and on the roof of our central building we have a solar power plant so that the produced electricity goes directly to the EPS supply system. All branches are connected to a system that enables turning off lighting everywhere at the same time, and we have signed the contract on complete supply of electricity from renewable sources (100% ZeLEPS).

Our strategy is based on the sustainability principles, through achieving balance between economic, social and environmental impacts. The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We undertake and support initiatives that prevent creation of negative impacts on the environment. We are pleased that this was recognized by the professional public with numerous recognitions and awards in 2022. OTP banka Srbija was proclaimed the Socially Responsible Company of the year at the traditional awards ceremony of the Serbian Association of Managers, as a company that showed an exceptional contribution and responsible behaviour towards the social community in 2022.

Employees are our most important resource, which is why it is extremely important for us to provide them with a stimulating



work environment that leads to their professional and personal development. Equal opportunities for all employees, respecting their opinion, examining their satisfaction, fostering team spirit, fair play relations and professional ethics are just some of the important values of our corporate culture. In this regard, we are also glad to have received the "Employer Partner" certificate, the prestigious HR recognition of the "Selectio" consulting firm, as well as the "Human Driven Reshape" award for the best 2022 HR internship for the BFF (back/front force) program presented to us by ManpowerGroup.

At the same time, we are focused on innovation and digitization of operations, which provides clients with new benefits with a focus on enhancing digital banking and user experience.

Working on the experience of our users is one of the key aspects of our activities. The manner in which we, as an organisation, treat our clients and provide them positive experience, impacts our reputation and business results to a large extent. We at OTP banka invest significant resources so as to recognise the needs of our users, level of their service and product satisfaction, but also what to improve in interactions with our Bank. We proudly emphasize that OTP banka is the first to have designed the system for continuous monitoring of its users' satisfaction, and in 2022 we received feedback from around 100,000 clients. We could make the conclusion from the answers received that clients most value kindness and professionalism of our employees, as well as the efficiency of the Bank's loan approval process, which confirms our leadership position on the market in this area. Based on the comments coming from our clients, we have implemented a series of changes and enhancements, the most important of which are: the look and functionality of the mBank and eBank applications, introduction of the EUR cash-out function at all ATMs of OTP banka, the possibility to cash-in dinars at ATMs at 32 locations throughout Serbia, enhancement of written communication from the Bank to clients, as well as improving the process for sending feedback to clients. By placing user experience in the focus of our activities, we want to show that we are committed to responsible business and building a satisfied and loyal client base. In support of our commitment and building a customer-oriented culture, the fact that the results of measuring client satisfaction with our services have increased by 18% compared to 2021 (according to the results of the TRI\*M research, conducted by the IPSOS research agency) speaks for itself. Additionally, in cooperation with Google and Mastercard, during 2022 we have enabled to our customers swift, easy and secure payment by mobile phone via the Google Pay functionality.

A large number of initiatives and projects were realized throughout the year, of which are singled out the multiple-award winning Generator Zero Project, a competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with

the publishing house BOOKA, and partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. As the official bank of the Olympic Committee of Serbia, and in the sixth Olympic cycle, we realized a series of educational sports events "Olympic training with OTP banka" in Bor and Kruševac. We remained the institutional partner of the Gallery of Matica srpska and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

OTP banka is a member of various business organizations and associations, through which it actively promotes highly ethical business standards and strives to contribute to the development of socially responsible and sustainable practices through specific engagement. Some of these associations are: Association of Serbian Banks, Serbian Chamber of Commerce, Serbian Chamber of Vojvodina, ACI Serbia, American Chamber of Commerce, French Chamber of Commerce, Responsible Business Forum, Serbian Philanthropic Forum, Association of Serbian Economists, Association of Economists of Vojvodina, Foreign Investors Council, Serbian Association of Managers, NALED, Serbian HR community, E-commerce Association of Serbia, Digital Serbia Initiative and Interactive Advertising Bureau (IAB). OTP banka is also a proud member of the Friends of UNICEF Club.

OTP Group also includes OTP Leasing Srbija, a leader in the leasing market by production, as well as OTP Osiguranje, which provides life insurance services through OTP banka, as an insurance agent.

The Bank is based in Novi Sad, at address Trg slobode 5, in the very city centre.

OTP Bank Hungary is the 100% owner of OTP banka Srbija. The activities of OTP banka have directly contributed to the achievement of as many as nine UN Sustainable Development Goals.

# 1.4

## Macroeconomic environment and the Banking sector

While uncertainty surrounding the course of the coronavirus pandemic and the emergence of new virus variants was abated, the conflicts in Ukraine lead to the heightening of geopolitical tension which reflected on a more unfavourable global growth outlook and the build-up of inflationary pressures, primarily due to further hikes in the prices of energy, raw materials and food. The recession in the USA, economic slowdown in some European countries and a sharper than expected downturn in China due to the zero-Covid policy also had a negative impact on global economy during 2022.

In these conditions, leading central banks, the Federal Reserve and the European Central Bank, have tightened their monetary policies and increased their key rates faster than expected by markets during previous months. Having in mind that faster than expected normalisation of monetary policies in leading central banks could result in dented capital flows to emerging economies such as Serbia, the National Bank of Serbia has moderately tightened monetary conditions during 2022. Since April 2022, the key policy rate in Serbia has been raised by a total of 400 bp and in December it was 5.0%, while the rates on deposit and lending facilities were raised to 4.0% and 6.0%, respectively.

Amid elevated cost-push pressures and lingering geopolitical tensions, y-o-y inflation in Serbia, like in other countries, continued to rise and it measured 15.1% in December. The average inflation in 2022 was at 11.9% and it was driven by higher food and energy prices - factors on which monetary policy measures have a limited impact. Elevated producer and import prices pushed up y-o-y core inflation to 10.1% in December, though it stayed well below headline inflation mainly due to the preserved relative stability of the exchange rate. According to NBS projections, inflation will decline sharply in H2 2023 and retreat within the bounds of the target set by the NBS until the end of 2024.

According to the SORS preliminary estimate of economic



developments in 2022, Serbia's real GDP growth stood at 2.3%. A strong contribution to industrial growth came from the rising physical volume of production in mining, but also from manufacturing, despite a hefty rise in global energy prices and persisting supply bottlenecks. On the other hand, agricultural production contracted because of the drought, while construction activity slackened amid soaring costs of construction material and other inputs. Total fixed investment remained stable owing to the strong inflow of FDI. The labour market continues to display positive trends, with a further rise in employment and wages and a decline in unemployment.

Economic growth during 2023 is expected to be led by decline in geopolitical tensions, external demand recovery and capital projects implementation, mostly in road, railway, energy and utility infrastructure. In the medium term, GDP growth is projected to be around 4% per annum, after the expected economic growth increase during 2024. The priority of Serbia's monetary policy in the medium term will be delivering price and financial stability, together with supporting growth of economy and employment, further expansion of the export sector and a favourable investment environment.

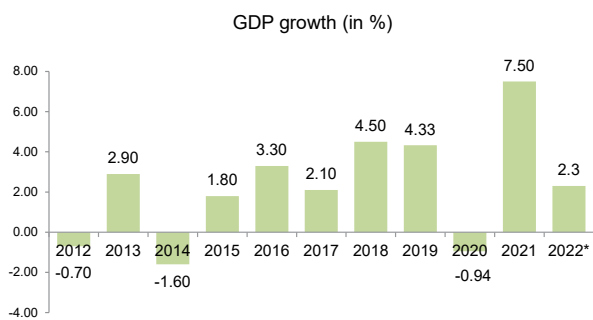
### Economic activity

In the course of 2022, there was a slowdown in economic activity, as a result of a worse agricultural season, with the effects of a slowdown in global demand and continued growth in production costs. According to the SORS preliminary estimate of economic developments in 2022, Serbia's real GDP growth stood at 2.3%, as a result of the pick-up in industry and services.

GDP growth projection for 2023 is in the range of 2-3%. According to the expectations, GDP growth will pick up as of 2024 to around 3.5% and then return to its pre-pandemic growth trajectory of around 4% per annum in the medium term.

Risks from the international environment refer to effects of the

Ukraine conflict on the availability and world prices of energy products, and the global growth outlook. Domestic risks refer to the outcome of the next agricultural season, FDI inflows and the recovery of the energy sector.

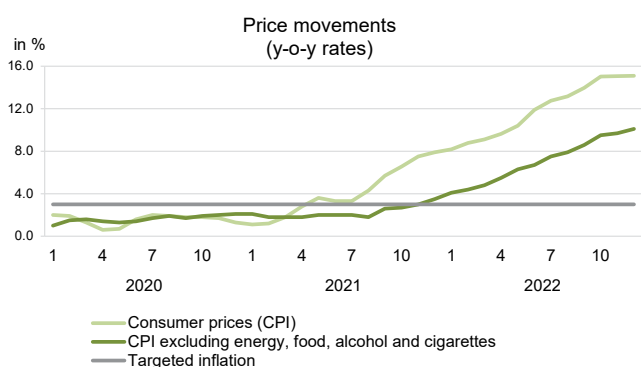


\* NBS projection

## Inflation

In December 2022, y-o-y inflation was 15.1%, while the average annual inflation in 2022 equalled 11.9%. Inflation y-o-y growth resulted mostly from elevated energy and food prices, i.e. categories beyond a direct impact of monetary policy. Relative to the end of 2021, food prices increased by 23.4%, primarily because of high global food prices, rising prices of input costs in food production and transport, as well as the negative effects of the drought that hit Serbia and most of Europe.

Core inflation was considerably lower than headline inflation and amounted to 10.1% in December 2022, supported to a significant degree by the preserved relative stability of the exchange rate in an extremely volatile global environment.



According to expectations, headline inflation will remain elevated at the beginning of 2023, after which it will be on a downward path, with a significant decline in the second half of 2023 and a return to the target band  $3.0 \pm 1.5\%$  by the end of the projection period. Past monetary tightening, the anticipated waning of the effects of global factors that drove up the energy and food prices in the past period, and dented external demand amid a clouded global growth outlook will work towards the

easing of inflationary pressures.

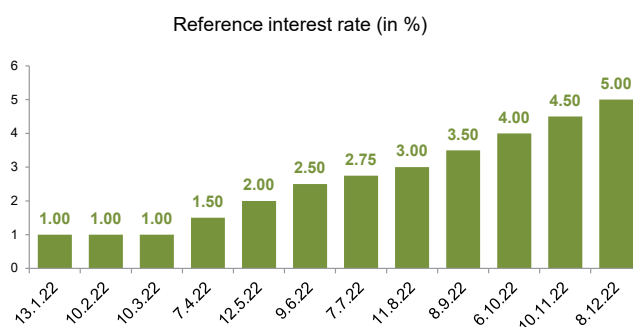
## Monetary policy

During first three months, the reference interest rate was at the historically lowest level of 1%, at the same level as in 2021. Rising cost-push pressures from the international environment, elevated geopolitical tensions and volatile global energy and food prices influenced the National Bank of Serbia's decision to gradually raise main interest rates starting from April. At the end of 2022, the key reference rate was increased to 5%, while the rates on deposit and lending facilities were raised to 4.0% and 6.0%, respectively.

By making such decision, the National Bank of Serbia tightens monetary conditions and affects the limitation of the secondary effects of price growth through inflationary expectations, thereby helping inflation in Serbia to strike a downward trajectory and return within the target tolerance band.

Delivering price stability in the medium term and preserving the achieved financial stability will remain a priority of the monetary policy, along with supporting continued growth and development of the economy, as well as further growth of employment and preservation of a favorable investment environment.

Monetary tightening drove up interest rates in the money and lending markets, confirming the efficiency of the monetary policy transmission mechanism. In y-o-y terms, the deceleration of monetary aggregates growth was halted in Q3, as a result of the high base from the previous year and spending of the previously accumulated precautionary savings. A stable growth in lending continued to contribute positively to the rise in monetary aggregates, and higher savings interest rates worked in the same direction. Domestic lending continued to rise at y-o-y level in November. A moderate slowing of y-o-y growth of total loans in Q3 reflected the high base from the previous year and the maturing of guarantee scheme loans.



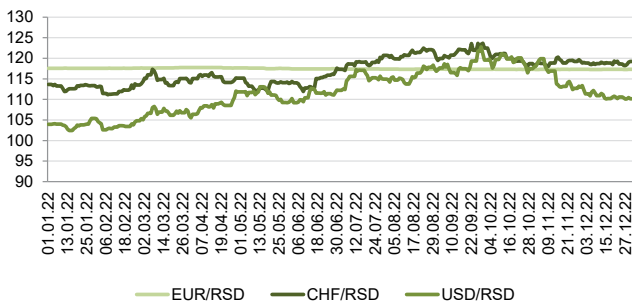
## Exchange rate

During 2022, the dinar strengthened against the euro by 0.2% in nominal terms. The dinar's stability was mainly supported by the National Bank of Serbia, which intervened on the IFEM both on the purchase side and on the sales side.

Due to factors from the international environment such as geopolitical tensions and rising energy prices, strong depreciation pressures prevailed at the beginning of 2022. In Q3 2022, the supply of foreign currency in the IFEM by far outstripped the demand, but the National bank of Serbia eased the appreciation pressures by net purchasing foreign currency and contributed to a further increase in FX reserves.

By maintaining the relative stability of the dinar against the euro, the National bank of Serbia also significantly contributes to containing the spillover effect of soaring import prices on domestic prices, and to macroeconomic stability amid heightened global uncertainty.

Exchange rate movements during 2021

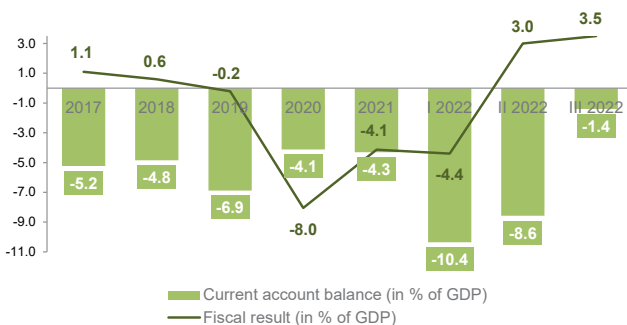


## The fiscal result and the current account deficit

The current account deficit of EUR 2.8 billion in the nine months of 2022 was two times higher than in the same period of 2021 and resulted mostly from elevated energy import due primarily to soaring global energy prices. The current account deficit in the nine months was covered by net FDI inflow. Inflow of FDI to Serbia measured EUR 3.0 billion, the same as in the corresponding period last year.

The share of the current account deficit in GDP is expected to equal around 9% in 2023 and to contract to around 6% in the medium term.

The fiscal result and the current account deficit



## Foreign trade

Goods exports in period from January to October 2022 increased by 27.2% y-o-y, while remaining diversified by sector and geography, underpinned by FDI inflows. In the same period, goods import went up by 36.1% y-o-y, mostly because of higher energy import prices and also due to elevated imports of equipment and consumer goods as the investment cycle continued and wages and employment went up.

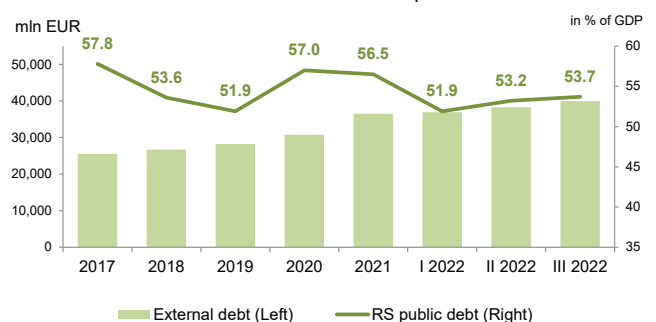
During 2023, the export of goods and services is expected to slow down because of subdued external demand caused by the poorer economic growth outlook in our key trade partners, most notably the euro area. FDI inflows are estimated at around EUR 3.8 billion in 2022, while in the medium term FDI inflow is projected to stay relatively high (around 4–5% of GDP per annum) and to be diversified by project and mostly directed at tradable sectors.

## External debt and public debt

During first eleven months in 2022, public debt was lowered to the level of 53.5% of GDP (from 56.5% at the end of 2021). A deterioration of financial conditions affected the borrowing in the hard currency as it has unfolded at the slowest pace since 2015. The share of public debt in dollars was significantly cut – from 33.9% in 2016, to 12.5% in September 2022, which largely reduced the exposure to currency risk on account of the dollar's strengthening in the past months. In the following years, the IMF anticipates stabilisation of the share of public debt in GDP in both advanced, and emerging and developing economies.

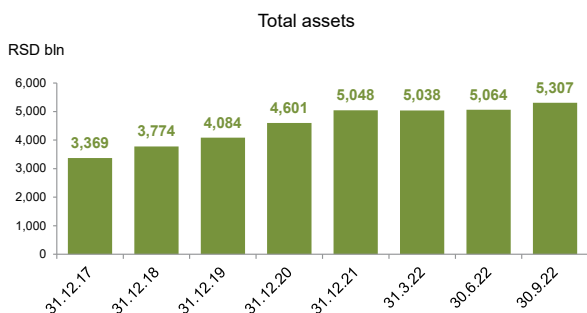
The volume of government securities issued in hard currencies in the January–September 2022 period dropped by more than 54% compared to the same period in 2021. In previous years, Serbia issued eurobonds in the international financial market at very favourable conditions and the funds raised were used for the early repayment of previously issued securities at considerably higher yield rates. Owing to last years' issues at favourable conditions significant funds were provided for government financing in 2022.

Serbian external debt and public debt



## Banking sector

At the end of Q3 of 2022, the Serbian banking sector numbered 22 banks, among which foreign-owned banks still have a dominant share. The total number of banks in Serbia decreased to 21 in Q4 2022. The banking market is very saturated since the five largest banks have 59.7% of the market share, which is higher compared to the end of 2021 (56.9%). Consolidation of the banking market can be expected in the future in order to reduce the number of banks and to strengthen the market power of the largest banks. At end of September 2022, total net balance sheet assets of the Serbian banking sector amounted to RSD 5,307 billion, and total capital RSD 713 billion.



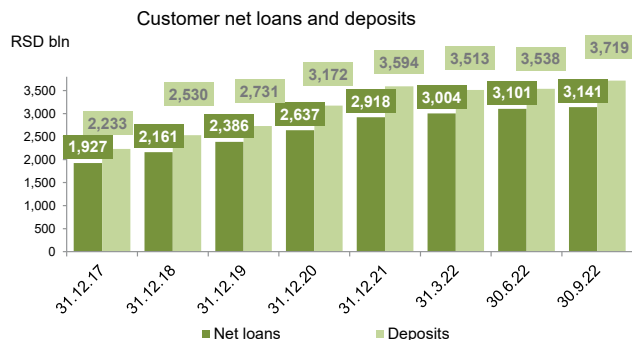
Net result in the overall banking sector achieved in the first nine months of 2022 amounted to RSD 55.6 billion, representing an increase of 34% compared to the same period previous year. A positive result was reported by 21 bank with total profit of RSD 55.7 billion, while 1 bank operated with a loss of RSD 0.1 billion.

Changes in key elements of banking sector profitability (in RSD mln)

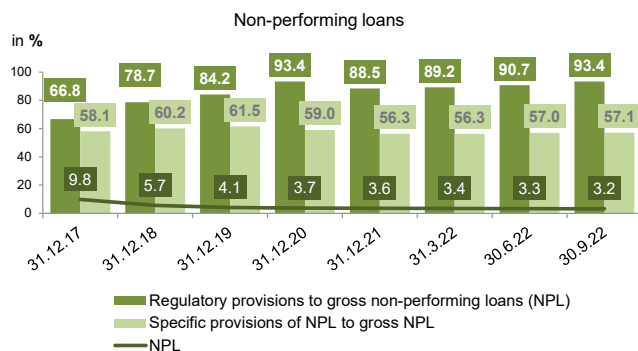
	30.9.2021	30.9.2022	Change
Net interest	96,129	109,043	↑ 13%
Net fees	32,992	53,496	↑ 62%
Credit losses	-7,678	-11,112	↑ 45%
Exchange rate effect	5,869	-5,680	↓ -197%
Result	41,459	55,562	↑ 34%

Total net loans of the banking sector in Serbia at the end of the third quarter of 2022 increased by 7.6% comparing to end of previous year. Measured by the share of dinar in total receivables, the dinarisation of corporate and household receivables reached record 34.2% in November 2022.

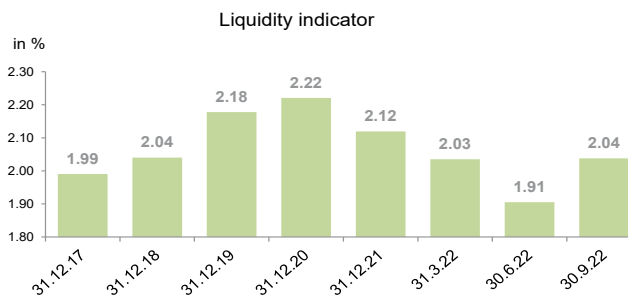
The main sources of financing of the banking sector in Serbia are still received deposits, which share in total liabilities was 70.1%. Total deposits at the end of the third quarter amounted to RSD 3,719 billion, which represents an increase of 3.5% as compared to end of last year. Since the beginning of the year till November, household savings gained RSD 19.4 billion, or 1.2%, which indicates citizens' confidence in the stability and safety of the banking sector.



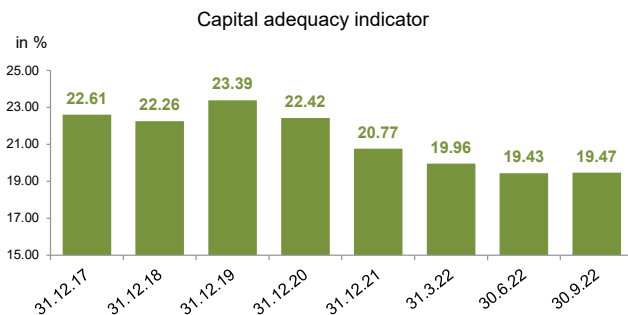
The gross NPL ratio was at level of 3.2% in September 2022. The NPL coverage remained high – in September, allowances for impairment to total loans stood at 93.4% of NPLs, and allowances for impairment to NPLs measured 57.1% of NPLs.



The Serbian banking sector is still characterized by very high liquidity. At the end of the third quarter of 2022, the average monthly liquidity ratio stood at 2.04% (regulatory minimum is 1%), while the narrower liquidity ratio stood at 1.64% (regulatory minimum is 0.7%).



The Serbian banking sector is well capitalised. At the end of September 2022, capital adequacy ratio of the Serbian banking sector averaged 19.47%, well above the National Bank of Serbia regulatory minimum (8%). This data indicates the high resilience of the banking sector in Serbia.



Source of data for Macroeconomic environment and banking sector: National Bank of Serbia

## Retail banking

In 2022 the Retail banking has remained focused on needs of its clients and building of long-term relationship. Continuous growth of lending to individuals is one of the main indicators of the support that the Bank provides to its clients, i.e. individuals. In 2022, retail loans grew by approximately 6% compared to 2021, whereby the OTP Banka managed to achieve a market share of 18.9%.

In last four years the house construction financing growth, buying of apartments and house loans demand is noticeable. During 2022, the Bank was the leader on the house loans market with the 22.1% market share. In the middle of the year, the OTP Banka opened two OTP partner branches, intended for co-operation exclusively with partners: investors, real estate agents and entrepreneurs who have connections with potential clients. With this, the bank achieved additional differentiation on the market in order to be attractive to clients, and opened a place where both partners and new clients will feel different. During 2022, several dozen contracts were concluded with real estate agencies, investors, consulting firms and digital partners.

Favorable trends in Retail banking are result of optimal price level and products combination. Special actions and promotion campaigns for cash loans were organized that contributed to the 19.7% market share in the cash loan market.

Total deposits in Retail banking reached the level of RSD 204 billion. At the end of the year, a campaign for savings was launched, which led to an increase in the market share of OTP Bank's household deposits, which at the end of 2022 recorded a level of 11.2%.

As the Retail banking has in its focus customer satisfaction and an outstanding user experience, introducing of changes has continued, and within the system that encourages the innovation culture at the level of the Group, constant work on the offer that has useful value for clients and daily banking activities facilitation is implied.

During the last year a significant shift in favor of mobile banking



is done. Users of banking services are increasingly demanding independence in their work, without the obligation to go to a branch. The tendency is that the branch will remain the dominant channel for some more complex banking products, as well as the place where clients will mostly consult with a bank employee. The increasing number of self-service devices, which are more and more common in our branches, also favors this. Certainly, this was preceded by the digitalization of the so-called background services within the Bank. Although this process is not visible to the user, it greatly affects his experience in contact with the bank. Our approach, in the OTP Bank, "Digitally where the client is" represents an additional challenge precisely for the improvement of processes that dominantly were functioning according to analog principles until recently. Clients expect from us to enable them to establish a business relationship with the Bank without coming to the branch, which includes account opening, applying for a cash loan, savings account opening, as well as purchasing an insurance policy.

In this sense, OTP Banka has launched the VKYC (Video Know Your Client) project, which will enable potential clients to become clients in just a few minutes of a video conversation with a bank agent, without coming to a branch. It is enough to have an identity document and a mobile device or a computer with a camera and an Internet connection. The ultimate goal is to provide them with such comfort that they can do all their business with the bank without ever appearing in a branch. On the other hand, the implementation of the Cloud certificate will round off the VKYC process, considering that it will enable the conclusion of contracts on the realization of banking products at a distance in accordance with the recent change in regulations. In addition, "Digitally where the client is" also means that users will be able to sign all documents in branches and receive them by mail, which means that OTP Banka contributes to the preservation of the environment and the reduction of the carbon footprint.

In cooperation with Google and Mastercard, the Bank enabled its customers to pay quickly, easily and securely by mobile phone via Google Pay. This service has been available to OTP Banka

Mastercard payment card users since August 23rd and is available in phones and smartwatches that support NFC technology. OTP banka is focused on innovation and digitization of its business, which provides clients with new benefits with a focus on improving digital banking and user experience. With the introduction of Google Pay, it once again confirmed its leadership position and orientation towards the needs of clients.

OTP Banka has participated substantially in lending to small and medium-size enterprises during this and the previous year. During 2022 year in the Small business segment, the Bank has realized loans to legal entities and entrepreneurs in total amount of RSD 12 billion approximately.

The European Bank for Reconstruction and Development has approved to the OTP Banka loan in the amount of EUR 25 million for further financing of small and medium-size enterprises in Serbia. The credit line will be used as a support for financing of private enterprises through the working capital and investment loans, primarily for small and medium-size enterprises that operate in economically less developed parts of the country.

The new credit line will enable small and medium-sized enterprises easier access to financing for the development and strengthening of competitiveness, on local and foreign markets, as well as

strengthening its resistance in the medium and long term. The OTP Banka will try to direct part of the funds from this credit line to the financing of high-quality green projects, through investments in projects on renewable energy sources and energy efficiency.

The OTP Banka has developed model of services for private banking clients, which includes investment and financial consulting services, and know-how in assets management as well. Taking into account the fact that the private banking clients have very specific and extremely high expectations from their banks, the needs of these clients were recognized on time and they were provided with a wide range of customized services, professional knowledge of employees in the field of asset management within the exclusive Eminent package, as well as financial and investment advice. Licensed investment consultants recommend to each client individually how they may invest their funds both on local and foreign market in accordance with their profile, financial plans and other factors as well. Local market knowledge is crucial here, and the advantage is a possibility of mix of their expertises in different areas, such as corporate business, leasing or insurance.



## Corporate Banking



Just three months after receiving the “Euromoney Award for Excellence 2022” for the best bank in Serbia, the world magazine Euromoney awarded OTP Banka another award “Euromoney Market Leader in Serbia for Corporate Banking”. Taking into account the entire operation of the bank with a special focus on co-operation with the corporate clients, the expert editorial jury of Euromoney magazine decided that OTP banka is one of the best choices for business in the corporate segment in Serbia.

This confirmation comes in conditions of extremely strong competition in the banking sector, where we can see an intense struggle to acquire clients on the market. However, the Bank, together with its employees, managed to stand out through mutual co-operation, through improvement of the services dedicated to clients and with a personalized approach to each of them. The OTP Banka listens to the clients' needs, responds to their expectations and directs them towards new and more practical solutions.

In the segment of Corporate business, the OTP Banka records excellent results and with the achieved level of 2.5 billion euros remains in the first place with about 17% market share in lending to the corporate. Clients come from all industries, from entrepreneurs to small and medium-sized enterprises and large domestic and multinational companies. In other words, the bank has a clear overview of the economy, the needs and expectations of both public and business actors. This also means that the Bank can meet their needs and provide them with large-scale financing.

Increase of credit exposure is followed by the improvement of its quality and risk level through:

- Improvement of loans placement maturity directed towards long-term financing increase within the total loan portfolio;
- Portfolio diversification by financing types and by economy branches whom the client belongs to.

Increase of investment lending is noticeable by which the Bank

keeps up with the market demands. Integration of banks open a possibility of financing of much bigger projects than it was a case before the integration. Besides that, the Bank's expertise is on much higher level, thus the Bank may take into consideration different investment profiles from construction works financing, production capacities to energy efficiency and green energy sources. OTP Banka continues to be active in project financing segment with a special focus on real estate construction sector.

Total gross corporate loans increased in 2022 through the improvement of co-operation with the existing and new clients. During the 2022 the Bank has approved significant amount of loans to mid-size and corporate enterprises. This affected the corporate loans to reach about 17% market share at the end of 2022. The majority of approved loans were working capital loans, by which the previous years trend continues.

In Corporate segment the total amount of deposits has increased significantly and a growth of almost 30% compared to the previous year is achieved. This tendency reflects the Bank's aspiration to base its growth on the active collection of client deposits, as part of the diversification of funding sources. The OTP Bank's corporate deposits recorded market share level of 13.4% at the end of 2022.

Through coordinated business lines and proven expertise, the Bank provides a whole range of innovative solutions adapted to the needs of clients, such as traditional and specialized financing, payments, cash management.

When the global transaction banking services are concerned, the OTP banka offers a whole range of cash management services, which fulfill even the most demanding requirements of domestic and international clients. Since 2013, the OTP has been the first bank on the factoring services market with the largest market share and a wide range of different types of factoring. In 2022 turnover and exposure to clients increased by over 35% compared to the same period last year. In addition to standard



factoring-related products and services available on the market, the OTP Banka can additionally support international companies with a supply chain financing platform and international factoring services

What makes the OTP Banka to stand out on the market when it comes to factoring services is the fact that its clients perceive the bank as a partner and advisor on everyday financial challenges. Small and medium-sized enterprises can easily obtain liquid funds and collect their claims by handing them over to the bank before the due date. Large companies most often opt for the reverse factoring service, where the bank pays the client's obligations to its suppliers immediately after invoicing. In this domain, OTP Banka offers simple technological solutions, the highest standard of service and many years of experience.

The financing of "green projects" has been growing significantly in recent years, which indicates that the awareness of sustainable business and finding environmentally sustainable

solutions is no longer a trend, but a real need and the direction in which our society is developing. OTP banka carefully assesses its direct and indirect impacts on the environment, undertakes initiatives aimed at preventing negative impacts, and initiates and supports initiatives that have a positive impact on the overall state of the environment.

The corporate lending process has been improved in the segment of identifying and managing the so-called ESG risks, where the main focus is on risks associated with climate change and other aspects that can negatively affect the environment. The process of credit improvement is based on the guidelines of the European Bank for Reconstruction and Development, which are adapted to the specific characteristics of OTP Group's operations. By applying this advanced practice, the Bank evaluates its activity, not only from the aspect of its environmental impact, but also takes into account criteria related to social justice and corporate governance, as well as ensuring compliance with relevant legal frameworks.



# Risk management

## General framework

Activities related to risk management at all organizational levels are guided by the mission of establishing and maintaining a framework for risk management that ensures long-term business stability and the achievement of value creation goals. The vision of the risk management function is to create innovative solutions for the sustainable development of the Bank and the Banking Group with a high awareness of risks.

The risk management structure is organized in accordance with the Law on Banks, the relevant decisions of the National Bank of Serbia, which define the area of risk management and capital adequacy, as well as the Bank's Risk Management Strategy.

The general objectives of the Bank's risk management are:

- Establishment of basic principles and standards for risk management in the Bank;
- Support the Bank's business strategy by ensuring that business goals are achieved with controlled risk;
- Improvement of the use and allocation of capital and increase of revenue from capital adjusted to risks by including risk in the measurement of business performance;
- Support the decision-making process by providing the necessary information relating to the risks;
- Ensuring consistency with best practices and compliance with local regulatory, quantitative and qualitative requirements;
- Providing cost-effective risk management by reducing overlapping and avoiding inadequate, excessive or outdated policies, processes, methodologies, models, controls and systems.

The main strategic goals of the Bank in risk management area are:

- Positive customer experience - ensuring a reliable and fast decision-making process regarding customer requests;
- Cooperation with a high level of awareness of risks - by



developing professional cooperation focused on solutions and respecting transparent rules;

- Outstanding reputation - by continuously strengthening the value creation potential of our Bank and the banking group and by carrying out activities related to risk management in a prudent and transparent manner;
- Operational efficiency – developing reliable and efficient processes based on data and with a clear division of duties and responsibilities;
- Inspiring and attractive working environment - by creating an inspiring and innovative international professional community;
- Social responsibility – by supporting for positive aspects in the field of environmental protection, social issues and governance (ESG) in all its activities.

## Credit risk

Credit risk is the most significant material risk the Bank is exposed to.

The process of identifying, continuous measurement, monitoring and control of credit risk is based on:

- consistent tools for scoring and ranking credit placements in order to standardize and improve credit assessment, as well as to establish a system of limits in line with the level of estimated risk;
- the process of regular monitoring of credit exposures harmonized with regulatory requirements, as well as with best practice standards and
- information system and analytical techniques that allow measurement of credit risk in all relevant activities and provide adequate information on the content of the loan portfolio, including the identification of possible concentration of risk.

In addition to adequate identification, measurement and monitoring and control of credit risk, the basic method of mitigating credit risk is ensuring the collateral for a loan. The

Bank's credit policies determine the types of eligible collateral in the form of funded and unfunded credit protection, whereas the conditions to obtain these collaterals, as well as the ratios for calculating the secured values in relation to the type of collateral for the purposes of loan processing, are in more detail regulated by other internal documents of the Bank.

The main types of collateral used by the Bank for the purposes of mitigating credit risk are: residential property mortgage, business property mortgage, pledge on equipment, inventory and receivables, letters of guarantee, financial assets (cash, securities) and sureties.

In accordance with the regulatory environment, which includes the expectations of domestic and international supervisory authorities, and as the Bank is a member of the OTP Group, the Bank has developed a framework for the identification and management of so-called ESG risks in the process of lending to the corporate clients (E- environmental, S-social, G-governance), as an instrument for the transition to a sustainable economy.

This process of lending to the corporate clients has been improved by introducing following elements:

- ESG Exclusion List – a list of activities and behaviors whose controversial nature and impact appear to be incompatible with the values of the OTP Group, i.e. whose funding is avoided;
- ESG Heat Map by sectors – contains a classification of economic activities with appropriate, predetermined categories of ESG risk;
- ESG risk assessment (individual assessment of ESG risk levels in the case of clients with materially significant amounts of exposure).

During 2022, in response to the challenges and growing risks in the international and local macroeconomic environment, the Bank adjusted its risk-taking framework, regularly assessed the possible impact of the aforementioned risks on the quality of the credit portfolio, as well as revised the assessment of expected credit losses, taking into account expected movements of macroeconomic factors and ensured an adequate level of provisions for those losses. Despite growing risks from the macroeconomic environment, the Bank realized a decrease of the NPL indicator in 2022, resulting in the value of the indicator of 3.36% as of 31.12.2022, as per the methodology of the National Bank of Serbia. The realised indicator was lower than the last year's by 0.6 percentage points, almost at the level of the NPL indicators of the banking sector, which is amounted to 3.2% in the third quarter 2022. The decrease in NPL indicators is the result of activities on the sale and collection of non-performing loans, write-off of bad assets that are fully impaired or assessed as non-performing, improvement of the loan portfolio quality, as well as by an increase in the performing loan portfolio.

## Market risk

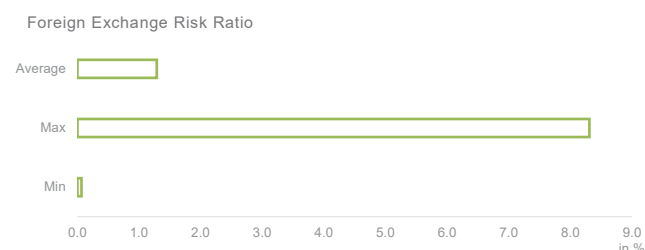
Market risk is the possibility of negative effects on the financial result and capital of the bank based on changes in the value of balance sheet and off-balance sheet items of the bank that occur due to changes in market conditions.

In terms of market risk, the Bank is exposed to:

- foreign exchange risk for all positions from which market risk can raise and which defines as risk of occurrence of negative effect on the bank's result and capital due to unfavorable movements of exchange rates and price of gold on the market,
- price risk based on debt securities arising from the trading book which defines as risk of occurrence of negative effect on the bank's result and capital due to changes of the market price (value) of the securities portfolio.

The Bank manages foreign exchange risk through a system of limits and continuous monitoring of compliance of FX positions with the limit. In addition, the Bank measures the foreign exchange risk indicator on a daily basis in accordance with the regulations of the National Bank of Serbia and maintains it within the prescribed limits.

In order to hedge foreign exchange risk, the Bank monitors daily changes in the market, pursuing a policy of low level of exposure to foreign exchange risk and monitoring the results obtained during the regular stress test which are reported to the ALCO, the Board of Directors and the Executive Board.



During 2022, the Bank has maintained the level of foreign exchange risk significantly below the regulatory level.

The trading book of a bank shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge an exposure arising from positions in other financial instruments of the trading book and which are free of any restrictive covenants on their tradability or the ability to be hedged, as well as placements obtained for the purpose of making a profit from the difference between the purchase and sale price, i.e. on the basis of other price changes in a short period of time.

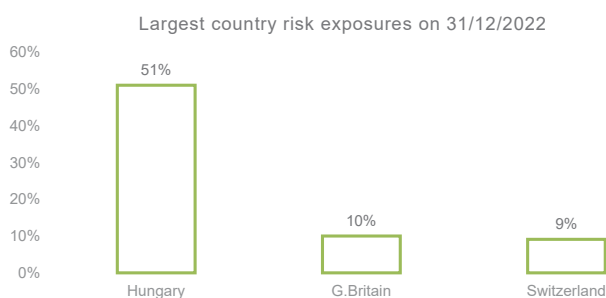
The Bank has positions in the trading book and accordingly has

established and maintains appropriate functions of measuring, monitoring and controlling market risk, including:

- Market risk measurement processes that record all significant sources of market risk and assess the impact of changes in market risk factors in a way that is consistent with the scope of the Bank's activities. These measurement systems include VaR models and BPV models;
- Operational limits that ensure that exposures remain within levels which are consistent with internal policies and the Risk Management Strategy in terms of exposure to individual types of market risk, limitation of the open positions and establishing the stop loss limits;
- Measuring sensitivity to loss under stressful market conditions and taking these results into account when establishing certain limits for market risks;
- Adequate IT support for measuring, monitoring, controlling and reporting on market risk exposure with controls built into various risk measurement systems and applications;
- Reports that are regularly prepared and submitted to the Board of Directors, the Executive Board, senior management and all other relevant bodies.

## Country risk

The bank is exposed to country risk for all types of financing in a foreign country, whether to the central government, a bank, a private company or an individual. Country risk is managed by the Bank through internally determined ratings, which represent the basis for establishing a system of limits on country risk exposures. Economic, political and other events and circumstances in the countries to which the Bank is exposed are continuously monitored and assessed. On average, the Bank was most exposed to Hungary.



## Counterparty risk

The counterparty's risk is the possibility of negative effects on the Bank's financial result due to the counterparty to a transaction could default before the final settlement of the transaction's cash flows or settlement of monetary liabilities under that transaction.

The Bank has defined the basic principles for reporting, action that can be taken in case of exceeding the limit, as well as the

methodology for determining the internal rating, determining the limit and the method of determining the maximum possible exposure to the certain counterparty.

The counterparty limit system consists of internal and regulatory limits. The counterparty limits are determined individually for each counterparty taking into account the result of the business analysis of the counterparty, the identification of a group of related parties and other relevant information that may be useful in determination of the acceptable level of the counterparty risk.

## Operational risk

Operational risk is the risk of possible negative effects on the Bank's financial results and capital due to failure (unintentional and intentional) in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Bank, and due to unforeseen external events. Operational risk also includes legal risk. Operational risk does not include strategic and reputational risk. Specific areas of operational risk include information system risk, unethical business risk (conduct risk), and model risk. The Bank's risk management system includes risks arising from the introduction of new products, services and activities related to the Bank's processes and systems, as well as risks arising from activities entrusted by the Bank to third parties.

Operational risk management includes activities for identification, monitoring and measurement of operational risks, which are carried out by monitoring the exposure to operational risk through:

- Collection of internal data on operational risks,
- Key risk indicators,
- Risk self-assessment,
- Scenario analysis,
- Assessment of operational risk when introducing / modifying new products and entrusting activities to third parties,
- Assess the impact of business interruptions.

Operational risk is an integral part of all products, activities, procedures and systems of the Bank. Operational risk management is an integral part of management functions at all levels and thus undergoes special methods of detection and assessment, definition of the limits, monitoring and control, all with the aim of developing appropriate risk mitigation measures and providing an opportunity to assess the risk profile of the Bank.

In order for operational risk management to be effective, it is necessary to have an appropriate management structure, led by a specialized Operational Risk Management Committee (ORC), as well as an appropriate organizational structure, based

on the Operational Risk Management Department proposing policies, regulations, plans and procedures for operational risk management, as well as the necessary management tools (data collection, RCSA, Key Risk Indicators, Scenario Analysis, etc.).

For the purpose of calculating the regulatory capital requirement for operational risk, the Bank uses the approach of the basic indicator in accordance with the Decision on the capital adequacy of the Bank. Internal capital requirement for operational risk is quantified using a special approach based on internal losses and scenario analysis.

### Business continuity plan

In order to ensure business continuity, the Bank has implemented a Business Continuity Plan in order to enable

uninterrupted and continuous operation of all significant systems and processes of the Bank, as well as limiting losses in emergency situations, and implies the existence of an alternative location (Disaster Recovery site). The Business Continuity Plan is based on business impact analysis and risk assessment. The key business activities for which it is necessary to maintain business continuity in emergency situations are identified. The Plan is regularly tested and updated in accordance with business changes, changes in products and activities, processes and systems, changes in the environment as well as changes in business policy and strategy of the Bank.



# 1.8

## Liquidity management and interest rate risk



### Interest rate risk

Interest rate risk is the risk of possible negative effects on the financial result and capital of the Bank based on positions in the banking book due to changes in interest rates. The main types of interest rate risk are: risk of repricing which means maturity mismatch risk (for fixed interest rate asset and liability items) and repricing risk (for variable interest rate items), yield curve risk, base risk and embedded options risk, i.e. optionality risk.

The interest rate risk management process involves monitoring, identifying, measuring and mitigating the impact that adverse interest rate movements may have on the Bank's result and capital.

In order to adequately manage interest rate risk, the Bank has established limits that are monitored on a regular basis. Compliance with the limits is reported to the competent committees. The Bank was in line with prescribed limits and thresholds during 2022.

### Liquidity risk

Liquidity is the Bank's ability to provide sufficient liquid assets to unconditionally cover all due liabilities arising from balance sheet liabilities (withdrawal of deposits and other sources of financing), balance sheet assets (financing of new placements), as well as from off balance sheet items.

Liquidity management represents a continued process of reviewing needs for liquidity under different operating scenarios, as well as planning under extraordinary circumstances. It is the process of securing a satisfactory level of liquid assets on the basis of analysis of the demand for liquidity, on the basis of the results of stress tests, as well as changes in the balance sheet and off-balance sheet structure of the Bank.

The Bank in the liquidity management process shall attempt to:

- Continuously monitor and analyze all factors that affect the Bank's liquidity position;
- Maintain the required level of mandatory reserve in local and hard currencies in line with National Bank regulation;
- Continuously manage optimum daily liquidity by securing funds in sufficient amount and currency structure (for each currency) to secure smooth settlement of obligations, which includes an estimate of expected cash flows for a period of 30 days;
- Review and follow long-term liquidity position on the basis of liquidity gap projections, i.e. monitoring of matching of pecuniary inflows and outflows under balance sheet and off-balance items on the long term;
- Ensure diversification of sources of financing;
- Maintain liquidity reserves at an adequate level and in an adequate structure;
- Place liquidity excess in accordance with defined limits.

Liquidity level was significantly above minimum during 2022 while excess of liquidity the Bank has placed in debt securities issued by Republic of Serbia. In order to adequately manage liquidity risk, the Bank has defined limits for liquidity indicators. Liquidity indicators were in line with the defined limits.

Achieved liquidity indicators are presented in the following table:

Daily liquidity indicators	2022
Average during period	1.77
Highest	2.24
Lowest	1.44
On 31 <sup>st</sup> December	2.05

In accordance with applicable regulations, the Bank also calculates Liquidity coverage ratio (LCR), which is a measure of the Bank's ability to provide sufficient liquidity assets in order to cover all due obligations under assumed stress conditions. The LCR was above the regulatory and internally prescribed limit in 2022, and on 31st December 2022 was 143.82%.

# 1.9

## Capital management and capital adequacy ratios

The main strategic goal of the Bank in terms of capital management is to strive to use available capital sources economically and in accordance with the defined perspectives of the Bank's business development. The Bank's capital management policy gives priority to covering the Bank's potential losses, negative effects arising from exposure to risks, in relation to the realization of returns. In the process of capital management itself, the focus is on continuous monitoring of capital adequacy. The level of the Bank's capital that is considered adequate is the level of capital that ensures the implementation of the Bank's strategy and business policy and at the same time enables the coverage of all risks to which the Bank is exposed in its operations. Capital management is based on:

- The process of identification, measurement, i.e. risk assessment,
- Ensuring an adequate level of capital in accordance with the risks to which the Bank is exposed in its operations,
- Adequate incorporation of capital management into the Bank's management and decision-making system,
- Regular analysis, monitoring and verification of the Bank's capital management process.

The central function in the capital management process has the Bank's management - the Assembly, the Board of Directors and the Executive Board. The Bank's Assembly is responsible for deciding on all capital increases.

The Bank's Board of Directors is responsible for establishing a risk management strategy and supervising the risks assumed by the bank as part of its business activities, which are reflected to the level of bank capital adequacy, establishing a bank capital management strategy and adopting the Bank's business policy define the input data for the Bank's capital planning for the next business year.

As part of the capital management process, the Bank's Executive Board is responsible for incorporating capital planning into all business decisions and procedures related to business planning, timely informing the Board of Directors on capital needs and



enabling adequate reporting to external bank supervisors on the level of capital adequacy.

### The Bank's capital in 2022

The Bank's total capital consists of common equity TIER 1 capital, additional TIER 1 capital and TIER 2 capital.

TIER 1 capital consists of share capital based on ordinary shares, issue premium, revaluation reserves, profit reserves, losses from previous years, regulatory adjustments to the value of the Bank's share capital elements, intangible investments, deferred tax assets that depend on future profitability of the Bank except for those arising from temporary differences decreased for deferred tax liabilities and other deductible items defined by the Decision on Capital Adequacy.

TIER 2 capital consists of subordinated liabilities which are included in the Bank's TIER 2 capital in accordance with the valid Decision on capital adequacy.

In accordance with the current Decision on Capital Adequacy, the Bank is obliged to calculate the following indicators:

- an indicator of the common equity TIER 1 capital adequacy which is equal to the ratio of the common equity TIER 1 capital and risk assets and cannot be below 4.5%
- an indicator of the TIER 1 capital adequacy which is equal to the ratio of the TIER 1 capital and risk assets and cannot be below 6%
- an indicator of the total capital adequacy of the bank which is equal to the ratio of total capital and risk assets of the bank and cannot be below 8%.

Also, the Bank is obliged to maintain capital adequacy ratios increased in a way that allows it to cover the requirements for the combined protective layer of capital.

The Bank's risk assets represent the sum of the total amount of

risk weighted exposures for credit risk, counterparty risk, price risk for trading book activities, foreign exchange risk, credit exposure adjustment risk for all business activities of the Bank and operational risk.

In 2022, the level of capital and the adequacy indicator had the following trend:

The Bank signed an Annex with OTP Malta on changing the maturity date of the subordinated line in the nominal amount of 3.5 billion dinars, so that this line could be fully included in TIER 2 capital of the Bank.

On 29.07.2022 the Bank's Board of Directors adopted a Decision on the application of a temporary measure related to the

<b>Capital</b>	<b>31.3.2022</b>	<b>30.6.2022</b>	<b>30.9.2022</b>	<b>31.12.2022</b>
<b>In 000 RSD</b>				
<b>Total capital</b>	<b>97,101,144</b>	<b>97,879,426</b>	<b>103,037,862</b>	<b>102,905,168</b>
<b>Tier 1 capital</b>	<b>83,971,640</b>	<b>83,203,738</b>	<b>88,373,124</b>	<b>88,252,718</b>
<b>Common equity Tier 1 capital</b>	<b>83,971,640</b>	<b>83,203,738</b>	<b>88,373,124</b>	<b>88,252,718</b>
Share capital	56,830,752	56,830,752	56,830,752	56,830,752
Issuing premium	2,564,892	2,564,892	2,564,892	2,564,892
Retained earnings	26,396,554	26,396,554	30,701,394	30,701,394
Losses from previous years	0	0	0	0
Revaluation reserves	-349,470	-1,151,976	-277,164	-221,678
Intangible assets	-1,178,910	-1,151,567	-1,160,199	-1,254,606
Deductible items related to DTI ratio and maturity exceeding in case of cash, consumer and other loans placed to retail segment	-248,105	-243,956	-245,272	-325,717
Deferred taxes depending on future profitability	0	0	0	0
Other CET 1 regulatory adjustments	-44,073	-40,961	-41,279	-42,319
<b>Additional Tier 1 capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tier 2 capital</b>	<b>13,129,504</b>	<b>14,675,688</b>	<b>14,664,738</b>	<b>14,652,450</b>
Subordinated liabilities	13,129,504	14,675,688	14,664,738	14,652,450
<b>Total risk weighted assets</b>	<b>478,957,145</b>	<b>492,523,824</b>	<b>499,558,030</b>	<b>487,276,502</b>
Total risk weighted assets for credit risk	428,419,066	442,250,932	448,684,292	431,414,167
Total risk weighted assets for market risk	358,574	211,333	457,675	2,610,050
Total risk weighted assets for operational risk	50,006,363	50,006,363	50,006,363	52,922,704
Total risk weighted assets for CVA risk	173,142	55,196	409,700	329,581
<b>Total capital adequacy ratio 8%</b>	<b>20.27%</b>	<b>19.87%</b>	<b>20.63%</b>	<b>21.12%</b>
<b>Tier 1 capital adequacy ratio 6%</b>	<b>17.53%</b>	<b>16.89%</b>	<b>17.69%</b>	<b>18.11%</b>
<b>CET 1 capital adequacy ratio 4.5%</b>	<b>17.53%</b>	<b>16.89%</b>	<b>17.69%</b>	<b>18.11%</b>

During 2022, the Bank maintained the level of capital adequacy within the regulatory framework.

The bank's net profit realized at the end of 2021 was 5,757 million dinars. During 2022, part of the profit in the amount of 1,452 million dinars was used to cover losses from previous years, while the rest of the undistributed profit in the amount of 4,305 million dinars was allocated to Other reserves.

calculation of capital. Based on the decision, from July 31, 2022 until the end of 2023, the Bank excludes 70% of the amount of unrealized gains/losses based on changes in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9 from the calculation of the basic share capital, and whose issuer is Republic of Serbia, autonomous province and local self-government units of the Republic of Serbia.



## Financial indicators of OTP Banka Srbija



In 000 RSD

	2021	2022
<b>Income Statement</b>		
Net interest income	15,363,612	21,137,140
Net fees and commissions income	5,706,835	8,270,905
Operating expenses*	-15,349,789	-14,759,143
Profit before tax	6,203,153	12,505,816
Profit after tax	5,756,661	10,861,689
<b>Balance Sheet</b>		
Cash and balances with central bank	90,624,576	140,512,381
Loans and receivables	502,204,203	543,705,172
Securities	53,814,367	41,472,668
Other assets	18,955,802	18,321,724
<b>Total Assets</b>	<b>665,598,948</b>	<b>744,011,945</b>
Deposits and other liabilities to other banks, financial organizations, central bank and other customers	549,559,206	618,758,933
Reserves	3,787,232	3,772,895
Subordinated liabilities	14,724,802	14,748,628
Other liabilities	6,513,807	6,373,503
<b>Total liabilities</b>	<b>574,585,047</b>	<b>643,653,959</b>
<b>Total equity</b>	<b>91,013,901</b>	<b>100,357,986</b>
<b>Total liabilities and equity</b>	<b>665,598,948</b>	<b>744,011,945</b>
<b>Key performance indicators</b>		
Capital adequacy ratio (CAR)	20.40%	21.12%
Net interest margin (total assets %)**	3.01%	3.00%
ROA**	1.47%	1.54%
ROE**	10.81%	11.35%
<b>Number of employees</b>	<b>2,789</b>	<b>2,692</b>
<b>Number of branches and sub branches</b>	<b>184</b>	<b>155</b>
<b>Total assets market share</b>	<b>13.2%</b>	<b>13.8%***</b>

\* Operating expenses include wages, salaries and other personnel expenses, depreciation costs and other expenses

\*\*Indicators for 2021 are adjusted for expenses related to integration and result of first 4 month of ex OTP banka

\*\*\* as of 30.09.2022

The OTP Banka is the second biggest bank in Serbia by assets and the leader on the local market in lending. Stable business performance of the Bank resulted in assets (balance sheet) increase, which on December 31, 2022 amounted to RSD 744,012 million, which represents the 11.8% increase compared to the previous year. Increase of loans and customers' receivables position, as well as funds placed with the central bank, had the most important influence on assets (balance sheet) increase. This increase has positively affected the loans market share that

was on the level of 17.4% at the end of 2022 year.

Profit after tax in 2022 amounts to RSD 10,862 million which represents an increase of RSD 5.1 billion compared to the result of the previous year (if we include the result for the first four months of ex-OTP Banka, the increase would amount to RSD 2.9 billion).

In 2022, the OTP Banka succeeded to maintain the capital adequacy ratio significantly above the minimum requirements,

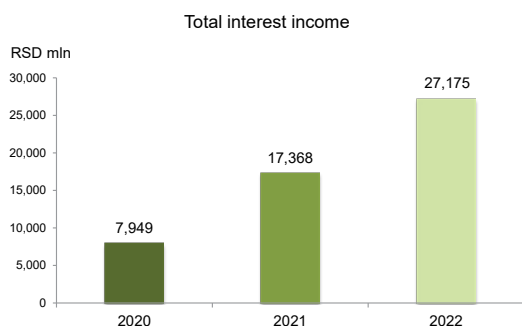
thus the ratio on December 31, 2022 year was 21.12%. Aiming to keep all business performance indicators in accordance with set limits, during 2022 year the Bank signed an Annex with the OTP Malta on the subordinated line maturity date change in the nominal amount of RSD 3.5 billion, so that this line could be fully included in the TIER 2 capital of the Bank.

## INCOME STATEMENT

The Bank realized positive operating result (before impairment and taxes) in the amount of RSD 16,274 million in 2022 year, which is an increase of about RSD 9.7 billion compared to the previous year (if we take into account the result for the first four months of 2021 of ex-OTP Banka, the increase would amount to RSD 7.2 billion).

### Income

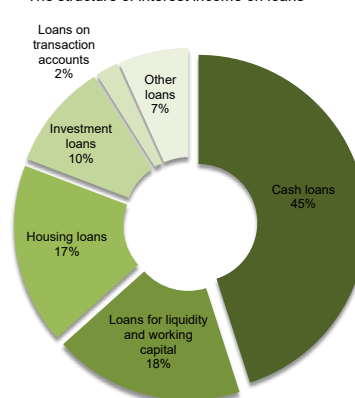
The average key policy rate increase from 1% in 2021 to 2.6% in 2022 was also reflected in the increase in interest rates on the banking market. In accordance with that trend, the Bank has recorded interest income increase. Thanks to that as well as the Bank's intensive lending activity the total interest income in 2022 recorded the amount of RSD 27,175 million. This represents over a 50% increase compared to the previous year. If the income for the first four months of the ex-OTP Banka is added for 2021, an increase of 25% is noticeable due to increase in reference interest rates and due to increase of average performing loans volume.



In total interest income structure, interest income on loans and government bonds have the highest share. Interest income on loans participate with 89.1%, and income from government bonds with 5.1% in total interest income.

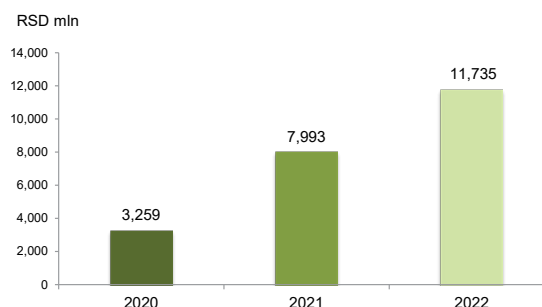
Interest income on loans has the same share in total interest income as last year, but achieved an increase of RSD 8.7 billion compared to 2021. From the structural point of view interest income on cash loans participated with 45% in total interest income, while the housing loans and working capital and liquidity loans participate with 17% and 18% respectively in the total interest income.

The structure of interest income on loans



Fee and commission income in 2022 amounted to RSD 11,735 million, which represents a growth of 47% compared to the previous year, i.e. 21% if we look at the two banks combined for 2021. This is primarily result of income on payments and turnover fees, which make ~35% of total fee and commission income that is mainly performed by corporate clients. Also, significant participation in total fee and commission income have the cards transactions fees ~21% and the account maintenance fees ~17%.

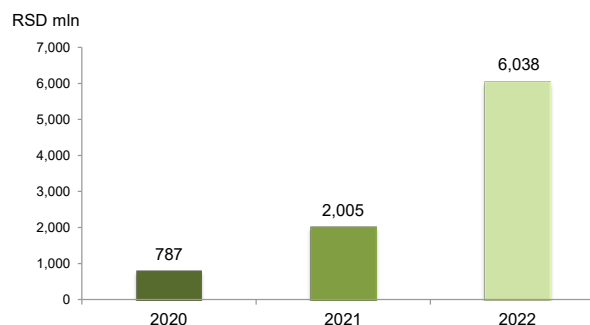
Fee and commission income



### Expenses

Total interest expenses in 2022 year are RSD 6,038 million that represents an increase of 201% compared to the last year, i.e. 139% if we look at the two banks combined for 2021, due to the increase in interest rates on the market as well as the significant amount of collected client deposits, primarily in the segment of companies and individuals.

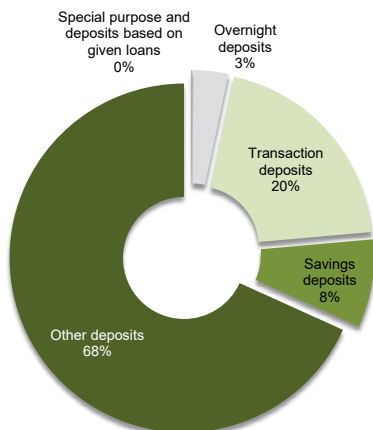
Total interest expenses



In interest expenses structure the major part refers to interest expenses on deposits 76.9%, while interest expenses related to subordinated loans participate with 8.5%.

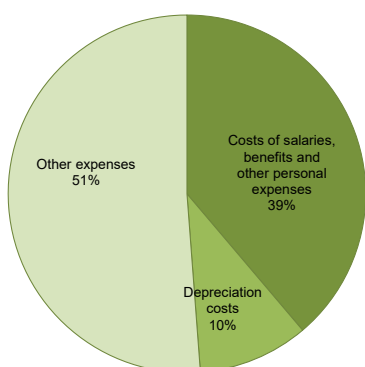
The largest share in the interest expenses on deposits have other deposits 68% followed by transaction deposits with 20% and savings deposits with 8% participation.

The structure of interest expense on deposits



Total operating expenses at the end of 2022 year were RSD 14,759 million that is below the 2021 year expenses by -4%. However, if we look at the two merged banks for the past year and add the costs for the first four months of 2021 of the ex-OTP Banka, this decrease amounts to 17.3% mainly coming from increased costs due to integration in 2021. In operating expenses structure, the major part take the other expenses, i.e. operating expenses 51%. Salary, salary related contribution expenses and other personnel expenses make 39% of total operating expenses, while depreciation costs account for 10% of the total operating expenses.

Structure of operating expenses - 2022



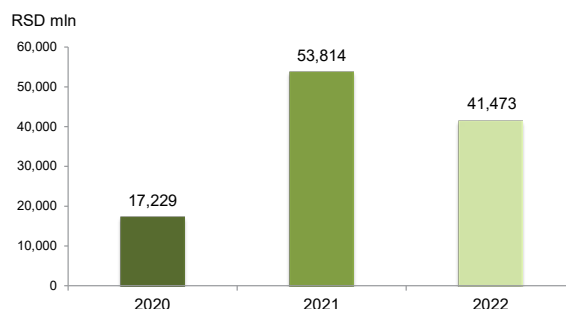
## BALANCE SHEET

In 2022, the OTP Banka increased its balance sheet assets for RSD 78,413 million compared to the end of 2021 year, and thus managed to maintain its position on the banking market; this year it ranks second in the banking sector of Serbia in terms of total assets, and first place in terms of market share of net loans.

## Securities

Securities, at the 31st of December, 2022 record a decrease of 23% compared to the 31st of December, 2021 and their share in the total assets is 5.6%.

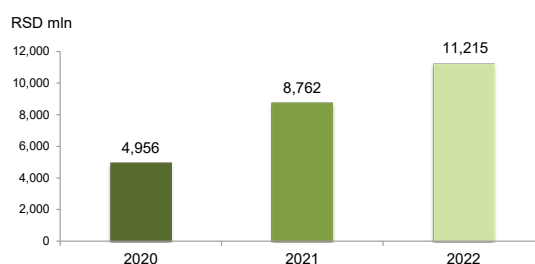
Securities



## Loans and receivables from banks and other financial organizations

Net loans and receivables from banks and other financial organizations in 2022 are in accordance with achieved level of depositary and lending activities aiming to generate higher profitability of whole business.

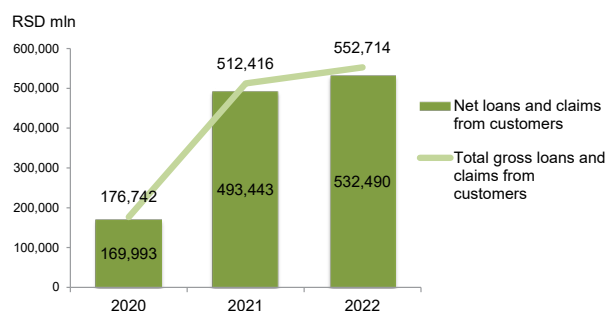
Net loans and receivables from banks and other financial organizations



## Loans and receivables from customers

The OTP Banka increased the level of gross loans and receivables to customers during 2022 for 7.9% compared to the previous year. The increase in gross loans was recorded primarily in loans given to the corporate and housing loans given to the retail.

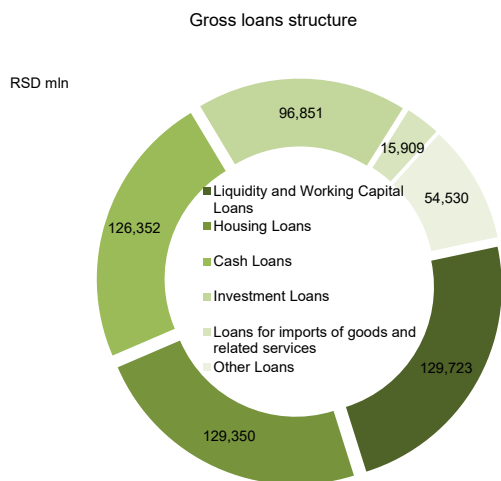
Loans and receivables from customers



In terms of sectoral structure, in the structure of gross loans, corporate and loans to public entities contribute with share of 48.5%. The largest part of corporate loans are loans with a foreign currency clause and foreign currency loans.

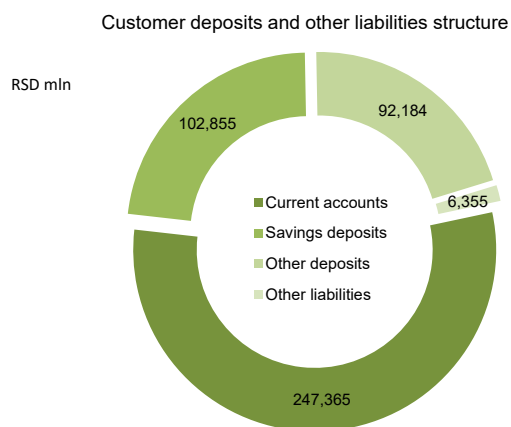
Retail sector participates with 47.4% in total gross loans and receivables from customers. Cash loans represent the largest share in total gross retail loans of 48.2%, while mortgage loans took part of 49.4%.

From the products point of view, in the gross loans structure, working capital and liquidity loans have the largest share of 23.5%, while housing loans participate with 23.4% and cash loans with 22.9%.



Savings deposits participate with 23% in total deposits, while transaction deposits have largest contribution of 55%.

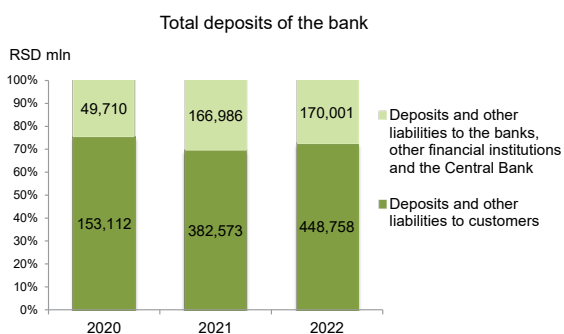
FX deposits participate with 53% in total customer deposits, with the largest part referring to retail term FX deposits. On the other hand, deposits in local currency mostly come from legal entities.



The ratio of gross loans to deposits from customers amounted to 123% as of 31.12.2022 and shows a decrease compared to last year (134%) as a result of an increase in deposits.

## Deposits

Conditions for maintaining high level of liquidity and placement growth both to corporate entities and individuals were secured by increased level of deposits during 2022 year. Total deposits of the OTP Banka at the 31st of December, 2022 amounted to RSD 618.8 billion; the major part is coming from deposits from customers ~73%, while the financing from banks and other financial institutions was at the level of ~27%.



# 1.11

## Plans for the future



The OTP banka Srbija has defined the following strategic objectives for the 2023:

### Four main strategic directions for the future:



**1.**  
BUILD AND IMPROVE DIGITAL CULTURE



**3.**  
ENHANCE CUSTOMER SATISFACTION



**2.**  
DIGITIZE AND OPTIMIZE OPERATIONS







**4.**  
IMPROVE DATA DRIVEN MANAGEMENT

- commitment to create a bank which will be a long-term choice of our clients;
- defines innovative and high quality products and services which will be offered to the clients;
- performing activities and overall business that our clients are accustomed to;
- corporate social responsibility and support to community, clients and socially vulnerable groups;





- strong risk management as a pillar of support in our Bank;
- the tendency to preserve the high capitalization of the Bank, while monitoring the internal indicators and indicators established by the NBS;
- maintaining optimal liquidity combining self-funding and group financing;



The vision of the Bank is to become the leader of the Serbian market in the customer service quality and innovative solutions with the following main attributes:

	<b>1.</b> STABLE		<b>3.</b> CUSTOMER FOCUSED
	<b>2.</b> RELIABLE		<b>4.</b> INNOVATIVE

Achieving this vision is only possible through the development and execution of a strategy that will not only transform the Bank into the leader of the Serbian market, but it will also support realization of a set of strategic KPIs. At the same time, it is important to nurture the bank's identified corporate values along the way:

	<b>1.</b> FOCUS ON CLIENTS		<b>3.</b> EFFICIENCY
	<b>2.</b> INNOVATIVENESS		<b>4.</b> COOPERATION

# 1.12

## Significant events after reporting date



There were no significant events and additional information after the reporting date that would require corrections or disclosures in the financial statements of the Bank for 2022.





# **Non-financial statement for 2022**



# 2.1

Foreword by the President of the Executive Board

## Predrag Mihajlović



Dear Shareholders,

I believe that the previous 2022 was an extremely challenging year for all corporate and economy stakeholders, both in Serbia and worldwide. We faced the energy crisis caused by the war in Ukraine, which along with the pandemic crisis, had a multiple impact on the business environment. Despite all this, we managed to achieve record business results and this was also acknowledged by the international expert public with the Euromoney and The Banker awards for the Best Bank in Serbia. These annual accolades for the Best Bank are considered the market standard for excellence in banking and the most prestigious accolades in the financial world. When deciding on the best, financial experts and analysts compare banks' operations and evaluate success based on clearly defined criteria of market position, growth and performance, return on capital, strategic initiatives, technological development, and the quality and innovation of product and service offerings. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. In addition, one more prestigious magazine Global Finance proclaimed our Bank for the "Best Bank in FX Operations in Serbia in 2022", while the Euromoney magazine presented us with two more awards "Euromoney Market Leader in Serbia for Corporate Banking" and "Euromoney Market Leader in Serbia for Digital Solutions as highly regarded". Equally important, our projects and CSR activities have been recognized many times, which was made official at the very end of last year with the Socially Responsible Company Award in 2022, chosen by the Serbian Association of Managers.

All stated awards and accolades are yet another confirmation of our absolute commitment and expertise. We have succeeded in achieving record business results and a double-digit growth in all business segments with a total net loan balance of

EUR 4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by cca 6% comparing to 2021, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily for SMEs operating in less economically developed areas of the country. We have additionally reinforced the position of the largest corporate and retail creditor, as well as the leader on the market of factoring, leasing and e-commerce services.

I am extremely proud to say that 2022 was the most successful year in the history of operations of OTP Group in Serbia. This also implies a responsible relationship towards natural resources and the environment, since sustainable banking rests on the premise that social and environmental objectives must be included in the creation of all financial policies and products. Precisely for this reason and in accordance with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. In June 2022, we at OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals.

Our network comprising 155 branches in 91 cities and 268 ATMs is among the largest in our country, through which we want to maintain a personal contact with our clients. In 2022 we expanded accessibility for private banking clients

by also opening a location in Novi Sad in order to provide comprehensive customer support in the domains of daily banking and investment services, as well as two OTP partner branches intended for partners, investors, brokers and third parties. At the same time, we are focused on innovation and digitization of operations, which provide clients with new benefits with a focus on enhancing digital banking and user experience.

We have defined the innovation strategy with four development directions and on this path we have realised more than 12 events with active participation of 1,180 colleagues. I would especially like to point out the format "INNOVATION Challenge", a challenge through which colleagues have the opportunity to learn how to develop ideas through different methodologies and thereby generate new ideas.

So far, there were 106 ideas during two challenges with active participation of 300 colleagues. This tells us that open communication exists among teams with an agile work principle and wish for creative thinking. I am glad that this was also recognised by HR professionals that presented to OTP banka the "Employer Partner" certificate, a prestigious HR accolade from consulting company "Selectio", as well as the "Human Driven Reshape" award for the best 2022 HR internship, for the BFF (back/front force) program, presented to us by ManpowerGroup.

Speaking of corporate social responsibility, we achieved excellent results and deservedly received numerous awards, which confirms that our activities and efforts to contribute to a sustainable future and a better and more humane society are

recognized as examples of good practice. The Bank's priorities in this area are ecology, sports, culture, support to socially sensitive groups, financial education and support to smaller local communities. I would like to particularly single out the Generator Zero competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with the BOOKA publishing house, and the partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. We have remained the official bank of the Olympic Committee of Serbia in the sixth Olympic cycle, as well as faithful institutional partners of the Galery of Matica srpska, and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

Bearing in mind that we managed to complete 2022 with excellent results and initiatives, and knowing what challenging circumstances the whole world is facing, our awards have greater significance and give us optimism that we are ready to welcome the next year, determined to continue providing strong support to the economy and citizens.

Sincerely,



**Predrag Mihajlović**

## 2.2

# About OTP Group



OTP Group is the fastest growing banking group in Central and Eastern Europe, with unique knowledge of the region to which it is strategically committed, with exceptional profitability and stable capital and liquidity position. With integrity and determination OTP Group is working towards helping the development of the Central and Eastern European region to become the continent's growth engine.

OTP Group is headquartered in Hungary and has a diverse and transparent ownership structure. The banking group has been listed on the Budapest Stock Exchange since 1995.

We strive to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. We use synergy within our group and act as a driver of digital transformation of the region. The banking group provides universal financial services to over 16 million clients in 11 countries and employs more than 35,000 employees.

OTP Group is an inclusive, diverse and progressive European employer. OTP Group's future-oriented operations and development efforts focus on environmental, social and governance sustainability, while simultaneously aiming to reinforce its position as the best employer in the CEE region. We are developing financial literacy programs for the entire Group, while working to enable sustainable development across the region.

The predecessor of OTP Bank, National Savings Bank, was established in 1949 as a national, state-owned bank for the provision of services related to retail deposits and loans. Its activities and powers gradually expanded over the following years. In 1990, the National Savings Bank became a public company with a share capital of 23 billion forints. Its name was changed to National Savings and Commercial Bank. Subsequently, non-banking activities were separated from the bank, along with their supporting organizational units. The privatization of OTP Bank started in 1995. The ownership structure is currently characterized by diversity - shareholders

are mostly private and institutional (financial) investors.

OTP Bank started its international expansion targeting Central and Eastern European countries, which offer great potential for economic growth similar to Hungary. As the most active consolidator in the banking sector in the region, the Group has successfully acquired and integrated 23 banks since the early 2000s. Currently, the Bank is the market leader in Hungary, Bulgaria, Serbia and Montenegro, and as of 06 February 2023 it also became the market leader in Slovenia after closing the deal for the purchase of 100% of the Slovenian Nova KBM d.d. banka. Completion of the integration process of two Slovenian subsidiaries: SKB banka purchased in 2019 and Nova KBM banka is expected in 2024. New bank will be the largest foreign subsidiary of OTP Group.

In addition to Hungary and Slovenia, OTP Group currently operates in Albania (OTP Albania), Bulgaria (DSK Bank), Croatia (OTP banka Hrvatska), Romania (OTP Bank Romania), Serbia (OTP banka Srbija), Ukraine (JSC OTP Bank), Russia (OAO OTP banka), Moldova (Mobiasbanca) and Montenegro (Crnogorska komercijalna banka) through its subsidiaries. Additionally, in December 2022, the acquisition process of Alpha Bank Albania was completed, which further strengthens OTP Group's position on the Albanian market. Also, the purchase and sale contract on the privatization of the Uzbekistan's Ipoteka Bank was signed in the same period, by which OTP Group entered a new 12th market. With the rich experience from previous acquisitions, the Group will contribute to further development of this dynamic market with its innovative products and services.

For the first nine months of 2022, OTP Group's consolidated profit after tax stood at HUF 439.1 billion, which is higher by 18% compared to previous year. The adjusted 1-9M ROE stood at 19.1%. For the same period, the Group realized HUF 645 billion operating profit (+33% y-o-y). Total income for that period increased by 27% y-o-y, within that the net interest income increased by 25%, while net fee and commission income grew

slightly slower, by 21% y-o-y and other net non-interest income grew by 59%.

OTP Group is a pioneer in digitization and has been proactive for nearly 30 years in the field of digital transformation of its business and implementation of new technologies in the financial market. The strategic focus on innovation has opened up the possibility of working with more than 1,500 startup companies within the OTP Startup Booster program, which represents the most extensive innovation program of the Group, and in which OTP banka Srbija also participates. The goal of the program is to create new and innovative solutions for specific banking and organizational needs, as well as for broader socio-economic challenges, through long-term partnerships between OTP Group and startups, which has been recognized by multiple awards for the best incubator and accelerator program in Europe.

Sustainability is at the very top of OTP Group's priorities, with the aim of avoiding negative impacts on the environment and society, and exploiting the business improvement potential. OTP Group identifies its priorities in the field of sustainability in accordance with global challenges and trends, as well as with the expectations of stakeholders. Identified priorities include focusing on products that have a positive environmental and social impact, as well as financial education. In line with the Green Plan of the European Union, OTP Group has defined the ESG strategy pillars with the aim of becoming a regional leader in green financing and building a sustainable future. The Group has also signed the Principles for Responsible Banking of the United Nations, which is a unique framework for the sustainable operation of this sector, developed through a partnership between banks worldwide and the United Nations Environment Program Finance Initiative. We have thereby joined the world's largest banking community focused on sustainable financing.

In addition to the Best Bank award in Serbia received by OTP banka Srbija, the world magazine The Banker, recognizing the ambitious strategy of expansion, digital transformation and customer orientation, also awarded the parent OTP Bank in Hungary, as well as OTP Group members in Bulgaria, Slovenia and Albania. The prestigious magazine Euromoney also recognized that OTP is the best bank in five markets by presenting the "2022 Euromoney Excellence Awards" as the Best Bank to OTP Bank in Hungary, Bulgaria, Moldova and Albania, which proves its international expertise and leadership position in Central and Eastern Europe.



over  
**16 million**  
clients



more than  
**35,000**  
employees



**11 countries**  
in Europe

## 2.3

# About OTP banka Srbija a.d. Novi Sad

In the year in which the world-renowned magazines "Euromoney" and "The Banker" have proclaimed the OTP banka for the best bank in Serbia record-breaking business results are recorded. These are traditional prestigious accolades awarded to financial institutions that provide clients with the highest level of service, innovation and expertise. As a result of the successfully implemented most complex integration in the region in the midst of the pandemic, excellent business results with growing profitability, operational efficiency and sound growth of the loan portfolio, OTP banka has distinguished itself as a leader on the banking market. Following the completed integration, the Bank managed to keep and enhance the position of the largest corporate and retail creditor in 2021 and 2022, as well as the leader in the market of factoring, leasing and e-commerce services.

Our comparative advantage and what distinguishes us in the banking market are the trust of our clients, the commitment of our partners, the expertise and dedication of our employees, with the strong support of the parent OTP Group.

In 2022 a double-digit growth in all business segments was generated with a total net loan balance of EUR 4.5 billion, with EUR 6.3 billion in assets, 2,692 employees and over 732,000 active clients. In 2022 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 16,274 million dinars. Retail loans increased by ca 6% y-o-y, with a market share of 18.9%. In the course of 2022, the Bank was a leader in the housing loan market with a total share of 22.1%. In terms of cash loans, the Bank also holds a leader position with a market share of 19.7%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.6%. Our strong support to the SME sector was demonstrated by signing the contract with the European Bank for Reconstruction and Development (EBRD) on the loan amounting to EUR 25 million for further lending to small and medium-sized enterprises (SME) in Serbia, primarily for SMEs operating in less economically



developed areas of the country.

Our network comprising 155 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 268 ATMs is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

OTP banka pays great attention to corporate social responsibility and with reason it has positioned itself as a green transition leader in Serbia in implementing ESG principles of action. In June 2022, OTP banka Srbija adopted the ESG Sustainable Business Strategy, the implementation of which we have started and thereby committed ourselves to the fulfillment of set goals. In addition, we are finding innovative ways to achieve energy efficiency and on the roof of our central building we have a solar power plant so that the produced electricity goes directly to the EPS supply system. All branches are connected to a system that enables turning off lighting everywhere at the same time, and we have signed the contract on complete supply of electricity from renewable sources (100% ZeLEPS).

Our strategy is based on the sustainability principles, through achieving balance between economic, social and environmental impacts. The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We undertake and support initiatives that prevent creation of negative impacts on the environment. We are pleased that this was recognized by the professional public with numerous recognitions and awards in 2022. OTP banka Srbija was proclaimed the Socially Responsible Company of the year at the traditional awards ceremony of the Serbian Association of Managers, as a company that showed an exceptional contribution and responsible behaviour towards the social community in 2022.

Employees are our most important resource, which is why it is extremely important for us to provide them with a stimulating

work environment that leads to their professional and personal development. Equal opportunities for all employees, respecting their opinion, examining their satisfaction, fostering team spirit, fair play relations and professional ethics are just some of the important values of our corporate culture. In this regard, we are also glad to have received the "Employer Partner" certificate, the prestigious HR recognition of the "Selectio" consulting firm, as well as the "Human Driven Reshape" award for the best 2022 HR internship for the BFF (back/front force) program presented to us by ManpowerGroup.

At the same time, we are focused on innovation and digitization of operations, which provides clients with new benefits with a focus on enhancing digital banking and user experience.

Working on the experience of our users is one of the key aspects of our activities. The manner in which we, as an organisation, treat our clients and provide them positive experience, impacts our reputation and business results to a large extent. We at OTP banka invest significant resources so as to recognise the needs of our users, level of their service and product satisfaction, but also what to improve in interactions with our Bank. We proudly emphasize that OTP banka is the first to have designed the system for continuous monitoring of its users' satisfaction, and in 2022 we received feedback from around 100,000 clients. We could make the conclusion from the answers received that clients most value kindness and professionalism of our employees, as well as the efficiency of the Bank's loan approval process, which confirms our leadership position on the market in this area. Based on the comments coming from our clients, we have implemented a series of changes and enhancements, the most important of which are: the look and functionality of the mBank and eBank applications, introduction of the EUR cash-out function at all ATMs of OTP banka, the possibility to cash-in dinars at ATMs at 32 locations throughout Serbia, enhancement of written communication from the Bank to clients, as well as improving the process for sending feedback to clients. By placing user experience in the focus of our activities, we want to show that we are committed to responsible business and building a satisfied and loyal client base. In support of our commitment and building a customer-oriented culture, the fact that the results of measuring client satisfaction with our services have increased by 18% compared to 2021 (according to the results of the TRI\*M research, conducted by the IPSOS research agency) speaks for itself. Additionally, in cooperation with Google and Mastercard, during 2022 we have enabled to our customers swift, easy and secure payment by mobile phone via the Google Pay functionality.

A large number of initiatives and projects were realized throughout the year, of which are singled out the multiple-award winning Generator Zero Project, a competition for innovative solutions aimed at reducing the carbon footprint, the social entrepreneurship fair Generator of Good Deeds, the literary competition for the first unpublished novel with the publishing house BOOKA, and

partnership on the global initiative "Priceless Planet Coalition" by Mastercard, which aims to reforest endangered areas of the planet. As the official bank of the Olympic Committee of Serbia, and in the sixth Olympic cycle, we realized a series of educational sports events "Olympic training with OTP banka" in Bor and Kruševac. We remained the institutional partner of the Gallery of Matica srpska and in 2022 we realized a large-scale monographic exhibition dedicated to the work of Uroš Predić, one of the most important Serbian painters.

OTP banka is a member of various business organizations and associations, through which it actively promotes highly ethical business standards and strives to contribute to the development of socially responsible and sustainable practices through specific engagement. Some of these associations are: Association of Serbian Banks, Serbian Chamber of Commerce, Serbian Chamber of Vojvodina, ACI Serbia, American Chamber of Commerce, French Chamber of Commerce, Responsible Business Forum, Serbian Philanthropic Forum, Association of Serbian Economists, Association of Economists of Vojvodina, Foreign Investors Council, Serbian Association of Managers, NALED, Serbian HR community, E-commerce Association of Serbia, Digital Serbia Initiative and Interactive Advertising Bureau (IAB). OTP banka is also a proud member of the Friends of UNICEF Club.

OTP Group also includes OTP Leasing Srbija, a leader in the leasing market by production, as well as OTP Osiguranje, which provides life insurance services through OTP banka, as an insurance agent. Non-financial data for OTP Leasing Srbija and OTP osigurnje are not included in this report.

The Bank is based in Novi Sad, at address Trg slobode 5, in the very city centre. OTP Bank Hungary is the 100% owner of OTP banka Srbija

The activities of OTP banka have directly contributed to the achievement of as many as nine UN Sustainable Development Goals.



Our representatives in the new convocation of management bodies of the Responsible Business Forum

Predrag Mihajlović, President of the Executive Board, was elected to the newly elected Presidency of the Responsible Business Forum (RBF), while Milena Mićanović, Head of Communications and PR, was elected to the Board of Directors. All members of the Presidency (three members) and the Board of Directors (five members) were elected based on votes of 20 out of 27 companies, members of the RBF, for a period of three years.

The membership of two representatives from the Bank's highest management in the newly elected convocation of management bodies of the Responsible Business Forum confirms the Bank's strong commitment to make sustainable and responsible business one of the priorities and most important indicators of the Bank's business success in the coming period.

"The Responsible Business Forum, of which the Bank is a long-term member, plays an extremely important role in the process of connecting, synchronizing and coordinating business, public and civil sectors, which represent key factors in the development of the entire society in the direction of sustainability. This synergistic role is of great importance for all members of the Forum, and the mentioned togetherness represents the best way to a better and more humane society", said Predrag Mihajlović, President of the Executive Board on this occasion.

#### Awards for OTP banka in 2022

OTP banka was proclaimed "Best Bank in Serbia" at the awarding of annual prizes by the world-renowned Euromoney magazine. This is the traditional Euromoney Award for Excellence 2022, awarded to financial institutions providing top quality services, innovation and expertise to clients.

"I am exceptionally proud that OTP banka has been awarded this prestigious award for Best Bank in Serbia. We are pleased that Euromoney magazine has recognized the importance of our business results and strategic orientation of our activities during one of the most demanding periods for the financial market. Behind us is the most complex banking integration in the region and we have achieved excellent business results with high profitability and continuous growth in all business segments. Our comparative advantage that distinguishes us on the banking market in clients' trust, determination of partners, expertise and commitment of our employees, with strong support of the parent OTP Group. This award is not just a great honour, it also implies responsibility to continue in the same direction in the forthcoming period, with the same enthusiasm", said Predrag Mihajlović, President of the Executive Board.

Just three months from receiving the Euromoney Award for Excellence 2022 for the Best Bank in Serbia, the world magazine

Euromoney presented one more accolade to OTP banka "Euromoney Market Leader in Serbia for Corporate Banking". Taking into account Bank's operations in their entirety with a special focus on cooperation with the corporate sector, upon detailed analyses and interviews with colleagues from the Corporate Division the expert editorial jury of Euromoney magazine decided that OTP banka is one of the best choices for doing business in the corporate segment in Serbia.

At the traditional annual awards ceremony of the world financial magazine The Banker we were declared for The Best Bank in Serbia.



The Best Bank annual awards of the financial magazine The Banker, with almost a hundred years of business tradition within the global financial group Financial Times, are considered the market standard for excellence in banking and the most prestigious accolades in the financial world. Joy Macknight, editor of this magazine, stated on this occasion: "Pulling off a sizeable merger in the midst of a global pandemic is worthy of many tributes, which is part of the reason OTP Banka Srbija is the Bank of the Year 2022 winner for Serbia. In addition, it clinched the award with its strong financials, ESG strategy and the progress made in its digital transformation." When deciding on the best, financial experts and analysts compare banks' operations and evaluate success based on clearly defined criteria of market position, growth and performance, return on capital, strategic initiatives, technological development and the quality and innovation of products and services offered. Mr Predrag Mihajlović, President of the Executive Board received this prestigious award at the gala ceremony in London, which was held within the Global Banking Summit.

At the traditional awards ceremony of the Serbian Association of Managers, we were declared the Socially Responsible Company of the Year, as a company that in 2022 showed exceptional contribution and responsible behaviour towards the social community. The annual awards of the Serbian Association of Managers are traditionally presented to the best in Serbia - managers, employers, companies and individuals who advocate for the improvement of the business environment, the promotion of the managerial profession, best business practices and responsible business, as well as for a

better life of all citizens as a whole.



"Benefactor 2022" is another recognition that we won as one of the most responsible companies in Serbia during the previous two years. This award is given as part of the "Best of Serbia" campaign organized by the Association "My Serbia" in cooperation with the Consumer Centre of Serbia and with the support of the City of Belgrade. The objective of the launched campaign is to encourage companies and individuals to invest in the development of the community in which they live and work, to protect the environment, as well as to help citizens in need of help. Another award for corporate social responsibility confirms that our activities and efforts to contribute to a sustainable future and a better and more humane society are recognized as examples of good practice.

### 2.3.1. Governance

In the spirit of responsible corporate governance, the Bank has in place guidelines to ensure that the Bank's operations comply with internationally recognized corporate governance rules and standards and that public disclosure of data on its governance and operations makes it a transparent and verifiable company.

The Bank operates within an efficient corporate governance framework by establishing a unified system of authorizations, procedures, and controls, in accordance with the provisions of domestic regulations and best international practices, striving to protect the interests of all stakeholders in the corporate structure. The Bank's priority is to create value for shareholders in combination with the implementation of socially responsible practices, activities, and initiatives.

In accordance with the Law on Banks, the bodies of the Bank are: the Assembly, the Board of Directors, and the Executive Board, of which the Board of Directors and the Executive Board are the governing bodies of the Bank.

The Bank's Board of Directors consists of 8 members. The mandate of a member of the Board of Directors is 4 years, with

the possibility of reappointment.

The Bank's Executive Board consists of 6 members. All members of the Executive Board are employees of the Bank, pursuant to the Law on Banks. The mandate of a member of the Executive Board is 5 years, with the possibility of reappointment.

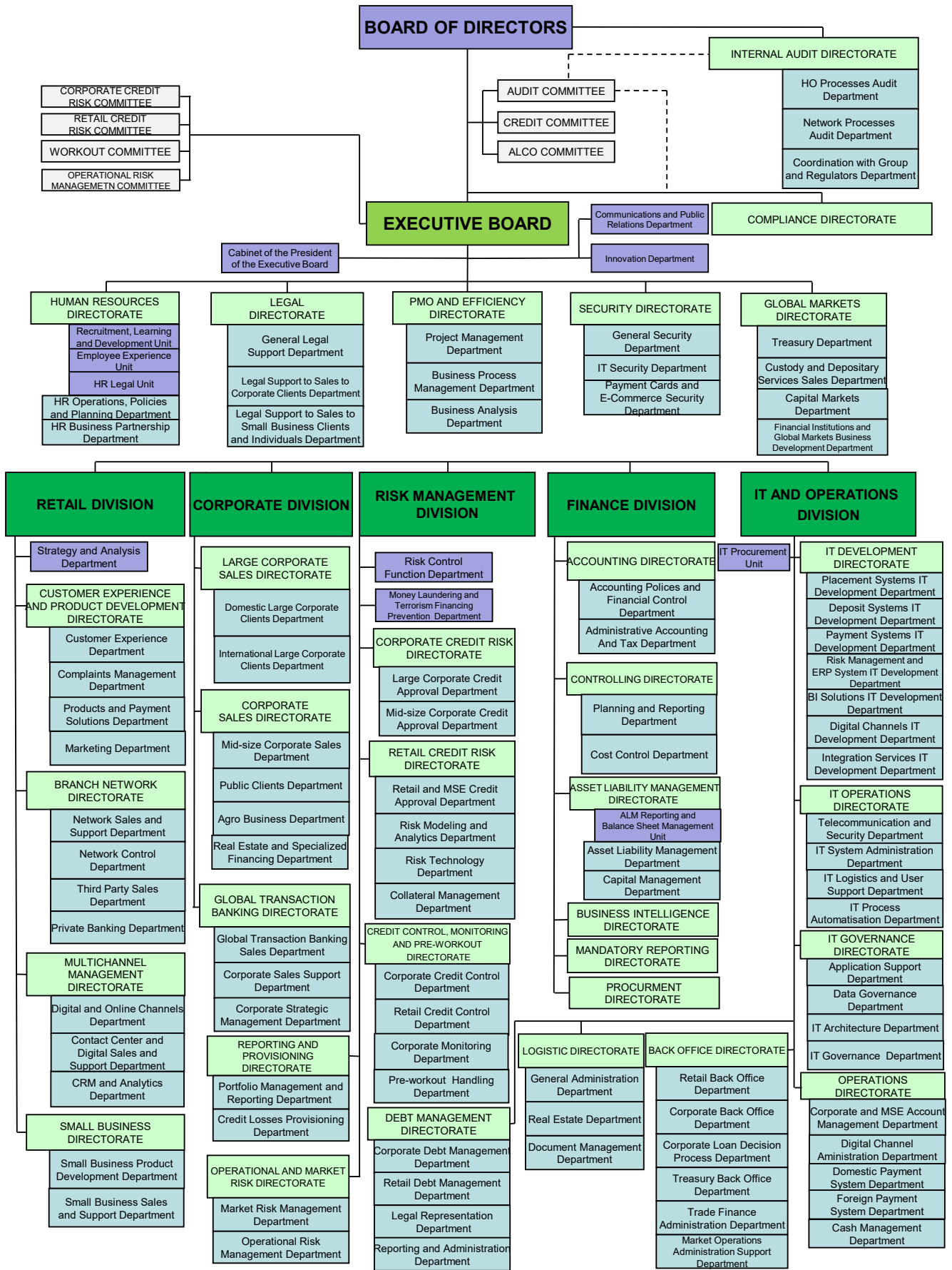
All members of the Board of Directors and the Executive Board have been assessed by the National Bank of Serbia as persons with a good business reputation and appropriate qualifications. The Bank has in place Procedures for the appointment or reappointment of members of the Board of Directors and the Executive Board, which are in line with the Law on Banks and the Decision and Instructions of the National Bank of Serbia regulating this matter.

Details on members of the Board of Directors and the Executive Board of the Bank are publicly available on the Bank's website <https://www.otpbanka.rs/o-nama/rukovodstvo/>





## 2.3.2. Organisational structure



## 2.4

# Sustainability approach



Responsibility is the foundation of OTP bank's operations in all aspects. As one of the leading companies in the Serbian financial sector, we are aware that we play a significant role and affect the social and natural environment in which we operate. This is the reason why we base our business strategy to a significant extent on the principles of sustainable business through the realization of a balance between economic, social and environmental impacts and goals.

OTP bank's responsible operations are based on the following pillars:

- Responsibility towards the market
- Responsibility towards employees
- Environmental responsibility
- Responsibility towards the community

In line with the pillars of responsible business, we have identified the following stakeholder groups as the highest priority in the context of sustainability:

**Clients** - Creating innovative products tailored to the needs of our clients, measuring their satisfaction, as well as providing special financial support and incentives for vulnerable groups of clients are just some of the manners in which we contribute to the overall sustainability of the business.

**Employees** - Employees are our most significant resource, which is why it is extremely important for us to provide them with a stimulating work environment resulting in their professional and personal development. Equal opportunities for all employees, appreciating their opinions, questioning their satisfaction, nurturing team spirit, fair play relationships and professional ethics are just some of the important values of our corporate culture.

**Suppliers** - By empowering our suppliers and promoting sustainability in the supply chain, we contribute to employment

and encourage the development of the local economy and local communities. We strive to maintain long-term partnerships based on equality and transparency.

**Community** - In addition to independently initiating projects aimed at the well-being of the community, we are involved in initiatives of wider social importance. Our priorities in this activity segment are supporting innovative projects and entrepreneurship, supporting sports, supporting projects in the field of preservation of cultural and historical heritage, contributing to financial education, as well as providing assistance to the local community, particularly the most vulnerable social groups. By joining local networks that promote sustainability as a healthy and desirable business model, we exchange best business practices and launch new initiatives. We believe that the successful development of the broader social community requires the joint action of the business, civil and state sectors.

**Environment** - By continuously improving energy efficiency, responsible resource management and reducing direct and indirect impact on the environment, we are implementing environmentally responsible practices. For us, economic growth is incomplete if it does not imply a responsible attitude towards natural resources and the environment

In line with the principle of materiality, and taking into account business objectives, broader economic and social context of sustainability, as well as the results of research on stakeholder attitudes, OTP Group has identified the following topics as material:

1. Socio-economic compliance of business
2. Anti-corruption
3. Economic performance
4. Prevention of anti-competitive behaviour
5. Market presence
6. Anti-discrimination

7. Public policies
8. Indirect economic impacts
9. Employee training and development
10. Safety and health at work
11. Diversity and equal opportunities
12. Employment
13. Labour rights – employee-management relationship
14. Safety practices
15. Product portfolio with social and environmental impact
16. Advertising and product labelling
17. Personal data protection
18. Local community
19. Business compliance in the field of environmental protection
20. Greenhouse gas emissions
21. Energy

OTP Group members follow the list of identified topics and adapt it to the local context if necessary. The approach of OTP banka Srbija a.d. Novi Sad to these topics, as well as relevant quantitative and qualitative performance indicators in these fields are described in the following chapters, while a tabular overview can be found in the GRI Index section.

The 2021 Annual Business Report of OTP banka Srbija a.d. Novi Sad also contains a detailed overview of the company's non-financial performance, which reflects the integration of sustainability into all aspects of business, and is in accordance with the requirements regarding non-financial reporting defined in the Law on Accounting of the Republic of Serbia.



# 2.5

## Business ethics and responsible business practices

Our dedicated employees who possess corresponding knowledge and who act in accordance with high ethical standards are the basis of our success. All Bank employees are expected to perform their work in full compliance with ethical and professional standards.

Transparent operations, as well as harmonization of Bank and clients' interests, are of the greatest importance for business success. We are convinced that ethical business essentially contributes to increasing performance and competitiveness, as well as domestic and international reputation.

### 2.5.1. Compliance and anti-corruption

The compliance function is carried out in order to create a legal and ethical corporate culture which ensures prudent and ethical operations of the Bank in the long run. The rights and interests of the Bank, its employees and shareholders, clients and other persons entering into a contractual relationship with the Bank under any grounds are protected by observing statutory regulations, as well as anti-corruption and fair competition related requirements. In implementing the compliance function, the OTP banka applies the following principles: independence, integrity, unhindered operation, objectivity, preventive and proactive approach, risk-based approach, proportionality, high level of professional diligence and competence, full coverage, efficiency, rationalization of compliance costs.



### Compliance and anti-corruption

Anti-corruption and compliance risk management are in the purview of the Compliance Directorate. Activities conducted within the compliance function encompass the Bank in its entirety as well as all its organisational units and activities. Persons who perform outsourced activities or who are engaged as experts or advisors, whether natural persons or legal entities, must also meet compliance requirements and standards.

Legislation and internal documents that govern the compliance and anti-corruption areas at OTP banka are: the Compliance Policy/Anti-corruption Rules as part of the Policy, the Code of Ethics of OTP banka Srbija a.d. Novi Sad, Law on the Prevention of Corruption, Law on the Agency for Combating Corruption, the Criminal Code, Law on Lobbying, Law on Protection of Whistleblowers, Law on Financing Political Activities, the Wolfsberg Group Anti-Corruption Guidelines.

The Compliance Directorate assesses exposure to compliance risks including corruption risk on a periodical basis. In addition to quantitative information and data, the risk assessment also considers quantitative aspects (for instance expert assessments, as well as assumptions and restrictions of the risk measurement model), therefore in its compliance risk management and evaluation process the Bank is not only limited to a subjective assessment, but it also relies on objective indicators. Based on the risk assessment results, the Compliance Directorate may give recommendations in order to mitigate identified risks and enhance management over this area. The Bank's management as well as the Parent Bank are informed on all activities of the Directorate in connection with this area through regular reports. Periodic controls-investigations are planned and implemented if necessary.

OTP banka Srbija is committed to preventing corruption and has declared zero tolerance for all forms of bribery and unfair advantages. No corruption act was recorded in the Bank in 2022,

nor have public proceedings been initiated against the Bank or its employees.

Aiming to apply zero tolerance against corruption, the Bank applies the following procedural and business principles:

- In order to avoid concentration of decision-making powers with one person, the Bank strictly defines roles and responsibilities of employees with adequate and official determining of responsibilities and clearly setting decision-making levels;
- The Bank develops officially created procedures for the performance of specific activities by individual employees and requests implementation thereof;
- The Bank, in accordance with and to the extent permitted by legal provisions, monitors the activity and transactions of individual employees;
- In all cases where relevant policies require so, the Bank expects all employees to make decisions based on pre-defined criteria.

The activities that are most exposed to the risk of corruption are: management of gifts and expenses for hospitality for business purposes, charity and sponsorship, connecting with contractual partners, assuming contractual obligations, purchase, management and maintenance of investments and assets, employment, procurement, management and sale of real estate. The above list is not exhaustive and the Bank pays attention to all other activities that may pose a risk of corruption. The Bank performs risk-based assessment at predefined intervals to determine which organizational units and activities are subject to anti-corruption activities.

During the first half of 2022, the risk assessment performed pertained to the period from 30.09.2021-31.03.2022, and no significant risks were identified on that occasion. Based on the applied methodology, the cumulative risk of exposure to corruption indicators is low. For 2022 all directorates and branch network and business centre representatives stated that the risk of exposure was low, and that there were no corruption-related events in that period, which was also confirmed by expert assessment.

Gifts and other offers also represent a severe corruption risk. For the purpose of protecting against corruption, the Bank has clearly defined rules governing giving and receiving of gifts. The Bank considers that any attempt to influence an administrative procedure or decision-making independence in an inappropriate manner through gifts or offers of hospitality for business purposes is unacceptable and accordingly strictly prohibits the giving or receiving of such gifts or offers for the purpose of gaining an undue advantage. The Bank also extends this prohibition to persons who communicate with its employees or contractual partners in order to ensure that the persons in question cannot be influenced by their family members, friends or any other acquaintances who are closely related to them. In the course of 2022, a training was held for all employees in

the area of Ethics - receiving gifts entitled: Encouraging gift reporting.

The Bank pays special attention to ensuring that its employees and contractual partners are fully familiar with the Bank's approach to these policies as well as with the obligations arising therefrom for them. In 2022 all employees were informed on the adoption of a new version of the Compliance Policy with the Anti-corruption Rules as its Appendix, and of the Code of Ethics by their publication of the Bank's intranet page. The adoption and amendments of the stated acts are directly communicated to Directorate Heads. During the introductory training, all employees become familiarised with the stated acts. In cooperation with the Human Resources Directorate, the Compliance Directorate organised an online training for all employees in the first quarter of 2022. The aim of the training was to familiarize all Bank's employees and persons engaged in work by the Bank with: regulations in the area of ethics and anti-corruption, in the part related to receiving gifts, then with the basic operating principles of the Bank in the area of receiving gifts and anti-corruption, established controls and mechanisms of reporting actions that have elements of corrupt actions or conflicts of interest. Examples of prohibited and permitted receipt of gifts have also been presented. The frequency of training depends on the estimated risk to which the Bank is exposed, it is foreseen in the Annual Work Plan for the following year, and if necessary, employee training can be conducted more often.

The Bank publishes the anti-corruption rules on its website, and all clients, business partners and third parties are thereby familiar with them. In addition, provisions relating to compliance with the requirements and principles of the Code of Ethics and the Compliance Policy, which also include anti-corruption principles, are included in contracts with third parties.

### Conflict of Interest

The Bank has an acquired business interest as well as a statutory obligation to ensure that the personal interests of its employees and members of its governing bodies are not in conflict with the business interests and obligations of the Bank and its clients; that the Bank recognizes, prevents and manages conflicts of interest related to its various business activities; and that it regulates and ensures the assessment of supplier compliance (supplier screening).

The Bank is developing a Conflict of Interest Management Policy for investment and ancillary services related to its investment services, ancillary services and related financial services, which lead or may lead to a conflict of interest that could potentially cause adverse consequences for the business partner. This Policy also defines detailed rules and measures that enable the prevention, identification, and management of conflicts of interest that may harm the business partner.

## Code of Ethics

OTP banka's Code of Ethics formulates clear and unambiguous guidelines and expectations in the field of ethical operations of the Bank and its subsidiaries, all for the purpose of protection and preservation of the Bank's values.



The Bank has adopted the Code of Ethics of OTP banka Srbija a.d. Novi Sad, which is constantly changing and developing in accordance with external and internal changes and requirements. The Code of Ethics is based on international standards and best practices, as well as the Bank's own practical experience, taking into account the requirements imposed on the Bank and their practical implementation.

The binding corporate governance system of the Bank simultaneously contributes to the trust and satisfaction of clients, increasing the market value of shares and developing socially responsible behaviour.

Supervision of compliance with ethical rules in the Bank is performed by the Ethics Committee in accordance with the basic principles and expected behaviours set out in the Code of Ethics.

The Bank considers it extremely important to inform all its employees of ethical standards and develop awareness of the standards of business ethics, so in order to achieve that goal, it implements the so-called ethical distance learning (e-learning) training that includes all employees.

The Bank also regularly supervises and monitors compliance with ethical norms.

The Code of Ethics prescribes obligations to the Bank's management and members of the Board of Directors, the Executive Board and the Audit Committee, its employees, as well as business partners with whom the Bank has signed a contract. For the purposes of the Code of Ethics, the term business partner means representatives, experts, intermediaries, advisors, agents, subcontractors, and suppliers, i.e., companies, entrepreneurs and individuals who have established a contractual legal relationship with the Bank. All the abovementioned persons are obliged to act in accordance with the provisions of the Code of Ethics for the entire duration of the employment or contractual legal relationship - both during and after working hours.

In addition to the anti-corruption and conflict of interest

provisions, the Code of Ethics covers other relevant topics, such as anti-discrimination, prohibition of abuse, safe and healthy working environment, etc., described in more detail in the following chapters.

The reporting channels defined by the Code of Ethics include the following manners:

- in person, during working hours in the Compliance Directorate
- by calling the ethical issues hotline on 021 /4894 906 during working hours - 8 AM to 8 PM, Monday to Friday
- by mail, to the address of OTP banka Srbija a.d. Novi Sad, Compliance Directorate (Trg slobode 7, 21000 Novi Sad)
- via e-mail to: [etickapitanja@otpbanka.rs](mailto:etickapitanja@otpbanka.rs)

All reports are examined in accordance with the applicable regulatory document of the Bank on reporting unethical conduct, which is published on the Bank's website. Persons reporting must not be subject to any discrimination or unfair treatment in relation to their reports. Violations can also be reported anonymously.

## 2.5.2. Product labelling and advertising

Product advertising is the responsibility of OTP banka's Marketing Department, while the Communications and Public Relations Department is also actively involved in the external presentation of products and services, whereby the Online Sales Unit is particularly engaged in targeted online advertising. Advertising is subject to checks by the Bank's Legal Directorate and the Compliance Directorate.

All OTP banka's products must be presented in accordance with local regulations, which includes, among other things, a fully transparent presentation of product functionality and all associated costs, if any, as well as the manner in which the right to some of the products or services can be exercised. Legislation related to this field includes the Law on Advertising, the Decision of the National Bank of Serbia on Detailed Conditions for Advertising Financial Services, and the Law on the Protection of Financial Services Consumers.



In accordance with the Decision of the National Bank of Serbia on Detailed Conditions for Advertising Financial Services, an advertising message promoting services provided by the bank under loan contracts, contracts on issuing and using credit cards, contracts on overdrafts, and other loan services, which contains an interest rate or any numerical data related to price or income - must contain a representative example with clearly and precisely stated information on the following:

- loan type;
- amount and variability of the annual nominal interest rate;
- effective interest rate (the amount of which must be presented so that it is more visible than other data);
- currency in which the loan is contracted;
- tenor for which the loan is contracted;
- loan indexation criteria;
- total loan amount that the beneficiary will repay at the end of the contracted period;
- all costs borne by the beneficiary.

OTP banka has adopted the internal document Social Media Rules, the purpose of which is to define rules for using the Bank's own platforms on social media and facilitate transparent, uniform communication of the Bank that is consistent with its brand. The rules apply to Bank's managers and employees who are in charge of managing the Bank's official platforms on social media or who officially represent the Bank on social media.

In addition, the Rules are also intended to provide guidelines to employees for the use of social media sites, whether for professional or private purposes, while protecting the reputation of both employees and the Bank, and the OTP brand itself. The Rules direct every employee of the Banking Group to use social media in an ethical manner with the aim of protecting the reputation of both the employee and the Bank and the OTP brand. The rules pertaining to an individual's behaviour on social media include both personal and professional communication. These Rules provide guidelines for the interpretation and practical use of the principles set forth in the Bank's Code of Ethics.

When publishing any content on its social media sites, the Bank always takes into account the public nature and long-term life cycle of comments. The Bank strives to participate in fair, honest and transparent communication; the content always complies with the Code of Ethics, does not give rise to the violation of personal rights or the violation of business or banking secrets, and does not represent political statements.

In line with relevant procedures, the Compliance Directorate participates in providing a preliminary opinion on the commercial practice and communication without standard elements and forms proposals for avoiding concerns and client protection risk.

The Bank pays special attention that the partners who mediate

in its services fully comply with the user protection rules and provisions of the Bank's Code of Ethics in the case of any advertising material related to the Bank's products and services, including social media content. Likewise, in the case of partnerships established for commercial purposes, the Bank pays special attention to the implementation of rules on user protection and provisions of the Bank's Code of Ethics.

The Bank's Compliance Directorate may be reached at e-mail address [etickapitanja@otpbanka.rs](mailto:etickapitanja@otpbanka.rs) for the purpose of receiving notifications from employee should they notice any kind of behaviour or content on social media that violate provisions of adopted Rules or Code of Ethics. The Bank shall investigate any notification and concern reported in connection with social media content.

In the course of 2022, there were no recorded cases of not complying with the regulations in connection with labelling products and services and voluntary codes and standards at OTP banka. There were also no cases of not complying with regulations in connection with labelling products and services.



The Contact Centre (0800 23 23 22 and 011 30 11 555) is available to clients for all information on products and services, 8 AM to 8 PM on weekdays and 8 AM to 1 PM on Saturdays, toll-free for calls from landline and mobile networks in Serbia. They can also use the following e-mail addresses ([stanovnistvo@otpbanka.rs](mailto:stanovnistvo@otpbanka.rs) for retail and [privreda@otpbanka.rs](mailto:privreda@otpbanka.rs) for corporate clients).

In terms of complaint mechanisms, the Bank's goal is to ensure the prompt and efficient management of complaints in the best interest of its clients. The Complaint Management Department is responsible for this field, and the internal document regulating this topic is the Complaint Management Policy, published on the Bank's website. The Bank continuously monitors and acts in accordance with the laws and other regulations governing the protection of consumers i.e. financial services consumers, both in internal operations and in client relations.

Clients can submit their complaints via e-mail to [prigovori@otpbanka.rs](mailto:prigovori@otpbanka.rs), as well as in all branches of the Bank,

via the Contact Centre or post. Upon receipt of a complaint, the Bank will verify the allegations and respond to the client in writing as soon as possible, and no later than 15 days from the date of receipt of the complaint, or within 30 days in exceptional cases beyond the Bank's control. If the Bank fails to provide a response within the specified period or the client is not satisfied with it, the client may file a complaint to the National Bank of Serbia, Department for Financial Consumer Protection.

OTP banka reports to the National Bank of Serbia on complaints and the procedure for client complaints, in the manner determined by the National Bank of Serbia.

### 2.5.3. Protection of personal data

The Bank is committed to the proper protection of personal data that it processes, in accordance with the Law Personal Data Protection Act the Republic of Serbia, and where applicable (where it does not conflict with domestic legislation) the provisions of the EU General Regulation on the Protection of Personal Data. As part of that, the Bank has established, manages and implements a system for regulation, implementation and auditing, which ensures adequate protection of personal data by fulfilling the criteria established by the current legislation, and protection of the Bank's basic business interests.

The Bank has adopted internal acts that define the rules related to personal data processing activities carried out in the Bank and which additionally work on developing awareness among clients and employees about the protection of personal data in terms of protecting the rights and freedoms of individuals and their data, such as notifications about the processing of personal data, training and training programs, as well as other types of communication.

The Bank has adopted the Rulebook on the Protection of Personal Data, the purpose of which is primarily to summarize important provisions on the processing of personal data - and in particular the tasks and frameworks of cooperation of organizational units involved in data protection activities - collected, obtained or otherwise acquired by the Bank in the course of its business operations, performance of business activities or services provision.

The Bank has also adopted the Personal Data Protection Policy, which applies to all personal data of Bank clients that the Bank processes, i.e. for which the purpose and method of processing is determined, as well as to other natural persons who are interested in the Bank's products and those whose data the Bank obtains in the course of its business in accordance with applicable legal regulations.

By following relevant legal regulations on the protection of personal data as well as the recommendations of both national

and European Union data protection authorities and the European Data Protection Board, the Bank ensures compliance with the best practices expected by authorities.

The Compliance Directorate is the competent center for privacy and protection of personal data (hereinafter: Directorate), which offers guidelines and provides support to the Bank's organizational units and subsidiaries with regard to the protection of personal data. A person responsible for the protection of personal data who is also head the Compliance Directorate has been appointed within the Directorate. According to the systematization, in addition to the person responsible for the protection of personal data, this topic is also tackled by two experts for the protection of personal data and an advisor for regulatory control of compliance, and these employees have been assigned to providing support to the person assigned to protection of personal data and the performance of his tasks. Also, the IT security department and the CISO (Information Security Manager) perform information security and incident management tasks defined under the Rulebook on the Protection of Personal Data, which are the responsibility of the IT Security Department.



The independent legal status of the Data Protection Officer ensures that matters related to the protection of personal data are considered at a high level. Personal Data Protection Officer / Employees of the Personal Data Protection Team provide data protection legal assistance to data owners regarding preparation of data processing documents previously prepared and drafted by the data owner, and participate in their completion. Data owners are employees of the processing unit specially designated to perform tasks of the controller in connection with the processing operations under the responsibility of the processing unit, or with the part of the processing under the responsibility of the processing unit and in a manner defined under the Rulebook for the Protection of Personal Data or any other internal acts that refers to processing. Data owners must know the reason for processing personal data, the legal basis of processing and their movements through the system under their competence. The Directorate has initiated with the competent heads of



Directorate the process of reviewing data owners in front of relevant organizational units that use existing or create new data in relation to the given purpose of processing, within the data management project. The goal is that employees who will be in charge of these activities are well aware of the reason for processing personal data, the legal basis and their movement through the system in the part of their competence, and to decide on the most effective approach from the aspect of resource use.

Personal data protection person/ Employees of the Personal Data Protection Team coordinate and facilitate uniform interpretation of data protection principles within the Bank and its subsidiaries, establishment and maintenance of uniform data protection practices, including coordination between individual data owners or between the Bank and its subsidiaries. Person assigned to personal data protection/ Employees of the Personal Data Protection Team ensure monitoring of changes in the Law and regulations related to personal data protection; monitors, applies and verifies the provisions and decisions of the Commissioner and the European Data Protection Committee (where applicable) in relation to the Bank's practice, and provides information to data owners regarding related changes for the purposes of keeping records of processing actions and periodically reviewing their legal background through information about changes in legal regulations and administrative practices.

In 2022, the Directorate provided support to part of control of the contractual documentation and its harmonization with the provisions on the Law on Personal Data Protection, and also by participating in various projects of the Bank and related workshops, giving opinions on the prepared assessment of the impact of the intended processing actions on the protection of personal data, Explanations in connection with the assessment of the fulfilment of conditions in the area of personal data protection, as well as regarding two tests of the assessment of legitimate interest.

In 2022, the Directorate implemented trainings on the protection of personal data aimed at raising awareness of employees regarding personal data protection. Training has been provided at Head Office of the Bank and referred to determining the data owner.

Every year, the Directorate conducts a risk assessment of personal data protection through certain risk indicators, to look at possible errors in the implementation of operational tasks and deficiencies in control mechanisms, which is a good basis for looking at the approach to managing the processing of personal data in the bank's organizational units. For year 2022, the risk of personal data protection has been assessed in the "not relevant" category, which means that no different action is expected from what has been foreseen.

The Bank performs legal, transparent and fair personal data

processing by implementing the following activities:

1. In a clear, simple and all-encompassing manner, informs the Data Subject about the purpose of the processing and the legal basis for the processing;
2. Only necessary processing is performed in order to implement the contract concluded with the Data Subject (e.g. Clients, prospect clients, hired associates, etc.), followed by processing required by the appropriate legal regulations and representing the legal obligation of the Bank as a controller, the processing that is necessary for exercising legitimate interests of the Bank, but only in cases where that interest prevails against the interest of the Data subject, as well as the processing made on the basis of the explicit and freely given consent of the Data subject.

The Bank processes personal data for specific, explicit, justified and legal purposes. Personal data may not be processed further in a way that is inconsistent with those purposes. In obtaining personal data, the bank adheres to the principle of minimum data volume, so that only those personal data that are necessary for the fulfilment of purposes for which they are processed are collected from the data subject. In the event that additional personal data is necessary, it may be obtained with the consent of the Data subject. The bank ensures the accuracy of personal data by applying technical and organizational measures and periodical updating of data. Data retention periods are determined in the internal acts of the Bank whereby the data is stored for a period necessary to attain the purpose of the processing and complies with legal requirements.

Personal data is considered business secret of the Bank and is classified as confidential data. In accordance with related classification, adequate protection measures are applied to protect these data from violation, unauthorized access, accidental loss, destruction, damage, and any other security threat. For these purposes, technical and organizational measures are being applied, such as control of access rights, establishment and implementation of the information security policy and other related internal acts, the establishment of a system of separation of duties, establishment and assurance of fulfilment of obligation of confidentiality and compliance with the law of all third parties who hold access rights. Personal data in the Bank's information system, the application of methods for monitoring access and activities in information systems, as well as the application of software solutions for the protection of information resources.

In the event of a personal data breach that results in or may result in the accidental or intentional destruction, loss, alteration or unauthorized disclosure of personal data during their processing, and which may result in a high risk to the rights and freedoms of natural persons – data subjects, the Bank will immediately upon becoming aware of such violation, without undue delay, inform the Commissioner and the data subject

in a clear and comprehensible manner with the mandatory indication of the contact information of the authorized person for the protection of personal data, a description of the possible consequences and of the measures taken. In case of breach of personal data, the Bank will immediately take appropriate measures in order to prevent further damage to the rights and freedoms of the data subject and to reduce the related consequences.

The Personal Data Protection Policy defines how the data subject, processed by the bank can exercise their rights. The data subject can exercise their rights by completing the request for the exercise of rights. Requests for the exercise of rights can be obtained from any of the Bank's branches or on the Bank's website, in the section provided for data protection. The submitted request should be legibly and properly filled out and signed (in the case of sending the request electronically, it must be signed with a qualified electronic certificate). The signed request for the exercise of the rights of data subjects may be submitted at any Bank branch. The bank will immediately respond to the request but no later than within 30 days from the date of receipt of the complete and correct request. The deadline can be extended by another 60 days if necessary, taking into account the complexity and number of requests. The Bank will notify the data subject of the extension of the deadline and of the reasons for such extension within 30 days from the date of receipt of the request.



The data subject may also submit the request electronically by sending the request for exercising rights to the email address which the bank designated for these purposes. ([zastita\\_podataka@otpbanka.rs](mailto:zastita_podataka@otpbanka.rs)).

Detailed information on the Personal Data Protection Policy, notices of individual processings, as well as terms of addressing requests for exercising rights are publically available on the Bank website.

Relying on experiences acquired by investigation of complaints submitted in relation to data protection contributes to the development and improvement of data protection in relevant areas.

During 2022, two complaints were received in connection with the violation of the right to privacy and protection of personal data, which were determined by the prescribed procedure to be founded from the aspect of personal data violation. In the same period, there were no cases in which personal data was lost or stolen.

#### 2.5.4. Accessibility of financial services

Following global trends in the digital banking segment, OTP bank pays special attention to the development of digital culture, with the aim of improving the accessibility of services and financial inclusion, which for us is an important business, but also a wider social issue. Caring and thinking about customer needs with the aim of providing a good user experience are our most important guidelines.

The four strategic objectives of OTP bank include:

1. building a digital culture
2. Improving client experience
3. Digitalizing and improving operations
4. Establishing data-based management

The following services to natural persons are fully available online, without coming to the branch

- cash loans with fixed interest rate
- Overdraft online
- Online opening of saving account and term depositing your funds
- Online creation of standing order for payments
- Online video surveillance with the bank – every working day between 8.00 and 18.00h and on weekends from 09.00 to 13.00h.

On the corporate side, the Hal E-Banking service has been enabled. The entire process of preparation, issuance, sending and receiving, as well as payment occur exclusively in electronic format through a standard security channel. This is a very useful functionality within cash management, and on a monthly basis our Bank has more than 20,000 e-invoices.

#### Accessibility for disabled persons

In addition to improving accessibility through digital channels, we are also committed to improving physical accessibility to our facilities - 40 branches of OTP Bank are accessible for disabled persons. In addition, 29 employees have been trained within our network to use language signs.

## Digital channels

After several months of committed work and research, OTP Bank launched a completely new and technologically improved m-bank application in 2022. The application provides a high level of performance and security, improved new functionalities, and a modern, intuitive and accessible design that will provide users a unique level of user experience.

Some of the numerous and improved features include high visibility and quick navigation, payment confirmation through face recognition or fingerprinting, dark mode of the application and improved locator of branches and of ATMs. Simpler management of quick payments, as well as downloading and sending confirmations through the application is also enabled.

Users are provided with improved forms of information display, such as overviews of transaction details including the name of the payer or recipient, description, account number, amount, currency. ApplePay activation is also available just a few clicks away, as well as the setting of "push" notifications as prevailing manner of receiving notifications of account changes.

The special value of the new m-bank application is the fact that it was tailored to the wishes of our clients, since their suggestions were taken into account and implemented during the creation.

For all users with access to automatic update of the m-bank application on their phone, the installation will be carried out by itself, and in case mobile device do not support this option, it can be downloaded from Google Play, Apple Store and AppGallery.

In cooperation with Google and Mastercard, we also enabled our customers to pay quickly, easily and securely by mobile phone via Google Pay. This service has been available to OTP Bank Mastercard payment card users since August 23 and is available in phones and smart watches that support NFC technology.



Users will be able to store debit cards in Google Pay as part of Google Wallet, a digital wallet that was launched in Serbia today. All that is required to install is to add a debit card to the Google wallet application (which can be downloaded from the Google Play Store) and then click on the "+" sign. When an OTP Bank client adds his card to his device, they can immediately start using Google Pay by touching the device to the POS terminal.

Thanks to the security measures that have been developed, unlike traditional payment cards, Google Pay does not allow merchants to see the card number, and a new token is generated at each transaction, so the card data remains concealed.

Back in 2019, OTP Bank was one of the first banks to introduce the option to use a mobile phone with the Android operating system as a payment card in the form of the mCard service, which implies payments via a digital Mastercard within the mBank application, while it enabled users of the iOS operating system, i.e. iPhone, Apple Watch, iPad or Mac device to use Apply Pay service.

We also successfully implemented the project of introducing a chatbot on the Viber platform, and from now on, in addition to Facebook Messenger, our clients can talk to Oti - OTP Bank's digital assistant on Viber as well. Chatbot is constantly "exercising" and is improving, so that our clients can quickly and easily fulfil their daily banking needs. In addition to Oti, we also opened a channel on Viber called OTPriča, where we bring all the activities, products and services of our bank closer to clients through interesting and useful posts.

## OTP partner branches in Belgrade and Novi Sad

OTP partner branch is a specialized branch intended for partners, investors, brokers and third parties who cooperate with the bank in the sale of products and services. It is an innovative and unique way of providing banking services on our market, which makes the bank a pioneer in this area. The first two OTP partner branches opened in 2022 in Belgrade and Novi Sad.

At issue is a new and different concept that makes us pioneers on the domestic market, which will increase the visibility and accessibility of the bank to potential partners. The concept is designed in order for the bank's partners to recommend OTP Bank to clients from the retail segment (through marketing activities) and assist, if necessary, in taking the bank's product or service. Clients visit this specialized branch at the exact scheduled time with maximum consideration and appreciation of the client's time, when it is necessary to sign the documentation.



An optimized, transparent and largely automated loan approval process is recognized as one of the basic tools for achieving the main goals of the project:

1. Enhancing client satisfaction by providing timely and uniform information on loan conditions (which they need to satisfy in order to submit the request and the necessary documentation) and improving response time to requests for loan approval/disbursement;
2. Increasing the satisfaction of the employees participating in this process through an optimized process (changed organizational division of roles within the bank) with improved system functionalities, which will increase the quality of loan requests, and also facilitate work and shorten the time required for the implementation of activities of the participants in the process.

OTP partner branches in Belgrade and Novi Sad are located near the Belgrade and Novi Sad fairs, in order to enable partners to be close to representatives of companies that sell cars, furniture, technology, and the construction sector, as well as numerous investors who visit fairs that are of crucial importance for these industries.

Although extremely complex, the project was completed and implemented within the required period - all changes/improvements were put into production by November 16, 2022.

#### Accessibility is lesser developed areas

We are aware of the importance of financial services availability, and therefore we strive to put a presence in all regions of Serbia. Out of a total of 155 branches that make up our network, 29 of them are located in underdeveloped municipalities, and 15 in extremely underdeveloped municipalities (according to the official stated classification). In addition, 39 ATMs are available to clients in underdeveloped municipalities, and 17 ATMs in extremely underdeveloped municipalities.

Some of the most significant improvements for clients include: the list of required documentation adapted to clients and required loan structure. The client/prospect receives a more comprehensive list of required documentation, which is filtered according to the type of employment, length of salary in OTP Bank, residency and parameters related to the subject of the purchase, i.e. loan security. Within the list of required documentation, the client/prospect will also receive guidelines related to the essential elements of the sales contract and other information relevant to individual documents from the list. The client chooses the due date of the loan instalment and can do so when submitting the application or on the day loan release, so that the instalment date is aligned with the client's needs.

#### Improving the housing loan approval process

The project to improve the housing loan process was one of our bank's strategic projects in 2022. We tried to observe the process "from the shoes of our clients", and thus recognize what could be further improved/changed.

#### Client satisfaction

Working on the experience of our users is one of the key aspects of OTP Bank business operations. The way we as an organization treat our customers and provide them positive experiences greatly affects our reputation and business results. We, at OTP Banka, invest significant resources in order to recognize the needs of our users, their level of satisfaction with services and products, and also possible improvements in interactions with our Bank.



We are proud to highlight that OTP Bank has been the first to come up with a system for continuous monitoring of client satisfaction, and during 2022 we received related feedback from around 100,000 clients. From the answers received we could conclude that clients most value the kindness and professionalism of our employees, as well as the efficiency of the bank's loan approval process, which confirms our leader position on the market in this area.



Based on the comments of our clients, we implemented a number of changes and improvements, the most important of which include:

- Appearance and functionality of mBank and ebank applications
- Introduction of the euro payment function at all ATMs of OTP Bank
- The possibility of paying dinars at ATMs at 32 locations throughout Serbia
- Improvement of written communication from Bank to clients

- Improving the process of providing feedback to clients.

By putting user experience in the focus of our activities, we want to show that we are committed to responsible business operations and building a satisfied and loyal client base. In support of our commitment and building a client-oriented culture, the fact that the results of measuring client satisfaction with our services have increased by 18% against 2021\* (according to results of TRI\*M research, conducted by the IPSOS research agency) speaks for itself.



## 2.6

### Responsible financing – financial services aimed at sustainability

Sustainable banking involves a fundamental change in the initial thinking that social and environmental goals must be included in the creation of all financial policies and products. ESG principles have a direct impact on all aspects of the operations of financial institutions. By giving their example, banks have the opportunity not only to finance green projects, but also to strengthen the real economy in green transition. Commitment to ESG principles is expected to increase both employee satisfaction and brand loyalty, as commitment to sustainable banking ensures additional confidence with clients and the public at large.

In accordance with the Green Plan of the European Union, OTP Group has defined pillars of the ESG strategy with the aim of becoming a regional leader in green financing and building a sustainable future.

In November 2020, OTP Group launched the ESG Program with a focus on alignment with EU and national standards related to ESG regulation, ensuring effective implementation of initiatives and projects aimed at sustainable business, capacity building and knowledge transfer for their successful application in this broad area, with the expansion of its ESG Program to all its subsidiaries. In parallel, it developed a framework for identification and management of ESG risks in the process of corporate lending, as an instrument for the transition to a sustainable economy.

As part of the OTP Group, the bank takes active part in the Group's processes for the establishing ESG programs and progress towards green transition.

As part of the risk management function - one of the components of the internal control system - in September 2021, and in accordance with the foregoing principles of the Group, the Bank adopted its Framework for defining and managing activities related to ESG risks in the loan approval and monitoring of corporate clients. Thus, the lending process was



improved by introducing the following elements:

- ESG Exclusion List - The ESG Exclusion List aims to identify clients and activities posing a high risk for the environment, society, and reputation, including activities and behaviors which controversial nature make them incompatible with the values of the Bank and the Group in their endeavor to protect human rights and promoting sustainable development.

The bank will not directly engage in such business activities, including granting loans, which are known to contain elements of human rights violations and/or damage to the environment, i.e. which fall under the ESG Exclusion List. In such violations are noticed among existing clients, the Bank will negotiate corrective measures and steps aimed at preventing new violations in the future.

Screening of clients according to the ESG Exclusion List is required for all credit products (including trade finance, documentary business, as well as factoring and leasing products). In the middle of 2022, the Bank complemented its overall statement on risk tendency/appetite with a new Statement on the tendency of the Bank towards ESG risks, in the sense that it has no appetite/tolerance for lending to clients engaged in high risk activities for the environment, society and reputation Banks, under the ESG Exclusion List.

- ESG Heat map by sector – contains a classification of economic activities by appropriate ESG risk categories, based on the so-called NACE activity codes, and on their impact on life and the social environment, by grouping all activities into 4 categories of ESG risk: as low, medium, medium-high and high ESG risk.

In addition to the classification of clients into the specified categories of ESG risk based on the predominant activity they perform, the categorization of ESG risk by transaction is carried out, whereby in addition to the factors of the respective ESG risk category of the client, the remaining duration of the transaction

is also taken into account, by classifying them into short-term, medium-term and long-term. Cross-referencing the ESG risk categories from the ESG heat map by sector with the remaining duration categories ensures a quick, simplified ESG risk assessment process.

- ESG complex analysis (ESG Due diligence) applies at an individual level to all businesses where a quick analysis process is insufficient, either based on the materiality of the credit exposure, or on the previously established belonging to a high or medium-high ESG risk category. Compared to the simplified analysis, the ESG complex analysis contains the ESG Complex Analysis Questionnaire, which collects data on the client's ESG risk profile, using publicly available databases or by contacting the client directly.

In addition to considering aspects of ESG risk in the credit risk management process, the Bank included the impact of ESG risk in the operational risk management process by considering its impact through the devising a scenario analyses, the risk self-assessment process, as well as through collection of data on losses from events involving ESG risks.

The "green transition is "one of our key strategic orientations for the next period, i.e. commitment to sustainable business and environmental sustainability. We want to encourage our clients to act with environmental responsibility through the offer of new green banking products that we are developing, and that will include financial, expert and advisory support.

We also receive support for the green strategy from the parent OTP Group, which for all its member banks has signed the Principles for Responsible Banking of the United Nations - a unique framework for sustainable business operations in this sector, developed through partnership between banks across the world and the UN Financial Initiatives Program in the Environmental Area. We have thus joined the world's largest banking community focused on sustainable financing.

By signing the Principles for Responsible Banking, we confirm and demonstrate our commitment to sustainable banking, contributing to the sustainability of the community and economy. The Principles are a guiding framework for ensuring that banks' strategy and practices are aligned with the society vision of its future within the United Nations' Sustainable Development Goals and the Paris Agreement on Climate Change. Banks that have signed up to the Principles commit to being ambitious in their sustainability strategies, working to integrate and embed sustainability at the heart of their business, which at the same time enables them to remain at the cutting edge of sustainable finance.

Based on the Principles, the signatory banks measure the impact of their operations on the environment and society, set and implement objectives in areas which they impact the most, and

regularly and publicly report on their progress. The Principles provide a framework for banks to systematically understand the risks and benefit from opportunities arising from the transition to more sustainable economies.

Signatories to the Principles are taking a leading role, demonstrating how banking products, services and relationships can support and accelerate the changes necessary to achieve shared prosperity for both current and future generations, building a positive future for people and the planet. These banks also join the world's largest global banking community focused on sustainable finance, sharing best practices and working together on practical guidelines and pioneering tools that benefit the entire sector.

#### EBRD and OTP Leasing Srbija doo ink 10 mln EUR loan contract

In January 2022, the European Bank for Reconstruction and Development (EBRD) and OTP Leasing Srbija doo Novi Beograd signed a loan contract in the amount of up to 10 million euros as part of the Regional Competitiveness Support Program for Small and Medium Enterprises. The loan is fully secured by a guarantee from the parent company - OTP Bank Serbia, a leading creditor on the Serbian banking market.

The project supports SME investments to improve production capacity and harmonize processes with EU directives for environmental protection, worker protection and product safety and quality. Projects that meet the requirements will be selected based on technical and financial criteria determined within provisions of the regional SME Competitiveness Support Program. SME support is a combination of facilitated access to financing with and without technical cooperation support.

The project contributes to supporting SMEs in accessing financing for investments that comply with EU standards and will help SMEs in obtaining advice and knowledge to incorporate and implement EU standards and achieve competitiveness.

Technical cooperation includes support provided by Consultants for assistance in implementation, marketing and monitoring of the Program and separate verification of the technical implementation of investments by on-loan beneficiaries before the release of incentive funds.

The program is supported by the European Union, which has secured funds in the amount of 1.5 million euros for investment incentives to on-users of loans for the implementation of investments that meet conditions in accordance with the Program's Regulations.

With a wide regional coverage and focus on the SME sector, OTP Leasing Srbija doo Novi Beograd is a leader in the leasing market in Serbia and has the potential to provide much-sought

financing to smaller companies and to contribute to the development of the SME sector throughout the country. EBRD is a leading investment institution in Serbia. The bank's focus in Serbia is the development of the private sector, improvement of public utility infrastructure and facilitating the country's transition to a green economy.

### Priceless planet Coalition

Recognizing the importance of the fight against climate change, OTP Bank is the first bank in Serbia, as the parent bank in Hungary, to join the global initiative Priceless Planet Coalition by Mastercard, with the aim of planting as many as 100 million trees in the next five years in areas around the world where, based on a scientific study, forestation is the most needed. All of our clients who open a new account and pick up their Mastercard instantly become part of the Priceless Planet program, which will plant a tree in their name.

OTP Bank joined the international project of afforestation of endangered areas of the planet primarily with the aim of contributing to stopping the effects of climate change, but also to raise citizens' awareness of the importance of environmental protection. Through the Priceless Planet coalition, together with our clients we are moving towards the same objective, namely local contribution to achieving a positive impact on reducing carbon dioxide emissions and investing in environmental restoration.



### Program of support to small enterprises for the procurement of equipment

Also in 2022, OTP banka participated in the Small Business Support Program for the purchase of equipment, which

combines favorable loans and grants intended for investments and stimulation of faster economic development. The program is implemented by the Ministry of Economy in cooperation with the Development Agency of Serbia and selected commercial banks and leasing companies. Our bank was selected in this year's tender of the Ministry of Economy as one of the eight best-ranked banks and leasing companies, based on its offer and the fulfilled tender conditions.

The Ministry of Economy, in cooperation with the Serbian Development Agency and with the support of project "Serbia and the EU - Equipment for the Economy" financed by the European Union, is awarding grants this year to micro and small businesses, entrepreneurs and cooperatives, business entities that deal in manufacturing or construction activities, for the procurement of equipment. Total grants amount to about 3.1 billion dinars, the Ministry of Economy provided an amount of 1.9 billion dinars, and the European Union provided grants and technical support for the implementation of the project in the total amount of 11 million euros. The goal of the Program is to facilitate the financing of the purchase of equipment and to strengthen the competitiveness of small businesses, as support for investments and incentive for faster economic development, and the funds determined by the Program are intended for the co-financing of purchase of new equipment directly included in the process of production of exchangeable goods, which includes the manufacture of equipment and/or machinery, transportation - manipulative means included in the process of production and internal transport, as well as parts, specialized tools for machines, machines and equipment for improving energy efficiency and ecological aspects of production, and includes new construction machinery for the needs of performing construction works.

For the purpose of allocation of grants under the Small Business Support Program for the purchase of equipment in 2022, a public call has been released for which micro and small businesses, entrepreneurs and cooperatives who meet the conditions can apply until the allocated funds are used up, and at the latest by the end of this year.

Business entities that meet conditions under the Program and are conditionally approved loans or financing may exercise the right to non-refundable co-financing of up to 25% of the net value of the equipment subject to purchase. The share of the company's own funds amounts to 5% of the total value of the equipment, while the rest is obtained from commercial banks loans or from financial leasing from leasing companies involved in the implementation of this Program.

The amount of grants that can be awarded to a business entity is determined against the number of employees, as at December 31, 2021 according to the records of the Central Register of Obligatory Social Insurance. If a single person is employed, the grant can be up to one million dinars, for those with two to



five employees - this amount can reach two and a half million dinars, and for a business entity with more than six employees, the amount of the grant may reach up to five million dinars. The amount of approved non-refundable assistance in the amount of up to 25% of the net value of the equipment to be purchased cannot be lower than 500,000 dinars, nor exceed 5,000,000 dinars.

### EBRD credit line for small and medium enterprises

In the second half of 2022, the European Bank for Reconstruction and Development (EBRD) approved a loan in the amount of EUR 25 million for on-lending to small and medium-sized enterprises (SMEs) in Serbia. The credit line will serve as a support for lending to private companies in the form of working capital lines and investment loans, primarily for SMEs operating in economically less developed parts of the country. The credit line will further strengthen access to financing for SMEs under the presently challenging business conditions.



Predrag Mihajlović, our CEO and President of the Executive Board, said regarding this: "In compliance with our leading position on the market in lending to individuals and businesses, we signed a new credit line with the EBRD with the belief that this will further strengthen the development of the Serbian economy and its resilience in the medium and long term. OTP Bank will strive to direct part of the funds from this credit line to the financing of high-quality green projects through investments in renewable energy sources and energy efficiency projects."

### Products and services for farm holdings

In its operations, OTP Bank pays special attention to the agricultural sector, especially to the development of high quality and innovative products for registered farm holdings. Traditionally, in 2022, we presented our products and services at the 89th International Agricultural Fair in Novi Sad. We provide significant support to this segment of clients with our offer of agro packages and a special account for registered agricultural holdings. Clients can choose, depending on their needs, between working capital loans, investment loans for various purposes and investment loans for the purchase of agricultural land, as well as the overdrafts. Also, with its innovative

business concept that saves both time and money for clients, new opportunities have opened up for faster and cheaper distribution of financial resources in the agricultural producers sector.



"We are aware that it is often a challenge to obtain all the necessary documentation for financial institutions when it comes to agricultural holdings, and consequently OTP banka has made a significant step for our standardized offer. The documentation for farmers has been reduced to one piece of paper and an ID card, which significantly facilitates and simplifies the whole process," said Dejan Mirc, head of our Agribusiness Department, presenting the novelties in our agro offer.

We also offer quick loans for working capital and investment loans without mortgage, which are processed and approved through a software platform. This unique approach is the product of many years of development and work of OTP Bank's agricultural engineers and results in a quick response to loan applications, which in practice means that the client receives a reply within an hour. We recognized the importance of efficient response and simplification of procedures as an important step forward in terms of the satisfaction of our agro clients, bearing in mind the specificity of the agro sector in which the periods and optimal deadlines are precisely defined for completing something and cannot be deviated from, and our task is to support them in their work process.

### First national AgTech Supercluster launched

The first national AgTech Supercluster has so far gathered more than 70 interested companies active in the sphere of implementation and development of modern products and services in agriculture. OTP banka is a member of the consortium of smart agriculture Supercluster, together with other leading organizations from their fields of business, with the aim of jointly responding to local and global challenges in the agricultural sector by using innovative technologies for the production of healthy and safe food, taking into account the preservation of the environment and improving economic competitiveness of Serbian products and working conditions of Serbian farmers.

The first conference when the action steps and strategic goals of the Supercluster were attended by Dejan Mirc, our head of

the Agribusiness Department, who pointed out that innovations are the only safe way to develop any type of business, with mandatory constant monitoring of clients and consumers needs, and also that innovation must to be consistent even when you are a leader in your sector, which is the biggest challenge because you don't have examples to follow or catch up with and you want to maintain your position.

AgTech Supercluster is a multi-sector cooperation and networking platform between interested partners from the Agro and ICT sectors, including corporations, investors, government organizations and other stakeholders on the one hand, and startups and small and medium-sized enterprises on the other. It was established with the assistance of the Serbia Inovira project, implemented by the ICT Hub with the support of the United States Agency for International Development (USAID).



# 2.7

## Responsibility in the work environment

OTP Bank is committed to continuous dialogue with employees, setting innovation trends and decisively managing changes in the field of human resources. We build our HR processes, innovative practices and relationship with employees in accordance with the highest standards that apply in the financial sector, and more broadly - in the global economy.

In 2022, HR processes were redesigned and application solutions were improved, with the aim of establishing a "self-service" model. Strategic projects such as Digital learning, Employer branding, Development of the "employee experience" concept, aimed at improving the experience of employees, their development and well-being, were also implemented.

The bank achieves maintaining the position of the sought-after employer for the best in the labour market by creating benefits tailored to present market trends, as well as by attracting and retaining professionals by listening and adapting to their needs.

### HR recognition for OTP bank

OTP banka is the winner of the "Employer Partner" certificate, the prestigious HR recognition of consulting company "Selectio", which since this year, in partnership with the consulting agency HR Xcel for the Serbian market, guarantees the excellence of HR processes in companies and confirms continuous investment, modernization and improvement of employees experiences. A complex and detailed analysis determined that OTP banka stood out the most in the area of involvement and inspiration, transformation and growth as well as HR strategic consulting. These results clearly indicate that the bank has a strategic approach to employees and recognizes their role as crucial in the development of the bank.

By attaining the "Employer Partner" standard, companies show that they are in constant search for knowledge and development. The certification process enables simple data entry and a high-quality HR benchmark, and gives the



certification team additional room to examine the actual situation in organizations. "When we talk about key topics for human resource management, work performance, leadership and HR capacity are categories that are particularly challenging. OTP banka has very successfully distinguished itself precisely in these areas, thereby clearly demonstrating that it strives for constant improvement of its processes, modernization and the use of modern business tools. Our extensive analysis has confirmed this, since it is not possible to meet the criteria for achieving certification if there is no good connection of all processes in the organization", said Sanja Jevđenić, on behalf of the Employer Partner certification team.

"BFF (Back-front force) program" of OTP Bank is the winner of the award for the best HR practice in 2022. The award is given by the ManpowerGroup company, the holder of the Human Driven Reshape project, which was launched with the aim of selecting the most innovative HR practice that reflects value for employees, society and the company and which is sustainable.

In the final of the competition, the programs of five companies stood out as the most promising HR practices, in the opinion of the expert jury, while the selection process for the best HR practices was also supported by the LinkedIn community with their votes.

The BFF program was designed with the aim of strengthening mutual communication and cooperation in the organization, increasing understanding and building trust that results in process efficiency and focus on clients, which was crucial following integration when it was necessary to bring the two corporate cultures closer together. The program encouraged the process of innovation and contributed to different thinking and making of proposals for various socially responsible initiatives, whereas the value for society is also reflected in better services to clients and better experience for both bank employees and clients.

At the HR Experience conference, organized by the Poslovi Infostud group, which promotes and presents trends in human resources, our bank's HR project was selected as one of the 6 best among 51 applications, in a competition involving 33 employers participants.

Our practice called "Rotation to Success" based on the experience gained through integration, in order to bring the corporate culture of the two integrating banks closer and present the business model of the future bank, as well as easier functioning after integration, was presented by our colleagues from the HR Business Partnership and Employee Development Department Evica Kuč and Ksenija Mijuk-Gagović, who shared with the community the significant experiences gained through integration.

	2021.	2022.
Total headcount	2789	2692

In 2022, OTP banka also hired 37 persons on temporary and occasional work, and also through youth associations and the flexible employment agencies.

	2021.	2022.
Fluctuation rate	19,8%	11.5%

\* Integration of the two banks OTP banka Srbija and Vojvodjanska banka a.d. Novi Sad finalized in 2021 significantly affected the fluctuation rate in 2021

headcount* by regions (branches) 2022.	Belgrade	East Srbija	Šumadija	Vojvodina 1	Vojvodina 2	West Serbia	TOTAL
Total number of employees	304	182	183	217	213	196	1295
Part time employees	273	165	161	207	195	188	1189
Number of part time employees	31	17	22	10	18	8	106
Number of full time employees	304	182	183	217	213	196	1295

\*Headcount

\*\* all employees are engaged based on a labour contract

\*\*\* all employees are engaged with full working hours

Employees gender structure	2021.		2022.	
	male	female	male	female
Number of employees	774	2015	736	1956
Percentage of employees	27,75%	72,25%	27,34%	72,66%

The employee engagement survey is conducted on annual basis and is a way for all employees to get the chance to share their opinion on the many issues that shape our organization. This year, from September 21 to October 12, 2,318 colleagues provided great insights into the areas we improved compared to the results of last year's survey conducted immediately after integration, as well as the aspects of engagement we need to continue to work on.

The conclusions of the survey showed that our greatest strength is the satisfaction we find in doing our work, working with our clients and our team members. We understand our role well, we are informed and trained to do our job, free to express our opinions and believe in our services and products. We believe that we are on the right track of improvement of processes, applications and tools we use, teamwork, but more joint endeavours are yet to come to bring these areas to an even higher level.

### 2.7.1. Diversity and equal opportunities

OTP bank is committed to respecting human rights and at all times acts in accordance with the principles set forth in the United Nations Guiding Principles on Business and Human Rights. The human rights policy establishes obligations, as well as principles and rules to be observed by all employees, business partners and clients of OTP Group alike.

OTP banka builds and fosters a working environment in which individual differences are appreciated, respected and accepted. According to the Bank's Code of Ethics, discrimination based on real or assumed characteristics of an individual, such as race, skin colour, citizenship, national affiliation or ethnic origin, language, religious or political beliefs, gender, gender identity, sexual orientation, property status, genetic characteristics, health status, pregnancy, disability, marital and family status, criminal record, age, appearance, membership in political, trade union and other organizations, political or other opinion is prohibited.



Furthermore, the Code of Ethics prohibits and rejects behaviours based on intimidation of employees, especially if it is used to induce employees to take actions contrary to the Bank's internal acts or applicable legal regulations. Any type of verbal, non-verbal or physical behaviour resulting in prejudice that violate the dignity of persons, and create a threatening, hostile, degrading, aggressive, humiliating and offensive environment for him, in particular sexual or other forms of harassment, is prohibited.

Employees can report cases of violations of the Code of Ethics to the Compliance Directorate through channels set forth in the Code, as well as to the Human Resources Directorate. The Bank treats all reports, submissions and investigations with confidentiality, while protecting persons who reported the violation, whereas the competent organizational segment of the Bank examines the case and determines necessary measures to be taken. During 2022, no complaints related to human rights violations were received. As part of mandatory training, all new employees undergo education on the topic of knowledge of human rights.

All employees of the Bank are encompassed by a Collective Agreement. According to its provisions, the employer is obliged to

inform the Board of the representative trade union about: decisions and plans that have an impact on the economic and social position of employees, movements and changes in wages, average wages and the structure of wages and their share in business costs, as well as the structure of realized costs, once during a calendar year, upon request of the Trade Union, as well as preparations for determining employee redundancies and adopting a related program. Information are provided, as necessary at the request of the representative trade union within 15 days from submission of the request.

In addition to the guaranteed rights to maternity leave, disability compensation and severance pay upon retirement for all employees, indefinite-term employees whose probationary period has expired also benefit from private health insurance. Employees are additionally insured as part of a private pension scheme, with the Bank's contribution to the employee's individual account, based on loyalty of at least four years, as a mandatory own investment in a voluntary pension fund.

Right to maternity leave	2021.		2022.	
	men	women	men	women
Total number of employees who exercised their right to maternity leave	3	187	0	159
Return to job rate upon expiry of maternity leave	men	women	men	women
	100%	96,23%	-	98,12%

### 2.7.2. Trainings and development of employees

The development of employees in OTP Bank is the responsibility of the management of the Bank and the Human Resources Directorate. The annual employee development plan is prepared jointly with all managers. The annual development plan is communicated to the Bank's management, and compliance with strategic and operational goals is confirmed. Furthermore, annual performance evaluation process involve creating development plans for all employees, in agreement between employees and managers, and with the help of the Learning and Development Team. During 2022, all employees went through the process of performance evaluation and individual development.



In addition to internal training, the Bank also provides financial support and opportunities to attend external trainings and programs. For employees who are approaching the end of their working life, we offer counselling and support for retirement planning.

In 2022, the following key initiatives have been implemented:

- "Performance management" was established and implemented in order to monitor performance and properly recognize high performers;
- The Talent management & succession planning process was implemented resulting in a pool of OTP talents;
- All employees in senior managerial positions went through a development map of leadership and managerial skills (People management, Situational leadership, Coaching, Wallbreakers - change management), and all sales managers in the sales network went through the training - Improving skills and monitoring successful sales.

	2021.		2022.	
	Managers	Employees (except managers)	Managers	Employees (except managers)
Total number of hours of training by categories of employees	6.591	30.571	11.830	34.007
Averages number of hours of training by employee	17,25	12,7	30,64	14,76
	Muškarci	Žene	Muškarci	Žene
Total number of hours of training by gender	9.481	27.681	12.733	33.134
Average number of hours of training by employee	12,25	13,74	17,30	16,94

A Mentoring Day was held in September 2022 as part of our Talent Academy and the start of a new cycle of OTP Bank's Mentoring program. The goal of this platform is to facilitate the process of introduction to jobs and mentoring newcomers during the trial period, as well as to facilitate the integration of new employees into the work position and the bank. This platform will enable a structured, more efficient, timely and transparent process, thereby ensuring improvement of the experience of everyone involved in this process. All participants of the Talent Academy have the opportunity to work together with a more experienced colleague-mentor on acquiring new knowledge and experience for a period of one year.

### 2.7.3. Occupational safety and health

Health and safety at the workplace is a priority for the Bank in order to ensure a safe working environment, improve the quality of the professional life of employees and prevent related risks. With the Code of Ethics, the Bank undertook to provide its employees with a healthy and technically equipped workplace that complies with labour

law regulations, as well as the protection of their physical integrity and health.

The bank abides by local and international legal regulations on providing and maintaining a safe and healthy working environment. Accordingly, the safety and health system covers all employees. In addition, all employees undergo training in occupational safety and health, first aid and fire protection according to a training plan and in accordance with the deadlines prescribed by law.

The obligation of every employee is to comply with the health and safety regulations related to the work performance, and the relevant provisions of the regulations on work, on safety and health at work and on fire protection are applicable to them.

The bank concluded a contract with a company that provides services in the field of occupational safety and health and appointed a licensed person for occupational safety and health. The hired company provides preventive inspections of all the Bank's facilities and submits reports on observed deficiencies, which are subsequently removed. In accordance with the law, measurements of the conditions of the working environment are also performed in summer and winter. In case of observed defects, such defects are removed. Furthermore, it is the duty of all employees to inspect their workplace and work equipment, safety equipment at work before and during work, and to immediately notify their immediate supervisor of any deficiencies. Managers forward the report to the Logistics Directorate. The person for BZR and the Logistics Directorate are obliged to perform inspections, and observed defects must be eliminated within 8 days from the date of their reporting. Employees have the right to leave their place of work if they recognizes a danger that threatens their life and health.

	2021.	2022.
Total number of injuries	15	12
Number of serious injuries*	7	3
Rate of injuries	0,53	0,43
Rate of serious injuries	0,25	0,11

\*sprains, dislocations, fracture

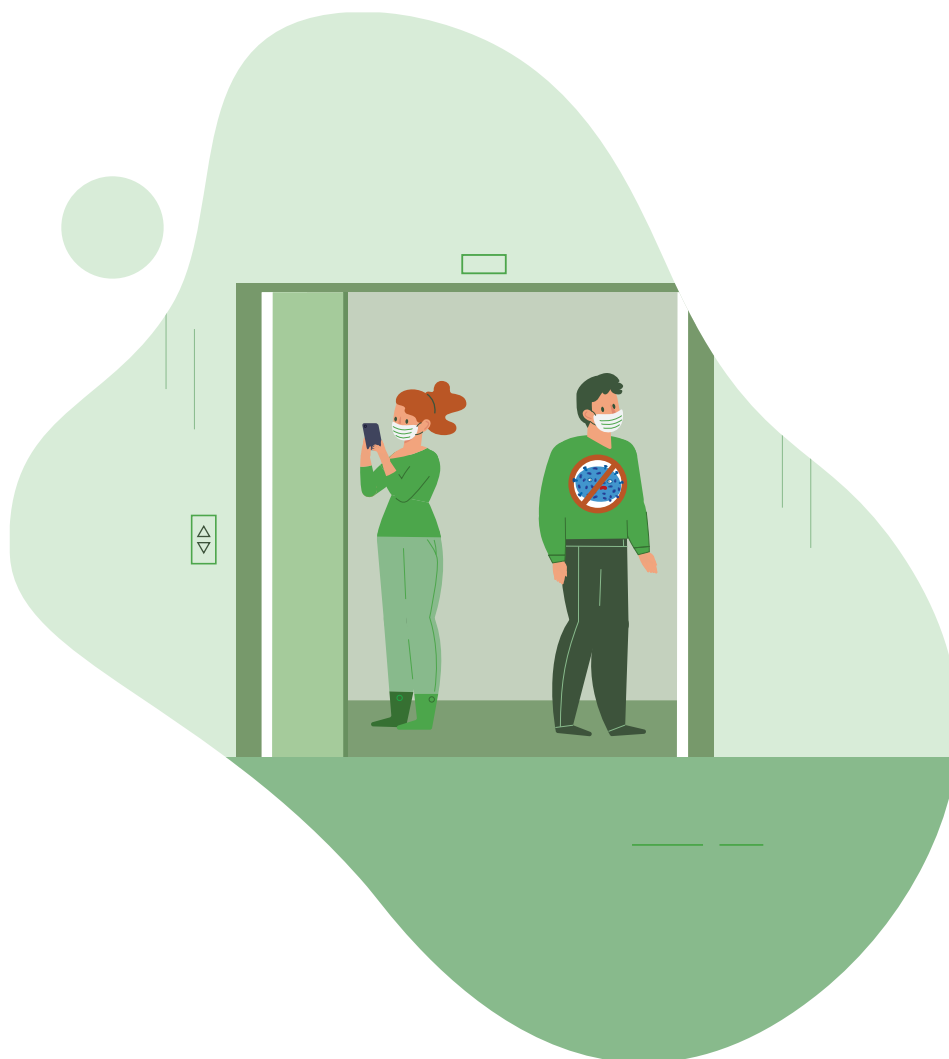
The collective agreement covering all employees of the Bank also regulates in detail obligations and responsibilities of the employer in the field of safety and protection of life and health at work, as well as the rights and obligations of employees in this area, and the role of employee representatives and education of the occupational safety and health committee.

The occupational health protection committee comprises representatives of the employer and the trade union. A member of the Board has the right to:

- participates in the risk assessment procedure at the workplace and in the working environment
- has constant insight into the risk assessment act
- collects data on threats and harms in the workplace and work environment that are not comprised in the risk assessment act and initiate its amendments and supplements
- directly communicates with employees
- receives verbal and written complaints from employees
- directly communicates with managers - organizers of the work process
- directly communicates with the person who ensure safety and health at work
- makes proposals to the employer on all issues related to safety and health at work
- requires the employer to take appropriate measures to

eliminate or reduce risks that threaten the safety and health of employees

- displays notices on the employer's notice boards about the activities it undertakes
- informs employees about current issues in the field of safety and health at work, with the prior approval of the director
- requires supervision by the labour inspectorate, if he/she believes that the employer has not implemented appropriate measures for safety and health at work, and to attend the inspection supervision.



# 2.8

## Impact of operations on the environment

OTP bank carefully assesses its direct impact on the environment, takes initiatives aimed at preventing adverse effects and implements and supports initiatives with positive effect on the environment.

Regarding the rational use of natural resources, OTP banka focuses on topics which it affects the most, namely energy use and waste management. The Logistics Directorate is in charge of this area. The bank's operations in this area are fully compliant with national legislation, which is also confirmed by the fact that in 2022 there were no fines or other types of sanctions against the Bank in connection with non-compliance with laws and regulation.

### 2.8.1. Consumption of energy and energy efficiency

A total of 58 branches and two administrative buildings of the bank in Belgrade (both on Bulevar Zorana Đinđić) are connected to the Building Management System (BMS), which enables the lighting to be turned off at the same time in all branches, and it prevents the lighting from staying on outside of working hours, which contributes to energy efficiency. The temperature in the room is also regulated through the system with the same goal.

Motion sensors have been installed in common areas (corridors, bathrooms, press rooms) in the administrative buildings in Belgrade at Bulevar Zorana Đinđić 48 and 50 to control and save lighting.

The renovation of 12 branches was completed, including instalment of LED lighting, which reduced the consumption of electricity. Earlier, the renovation of the building at Trg slobode 7 in Novi Sad was completed in 2021, which involved the replacing of the complete fluo and halogen lighting with LED lighting, thereby reducing electricity consumption. In addition, the air conditioning system was replaced with an A+ class system with the highest average electricity savings in relation to capacity.



The head office building in Belgrade at Bulevar Zorana Đinđić 50a/b has a solar power plant on the roof, and the produced electricity is directly channelled to the EPS supply system, which further contributes to energy efficiency. The bank concluded a contract on the complete supply of electricity from renewable sources (100% ZelEPS).

Energy consumption	2021.	2022.
Electricity from coal	37.769 GJ	-
Electricity from hydro power	8.291 GJ	42.490 GJ
Fuels of different origin used for heating plants in Serbia	23.406 GJ	20.962 GJ
Natural gas	7.988 GJ	7.553 GJ
Heating oil	1.435 GJ	1.211 GJ

Energy consumption	2021.	2022.
Total electricity	46.059 GJ	42.490 GJ
Total heating energy	32.829 GJ	28.515 GJ

\* Data on electricity consumption were collected from accounts of suppliers which services are paid through the bank, which contain details of energy consumption. Regarding heating energy consumption, a twofold data analysis was made - some accounts display the used energy, and other contain the calculation based on the area. An approximation was made for the part calculated by area.



Generated and sold energy	2021.	2022.
Solar energy	250 GJ	262.75 GJ
	2021.	2022.
Energy intensity	25,8 GJ per employee	19,04 GJ per employee
	2022.	
GHG Emission – Scope 2*	1.517 t	
GHG Emission intensity**	0,565 t per employee	

\* approximation –Based on calculated energy consumption from certain sources, default data have been used from form 9D CRS Portal of OTP Group

\*\* Includes Scope 2 emission



Based on the savings calculation made on the assumption that OTP Bank used 15% renewable energy in 2021, and that it uses 100% renewable electricity in 2022 (for 85% of electricity from non-renewable sources in 2021, the emission coefficient was taken as 756.09 tCO<sub>2</sub>/GWh), it was calculated that the Bank reduced Scope 2 CO<sub>2</sub> emissions by 8,223 t due to switching to other fuels (electricity only from hydroelectric power plants) and 149 t due to process reshaping (rationalization of branch network).

## 2.8.2. Waste management

The Bank has a Waste Management Rulebook that regulates the waste management process. A person for waste management has been delegated and contracts were concluded with companies that retrieve waste paper and discarded furniture for recycling purposes. Furthermore, empty toner cartridges are collected, and hazardous waste handed over to authorize companies in

accordance with the Waste Management Law. The total amount of provided waste is monitored on annual basis, with the aim of reducing the amount of waste by cutting down the amount of paper consumed thanks to digitization, as well as by reducing the use of plastic packaging products. In 2022, 32 tons of paper and 13 tons of electrical and electronic waste were submitted for recycling.

The bank is determined to procure FSC-certified recycled toners and paper (wood-based paper from certified forests that are managed responsibly). Bearing in mind that the Bank has plastic packaging as part of municipal waste, but with reduced possibility of handing it over for recycling due to the location of the facilities and small amount per facility, the plan is to stimulate the reduction of the use of plastic packaging. As an initial step, the amount of plastic water glasses was reduced, as so was the supply of plastic packaging drinks.



# 2.9

## Contribution to community

OTP banka implements all initiatives and projects in the segment of responsible relationship with the community in accordance with its strategy and areas defined as priority fields of action. The Bank's priorities in this area include ecology, sports, culture, support to socially sensitive groups, financial education and support for smaller local communities.

The Bank strives to direct its activities in this area towards achieving a stimulating social and economic environment, positive impact on the environment, promotion of humane and progressive social values and respect of human rights.

The goals of projects and initiatives, as well as related communication and promotional messages, are set in accordance with these values.

When choosing a partner, the Bank is guided by criteria related to the sharing of the same ethical values, respect for the principle of responsible attitude towards the environment, transparency in business operations and mutual respect. We strive to achieve long-term partnerships and approach all topics comprehensively, striving to create projects and initiatives that provide quality and systemic support and solutions. OTP Bank's support includes the implementing of donations in goods and money, mentoring support, support in the promotion segment, corporate volunteering, and contribution to increasing public awareness of certain topics of general importance.

By achieving cooperation and joint action with civil society organizations and the public sector and partners from other fields, the Bank implements numerous projects with excellent results, in which it takes great pride.

This is confirmed by numerous awards that we won during 2022, including the "Socially Responsible Company of the Year" prize awarded by the Serbian Association of Managers - the crown of everything we did. The annual prize of the Serbian Association of Managers are traditionally awarded to the best in Serbia -



managers, employers, companies and individuals who advocate the improvement of the business environment, the promotion of the managerial profession, the best business practices and responsible business, as well as for a better life for all citizens.

### 2.9.1 Support to green entrepreneurship

#### Generator ZERØ

Generator ZERO is a competition that supports and rewards the best entrepreneurial solutions for reducing the carbon footprint, as one of the biggest challenges today. In 2022, a total of 72 solutions were submitted for the competition, and 10 made it to the finals.

Projects which upon decision of the jury made it to the final:

1. B-FRESH Technologies team that developed B-FRESH spray to resolve the problem of rapid spoilage of fresh fruits and vegetables,
2. Eat Me Up mobile application to reduce household food waste,
3. Bifrost Bioplastic system for the production of bioplastic made of hemp, which makes the packaging 100% biodegradable,
4. Bike app that connects people who have bikes and those who need bikes,
5. Bit engineering - self-sustaining greenhouse with composter,
6. Gen Z Farmers with the "Gen Z E-tractor" project to reduce emissions of harmful gases resulting from agricultural work,
7. Smart City Technologies - monitoring and management system that collects key data via mobile hardware installed on any type of vehicle,
8. Association Our Home, which is engaged in the manual production of paper and packaging from empty cigarette packs,
9. Buttsy NFT project to collect and recycle cigarette butts from around the world,
10. SOMA WELLNESS, an innovative biotic material that serves as an organic, ecological and carbon negative substitute for

Styrofoam under the name BIOSPORIN.

The most creative competitors presented their solutions during the grand finale, and the domestic startup B-fresh Technologies was selected as winner. Driven by the fact that a third of the food produced globally ends up as waste, which affects CO2 emissions, B-fresh Technologies has developed a product that extends the shelf life of fruits and vegetables, which takes up as much as 40 percent of that waste. It is the B-fresh spray, an innovative, environmentally friendly solution that coats the interior of existing packaging, such as plastic, cardboard, paper boxes or wooden crates, with emulsion.

This year's finalists received support on all the Bank's communication channels, including media promotion and promotional material in the form of videos and photos, and the winner was awarded two million dinars, as well as valuable prizes from this year's partners, which some of the finalists also received. Furthermore, the bank will enable the presentation of the project in the OTP Lab innovation hub of the parent OTP Group, which is present in 11 countries in Europe, as well as in the investment fund Portfolio.

Partners who acknowledge the importance of this year's Generator ZERO, and their representatives are members of the jury, alongside representatives of OTP Bank, are ICT Hub, Mastercard, Srbija inovira, initiative Digital Serbia, Bosch, Belgrade Open School, Netokracija, Schneider Electric, Bosch, OTP Lab parent and investment fund Portfolio.

"Generator is a competition that is growing year after year, as a result of the fact that we thematically follow trends and needs of the market. Thanks to its constant topicality, we manage to present a large number of promising and innovative projects every year. Climate change and global warming are probably the greatest challenges for humanity in the 21st century. However difficult it may be to predict what awaits us in the years to come, one thing is certain: every contribution matters. In other words, each of us should take responsibility and do everything we can to fight for a sustainable future. That is precisely why, at OTP Bank, we are strategically focused on the green transition with the aim of not only improving our business towards environmental sustainability, but also motivating all our clients to do the same. One of our most important activities on this path is the Generator ZERØ project, which we dedicated this year to the topic of reducing the carbon footprint, as one of the key causes of global warming. We thus wish to motivate and encourage innovators to offer us new and creative solutions and join the common fight for a better future", said Predrag Mihajlović, President of the Executive Board of OTP Bank, during the announcement of the winner.

"I want to congratulate the winning B-fresh solution. Choosing the best project was not easy in the least. All the finalists were terrific, so taking part in this demanding and extremely

uncertain process of choosing the winners was a real pleasure and a great experience. I want to thank all the participants for the innovation and creativity they showed. We are glad that the topic proved to be so inspiring, which gives all of us at OTP Bank an additional impetus to pursue activities that contribute to an environmentally sustainable future. In the period ahead, we will provide great support to the winning solution, working together on its development and promotion. We believe that this will contribute to inspiring new creative projects in future editions of Generator", said Vuk Kosovac, member of the Executive Board of our bank and president of the jury for the selection of winners.

Zorica Branković, representative of the B-fresh Technologies startup - this year's winner of the Generator ZERØ competition - thanked OTP Bank for the award and the first place and congratulated them for the excellent organization and of the competition final. "It is a great honor for us to have won the first place and the main prize at this prestigious competition. Participating in the competition was a fantastic experience that allowed us to meet great teams with whom we plan to step up our collaboration. We also want to thank the members of the expert jury, top experts in the business area, for recognizing the importance and potential of our product," said Branković.



The importance and quality of the Generator ZERO project was also recognized through the numerous awards that the project won in 2022. The Franco-Serbian Chamber of Commerce (CCIFS) awarded OTP Bank the prestigious Grand Prix 2022 award for socially responsible business and the Generator ZERØ project. The prize is awarded with the aim of highlighting the best examples of corporate responsibility of companies - members of the Chamber, as well as highlighting and rewarding the outstanding contribution of the Bank in this field. The Grand Prix award was presented by Sanja Ivanić, director of the Franco-Serbian Chamber of Commerce at a dinner in the presence of the Ambassador of France, H.E. Pierre Cochard, the diplomatic corps, distinguished members of the business community and representatives of French companies in Serbia.

Generator Zero was also awarded as the best ESG & Sustainability project of the OTP Group. This recognition was

presented to us by Zoltan Peter Nagy, Director of the Marketing and Communications Department of OTP Bank Hungary, during the Marketing Summit in Sofia, based on the votes of colleagues from other 10 countries where, in addition to Serbia, the OTP Group is present.

At the Festival of Socially Responsible Communication Campaign with a Purpose, the first of its kind in the country and region, Generator ZERO, together with the accompanying initiative Generator of Good Deeds, was proclaimed one of the most successful CSR projects in 2022. On behalf of our bank, Milica Babić, an expert in PR and communications received the award from member of the expert jury Jelena Šarenac. This Festival is dedicated to rewarding initiatives and projects that contribute to the well-being of children and individuals, and thus to society in general, and we are proud to be acknowledged as company that makes significant efforts in the field of socially responsible business.

The Forum for Responsible Business awarded OTP Bank the "Champions of Sustainability" prize for the Generator ZERO project, awarded with the aim of highlighting projects that directly contribute to achieving goals under the Sustainable Development Agenda.

### OTP Startup Booster Partner Program

In 2022, OTP banka Srbija participated for the third year in a row in the OTP Startup Booster Partner Program of our Group, an international program through which innovative solutions are sought in cooperation with selected startup companies. Six business needs from Serbia were selected by OTP Lab, and our team also participated in the "Selection Days" held in Budapest in May, with a presence of 28 startup companies from 17 countries and more than 60 OTP mentors from 8 countries, where it worked together with the FinTech community from around the world to develop new solutions, products and services that rely on the latest technological innovations.

As part of the program, our Agro Department together with the Agro sector at headquarter participated in a three-month pilot project with Belgrade-based company Agremo, which successfully responded to the business need to find a solution for timely assessment of the risk of crediting primary agricultural production and the management of climate changes, which brings us increasing new challenges.

In total 265 innovative technology companies from 55 countries, from New Zealand to Estonia, applied for the fifth edition of the OTP Startup Booster program. During the final event, the Demo Day held online on November 30, 2022, 11 startups presented the results of a three-month pilot test, in which, in addition to our headquarters in Hungary, subsidiaries in Bulgaria, Romania, Slovenia, Ukraine and Serbia also took part in.

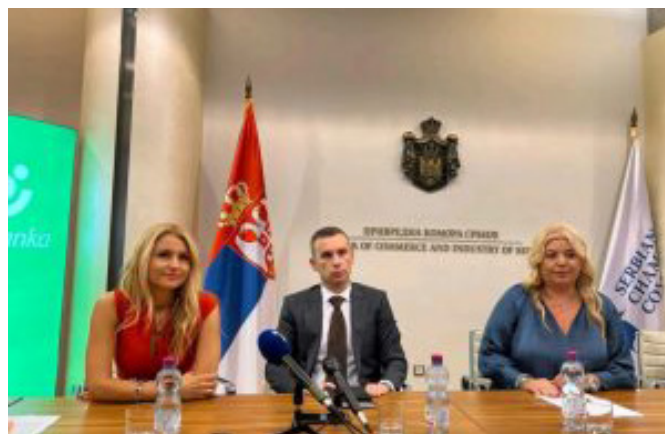


The goal of the OTP Startup Booster program is to create new and innovative solutions for specific banking and organizational needs, as well as for broader socio-economic challenges, through long-term partnerships between the OTP Group and startups. In addition to improving customer experience, digital enhancements and efficiency gains, a fifth program was also open to innovation in areas outside core banking, agriculture and sustainability.

### "Green Entrepreneurship" campaign with the Serbian Chamber of Commerce

The entrepreneurship division of the Serbian Chamber of Commerce and OTP Bank launched the "Green Entrepreneurship" mini-campaign with the aim of developing and promoting entrepreneurship. The campaign started in the second half of September 2022 and lasted for three months, and included women entrepreneurs, young entrepreneurs and social entrepreneurs. As part of the campaign, a series of free workshops were held in Belgrade, Novi Sad, Niš, Kragujevac, Užice and Subotica, in order for entrepreneurs to acquire the necessary knowledge for the development and further improvement of businesses.

The education of entrepreneurs is extremely important, because it helps entrepreneurs improve their knowledge and skills, necessary for running a business. Free workshops are organized around a variety of topics, with focus on enhancing environmentally responsible entrepreneurship, as well as creating an even and positive impact on society and the environment.



In addition to professional expertise, OTP Bank also granted a one-million dinars financial support for holding free workshops, and Marko Đukić, director of our Small Business Directorate, pointed out that the Bank strongly supports the small businesses and entrepreneur sector, which represents the backbone of our economy: "In view of our leading position on the market in lending to individuals and companies, an extensive regional coverage and expertise, OTP Bank has the potential to provide much-needed financing, enable education and contribute to the development of entrepreneurship throughout the country. Our priority is to provide an advisory approach to entrepreneurs who are setting up their businesses and who are oriented towards innovative solutions, and social and environmental components in their business. We believe that the Green Entrepreneurship campaign will help and solve many dilemmas and obstacles of courageous entrepreneurs".

### Masterclass for small and medium entrepreneurs

On June 6, OTP banka had the opportunity to host a new Masterclass lecture format - an event that is as part of the Smart Impakt Fund and was designed with the intention to support small and medium-sized enterprises and providing them with expert support in strengthening and improving their businesses. The Masterclass events cycle is organized for the first time in such a way and is implemented through dynamic discussions with top professionals and top managers who, through lectures and live conversations with participants, convey advice and experience from their rich business practice.



Our CEO and member of the Presidency of the Forum for Responsible Business, Predrag Mihajlović, gave lecture "Modern business: challenges and opportunities offered by banking in the 21st century". He spoke about the challenges the banking sector faces in the 21st century, as well as the opportunities for growth and development that the bank has identified by analysing its operations and general financial trends, all in the context of support for the foregoing group of members of the business community.

Attendees also had the opportunity to hear useful advice on how to improve their financial and other business segments from our colleagues Branimir Spasić, Director of the Finance Department and member of the Executive Board, Rada Savić,

head of the Global Transaction Banking Sales Department and Marko Đukić, head of Small Business Directorate.

The event brought together Smart collective program participants, successful and motivated domestic entrepreneurs who have been successfully operating for two to ten years and have a strong positive social and environmental impact on the community in which they work. Masterclass events are organized with the support of the Open Society Foundation Serbia, within the framework of the Sustainable Economy Development project.

### 2.9.2. Investment in culture

Culture and the preservation of the national cultural heritage remain one of the Bank's priorities in the social responsibility segment in 2022, and the most important partners still include the Matica Srpska Gallery - one of the oldest and most respected cultural institutions in the country, which the Bank is a long-term institutional sponsor of.

In 2022, Matica srpska Gallery marked a significant anniversary - 175 years since its foundation, and on that occasion, with significant support from the Bank, a large monographic exhibition was opened dedicated to the work of Uroš Predić - one of the most important Serbian painters. In addition to the implementing this exhibition, monographic publications were produced under our auspices, including for the first time, a Braille catalogue for the blind and persons with damaged sight, a comic book for children and a film about Uroš Predić, which can be viewed in the Gallery and will be shown on Radio and Television of Serbia and Radio and television of Vojvodina. The bank donation enabled the continuation of work on the digitization of works of art, as one iconostasis and all drawings by Uroš Predić in the possession of the Matica Srpska Gallery have been digitized, and some of them will see the light of day for the first time.

The work and life of Uroš Predić have been brought closer and made available to a wide audience - children, young people, families, elderly people, as well as people with various disabilities. The exhibition is also adapted for visually impaired people through three-dimensional models of the most famous paintings with audio descriptions, Braille catalogs and audio catalogs. The museum is open to everyone, among other things, thanks to an earlier donation from OTP Bank, which restored the facade of the Matica Srpska Gallery, as well as the entrance to the building, which included the installation of an external elevator and a ramp in the inner hall, in accordance with the standards of inclusive design.

On October 14, OTP banka received the jubilee recognition of the Gallery of the Serbian Motherland, at a ceremony on the occasion of its 175th anniversary.



OTP banka was the proud sponsor of the exhibition "ArtWalks Experience" (Art in motion), by world-famous multimedia conceptual artist Milena ZeVu, which covered her entire work so far. The support is a continuation of our constant commitment to original and innovative projects in the field of culture, which represents one of the most important pillars of the company's social responsibility. The exhibition covers 20 years of the artist's work, from her first paintings, body art, installations and video works to performances and use of the latest technologies such as NFT and AR (augmented reality). The exhibition was set up in the Silosi space at Dunavski kej 46 in Belgrade.

With the support of OTP Bank, publishing company Booka held a new award competition on the domestic literary scene for the best, original and unpublished novel in the Serbian language. The contest was open to all interested literary creators, and its special value is that it is anonymous, i.e., it was possible to submit manuscripts only under a code. The winner of the competition is Mirjana Drljević's debut novel "No One is Forgotten and We Remember Nothing", selected as the best, original unpublished novel in a competition of as many as 575 manuscripts. The winner was awarded a 250,000 dinars cash prize, and the novel was published by Booka publishing house in 3,000 copies, with the expected distribution in the region including an intensive promotion of the author and of the awarded novel.



OTP Bank traditionally supports the awarding of the "Politikin Zabavnik" prize for the best work intended for young people in the Serbian language. For year 2021, the award for the best work was ceremoniously presented to Milka Knežević-Ivašković, the author of novel titled "Tarakan", which follows the growth of the main character and prepares him for everything that lies ahead. A mysterious and exciting novel with a plot taking place in the Kosancic Wreath district, Tarakan passed the selection of 62 titles and found itself shortlisted with seven novels. The expert jury comprised Irena Špadijer, professor at the Faculty of Philology in Belgrade (president), member of the Academy and psychologist Aleksandar Kostić, Petar Arbutina - chief editor at "Službeni glasnik", Milorad Milinković-film director, and Petar Milatović, deputy editor-in-chief of "Politikin zabavnik".



We also supported the awarding of the "Aleksandar Tišma" International Prize for Literature, which was ceremoniously presented to laureate David Albahari for the novel "Today is Wednesday" at Matica srpska in Novi Sad.

### 2.9.3. Support to sports

OTP Bank is the biggest sponsor and the official bank of the Olympic Committee of Serbia for the sixth Olympic cycle. This cooperation represents by far the longest sponsorship in Serbian sports, which has lasted more than 20 years, and is often an example of fruitful, inspiring and successful cooperation between the business and sports institutions. The topic of Olympism is extremely important to us because we believe that fostering values such as "fair play", perseverance, focus, discipline, and focus on success are key prerequisites for the development of a prosperous, healthy and sustainable society as a whole. We strive to foster these values in our everyday business life.

During 2022, we focused on promoting sports in the local community through the "Olympic Training with OTP Bank" event, which has been successfully organized for more than 10 years. Within the mentioned trainings, children led by experienced coaches are given the opportunity to try out athletics, handball, basketball, volleyball and to learn something new about Olympic values and the history of Olympism, and the most successful schools are awarded sports equipment and props. Five elementary schools competed in Kruševac and Bor this year,

and their hosts included colleagues from the branches and our Olympians - taekwondo master Tijana Bogdanović and kayaker Bojan Zdelar. We awarded the winning schools with sports equipment and props worth 180,000 dinars.



Furthermore, campaigns for the Visa Olympic card, which have been awarded several times internationally as the best example of cooperation between the banking sector and sports, are continuously being held. The Visa Olympic card allows all users to become donors themselves, because a part of the funds is allocated to sports investment fund from each transaction, at the expense of the bank.

OTP banka has been the main sponsor of the Handball Federation of Serbia for many years and provides support to all women's and men's representative teams, from pioneers to seniors. The goal of the senior national teams is to qualify for the Olympic Games in Paris in 2024.

During September 2022, Serbia hosted the World Wrestling Championship, and OTP Bank was one of the sponsors of the competition. Our national team achieved historic success, winning five medals - four gold and one bronze.



## 2.9.4. Support to local communities

In supporting the local community, OTP banka focuses on support to most vulnerable social groups, as well as smaller and undeveloped communities.

OTP granted valuable donations to the Our House association and to the Centre for Integration of Youth (Child Shelter program) at the very end of the year, in its wish to convey the spirit of solidarity and giving as most important messages and activities during the holiday season.

Association "Our Home" was founded on the initiative of parents of children with developmental disabilities in 2007, and its project solution for hand-made paper and packaging entered the finals of this year's Generator Zero competition. The association used the donated funds for the establishment of the "Our Home" Foundation and the improvement of programs intended for people with mental-intellectual disabilities.

The Centre for the Integration of Youth and the Children's Shelter used the funds for the implementation of activities of the professional team, the delivery of warm meals and other expenses for the functioning of the program. The Bank wrapped up 2022 with the New Year's donation and begins the next year by showing that in 2023, its priority will be to care for the local community.



The third edition of the Generator of Good Deeds project, in the form of a social and sustainable entrepreneurship fair, was held for the first time in Novi Sad, at the Trg slobode in front of our head office. On that occasion, small domestic brands presented products which sales provides support to environmental projects or vulnerable groups, including victims of domestic violence, people with developmental disabilities, socially vulnerable children or women refugees. This is just one of the initiatives by which we strengthen visibility and contribute to the affirmation of manufacturers whose business model is based on creativity, humanitarian or sustainable business operations.

Passers-by in the central square of Novi Sad had the opportunity to become acquainted with company "Somborska snajdera",

which brings together former and current tenants of the Safe House in Sombor. They are engaged in the production of protective masks, aprons, kitchen gloves, bed linen, and a little later, dolls and clothes. "Our House" helps people with developmental disabilities to become independent who, among other things, are involved in the manual production of paper from cigarette packs. "Women on the Way" employs refugee women who create fashion items and by purchasing "Artists Anonymous" socially engaged works, you donate money to humanitarian causes. Also "Supernatural" and presented themselves, they collect funds for ecological projects by selling creative T-shirts, "Soko skincare", natural cosmetics made from ingredients from the Tara mountain, which promotes sustainability, healthy habits and a lifestyle inspired by nature, as well as "Koozmetik", which uncompromisingly takes only the best from nature for its products.

As in previous years, we responded to the call of UNICEF Serbia and together with other companies we supported the humanitarian Fair Play basketball tournament, which scooped up 2,190,000.00 dinars in Belgrade, and 1,030,000.00 dinars in Novi Sad. All funds are intended for the program "Improving the mental health of children and young people". Our colleagues were part of this humane action in both cities, while the OTP team in Novi Sad won the fair play award. In addition to participating in this tournament, as a member of the Club of Friends, OTP Bank supports UNICEF's work continuously, on a monthly basis.

The bank responded to the call of the Coalition for Charity and joined the "Save Food, Save Humanity" campaign, which is organized on the occasion of the National Giving Day. As part of the "Save food, save humanity" campaign last year, 69,717 kg of food worth 13,625,078 dinars were collected, and the message on the goals of the campaign reached 1.5 million people in our country. For its participation in this campaign, OTP bank won the "Champions of Sustainability" prize awarded by the Forum for Responsible Business.



Our colleagues Kristina Mandić, Biljana Erdeljanin, Tatjana Lazarević, Aleksandra Gobeljić, Milena Pantelić and Katarina Jelesijević represented our Bank at the traditional "BELhospice humanitarian bowling tournament" held on March 8 at the Colosseum Bowling Center in Belgrade. The tournament was held in order to collect funds for the implementation of free palliative care services for oncology patients and their family

members. The voluntary participation of our colleagues in the tournament represents their personal contribution to this important humanitarian initiative.

One of the examples of listening to the needs of the community is the donation of used and spent inventory of the bank, including office furniture that was used in our branches as well as computers and printers. During 2022, over 500 expended inventory items were donated, which helped 37 beneficiaries, including primary schools, preschool institutions, health centers, hospitals, homes for disabled children, trade unions and many other associations throughout Serbia. We will continue to provide this type of support in 2023.

OTP banka donated a "smart" bench, an innovative technological solution from local company Strawberry, to the high school in the town of Indija. The unique and practical innovation allows students to charge mobile devices for free, while simultaneously collecting data on the amount of CO2, noise level, air humidity, temperature and air pressure in the environment. At the ceremonial installation of the bench in the school yard, Tanja Bošković, our head of the Vojvodina I region, underlined that the donation is part of the green transition, one of the key strategic directions of our bank, which encourages environmentally sustainable solutions and innovations that contribute to the reduction of carbon dioxide. "We are very happy that the young generation will be able to learn about environmental protection in a practical way with the help of this innovative solution and educational platform." The project and donation were realized at the initiative of Marija Popović, a student of the Indija High School, whose class was tasked with conducting research on the topic of renewable energy sources and everything that local companies are doing in that area. Working on that task, Marija Popović found company Strawberry energy, which soon found a donor - our bank.

During 2022, the Bank supported a number of cultural, sports and humanitarian events in local communities - Sokobanja, Dimitrovgrad, Pirot, Bečej, Leskovac, Kragujevac, Vrbas, Šabac, Babušnica, Gornji Milanovac, Zrenjanin, Svrlij, Bela Palanca, Niš, Novi Sad and Subotica.





## GRI indeks

Statement of use of standard	OTP banka Srbija a.d. Novi Sad reported information set forth in the GRI Index for the 01.01.2022 – 31.12.2022 period with reference to GRI standards Reporting cycle: annual
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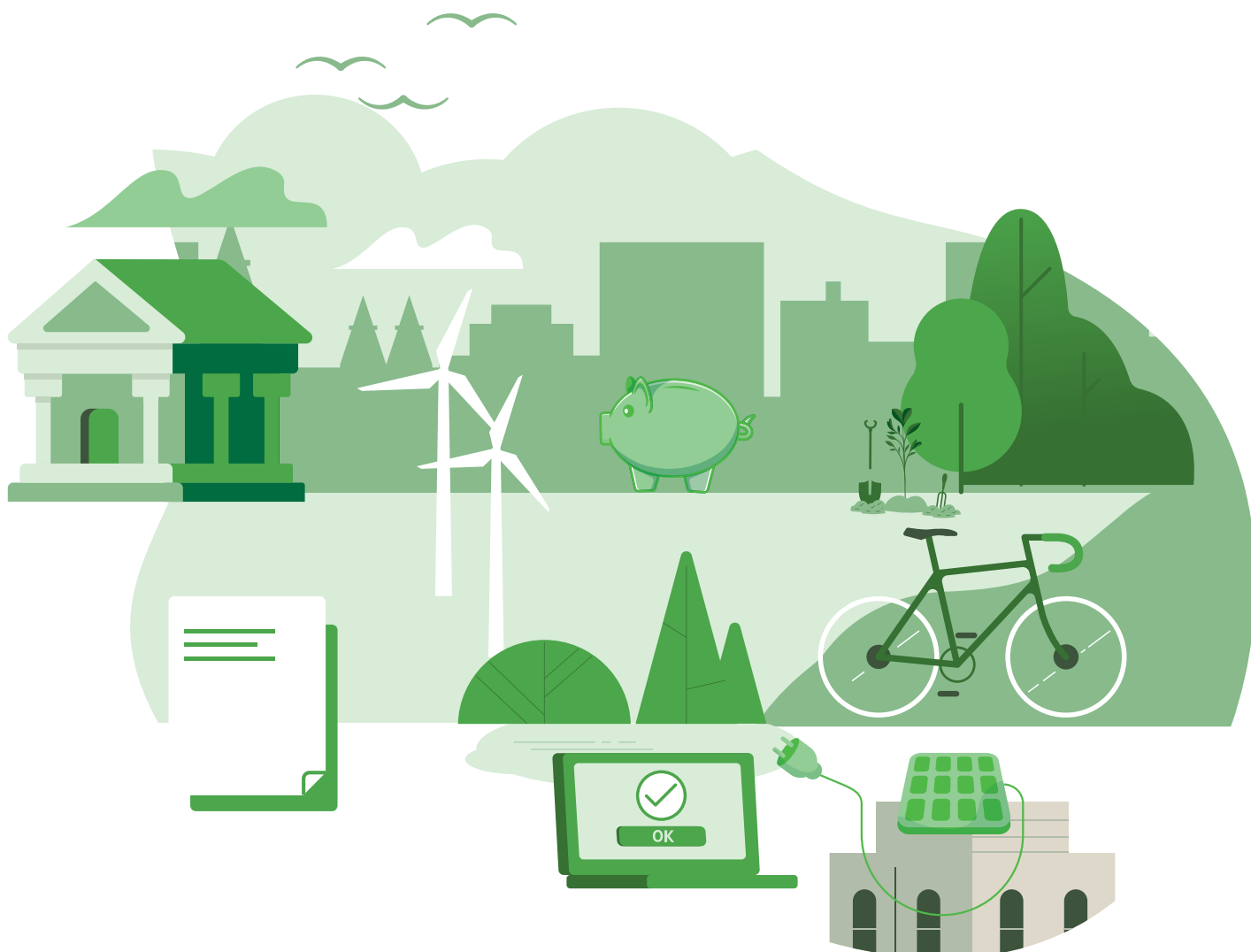
Data in the non-financial report of OTP banka Srbija a.d. Novi Sad refer to 2022, if not stated otherwise.

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Annual Report of OTP banka Srbija a.d. Novi Sad for the year that ended on December 31, 2022 is approved by the management of the OTP banka Srbija a.d. Novi Sad on March 16, 2023.



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**Vladimir Pejčić**  
Head of Accounting Directorate



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**Branimir Spasić**  
Member of the Executive Board



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**Predrag Mihajlović**  
President of the Executive Board



OTP banka Srbija a.d.  
Novi Sad