

Annual Business Report for 2023

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Foreword by the President of the Executive Board

Predrag Mihajlović

Dear Friends,

Upon witnessing in year 2022 increase of benchmark interest rates by the European Central Bank (ECB), the US Fed, as well as by the National Bank of Serbia, a standstill can be seen from September this year, with no further increases and stabilising the inflation. What encourages is the quite stable financial sector of Serbia, perhaps one of the most stable in the region and Europe due to high capital adequacy rate, high liquidity rate, and banks are prepared for any challenges that may come from the surroundings. All banks in Serbia undergo stress tests on a regular basis and maintain the capital adequacy level in order to amortise potential adverse effects of a crisis. I must also mention that growth projections for 2024. are very positive, since we are expecting a credit activity increase in the years to come, with further inflation drop, both in the Eurozone and Serbia.

I am proud to say that results of OTP banka have remained record-breaking in all aspects of operation. We succeeded in achieving record business results and growth in all business segments, which was rewarded by prestigious international awards. Our Bank was declared the best bank for cash management services in Serbia for 2023 by Euromoney, the world's leading financial magazine. As before, this award is a reflection of our top-notch expertise, but also of great effort and commitment to provide clients with an exceptional customer experience at all times through products and services we continuously improve together. For the second time in a row, OTP banka is also the winner of Best Bank in Foreign Exchange Operations in Serbia award for 2023 by the Global Finance magazine. This year, we have also received the "Serbia's Corporate Banking Market Leader 2023" accolade from Euromoney.

In terms of loans, with a total amount of around EUR 4.6 billion, we remained the leader on the Serbian market. Housing loans exceed one billion euros, with a market share of 22.1%. A major



surge was also recorded in the area of cash loans, where the amount of EUR 1.1 billion was reached with a growth of 2.7% y-o-y, which represents 19.5% of the market share. The corporate banking segment also achieved significant growth, where with EUR 2.5 billion OTP banka remains one of the leading bank on the market with 16.1% market share in corporate lending. What is very important to mention is the responsible cost management that we managed to optimize during the integration, which makes up a significant part of our results.

We did not rest in terms of acquisitions and recognising opportunities on the domestic market, thus in July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired the asset management company ILIRIKA DZU, which continued to operate within the OTP Group in Serbia as OTP Invest. The investment funds market in Serbia is currently characterized by low product penetration, but we believe that there is significant potential to grow.

Along with keeping the Bank's market position, digital transformation is also our priority. Our investments are focused on digitalisation, automation, efficiency increase processes, objective of which should be a higher satisfaction degree of users of our services. From our agile teams, where all commences, to the digital factory, every day we work on enhancements that at the end of the day look like, for example, our m-bank application, which is especially praised by clients, or as the innovative OTP Junior card product, a unique product on our market for young people from 11 to 18 years of age, in order to learn how to become financially independent. For us, financial literacy is becoming an increasing focus, because we believe that we are the ones who must initiate and raise this topic to a higher level, which will ensure a more stable future for everyone.

We have continued with our implemented Innovation Strategy and achieved that last year's "INNOVATION Challenge" format has now become widely recognizable, and colleagues are happy

to respond since they have the opportunity to learn how to develop ideas through different methodologies and thereby generate new ideas. At the end of the year, OTP Connect was also launched - a unique program for cooperation, development and innovation incentive, where we are eagerly waiting to receive new vendors and partners.

All this was recognized by HR professionals and the Bank was renewed with the "Employer Partner" certificate, a prestigious HR award from the "Selectio" consulting company.

For years, we have been building the image of an institution that is a corporate social responsibility leader, and this year was really special in that regard. I would like to remind that the Bank's priorities in this area include ecology, sports, culture, support to socially sensitive groups, financial education and support for smaller local communities. We have recently launched the pioneering initiative "Together for stronger solidary society" dedicated to creating a single Register of Civil Society Organizations, which the Bank will exempt from commissions when humanitarian donations are paid to their special-purpose accounts. The objective of our new oasis, OTP Village, is to connect our employees and partners more with nature and help biodiversity by growing bees and honey plants. Due to its great popularity, Generator Zero experienced another cycle committed to innovations for reducing carbon footprint, which was followed by the fourth social entrepreneurship fair, the Generator of Good Deeds. The second literary competition for the first unpublished novel with the BOOKA publishing house saw the light at the end of the year, while the global initiative partnership "Priceless Planet Coalition" by Mastercard, aim of which is to reforest endangered areas of the planet, was renewed for the third consecutive year. We also became the official signatory of the UN Responsible Banking Principles - a unique sustainable development framework, developed through cooperation between banks across the world and the United Nations Environment Programme Finance Initiative (UNEP, FI). We were also presented with awards, both at the level of

our parent Group and from organizations and institutions. We 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.

For the end, I leave what is most important, that makes up our team, which is our people. I am proud that we socialize even more through various internal activities and events, which often have an environmental or humanitarian component, where at the New Year's party attended by almost 2,000 colleagues, we collected over 2 tons of food and donated it to the Little Big People and Solidarity Kitchen associations, while we educated our youngest about the importance of bees and spending time in nature, and crowned all of this with work actions through the OTP Club of Volunteers. We ended the year by signing a Medical Donation Contract worth five million dinars with the Ministry of Health. In this way, the Bank will directly contribute to the improvement of emergency medicine in Serbia, by donating defibrillators to hospitals in larger cities and portable defibrillators to health centres in remote rural areas.

To be on the helm of such a team is a true pleasure for me.

Yours faithfully,



Predrag Mihajlović

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About OTP Group



OTP Group is one of the fastest growing and one of the leading banking groups in the region of Central and Eastern Europe, with outstanding profitability and a stable capital and liquidity position. Headquartered in Hungary, it has a diverse and transparent ownership structure, while it has been listed on the Budapest Stock Exchange since 1995.

As the most active consolidator in the banking sector of the Central and Eastern European region, the Group has successfully acquired and integrated 23 banks since the beginning of 2000. Today, it is present in 12 countries of the Central and Eastern Europe and Central Asia regions, and is currently the market leader in Hungary, Bulgaria, Serbia, Montenegro, and Slovenia. Two acquisitions were completed during the previous year alone, namely Nova KBM Group from Slovenia and IPOTEKA Bank from Uzbekistan became two new members of OTP Group. With integrity and determination, OTP Group is focused on helping the development of the Central and Eastern European region to become the continent's growth engine. With over 41,000 employees in now 12 countries, the Group provides universal financial services to around 17.5 million customers.

The Group strives to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. It uses synergy within the group and acts as a driver of digital transformation of the region.

In the first nine months of 2023, OTP Group generated profit of EUR 2.25 billion after tax (which is almost four times the amount compared to the same period of the previous year), while for the third quarter a profit of EUR 0.73 billion was realized after tax. It is important to note that OTP Group is among the 5 banks in Europe that are most stress resilient. Namely, the European Banking Authority (EBA) announced stress test results of the European banking sector, which encompassed 70 EU banks, with 75% of assets of the European banking sector. The stress test was created with the objective to assess the resistance to stress of banks' capital positions in the event of a significant

macroeconomic crisis. If we compare results in Europe - OTP Group is among the 5 banking groups in Europe that are most stress resilient according to the reduction of CET1 capital, based on the three-year stress scenario. In this year's stress test, OTP Group is among the top 25% for all tested indicators. The test result confirms that even under stress, OTP Group's capital position is stable.

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. Sustainability is at the very top of OTP Group's priorities, which is why it has defined the ESG strategy pillars with the aim to avoid adverse effects on the environment and society, use potential for business improvement and to become a regional leader in green financing and building a sustainable future. 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. 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, to which OTP banka in Serbia joined at the end of 2023. We have thus joined the world's largest banking community focused on sustainable financing.

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About OTP banka Srbija a.d. Novi Sad



OTP banka Srbija is one of the leading financial institutions and the largest creditor in Serbia. Our comparative advantage and what distinguishes us on the banking market is clients' trust, determination of partners, expertise and commitment of our employees, with strong support from the parent OTP Group.

Our network comprising 154 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 275 ATMs, is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

We have succeeded in achieving record business results and growth in all business segments with a total net loan balance of EUR 4.6 billion, with EUR 7.1 billion in assets, 2.720 employees and over 725.000 active clients. In 2023 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 23,169 million dinars. Retail loans increased by ca 1% comparing to 2022, with a market share of 18.9%. In the course of 2023, 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 19.5%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.1%.

In July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired ILIRIKA DZU (founded in 2007), the Serbian subsidiary of ILIRIKA Group, which continued to operate within the OTP Group in Serbia as OTP Invest, focused on brokerage and asset management services. Bearing in mind the leading position of OTP banka in Serbia and expert support of the Global Markets Directorate from our parent OTP Group, with this acquisition we will significantly expand the range of capital market products and services of our Bank. Investment services will primarily be available to our private banking clients, with simultaneously expanding the range of sales channels.

We are focused on innovation and digitalization of our operations, which provides customers with new benefits with a focus on enhancing digital banking and customer experience. In addition to upgrading existing products and services, we are proud that new and quite often unique products are created in our digital factory, such as the Junior card for young people, which ensures their financial independence. Together with the completely new and improved m-bank application, with this move we have provided a unique and easy experience to all our clients who can perform their financial obligations on a daily basis, buy insurance, plan their budget, apply for a cash loan.

One of our key strategic directions is the green transition, i.e. commitment to sustainable business and ESG projects, thus it is not unusual that we have positioned ourselves as a leader in green transition in Serbia and the application of ESG principles of action.

Guided by the adopted ESG Strategy, 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).

The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We create, implement 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 2023, the general advocacy in the field of corporate social responsibility, as well as the Generator project and our contribution to sports.

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 year alone, we granted employees a day off on their birthday, a new, improved private health insurance, as well as special benefits with a certain amount at their disposal through the House of Benefits application. Our work was recognized again and we received a renewed "Employer Partner" certificate, a prestigious HR award from the "Selectio" consulting company.

We pay a lot of attention to customer experience in general, and in particular through the strong Voice of Customer (VoC) program, actively following insights of our clients. Through regular surveys, interviews and sessions, we receive feedback, ensure an open and constant dialogue with our clients, which allows us to understand their needs and preferences.

A major upgrade of digital channels this year was achieved with the help of contemporary UX and additional enhancements, which resulted in the introduction of Omnichannel Tribe and the launch of new digital functions on a monthly basis. The purpose of the Tribe is to create a channel of services and products, with features and functionalities that even surpass the currently dominant network channel. In addition, the "AI Assistant" is not the future in our Bank, but is widely implemented and represents our software tool that uses advanced artificial intelligence techniques to support employees in efficiently accessing and processing key information based on internal documents.

A large number of initiatives and projects were implemented in the course of the year, of which the multi-awarded Generator Zero project particularly stood out, a competition which for the second time (out of seven cycles) was intended for innovative solutions aimed at reducing the carbon footprint. Since 2023, all our green projects are a part of the Generator Lab platform, among which is the Social Entrepreneurship Fair "Generator of Good Deeds" organized in the Ušće shopping centre, the second cycle of the literary contest for the first unpublished novel with the BOOKA publishing house, and the partnership on the global "Priceless Planet Coalition" initiative by Mastercard, which we joined for the third time. We opened our honey oasis near Belgrade, "OTP Village", intended for our socializing and familiarising with the nature, and through the Club of Volunteers we realized two actions at the end of the year. We launched the pioneering initiative "Together for stronger solidary society" dedicated to creating a single Register of Civil Society Organizations, which we will exempt from commissions when humanitarian donations are paid to their special-purpose accounts, and once again instead of holiday gifts, we directed the money into a New Year's donation to the Ministry of Health for the purchase of defibrillators for hospitals in larger cities and portable defibrillators in health centres in remote rural areas.

As the official bank of the Olympic Committee of Serbia, we organized another "Olympic training with OTP banka" in the sixth Olympic cycle, intended for elementary school students and boldly started preparations for the Olympic year.

We are members of various business organizations and associations, through which we actively promote highly ethical business standards and strive 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 Leasing Srbija, a leader in the leasing market in our country, as well as OTP Osiguranje, which through OTP banka provides life insurance services, also operate within OTP Group.

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. OTP Bank has no registered branches. During 2023, OTP banka did not buy back its own shares.

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

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Macroeconomic environment and the Banking sector

Despite the consequences of the pandemic and the economic crisis, which caused disruptions in the world food and energy market and the growth of global inflation, as well as the tightening of monetary conditions to control price growth, the world economy proved to be more resilient than originally expected. However, economic growth is still uneven across countries and regions, faster than expected in the United States of America, and slower in China and the Eurozone, which was most affected by the effects of the conflict in Ukraine and the rise in energy prices in the previous year.

The slowdown in global inflation is mainly driven by the decrease in world energy and food prices. As a result of the established downward trajectory of inflation and the effects of previous monetary policy tightening, it is estimated that central banks of developed countries are generally near the end of the monetary policy tightening cycle. At the same time, the leading central banks, the Federal Reserve System and the European Central Bank, emphasize that the tighter monetary conditions will be maintained in the coming period, until they are sure of a sustainable reduction in inflation and a return to the 2% target.

After increasing the reference interest rate in the first half of the year by 150 bps, in the second half of the year the Executive Board of the National Bank of Serbia maintains the reference interest rate at an unchanged level due to the easing of global inflationary pressures, as well as the established downward trajectory of domestic inflation and its expected movement within the target limits in the horizon of monetary policy. Key policy rate in Serbia in December was 6.5%, while the rates on deposit and lending facilities were raised to 5.25% and 7.75%, respectively.

The National Bank of Serbia made a decision in September to withdraw a part of banks' excess dinar liquidity by mandatory reserve instruments, thereby further tightening domestic monetary conditions. The mandatory reserve rates on the foreign currency reserve basis were increased by 3 percentage points each, and the mandatory reserve rates on the dinar



reserve basis by 2 percentage points each. Also, the percentages of the part of the mandatory foreign exchange reserve allocated in dinars were increased by 8 percentage points each.

The tightening of the monetary policy of the National Bank of Serbia influenced the growth of interest rates on the interbank money and credit market in dinars. At the same time, the tightening of the monetary policy of the European Central Bank resulted in the growth of interest rates on the money market in the euro area, and thus also of interest rates on corporate loans on the domestic market. Without waiting for the risks of rising interest rates in the euro zone to materialize and affect the possibility of repaying housing loans, and thus financial stability, the National Bank of Serbia made a decision to limit the interest rate for debtors who use the first housing loan with a variable interest rate, and whose contracted amount does not exceed 200 thousand euros in the period from October 2023 to the end of 2024.

Y-o-y inflation has been on a downward trajectory since April, with its level for the last five months being even lower than projected. Inflation was 7.6% in December, which is almost twice as low as at the end of 2022. The slowdown in inflation in December is the result of lower growth in food prices and prices within the core inflation, whose y-o-y growth has been at a single-digit level since June and was reduced to 6.5% in December. In addition to easing global cost pressures, the tightening of monetary conditions also contributed to the fall in core inflation. The decrease in inflation was reflected in the fall in inflation expectations of the financial sector for one year ahead, as well as in the movement of expectations for the next 2-3 years within the limits of the goal of the National Bank of Serbia. The average inflation in 2023 was 12.1%, which is close to the achieved inflation in 2022 (11.9%).

Thanks to the preserved macroeconomic and financial stability and the timely and comprehensive package of economic measures adopted by the National Bank of Serbia and the Government of the RS, Serbia recorded a cumulative real GDP

growth of around 12% in the three crisis years. According to the flash estimate of the SORS on economic trends in 2023, the real y-o-y growth of Serbia's GDP was 2.5%. Activity growth was achieved in all production and service sectors. The biggest growth was achieved by the energy sector, agriculture, and construction thanks to the intensification of the implementation of infrastructure projects. Resilience in the conditions of the slowdown in external demand was demonstrated by the manufacturing industry, achieving growth in production and exports. Favorable trends continued in the labor market, where further employment growth, unemployment reduction and real wage growth were recorded.

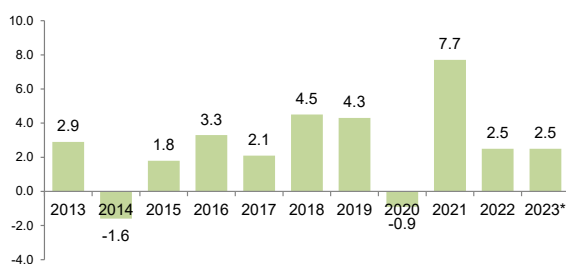
With the reduction of global inflationary pressures, the recovery of the euro zone, and thus the external demand, as well as due to the expected acceleration of the realization of planned investment projects in the field of transport, energy and communal infrastructure, in 2024, GDP growth is expected to accelerate to 3%-4%, and then a return to the pre-pandemic growth path of around 4% per year. 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, as well as preserving a favorable investment environment.

Economic activity

During 2023, there was an acceleration of economic activity, as a result of the recovery in the construction and manufacturing sectors, and the services sector also made a positive contribution. According to the SORS preliminary estimate of economic developments in 2023, Serbia's real GDP growth stood at 2.5%, and it was achieved as a result of the growth of the service sector, agriculture and construction, while the industry sector made a slightly smaller contribution. It is estimated that GDP growth in 2024 will be at the level of 3-4%, and then a return to the pre-pandemic growth trajectory of around 4% per year is expected in the medium term.

The risks of realizing the projection to the greatest extent relate to factors from the international environment, primarily to geopolitical relations and prospects for global economic growth, as well as their impact on the world prices of energy and primary products. When it comes to factors from the domestic environment, the projection risks relate to the level of FDI inflows, the outcome of the agricultural season in the following year, the pace of investment in infrastructure and the energy sector.

GDP growth (in %)



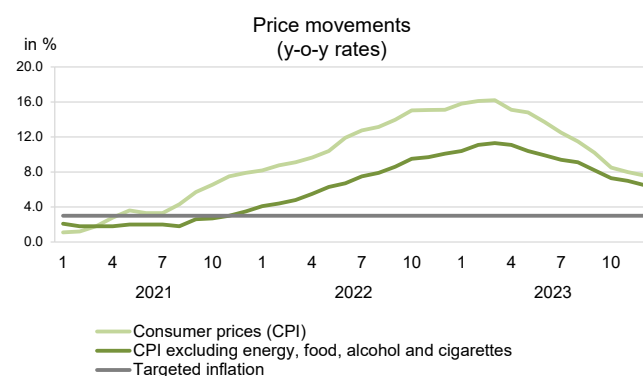
* NBS projection

Inflation

In December, y-o-y inflation was 7.6%, while the average annual inflation in 2023 equalled 12.1%.

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 2022, the growth in prices of food and non-alcoholic beverages further slowed down in December and amounted to 8.4%. The easing of cost pressures in food production, along with a good agricultural season, reflected in the stabilization of processed food prices in the second half of 2023. On the other hand, the y-o-y growth of energy prices in December was higher than overall inflation and amounted to 8.7%.

Core inflation was considerably lower than headline inflation and amounted to 6.5% in December 2023, which was contributed by the effects of monetary policy tightening, weakening of cost pressures and falling inflationary expectations.



A continuation of the decrease in year-on-year inflation is expected in the coming period as well. Inflation will continue to decelerate and should return to the target range in mid-2024, then move closer to the central target value of 3% at the end of the year. The effects of the previous tightening of monetary conditions, the slowdown of import inflation, as well as the expected further decline in inflationary expectations will contribute to such a trend.

Monetary policy

Since July 2023, the reference interest rate is at the level of 6.5%. The July increase of the reference interest rate represents its fifteenth increase starting in April 2022, ending with which it was increased by a total of 550 bps. After the July increase, interest rates on deposit and lending facilities remained at the levels of 5.25% and 7.75%, respectively.

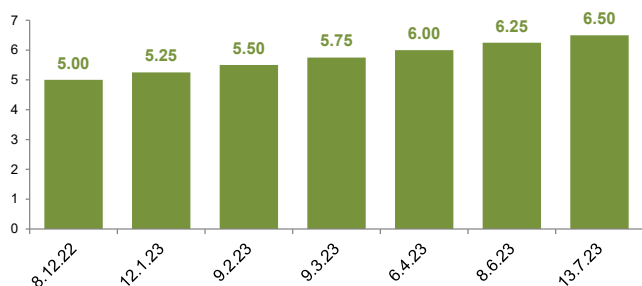
The retention of the reference interest rate at an unchanged level was determined by the continued relaxation of global inflationary pressures, as well as the established downward path of domestic inflation and its expected return to the

target limits in the middle of next year. During 2023, monetary conditions were tightened through the basic instrument, the interest rate, and in September, by increasing the mandatory reserve rates, after which the effects of the adopted measures should be assessed. Transferring the previous tightening of monetary policy to interest rates on the money, credit and savings markets indicates the effectiveness of the transmission mechanism of monetary policy.

Delivering price stability in the medium term and preserving the achieved financial stability will remain a priority of the National Bank of Serbia's monetary policy, along with supporting continued growth and development of our economy, a further rise in employment and a favourable investment environment.

The tightening of monetary conditions influenced the growth of interest rates on the money and credit market, confirming the effectiveness of the monetary policy transmission mechanism. The growth of the total money supply in the third quarter is crucially determined by the growth of the dinar component, whereby retail dinar savings shows new record levels. Domestic credit activity, viewed y-o-y, stagnates as a result of the high base from the previous year, the maturity of loans from guarantee schemes, higher interest rates on loans due to the tightening of the monetary policies of the European Central Banks and the National Bank of Serbia, as well as the tightened credit standards of banks. The relative stability of the dinar against the euro, higher interest rates on dinar savings compared to foreign currency savings, as well as its more favorable tax treatment, contributed to its more dynamic growth. The dynamics of the interannual growth of monetary aggregates is slowing down due to lower credit activity, while increased fiscal duties are acting in the opposite direction.

Reference interest rate (in %)



Exchange rate

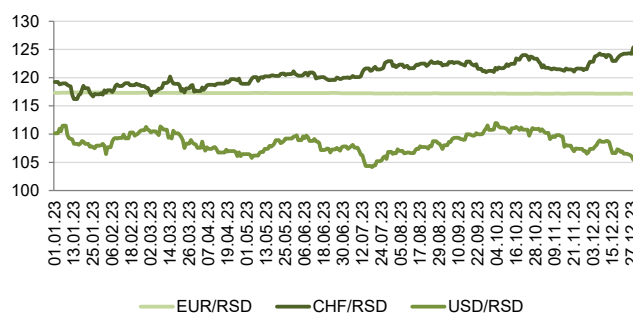
The stable movement of the exchange rate of the dinar against the euro from 2022 continued during 2023, so that its value at the end of the year was nominally 0.1% higher than at the end of 2022. The National Bank of Serbia contributed the most to the stable movement of the dinar exchange rate, which intervened on the interbank foreign exchange market both on the buying and selling side.

Favorable balance of payments trends (growth in exports, decline in imports and inflows based on FDI), high purchase of

effective foreign currency and inflow of foreign currency based on transactions with payment cards are reflected in appreciation pressures. During the third quarter, the supply of foreign currency on the interbank foreign exchange market significantly exceeded the demand, and the National Bank of Serbia eased the appreciation pressures with a net purchase of foreign currency and contributed to the further increase of foreign exchange reserves.

By maintaining the relative stability of the exchange rate of the dinar against the euro, the National Bank of Serbia significantly contributes to limiting the spillover effects of import price growth on domestic prices, as well as macroeconomic stability in conditions of increased global uncertainty.

Exchange rate movements during 2023

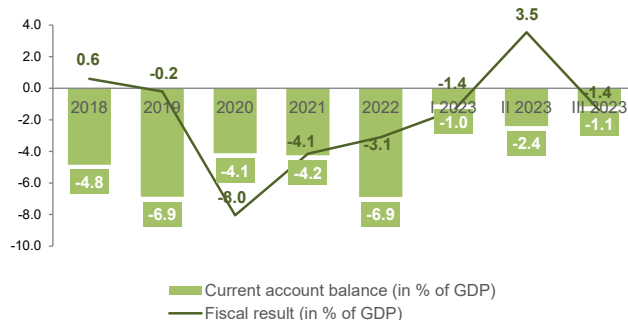


The fiscal result and the current account deficit

The account of economic relations with foreign countries shows positive trends, so in nine months of 2023, a current account deficit of less than 800 million euros was recorded, which is even 2.5 billion euros lower than in the same period of 2022, and at the same time the lowest deficit so far. The biggest impact on the reduction of the current deficit had the goods deficit, with the continued increase in the surplus on the services account, while the increased deficit on the primary income account based on the growth of foreign direct investments and a slight decrease in the surplus on the secondary income account acted in the opposite direction.

According to current projections, the current account deficit will be around 2.5% of GDP this year. The expected acceleration of the investment cycle and the related import of equipment and raw materials, which will be largely compensated by the growth of export capacities and the recovery of external demand, will affect the fact that the current account deficit in 2024 and in the medium term moves around the level of 4% of GDP, which is the level that ensures external demand.

The fiscal result and the current account deficit



Foreign trade

In the period January-November 2023, compared to the same period of the previous year, the export of goods achieved a growth of 4.5%, driven by higher exports of the processing industry and electricity, while the export of services recorded a growth of 19.6%, driven by the growth of ICT, transport and business services. In the same period, the import of goods decreased by 5.2% y-o-y, with the biggest contribution to the decrease coming from the lower import of energy products, while the import of services increased by 15%.

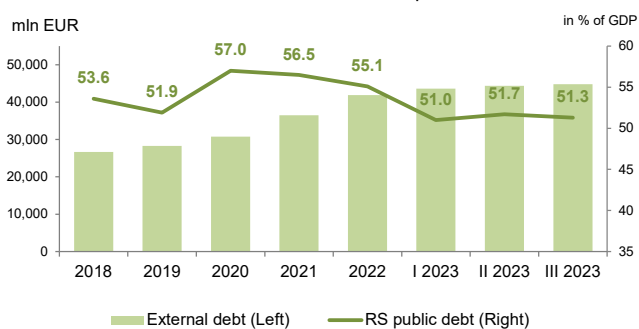
It is expected that new investments and an increase in export supply will ensure high export growth in the medium term. The projection takes into account that the new investment cycle will also affect the growth of imports of equipment and raw materials. In addition, it is expected that the surplus in trade in services will continue to grow slightly, primarily in ICT and business services, tourism and air transport services.

External debt and public debt

During first eleven months in 2023, public debt was lowered to the level of 51.5% of GDP (from 53.5% at the end of 2022). In the last two years, there has been an intensive growth of public debt in euros. Due to more favorable conditions for borrowing on the foreign market, Eurobonds were issued in euros on two occasions. In addition, part of the debt in US dollars, Chinese yuan and UAE dirhams was converted into euros, due to the much smaller fluctuation of the exchange rate of the euro against the dinar, compared to the mentioned currencies, in order to reduce the currency risk. According to data from 30.11.2023. year, the largest part of the public debt of the Republic of Serbia is denominated in euros and amounts to 58.0%. Then the dinar with 21.2% and the US dollar with 13.4% are the most represented.

The share of public debt in GDP is expected to be 53.3% at the end of 2023. In the coming years, a decrease in ratios is expected, which should amount to 50.0% at the end of 2026. In the given period, the implementation of large infrastructure projects is expected, which will mainly be financed from loans, and their more intensive implementation compared to the previous period. Here we can see a clear coordination of fiscal and development goals. The sustainability of public debt and the gradual decline of its share in GDP are taken into account, while simultaneously using new borrowing to improve infrastructure conditions that lead to the growth of GDP, living standards and new investments.

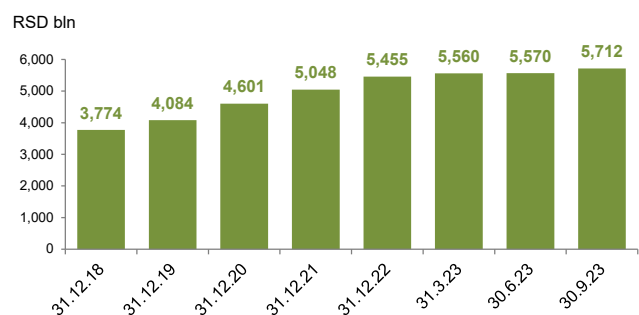
Serbian external debt and public debt



Banking sector

At end of Q3 of 2023, the Serbian banking sector numbered 20 banks, among which foreign-owned banks still have a dominant share. The banking market is very saturated since the five largest banks have 61.0% of the market share, which is similar to the end of 2022. 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 2023, total net balance sheet assets of the Serbian banking sector amounted RSD 5,712 billion, and total capital RSD 785 billion.

Total assets



Net result in the overall banking sector achieved in the first nine months of 2023 amounted to RSD 101.5 billion, representing an increase of 83% compared to the same period previous year. A positive result was reported by 19 bank with total profit of RSD 101,543 million, while 1 bank operated with a loss of RSD 60 million.

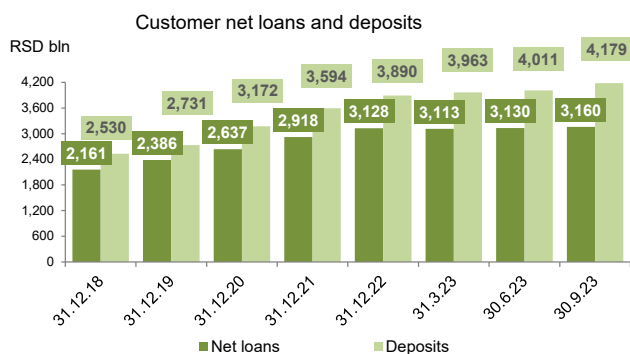
Changes in key elements of banking sector profitability (in RSD mln)

	30.09.2022.	30.09.2023.	Change
Net interest	109,043	165,407	↑ 52%
Net fees	53,496	57,267	↑ 7%
Credit losses	-11,112	-11,890	↑ 7%
Exchange rate effect	-5,680	-1,515	↓ -73%
Result	55,562	101,482	↑ 83%

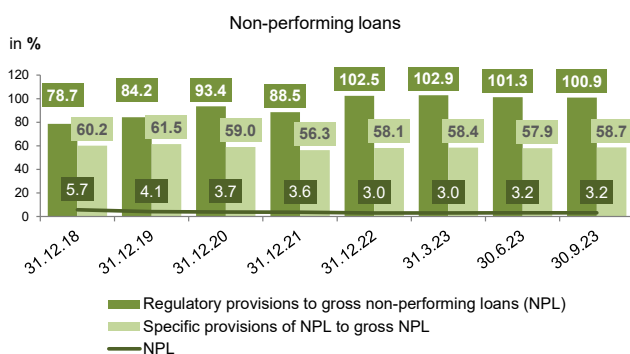
Total net loans of the banking sector in Serbia at the end of the third quarter of 2023 increased by 1.0% comparing to

end of previous year. Measured by the share of dinar in total receivables, the dinarisation of corporate and household receivables reached 33.5% in November 2023.

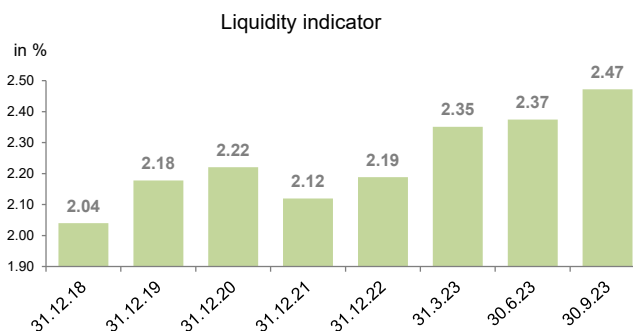
The main sources of financing of the banking sector in Serbia are still received deposits, which share in total liabilities was 73.2%. Total deposits at the end of the third quarter amounted to RSD 4,179 billion, which represents an increase of 7.4% as compared to end of last year. Since the beginning of the year till November, household savings increased by RSD 71.9 billion, or 4.5%, which indicates citizens' confidence in the stability and safety of the banking sector.



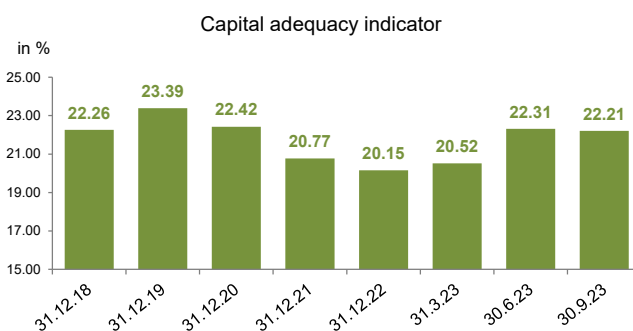
The gross NPL ratio was at level of 3.2% in September 2023. The NPL coverage remained high – in September, allowances for impairment to total loans stood at 100.9% of NPLs, and allowances for impairment to NPLs measured 58.7%.



The Serbian banking sector is still characterized by very high liquidity. At the end of the third quarter of 2023, the average monthly liquidity ratio stood at 2.47% (regulatory minimum is 1%), while the narrower liquidity ratio stood at 1.69% (regulatory minimum is 0.7%).



The Serbian banking sector is well capitalised. At the end of September 2023, average value of the capital adequacy ratio of the Serbian banking sector was 22.21%, 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 2023, the retail banking sector remained focused on the needs of its clients and the development of long-term relationships. The constant growth of household lending is one of the key indicators of the support that the Bank provides to its clients, individuals. In 2023, loans grew by about 1% compared to 2022, whereby OTP Banka managed to achieve a market share of 18.9%.

In the course of 2023, the market recorded a decline in the demand for housing loans. OTP Banka has maintained one of the leading positions in the housing loan market with a market share of 22.1%.

Favorable trends in the retail segment are the result of finding the optimal price level and product mix. Special actions and campaigns were organized for the promotion of cash loans, which resulted in a market share of 19.5% in cash loans.

The total amount of deposits in the retail sector reached the amount of about RSD 229 billion. At the end of the year, a savings campaign was launched, which led to an increase in the market share of OTP Bank's household deposits, which at the end of 2023 recorded a level of 11.4%.

Since the focus of retail operations is client satisfaction and an outstanding user experience, the introduction of changes has continued, and in a system that fosters a culture of innovation at the level of the entire group, it is understood that constant work is being done on an offer that has a value in use for clients and makes everyday banking services as easy as possible for them.

In the dynamic world of banking, the demands of clients change rapidly, and in order for the bank to respond to their needs, our Digital Factory played a key role, through which we change our way of working and follow the digital era, applying an agile organization. As the financial literacy of young people is an important and big topic for us, we are proud of the fact that we have launched a product intended for teenagers on the market - the OTP Mastercard Junior card.



In the last year, the population has made a big shift in favor of mobile banking. Our m-bank application provides users with the ability to perform a variety of transactions, from online cash loans to mobile wallet payments. With more than 1.13 million cards during the year, we recorded 79 million transactions.

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 somewhat 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, at OTP Banka "Digitally where the client is", represents an additional challenge precisely for the improvement of processes that until almost dominantly functioned according to analog principles. Clients expect us to enable them to establish a business relationship with the bank without coming to a branch, which means opening an account, applying for a cash loan, opening a savings account, as well as purchasing an insurance policy.

However, what sets us apart is not only technological progress, but also a commitment to sustainability. We initiate and implement numerous projects under the Generator Lab platform that supports innovation and green initiatives, while the last two editions of the Generator Zero competition were dedicated to solutions that affect the reduction of the carbon footprint. All this makes us a pioneer of digital transformation that improves not only the banking experience but also the world around us.

During this and the previous year, OTP Banka significantly participated in lending to small and medium-sized enterprises. During 2023, in the Small Business segment, the bank realized loans to legal entities and entrepreneurs in the total amount of more than RSD 15 billion.

In the course of 2023, some of the important projects were completed, but some new ones were also started that will contribute to greater efficiency and increase the satisfaction of our clients. What we would like to highlight is that we have implemented a new account opening process, which involves only one visit of our clients to the bank. Also, we worked on developing the credit process in order to shorten the response time to client requests to a maximum of a day or two.

OTP Banka is a member of the first Serbian AgroTech Supercluster. Together with the startup Agremo, we are working on developing a software platform that uses artificial intelligence and machine learning technologies. In this way, we provide innovative and advanced solutions in the field of agriculture.

At the end of 2023, the European Bank for Reconstruction and Development (EBRD) approved a loan in the amount of EUR 60 million to OTP Banka for further lending to small and medium-sized enterprises in Serbia. The financing is intended to support investments for small and medium-sized enterprises. As part of this financial package, a 10 million euro loan is intended for the Go Green program for SMEs.

This financial package will enable OTP Banka to continue supporting investments of small and medium-sized enterprises in improving technology and equipment, increasing competitiveness, as well as providing support for export potential. This loan also

supports the green economy of Serbia, bearing in mind that 50 percent of the loan for SMEs and 70 percent of the part intended for the Go Green program for SMEs will be in accordance with the EBRD initiative towards the Green Economy Transition (GET). Upon successful completion of their investment projects, small and medium-sized enterprises financed through the Go Green program for SMEs will be entitled to a refund of 10 percent of the loan amount or 15 percent for investments in renewable energy sources and certain projects in agriculture.

OTP Banka has a developed service model for private banking clients that includes investment and financial counseling, as well as know-how in asset management. Taking into account the fact that 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 advisers recommend to each client individually the way in which they can invest their funds in the domestic or foreign market, in accordance with their profile, financial plans and other factors. Knowledge of the local market by the bank's employees is crucial here, and the possibility of crossing different areas of their expertise, such as corporate business, leasing or insurance, is an advantage.

Corporate Banking



OTP Banka was declared the best bank for cash management services (Cash management) in Serbia for 2023 by the world's leading financial magazine Euromoney. The recognition was awarded to us based on a survey of 29 thousand corporate clients using transaction services and financial professionals from around the world who voted for the best in specific markets.

In addition, for the second time in a row, OTP Banka is the winner of the award for the Best Bank in the business of buying and selling foreign exchange in Serbia for the year 2023 by Global finance magazine. The award selection criteria included transaction volume, market share, global coverage, customer service, competitive pricing and innovative technologies.

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.

Two year after the largest banking integration on the Serbian market in an environment of dynamic and frequent changes, major consolidation and grouping of the banking sector, OTP Banka managed to maintain one of the leading positions on the market in the field of business lending.

In the segment of Corporate business, the OTP Banka records excellent results and with the achieved level of EUR 2.5 billion with about 16.1% 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.

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.

Total gross corporate loans increased in 2023 through the improvement of co-operation with the existing and new clients. During the 2023 the Bank has approved significant amount of loans to mid-size and corporate enterprises. This affected the corporate loans to reach about 16.1% market share at the end of 2023. 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 15.1% at the end of 2023.

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.

Global transaction banking services stand side by side with credit activities since the bank has recognized the importance of transaction banking in the productive and efficient activity of every legal entity. OTP Banka is focused on offering a complete range of cash management services following market trends and thus meeting the demands of domestic and foreign clients. In the domain of e-commerce services, we achieved a volume increase of more than 115% in 2023 and recorded around 11 million transactions. Since 2013, 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 addition to the standard factoring-related products and services available on the market, OTP Banka can additionally support international companies with a supply chain financing platform and international factoring services.

What sets OTP Banka apart on the market when it comes to factoring services is the fact that clients perceive the bank as a partner and advisor in solving 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.

We strategically support the development of the start-up community and encourage the progress of the innovation ecosystem, which is why we launched the unique OTP Connect program. OTP Connect, as a place to connect innovators and our bank, represents an open platform and training ground for joint growth and development. In this way, we combine the bank as a traditional business organization with startups as generators of new and technologically advanced solutions.

OTP Bank has become an official signatory of the UN Principles for Responsible Business and the United Nations Environmental Financial Initiative Program. Thus, we became the first and only bank in Serbia to be a member of the UN initiative, whereby we committed ourselves to be consistent in our sustainability strategy, to work towards the adoption and implementation of sustainable practices as the basis of our business while at the same time preserving sustainable finances at the highest level.

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 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, as well as the criteria for their recognition and valuation according to the types of collateral.

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 2023, the Bank further improved its framework for the identification and management of ESG risks, through appropriate process automation. Also, in accordance with its strategic orientation of positioning as a leading bank in green financing, in parallel with the careful verification of the fulfillment of all conditions related to green financing in new placements, the Bank continued to work on screening its existing loan portfolio, in order to identify already existing “green” transactions or looking at the potential for further greening of the credit portfolio. During the year, the regular credit process itself was additionally improved by identifying the client based on his belonging to the respective ESG risk category, compliance with the requirements from the Bank’s ESG Exclusion List, as well as assessments of clients’ exposure to climate and environmental risks.

The bank regularly adjusts its risk-taking framework annually, both with the business strategy and taking into account the assessment of the possible impact of risks from the international and local macroeconomic environment on the quality of the loan portfolio. Also, the expected movements of macroeconomic factors are continuously included in the assessment of expected credit losses, ensuring an adequate level of provisions for those losses. During 2023, the Bank maintained the NPL indicator at an almost unchanged level, and as of December 31, 2023, according to the methodology of the National Bank of Serbia, the value of the indicator was 3.42%, while on December 31, 2022, it amounted to 3.36%. The realised indicator is almost at the level of the NPL indicators of the banking sector, which is amounted to 3.2% in the third quarter 2023.

Detailed information on the level, structure and concentration of credit risk is presented in the Notes to the Bank’s financial statements.

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.

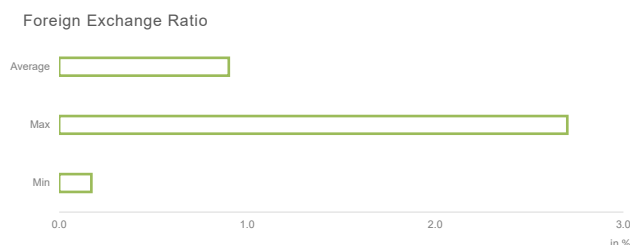
In terms of market risk, the Bank is exposed to:

- 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 2023, 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.). Additionally, in accordance with the standards of its Group when it comes to ESG risk management, the Bank has included the assessment of the impact of ESG risks in the operational risk management process, through its consideration during the creation of scenario analyses, risk self-assessment and through the collection of data on losses with possible implications on ESG risk.

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 and a Disaster Recovery Plan that enable uninterrupted and continuous operation of all significant systems and processes of the Bank, as well as limiting losses in emergency situations. The Business Continuity Plan is based on business impact analysis and risk assessment.

The plan determines key business activities (including activities entrusted to third parties), resources and systems needed to perform business processes. The Bank regularly tests the Business Continuity Plan and the Recovery Plan and reports the results of the tests to the Bank's authorities with adequate documentation. Plans are 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 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 2023.

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 2023. While excess of liquidity the Bank has placed in debt securities issued by Republic of Serbia, REPO and overnight transactions with National Bank 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	2023
Average during period	2.09
Highest	2.44
Lowest	1.75
On 31 st December	2.44

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 2023, and on 31st December 2023 was 139.12%.

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 2023

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 2023, the level of capital and the adequacy indicator had the following trend:

Capital	31.3.2023	30.6.2023	30.9.2023	31.12.2023
In 000 RSD				
Total capital	102,873,064	103,095,432	103,095,623	103,897,031
Tier 1 capital	88,368,778	88,441,669	88,445,673	89,348,124
Common equity Tier 1 capital	88,368,778	88,441,669	88,445,673	89,348,124
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	30,701,394	30,701,394	30,701,394	31,793,083
Losses from previous years	0	0	0	0
Revaluation reserves	-154,995	-95,573	-83,715	-52,242
Intangible assets	-1,215,269	-1,210,846	-1,228,278	-1,451,939
Deductible items related to DTI ratio and maturity exceeding in case of cash, consumer and other loans placed to retail segment	-321,469	-311,553	-308,347	-300,895
Deferred taxes depending on future profitability	0	0	0	0
Other CET 1 regulatory adjustments	-36,527	-37,397	-31,025	-35,527
Additional Tier 1 capital	0	0	0	0
Tier 2 capital	14,504,286	14,653,763	14,649,950	14,548,907
Subordinated liabilities	14,504,286	14,653,763	14,649,950	14,548,907
Total risk weighted assets	480,625,640	469,488,040	471,294,649	485,343,738
Total risk weighted assets for credit risk	426,867,149	415,871,542	417,753,175	421,828,793
Total risk weighted assets for market risk	424,821	408,123	411,005	472,923
Total risk weighted assets for operational risk	52,922,704	52,922,704	52,922,704	62,346,259
Total risk weighted assets for CVA risk	410,966	285,671	207,765	695,763
Total capital adequacy ratio 8%	21.40%	21.96%	21.87%	21.41%
Tier 1 capital adequacy ratio 6%	18.39%	18.84%	18.77%	18.41%
CET 1 capital adequacy ratio 4.5%	18.39%	18.84%	18.77%	18.41%

During 2023, the Bank maintained the level of capital adequacy within the regulatory framework.

The bank's net profit realized at the end of 2022 was RSD 10,862 million. During 2023, part of the profit in the amount of RSD 9,770 million was used to pay a dividend to the bank's shareholder OTP banka Plc Budapest, while the rest of the undistributed profit in the amount of RSD 1,092 million was allocated to Other reserves.

The Bank signed an Annex with OTP Malta on changing the maturity date of the subordinated line in the nominal amount of RSD 2.9 billion, so that this line could be fully included in TIER 2

capital of the Bank.

On 15.12.2023. the Bank signed a new subordinated loan agreement with OTP Bank Plc Budapest, in the nominal amount of RSD 5.9 billion with a maturity date of December 15, 2033, which will be included in TIER 2 capital of the Bank in 2024.

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

1.10

Financial indicators of OTP Banka Srbija



In 000 RSD

	2022	2023
Income Statement		
Net interest income	21,137,140	29,673,940
Net fees and commissions income	8,270,905	9,047,791
Operating expenses*	-14,759,143	-17,319,539
Profit before tax	12,505,816	19,387,795
Profit after tax	10,861,689	16,745,770
Balance Sheet		
Cash and balances with central bank	140,512,381	162,713,299
Loans and receivables	543,705,172	610,066,765
Securities	41,472,668	33,709,664
Other assets	18,321,724	22,195,707
Total Assets	744,011,945	828,685,435
Deposits and other liabilities to other banks, financial organizations, central bank and other customers	618,758,933	689,101,084
Reserves	3,772,895	3,535,247
Subordinated liabilities	14,748,628	20,630,110
Other liabilities	6,373,503	7,670,548
Total liabilities	643,653,959	720,936,989
Total equity	100,357,986	107,748,446
Total liabilities and equity	744,011,945	828,685,435
Key performance indicators		
Capital adequacy ratio (CAR)	21.12%	21.41%
Net interest margin (total assets %)	3.00%	3.77%
ROA	1.54%	2.13%
ROE	11.35%	16.09%
Number of employees	2,692	2,720
Number of branches and sub branches	155	154
Total assets market share	13.6%	13.9%**

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

** as of 30.09.2023

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, 2023 amounted to RSD 828,685 million, which represents the 11.4% increase compared to the previous year. Increase of loans and receivables from banks and other financial organizations, as well as funds placed with the central bank, had the most important influence on assets (balance sheet) increase. Loans and receivables from clients

increased by about 1%, which influenced the market share of gross loans to remain stable and amount to 17.1% at the end of 2023 year.

Profit after tax in 2023 amounts to RSD 16,746 million which represents an increase of RSD 5.9 billion compared to the result of the previous year. This growth was mostly contributed by the increase in interest income, which is significantly the result of an increase in the reference interest rates of the central bank.

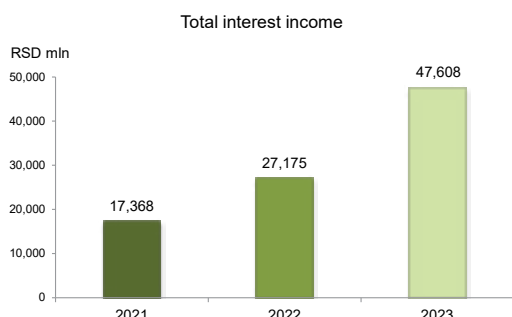
In 2023, the OTP Banka succeeded to maintain the capital adequacy ratio significantly above the minimum requirements, thus the ratio on December 31, 2023 year was 21.41%. Aiming to keep all business performance indicators in accordance with set limits, in December 2023 the Bank signed an agreement with the parent bank on the withdrawal of a subordinated line in the nominal amount of RSD 50 million, so that this line could be 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 23,169 million in 2023 year, which is an increase of about RSD 6.9 billion compared to the previous year. In accordance with the measures adopted by the NBS, which temporarily limited the interest rates on housing loans, OTP bank recorded a loss in the amount of RSD 2.7 billion.

Income

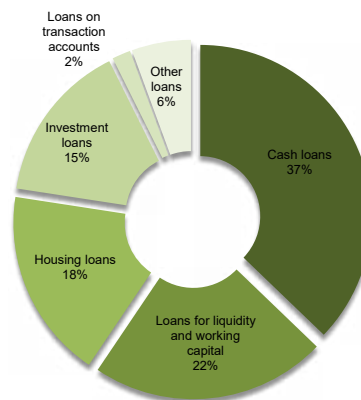
The average key policy rate increase from 2.6% in 2022 to 6.1% in 2023 was also reflected in the increase in interest rates on the banking market. In accordance with that trend, the Bank increased interest rates on local and foreign currency loans and thus has recorded interest income increase. Thanks to that as well as the Bank's intensive lending activity the total interest income in 2023 recorded the amount of RSD 47,608 million. This represents a 75% increase compared to the previous year.



In total interest income structure, interest income on loans and income from cash and assets with the central bank have the highest share. Interest income on loans participate with 83.4%, and income from cash and assets with the central bank with 4.9% in total interest income.

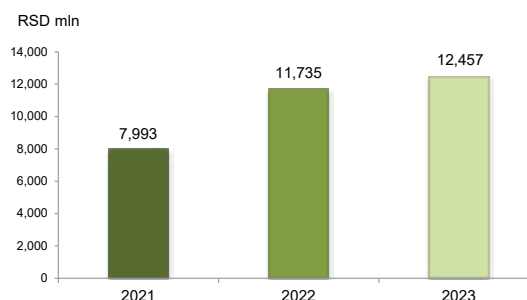
Interest income on loans has the smaller share in total interest income compared to last year, but still achieved a significant increase of RSD 15.5 billion compared to 2022, primarily due to the increase in reference interest rates. From the structural point of view interest income on cash loans participated with 37% in total interest income, while the housing loans and working capital and liquidity loans participate with 18% and 22% respectively in the total interest income.

The structure of interest income on loans



Fee and commission income in 2023 amounted to RSD 12,457 million, which represents a growth of 6% compared to the previous year. This is primarily result of income on payments and turnover fees, which make ~37% 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 ~24% and the account maintenance fees ~17%.

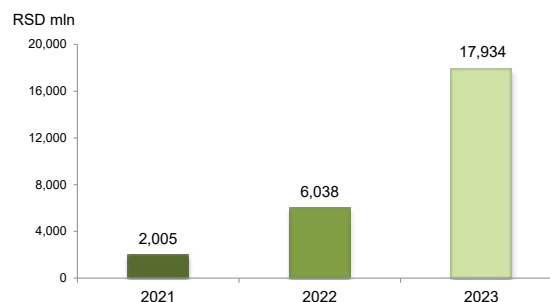
Fee and commission income



Expenses

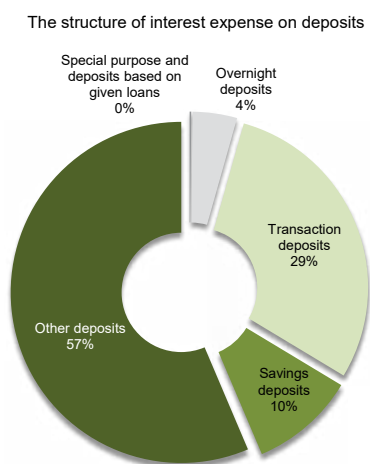
Total interest expenses in 2023 year are RSD 17,934 million that represents three times higher interest expenses compared to the last year. This is due to the increase in interest rates on the market as well as the significant amount of collected client deposits, primarily in the segment of companies and individuals.

Total interest expenses



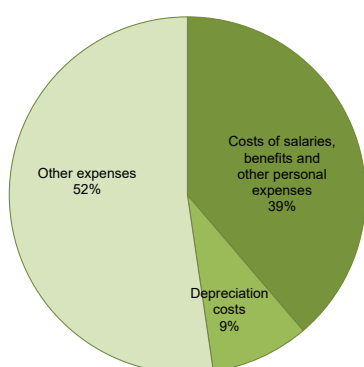
In interest expenses structure the major part refers to interest expenses on deposits 71.4%, while interest expenses related to subordinated loans participate with 5.5%. Interest expenses on the basis of received loans increased by RSD 2.9 billion compared to the previous year, both due to financing by the Group and loans by international financial institutions (EBRD, EIB).

The largest share in the interest expenses on deposits have other deposits 57% followed by transaction deposits with 29% and savings deposits with 10% participation.



Total operating expenses at the end of 2023 year were RSD 17,320 million that is above the 2022 year expenses by 17%. The growth is mostly related to the increase in provisioning expenses based on court cases, costs of production services, non-material costs and costs of net earnings. In operating expenses structure, the major part take the other expenses, i.e. operating expenses 52%. Salary, salary related contribution expenses and other personnel expenses make 39% of total operating expenses, while depreciation costs account for 9% of the total operating expenses.

Structure of operating expenses - 2023



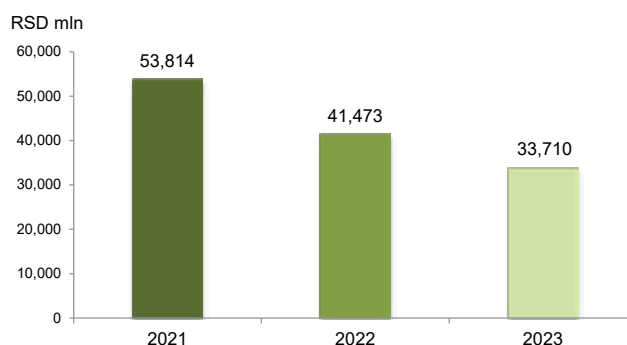
BALANCE SHEET

In 2023, the OTP Banka increased its balance sheet assets for RSD 84,673 million compared to the end of 2022 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, 2023 record a decrease of 19% compared to the 31st of December, 2022 and their share in the total assets is 4.1%.

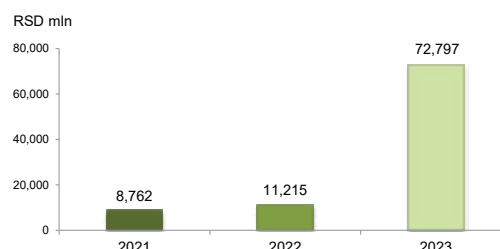
Securities



Loans and receivables from banks and other financial organizations

Net loans and receivables from banks and other financial organizations in 2023 are in accordance with achieved level of depositary and lending activities aiming to generate higher profitability of whole business. Surplus of dinar liquidity in 2023 was largely invested in repo loans, which are about RSD 60 billion higher than at the end of the previous year.

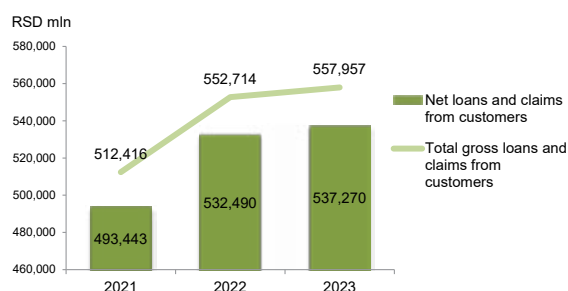
Net loans and receivables from banks and other financial organizations



Loans and receivables from customers

The OTP Banka increased the level of gross loans and receivables to customers during 2023 for 1% compared to the previous year. The increase in gross loans was recorded primarily in loans given to the corporate and cash loans given to the retail.

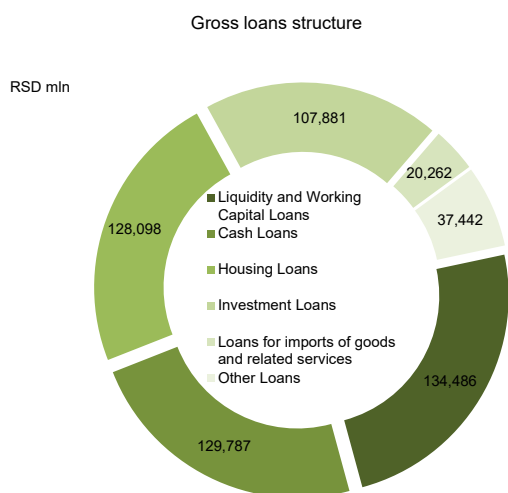
Loans and receivables from customers



In terms of sectoral structure, in the structure of gross loans, corporate and loans to public entities contribute with share of 48.3%. The largest part of corporate loans are loans with a foreign currency clause and foreign currency loans.

Retail sector participates with 47.6% in total gross loans and receivables from customers. Cash loans represent the largest share in total gross retail loans of 48.9%, while mortgage loans took part of 48.3%.

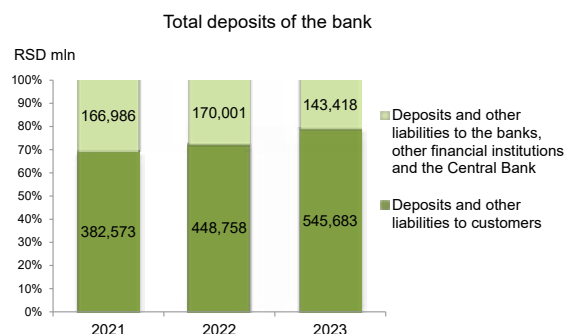
From the products point of view, in the gross loans structure, working capital and liquidity loans have the largest share of 24.1%, while cash loans participate with 23.3% and housing loans with 23.0%.



The ratio of gross loans to deposits from customers amounted to 102% as of 31.12.2023 and shows a decrease compared to last year (123%) as a result of an increase in deposits.

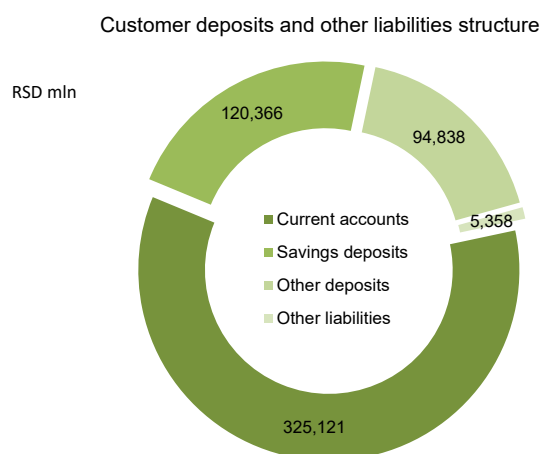
Deposits

Conditions for maintaining high level of liquidity and placement growth were secured by increased level of deposits during 2023 year. Total deposits of the OTP Banka at the 31st of December, 2023 amounted to RSD 689 billion; the major part is coming from deposits from customers ~79%, while the financing from banks and other financial institutions was at the level of ~21%.



Savings deposits participate with 22% in total deposits, while transaction deposits have largest contribution of 60%.

FX deposits participate with 48% 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.



In terms of sectoral structure, in the structure of customer deposits and other liabilities, the largest share has the retail sector, 42.1%, while deposits to companies have a share of 39.8%, and public entities 6.2%.

1.11

Plans for the future



The OTP banka Srbija has defined the following strategic objectives for the 2024:

Five main strategic directions for the future:



1.
ENHANCE CUSTOMER EXPERIENCE



4.
FOCUS ON PEOPLE AND CULTURE



2.
IMPROVE DATA DRIVEN MANAGEMENT



5.
FOCUS ON GROWTH



3.
OPERATIONAL EFFICIENCY
IMPROVEMENT

- 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:



1.
STABLE



3.
CUSTOMER FOCUSED



2.
RELIABLE



4.
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 goals. At the same time, it is important to nurture the bank's identified corporate values along the way:



1.
FOCUS ON CLIENTS



3.
EFFICIENCY



2.
INNOVATIVENESS



4.
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 2023.



Abstract green shapes consisting of a large circle on the left, a smaller circle above it, and a curved shape at the bottom, all in a vibrant green color.

Non-financial statement for 2023

Content

Non-financial statement

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 - 2.5.4. Accessibility of financial services
- 2.6 Responsible financing – financial services aimed at sustainability
- 2.7 Responsibility in the work environment
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2.9.2. Financial education

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2.9.4. Support to sports

2.9.5. Support to local communities

2.10 GRI index

2.1

Foreword by the President of the Executive Board

Predrag Mihajlović



Dear Friends,

Upon witnessing an increase of benchmark interest rates by the European Central Bank (ECB), the US Fed, as well as by the National Bank of Serbia in 2022, a standstill can be seen from September this year, with no further increases and stabilising the inflation. What encourages is the quite stable financial sector of Serbia, perhaps one of the most stable in the region and Europe due to high capital adequacy rate, high liquidity rate, and banks are prepared for any challenges that may come from the surroundings. All banks in Serbia undergo stress tests on a regular basis and maintain the capital adequacy level in order to amortise potential adverse effects of a crisis. I must also mention that growth projections for 2024 are very positive, since we are expecting a credit activity increase in the years to come, with further inflation drop, both in the Eurozone and Serbia.

I am proud to say that results of OTP banka have remained record-breaking in all aspects of operation. We succeeded in achieving record business results and growth in all business segments, which was rewarded by prestigious international awards. Our Bank was declared the best bank for cash management services in Serbia for 2023 by Euromoney, the world's leading financial magazine. As before, this award is a reflection of our top-notch expertise, but also of great effort and commitment to provide clients with an exceptional customer experience at all times through products and services we continuously improve together. For the second time in a row, OTP banka is also the winner of Best Bank in Foreign Exchange Operations in Serbia award for 2023 by the Global Finance magazine. This year, we have also received the "Serbia's Corporate Banking Market Leader 2023" accolade from Euromoney.

In terms of loans, with a total amount of around EUR 4.6 billion, we remained the leader on the Serbian market. Housing loans exceed one billion euros, with a market share of 22.1%. A surge was also recorded in the area of cash loans, where the amount

of EUR 1.1 billion was reached with a growth of 2.7% y-o-y, which represents 19.5% of the market share. The corporate banking segment also achieved significant growth, where with EUR 2.5 billion OTP banka remained among the market leaders with 16.1% market share in corporate lending. What is very important to mention is the responsible cost management that we managed to optimize during the integration, which makes up a significant part of our results.

We did not rest in terms of acquisitions and recognising opportunities on the domestic market, thus in July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired the asset management company ILIRIKA DZU, which continued to operate within the OTP Group in Serbia as OTP Invest. The investment funds market in Serbia is currently characterized by low product penetration, but we believe that there is significant potential to grow.

Along with keeping the Bank's market position, digital transformation is also our priority. Our investments are focused on digitalisation, automation, efficiency increase processes, objective of which should be a higher satisfaction degree of users of our services. From our agile teams, where all commences, to the digital factory, every day we work on enhancements that at the end of the day look like, for example, our m-bank application, which is especially praised by clients, or as the innovative OTP Junior card product, a unique product on our market for young people from 11 to 18 years of age, in order to learn how to become financially independent. For us, financial literacy is becoming an increasing focus, because we believe that we are the ones who must initiate and raise this topic to a higher level, which will ensure a more stable future for everyone.

We have continued with our implemented Innovation Strategy and achieved that last year's "INNOVATION Challenge" format has now become widely recognizable, and colleagues are happy to respond since they have the opportunity to learn how to

develop ideas through different methodologies and thereby generate new ideas. At the end of the year, OTP Connect was also launched - a unique program for cooperation, development and innovation incentive, where we are eagerly waiting to receive new vendors and partners.

All this was recognized by HR professionals and the Bank was renewed with the *"Employer Partner"* certificate, a prestigious HR award from the *"Selectio"* consulting company.

For years, we have been building the image of an institution that is a corporate social responsibility leader, and this year was really special in that regard. I would like to remind that the Bank's priorities in this area include ecology, sports, culture, support to socially sensitive groups, financial education and support for smaller local communities. We have recently launched the pioneering initiative *"Together for stronger solidary society"* dedicated to creating a single Register of Civil Society Organizations, which the Bank will exempt from commissions when humanitarian donations are paid to their special-purpose accounts. The objective of our new oasis, OTP Village, is to connect our employees and partners more with nature and help biodiversity by growing bees and honey plants. Due to its great popularity, Generator Zero experienced another cycle committed to innovations for reducing carbon footprint, which was followed by the fourth social entrepreneurship fair, the Generator of Good Deeds. The second literary competition for the first unpublished novel with the BOOKA publishing house saw the light at the end of the year, while the global initiative partnership *"Priceless Planet Coalition"* by Mastercard, aim of which is to reforest endangered areas of the planet, was renewed for the third consecutive year. We also became the official signatory of the UN Responsible Banking Principles - a unique sustainable development framework, developed through cooperation between banks across the world and the United Nations Environment Programme Finance Initiative (UNEP, FI). We were also presented with awards, both at the level of

our parent Group and from organizations and institutions. We 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.

For the end, I leave what is most important, that makes up our team, which is our people. I am proud that we socialize even more through various internal activities and events, which often have an environmental or humanitarian component, where at the New Year's party attended by almost 2,000 colleagues, we collected over 2 tons of food and donated it to the Little Big People and Solidarity Kitchen associations, while we educated our youngest about the importance of bees and spending time in nature, and crowned all of this with work actions through the OTP Club of Volunteers. We ended the year by signing a Medical Donation Contract worth five million dinars with the Ministry of Health. In this way, the Bank will directly contribute to the improvement of emergency medicine in Serbia, by donating defibrillators to hospitals in larger cities and portable defibrillators to health centres in remote rural areas.

To be on the helm of such a team is a true pleasure for me.

Yours faithfully,



Predrag Mihajlović

2.2

About OTP Group



OTP Group is one of the fastest growing and one of the leading banking groups in the region of Central and Eastern Europe, with outstanding profitability and a stable capital and liquidity position. Headquartered in Hungary, it has a diverse and transparent ownership structure, while it has been listed on the Budapest Stock Exchange since 1995.

As the most active consolidator in the banking sector of the Central and Eastern European region, the Group has successfully acquired and integrated 23 banks since the beginning of 2000. Today, it is present in 12 countries of the Central and Eastern Europe and Central Asia regions, and is currently the market leader in Hungary, Bulgaria, Serbia, Montenegro, and Slovenia. Two acquisitions were completed during the previous year alone, namely Nova KBM Group from Slovenia and IPOTEKA Bank from Uzbekistan became two new members of OTP Group. With integrity and determination, OTP Group is focused on helping the development of the Central and Eastern European region to become the continent's growth engine. With over 41,000 employees in now 12 countries, the Group provides universal financial services to around 17.5 million customers.

The Group strives to provide excellent financial services through digital innovation, artificial intelligence and data-driven insights. It uses synergy within the group and acts as a driver of digital transformation of the region.

In the first nine months of 2023, OTP Group generated profit of EUR 2.25 billion after tax (which is almost four times the amount compared to the same period of the previous year), while for the third quarter, a profit of EUR 0.73 billion was realized after tax. It is important to note that OTP Group is among the 5 banks in Europe that are most stress resilient. Namely, the European Banking Authority (EBA) announced stress test results of the European banking sector, which encompassed 70 EU banks, with 75% of assets of the European banking sector. The stress test was created with the objective to assess the resistance to stress of banks' capital positions in the event of a significant macroeconomic crisis. If we

compare results in Europe - OTP Group is among the 5 banking groups in Europe that are most stress resilient according to the reduction of CET1 capital, based on the three-year stress scenario. In this year's stress test, OTP Group is among the top 25% for all tested indicators. The test result confirms that even under stress, OTP Group's capital position is stable.

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. Sustainability is at the very top of OTP Group's priorities, which is why it has defined the ESG strategy pillars with the aim to avoid adverse effects on the environment and society, use potential for business improvement and to become a regional leader in green financing and building a sustainable future. 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. 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, to which OTP banka in Serbia joined at the end of 2023. We have thus joined the world's largest banking community focused on sustainable financing.



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. The 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.

Over the past years, OTP has received several awards from world magazines The Banker, Global Finance New York and Euromoney.

It is committed to the development of both its teams and employees who make up these teams, while applying its financial and technological resources with dedication and expertise so as to contribute to everyone in the business chain. OTP Group is headquartered in Hungary and has a diversified and transparent ownership structure. The banking group has been listed on the Budapest Stock Exchange since 1995.

First International ESG Summit of OTP Group

The first International ESG Summit of OTP Group was held in Budapest at the end of May, which was opened by an introductory speech by the Chairman and CEO, Mr Sándor Csányi. Representatives of 11 banks from OTP Group agreed that sustainability was one of the largest challenges and opportunities at the same time, changing the way of life, work and financing model. The green transition is not a quick process, not a sprint, but rather a marathon, which requires thoughtful planning, conscious building, and collaboration.

Our CRO and Executive Board member, Balazs Balogh, had the opportunity to present the Bank's ESG strategy with an overview of previous activities and plans in the field of green financing, managing one's own carbon footprint, collecting and using ESG data, regulatory expectations and ESG risk management.

OTP Group at the ESG Summit of the Western Balkans

OTP Group, including banks from Serbia, Croatia, Hungary, Albania and Montenegro, supported the Western Balkans ESG Summit as a platinum sponsor. This was the first major regional event dedicated to Environmental, Social, and Governance (ESG) topics. From 26 to 28 April 2023, in Porto Montenegro, regional and global government and business leaders and sustainability experts discussed and exchanged views on key ESG topics, including sustainable financing, green transition and green innovation.

Our CRO and Executive Board member, Balazs Balogh, took part in the panel focused on Sustainable financing - ensuring capital in a changing environment. Pókos Gergely, Managing Director of the Green Program Directorate at OTP Bank, and Tamás Kamarási, Chairperson of the Management Board at CKB Bank, had the main presentations, while Jandácsik Gábor, member of the Management Board at OTP Bank Albania, participated in the "Innovation pitch" section.

2.3

About OTP banka Srbija a.d. Novi Sad



OTP banka Srbija is one of the leading financial institutions and the largest creditor in Serbia. Our comparative advantage and what distinguishes us on the banking market is clients' trust, determination of partners, expertise and commitment of our employees, with strong support from the parent OTP Group.

Our network comprising 154 branches (out of which two are OTP partner branches intended for partners, investors, brokers and third parties) in 91 cities and 275 ATMs, is among the largest in Serbia, maintaining thereby presence in the entire territory of the country.

We have succeeded in achieving record business results and growth in all business segments with a total net loan balance of EUR 4.6 billion, with EUR 7.1 billion in assets, 2,720 employees and over 725,000 active clients. In 2023 the Bank achieved a positive operating result (before provisioning and tax) in the total amount of 23,169 million dinars. Retail loans increased by ca 1% comparing to 2022, with a market share of 18.9%. In the course of 2023, 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 19.5%. Simultaneously, the Corporate Division managed to exceed the expected market share in the segment of placed corporate loans and achieve the level of 16.1%.

In July 2023, OTP Fund Management from Hungary, together with OTP banka Srbija, successfully acquired ILIRIKA DZU (founded in 2007), the Serbian subsidiary of ILIRIKA Group, which continued to operate within the OTP Group in Serbia as OTP Invest, focused on brokerage and asset management services. Bearing in mind the leading position of OTP banka in Serbia and expert support of the Global Markets Directorate from our parent OTP Group, with this acquisition we will significantly expand the range of capital market products and services of our Bank. Investment services will primarily be available to our private banking clients, with simultaneously

expanding the range of sales channels.

We are focused on innovation and digitalization of our operations, which provides customers with new benefits with a focus on enhancing digital banking and customer experience. In addition to upgrading existing products and services, we are proud that new and quite often unique products are created in our digital factory, such as the Junior card for young people, which ensures their financial independence. Together with the completely new and improved m-bank application, with this move we have provided a unique and easy experience to all our clients who can perform their financial obligations on a daily basis, buy insurance, plan their budget, apply for a cash loan.

One of our key strategic directions is the green transition, i.e. commitment to sustainable business and ESG projects, thus it is not unusual that we have positioned ourselves as a leader in green transition in Serbia and the application of ESG principles of action.

Guided by the adopted ESG Strategy, 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).

The economic growth is incomplete for us if it does not imply a responsible attitude towards natural resources and the environment. We create, implement 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 2023, the general advocacy in the field of corporate social responsibility, as well as the Generator project and our

contribution to sports.

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 year alone, we granted employees a day off on their birthday, a new, improved private health insurance, as well as special benefits with a certain amount at their disposal through the House of Benefits application. Our work was recognized again and we received a renewed "Employer Partner" certificate, a prestigious HR award from the "Selectio" consulting company.

We pay a lot of attention to customer experience in general, and in particular through the strong Voice of Customer (VoC) program, actively following insights of our clients. Through regular surveys, interviews and sessions, we receive feedback, ensure an open and constant dialogue with our clients, which allows us to understand their needs and preferences.

A major upgrade of digital channels this year was achieved with the help of contemporary UX and additional enhancements, which resulted in the introduction of Omnichannel Tribe and the launch of new digital functions on a monthly basis. The purpose of the Tribe is to create a channel of services and products, with features and functionalities that even surpass the currently dominant network channel. In addition, the "AI Assistant" is not the future in our Bank, but is widely implemented and represents our software tool that uses advanced artificial intelligence techniques to support employees in efficiently accessing and processing key information based on internal documents.

A large number of initiatives and projects were implemented in the course of the year, of which the multi-awarded Generator Zero project particularly stood out, a competition which for the second time (out of seven cycles) was intended for innovative solutions aimed at reducing the carbon footprint. Since 2023, all our green projects are a part of the Generator Lab platform, among which is the Social Entrepreneurship Fair "Generator of Good Deeds" organized in the Ušće shopping centre, the second cycle of the literary contest for the first unpublished novel with the BOOKA publishing house, and the partnership on the global "Priceless Planet Coalition" initiative by Mastercard, which we joined for the third time. We opened our honey oasis near Belgrade, "OTP Village", intended for our socializing and familiarising with the nature, and through the Club of Volunteers we realized two actions at the end of the year. We launched the pioneering initiative "Together for stronger solidary society" dedicated to creating a single Register

of Civil Society Organizations, which we will exempt from commissions when humanitarian donations are paid to their special-purpose accounts, and once again instead of holiday gifts, we directed the money into a New Year's donation to the Ministry of Health for the purchase of defibrillators for hospitals in larger cities and portable defibrillators in health centres in remote rural areas.

As the official bank of the Olympic Committee of Serbia, we organized another "Olympic training with OTP banka" in the sixth Olympic cycle, intended for elementary school students and boldly started preparations for the Olympic year.

We are members of various business organizations and associations, through which we actively promote highly ethical business standards and strive 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 Leasing Srbija, a leader in the leasing market in our country, as well as OTP Osiguranje, which through OTP banka provides life insurance services, also operate within OTP Group.

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. OTP Bank has no registered branches. During 2023, OTP banka did not buy back its own shares.

Member of the AFA Association

OTP banka has become a member of the AFA Association, a global growing community dedicated to the economic empowerment and professional affirmation of women, as well as to their connecting and active involvement in creating the future and a society of equal opportunities.

As gender equality is an important topic for us in wider social frameworks, representatives of OTP banka were extremely pleased to support the work of different committees acting within this association.

We share a common belief that the path to economic empowerment of women is through innovation, technology and enhancement of digital knowledge, but also through connecting and proactivity that leads to their full creative potential.

For two decades, OTP banka has been a member of the AmCham community

For two decades, OTP banka has been a part of the AmCham community, and since January 2023 a proud patron member of this business association. On this occasion, we organized a cocktail party at the "Madlena" Art Palace, which was attended by 250 representatives from member companies of the American Chamber of Commerce in Serbia.

At the very beginning, the attendees were greeted by Predrag Mihajlović, President of the Executive Board and CEO of our Bank, as well as Stefan Lazarević, President of AmCham Serbia Board of Governors, who emphasized the fruitful cooperation between the two organizations, which has been significantly deepened since electing Marija Popović, Executive Board member at OTP banka, for a member of the AmCham Board of Governors.



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



Awards for OTP banka in 2023

OTP banka was declared the best bank for cash management services in Serbia by the prestigious Euromoney magazine.

As one of the most credible international awards in the financial sector, with a tradition exceeding three decades and almost 30,000 respondents who chose the best in all markets this year, this award is not only another indicator of excellence in the operation of our Bank, but also a confirmation of trust that clients have towards us. And this is what makes us happy, even more than the award itself.

For the second time in a row, we were also the winner of Best Bank in Foreign Exchange Operations in Serbia Award for 2023 by the Global Finance magazine.

The Global Finance magazine selects the best among banks and other financial services providers on a regular basis. For the global financial community, these awards have become a standard of trust for excellence. Winners of these awards were selected from 87 countries and territories, seven regions and multiple Global categories.

Criteria for selecting the winner of the award for Best Bank in Foreign Exchange Operations encompassed the transaction volume, market share, scope of global coverage, customer service, competitive prices and innovative technologies. Particular attention was paid to the support provided by banks to clients who faced an increased number and volume of sale and purchase of foreign currency transactions, volatile currency pairs, in a dynamic international environment and occasional challenges of reduced market liquidity.

For the second year in a row since the Hot Spot eCommerce Awards, OTP banka won the award "Special Contribution for eCommerce development".

OTP banka continuously supports the development of the eCommerce community and contributes to the digitization of merchants' operations, providing them with safe and efficient cashless payment methods. Our objective is to provide support to merchants who are our clients by using one of the best Payment Gateway solutions in the world, and in addition to the standard acceptance of payment cards, at eCommerce payment points, we also offer a number of enhanced functionalities: Pay by link, Card on file, Recurring payments, but also integration with the help of plugins for all relevant platforms used in Serbia, all with the aim of faster and more efficient connection of users' eCommerce payment points. The Hot Spot eCommerce Award is presented by the eCommerce Association of Serbia.



The financial indicators are available on page 23.

2.3.1. Management

In the spirit of responsible corporate governance, the Bank has guidelines in place ensuring that its operations comply with the internationally recognised rules and standards of corporate governance, and that the public disclosure of information 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 values for shareholders in combination with the implementation of socially responsible practices, activities and initiatives.

In accordance with the Law on Banks and the Articles of Association, 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 Bank's management bodies.

The Bank's Board of Directors consists of 9 members. The Mandate of a member of the Board of Directors lasts 4 years with the possibility of reappointment.

The Bank's Executive Board consists of 7 members. All members of the Executive Board are employees of the Bank in accordance with the Law on Banks. The mandate of a member of the Executive Board is 5 years, with the possibility of reappointment.

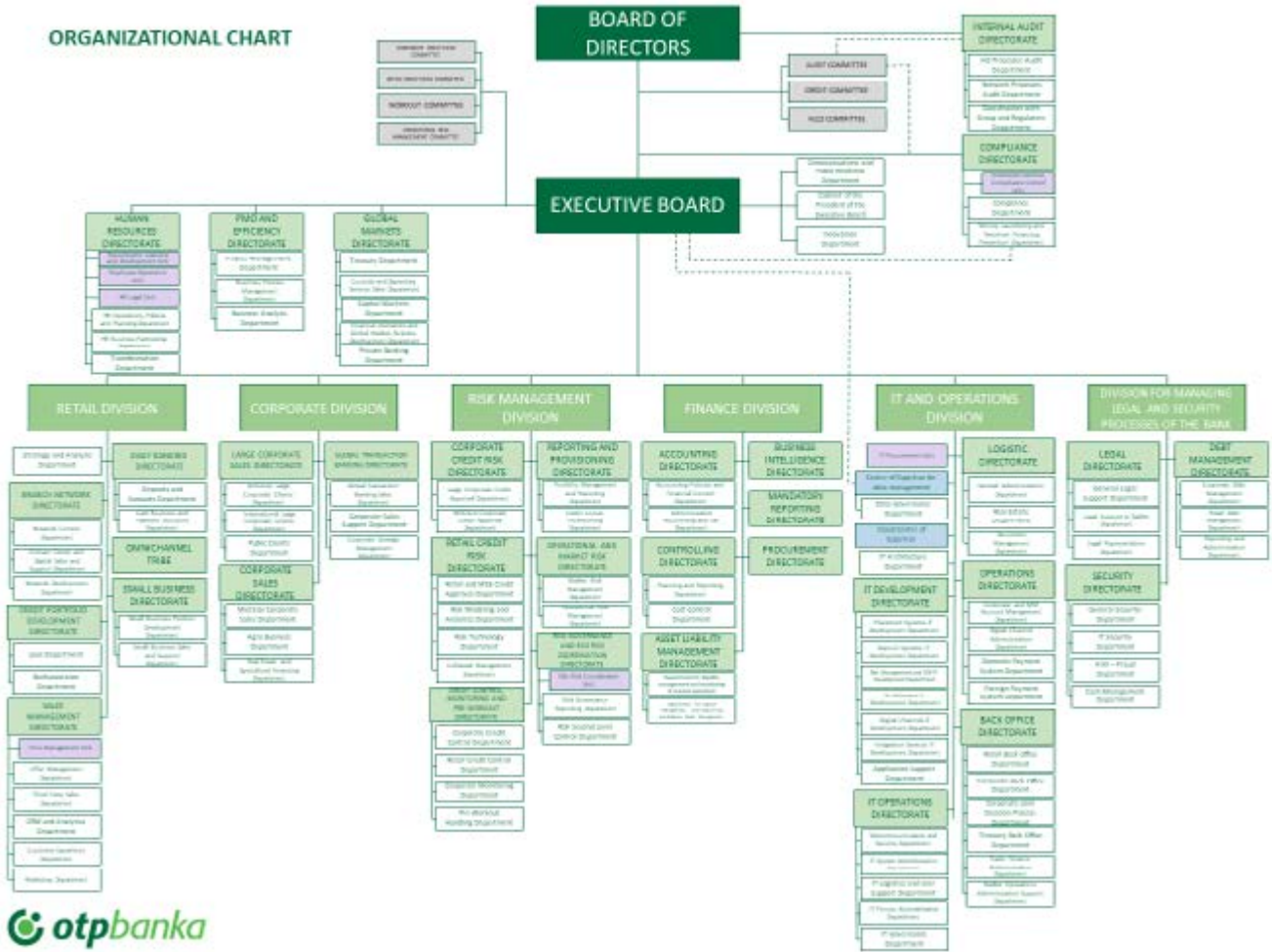
A member of the Bank's Board of Directors cannot be a member of the Executive Board.

All members of the Board of Directors and the Executive Board have been assessed by the National Bank of Serbia as persons having a good business reputation and appropriate qualifications. The Bank has procedures for appointment or reappointment of the members of the Board of Directors and the Executive Board in compliance with the Law on Banks and regulations of the National Bank of Serbia governing this matter.

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

The ESG Committee was formed in the Bank in September 2023, as a body that provides support to the operation of the Executive Board in connection with ESG and sustainability principles-related topics.

2.3.2. Organisational structure



2.4

Sustainability Approach



Responsibility is the foundation of OTP banka'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 banka's responsible operations in Serbia 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, 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.

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 umbrella topics as material:

1. Anti-corruption
2. Contribution to economic stability
3. Compliance
4. Anti-discrimination
5. Indirect economic impacts
6. Responsible employer
7. Diversity and equal opportunities;
8. Financial literacy

- 9. Financial inclusion
- 10. Product portfolio with environmental impact
- 11. Personal data protection
- 12. Greenhouse gas emissions

OTP Group members follow the list of identified topics and adapt it to the local context if necessary. The approach by 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 2023 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's 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 operated in order to create a lawful and ethical corporate culture that ensures the prudential and ethical operation of the Bank in the long term. 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, 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 performing outsourced activities or engaged as experts or advisors, whether natural or legal persons, must meet compliance requirements and standards as well.

Statutory regulations and internal documents that govern the compliance and anti-corruption areas at OTP banka are: The Compliance Policy/Anti-corruption Rules as a 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 Whistle-blowers, 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 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 2023,

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 formulates officially devised procedures for the performance of specific activities by individual staff members, and requires the application thereof;
- In accordance with and to the extent permitted by legal provisions, the Bank monitors the activity and transactions of individual staff members;
- 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 list above is non-exhaustive, and the Bank shall devote further attention to any other activities that may carry corruption risk. The Bank performs a risk-based assessment at predefined intervals to determine which organisational units and activities are in the current focus of the anti-corruption activity.

During the first half of 2023, the assessment performed pertained to the period from 01.10.2022-31.03.2023, 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 2023 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 an expert assessment.

Gifts and other offers also pose severe corruption risks. For the purpose of protecting against corruption, the Bank has clearly defined rules governing giving and receiving of gifts. The Bank considers unacceptable any attempt to influence the administrative process or the independence of decision-making in an improper manner through gifts or business hospitality offers, and accordingly, the Bank strictly prohibits the provision or receipt of such gifts or offers for the purpose of gaining undue advantage. The Bank also extends this prohibition to the persons interacting with its staff or contractual partners to ensure that the persons concerned may not be influenced through their relatives, friends or any other acquaintances closely associated with them.

The Bank pays special attention to ensuring that its employees

and contractual partners are fully familiar with the Bank's approach to these topics, as well as with the obligations arising therefrom for them. 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. In 2023, an internal campaign was carried out for all Bank employees on the importance of reporting ethical violations and whistleblowing entitled "When you know, you don't turn your head", through which the importance of the Bank's fight against corruption was pointed out. The objective of the campaign is to raise awareness of all employees and persons engaged in the work of the Bank in relation to the values prescribed by the Code of Ethics, including the acceptance of gifts, the Bank's basic operating principles in the field of accepting gifts and anti-corruption, established controls and mechanisms for reporting actions with elements of corrupt acts, reporting ethical violations or internal whistleblowing. Examples of prohibited and permitted receipt of gifts were presented. A special compliance risk management and compliance function related training was organised for the Executive Board members, which was passed by all members of this body.

The Bank publishes the anti-corruption rules on its website, and 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 a vested business interest and a statutory obligation in ensuring that the personal interests of its employees and of members of its management bodies are not in conflict with the business interests and commitments of the Bank and its customers, and that the Bank identifies, prevents and manages the conflict of interest related to its various activities, and regulates and ensures the assessment of suppliers' compliance (supplier pre-screening).

The Bank draws up the Conflict of Interest Management Policy in Investment and Ancillary Services, which are linked to its activity of providing the investment service, ancillary services and related financial services, and which give rise to or may give rise to conflict of interest that potentially might cause adverse consequences to the business partner. The stated Policy also defines detailed rules and measures that enable preventing, identifying and managing conflict of interest situations, which may damage a 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 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 (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 above mentioned 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 (with an appointment) in the Compliance Directorate
- by calling the ethical issues hotline on 021 /4894 906 during working hours - from 9 AM to 5 PM, Monday to Friday
- by mail, to the address of OTP banka Srbija a.d. Novi Sad, to the Compliance Directorate (Trg slobode 7, 21000 Novi Sad or Bulevar Zorana Đinđića 48v, 11070 Novi Beograd)
- by e-mail to: 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. Whistle-blowers may not be subject to any discrimination or unfair treatment in relation to their report. Offences may 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.

It is a regulatory obligation to submit the six-month advertising plan of the most significant campaigns to the National Bank of Serbia. The report is submitted by 15 January and 15 July of the current year. In the course of 2023, there were no non-compliance cases in connection with the provision of products and services related information, or with voluntary standards and codes in this area.

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. Rules pertaining to one's behaviour in social media cover 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 etikapitanja@otpbanka.rs for the purpose of receiving notifications from employees 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.

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 for retail and 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 Unit within the Customer Experience 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, 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 on Personal Data Protection of 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, operates and applies a system for regulation, implementation and auditing that provides for the adequate protection of personal data by meeting the criteria specified in applicable legislation and safeguarding the Bank's core 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 centre competent for privacy and personal data protection issues is the Compliance Directorate (hereinafter referred to as: Directorate), which offers guidelines and provides support to organisational units of the Bank and subsidiaries in terms of personal data protection. A Personal Data Protection Officer, who is also the Head of the Compliance Directorate, has been appointed within the Directorate. According to the systematization, in addition to the Personal Data Protection Officer, the Senior Personal Data Protection Advisor also deals with this topic, who provides support to the Personal Data Protection Officer and in the performance of daily tasks. Also, the IT Security Department performs 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.

We have launched a strategy of appointing a personal data protection representative (hereinafter referred to as: "Representative") within all Bank's divisions, who are responsible for implementing Bank's internal acts on the topic of personal data protection in their divisions. They are responsible for drawing up the privacy notice, recording processing activities, recognising legal grounds, personal data violations, etc.

The Personal Data Protection Officer / Senior Personal Data Protection Advisor provide data protection legal assistance to representatives regarding preparation of data processing documents previously prepared and drafted by the representative, and participate in their completion. The Personal Data Protection Officer / Senior Personal Data Protection Advisor 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. The Personal Data Protection Officer / Senior Personal Data Protection Advisor 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 representatives regarding amendments thereof for the purpose of keeping records of processing actions and periodically reviewing their legal background through information about changes in legal regulations and administrative practices.



In 2023, the Directorate provided support in the area of controlling contractual and other documentation and harmonization thereof with the provisions of the Law on Personal Data Protection, it participates in various projects of the Bank and related workshops, gives opinions on the prepared impact assessment of the envisaged processing actions on personal data protection, explanations in connection with the assessment of fulfilment of conditions in the area of personal data protection, as well as regarding the test of legitimate interest assessment.

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.

Personal data protection representatives were appointed conclusive with 2023 before all Bank's divisions, except for the Retail Division, appointment of which is expected in 2024. Two educational workshops were held for the representatives on the topic of main notions from the Law on Personal Data Protection and tasks they must fulfil. In addition, regular trainings are held for all new hires on the topic of data protection, so as to raise awareness on the importance of the stated topic.

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 corresponding legal regulations and which represent 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 accordingly. 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 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 segregation of duties, establishment and assurance of fulfilment of obligation of confidentiality and compliance with the law of all third parties who hold access rights to 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 Personal Data Protection Officer, 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 Data Subjects, processed by the Bank, can exercise their rights. Data Subjects 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, i.e. 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 e-mail address

which the Bank designated for these purposes (zastita_podataka@otpbanka.rs).

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

In the course of 2023, 27 requests were received for exercising rights in line with the Law on Personal Data Protection, out of which 20 requests were determined as founded by the prescribed procedure, observed from the aspect of the stated Law. Three cases of personal data violation were recorded in the same period, which were reported to the regulatory body in accordance with the Law.

2.5.4. Accessibility of Financial Services

Following global trends in the digital banking segment, OTP banka 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 banka include:

1. Building a digital culture
2. Elevating Customer Experience
3. Digitalizing and improving operations
4. Establishing data-based management

The following services of OTP banka are fully available to natural persons 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 conversation with the Bank – every working day between 8.00 and 18.00h and on Saturdays 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.

Accessibility for disabled persons

In addition to improving accessibility through digital channels, we are also committed to improving physical accessibility to our facilities - 45 branches of OTP banka are accessible for persons with disabilities. In addition, 29 employees have been trained within our network to use sign language.

In addition, as a bank who cares about very important topics in the society and about each and every client, we are extremely pleased for joining the pilot project with startup company Inclusion, that provides persons with disabilities easier use of services in our branches.

To use the Inclusion application is very simple. A person with disability only needs to register in the free-of-charge application Inclusion and log in when in front of the desired branch. Our colleagues who have passed the basic training will come and do their best to make the stay in the branch more pleasant and simple.



Accessibility in lesser developed areas

We are aware of the importance of financial services availability, and therefore we strive to be present in all regions of Serbia. Out of a total of 154 branches that make up our network, 29 of them are located in underdeveloped municipalities, and 15 in extremely underdeveloped municipalities (according to the official state classification). In addition, 39 ATMs are available to clients in underdeveloped municipalities, and 17 ATMs in extremely underdeveloped municipalities.

OTP Mastercard Junior card

The OTP Junior card is a unique debit card on our market with numerous benefits for either parents or legal representatives, as well as for children who use this card. An exceptionally practical everyday solution allowing the child to independently make various payments for the child's needs, such as pocket money, snacks, bookstore purchases, payments during school trips inland or abroad, online payments and money withdrawal from ATMs. In addition to the practical function in a family's everyday life, the OTP Mastercard Junior card is also an opportunity

to familiarise children with financial products and develop a responsible attitude towards finance management.

A daily spending limit in the m-bank application which can be set and enables the child to handle its own pocket money in amounts chosen by the parent for withdrawal from ATMs, online or POS terminal payments (in stores, cinemas...). After each payment made by the child, a notification is received in the m-bank application on the spent amount.

Thanks to a simple link between OTP Mastercard Junior Card and the mobile phone, the child will be able to make payments by phone even if it has forgotten the card at home. No PIN required for payments of up to 4,000 dinars, which means that the child can pay smaller amounts (for snacks, accessories or some of the daily activities) without having to remember the PIN code.

The initial daily spending limit for withdrawing cash at ATMs, and online or POS terminal payments amounts to 3,000 dinars per channel. The daily spending limit will be reset to the initial value on the next day at midnight, if there has been a limit increase above the default 3,000 dinar amount.



All clients who opened their account at OTP banka may submit a request for the issue of an additional OTP Mastercard Junior card. The only document to be provided is a birth certificate of the child, i.e. ID card of the minor, if available.

OTP banka takes care of our planet, therefore the OTP Junior card is made of recycled plastic.

Digital Channels

We strive to bring modern, digital solutions closer to clients, regardless of the channel and service a client has opted for. The contemporary life and operations dictate the trend of basic digital financial literacy. That is why we are especially glad when we offer clients enhanced and simple solutions for their requirements.

The primary objective of all application and process enhancements is to enable clients to receive the solution they expect from their bank quicker and more intuitively. From now on, even counselling has an online form for clients of OTP banka, in the form of a very important new functionality of the m-bank application, which we have called "My Finances". It contains three practical tools to facilitate the planning and managing of finances, through the option "Categories" which clearly shows your spending classified by payment subject, then the "Budgeting" option so to designate the amount required for a certain period and the option "Targeted savings", currently only available in OTP banka. In this way, we assist and advise users to allocate funds on a regular basis and save for something they have wanted to afford for a long time. A savings accounts, in RSD or EUR, is opened in the application very simply, the savings target is set, and funds are redirected to the account according to selected frequency.

Our clients can forget their wallets and effect all their payments in a contactless manner - with their smartphone through the Apple Pay or Google Pay functionality by downloading the application, depending on whether they use Android or IOS, and entering their Mastercard card. Payments are greatly facilitated by scanning the IPS QR code, which allows simple payment of monthly bills or payment at points of sale without using cash or payment cards, whereby the transaction is realized instantly, and only one click replaces filling in the payee's data. Just open the application, select the IPS option and scan the QR code from the bill, whether paper-based or electronic. The payment slip will be filled in automatically, and you just have to confirm the payment or change the amount or purpose if necessary. With the IPS option, payments can be effected at points of sale in two ways: through the IPS scan (IPS skeniraj) option, by scanning the QR code generated by the merchant at the POS device or on the bill, or through the IPS show (IPS pokaži) option, in the manner that the merchant scans the QR code generated by you within the IPS option in the m-bank application.

A very useful possibility for sending money is the Transfer (Prenesi) option, for which one needs to know the payee's telephone number and transfer the opted amount with one click in the application by opening the m-bank application, select IPS Transfer (IPS Prenesi), and inscribe the telephone number of the person receiving the money. The transaction is executed immediately.



Besides all of the stated, we would particularly like to single out the Digital Branch, i.e., the option in the m-Bank/e-Bank application, where without visiting the Bank a user may apply for a loan or overdraft, open a savings account, term funds, create a standing order or define direct debiting.

Client Satisfaction

The opinion and comments of our clients are extremely important to us, and this is why we strive to improve our Elvis application

and follow the needs of our clients as best as possible. This is how we have recognised that clients sometimes just take a look at the satisfaction survey, without completing it or sharing with us their observations and satisfaction. For this reason we have decided to remind them, by sending one more SMS message, of how it is important for us to hear them, so as to make the services they use even better. We also believe that all relationships should be carefully built and kept, and we do not take any satisfied client for granted. That is why we have introduced the practice of thanking every client who has praised us and asking them to continue sharing their experiences with us.

Additionally, in the second half of 2023, we shifted to a new methodology of measuring our clients' satisfaction, so as to align with the OTP Group standard - from now on OTP banka conducts measures with the SQM (Service Quality Measurement) index, instead of the previous NPS (Net Promoter Score). In addition to the general client satisfaction with the service, through this methodology we also monitor satisfaction with the time of waiting in queue, the time of service implementation, the professionalism and kindness of employees who provided the client with the desired service. The new methodology provides us with a larger set of information on customer experience and the possibility to better perceive and analyse areas for product and service improvement.



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.

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 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 and will not increase its credit exposure towards new clients.

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.

OTP bank first bank in Serbia to sign the UN Principles of Responsible Banking

OTP Bank has become a signatory to the UN Principles for Responsible Banking - a unique framework for sustainable banking developed through cooperation between banks around the world and the United Nations Environmental Financial Initiative Program (UNEP, FI). With this signature, OTP banka also became the first and only bank in Serbia to be a member of this UN initiative, thus committing to be consistent in its sustainability strategies and to work towards the adoption and implementation of sustainable practices as the basis of its business. The UN principles for responsible banking have been signed by more than 300 global banks so far, including our parent OTP Group.

The UN principles for responsible banking represent the main framework that ensures the alignment of bank strategies and practices with society's vision for the future, in accordance with the UN Sustainable Development Goals and the Paris Climate Agreement. According to these Principles, the signatory banks identify and measure the social and environmental impact of their business activities, set and work towards the fulfillment of goals in the areas where they have the most influence, but also regularly report to the public about their progress in this segment. The principles provide a basis by which banks can systemically understand the risks and take advantage of the opportunities arising from the transition to more sustainable economies.

"Signing the UN principles for responsible banking represents not only the ultimate, but also a sincere confirmation of our commitment and focus on creating a positive impact in society and the community in which we operate. The principles of responsible banking precisely and systematically define the role and responsibility of banks in shaping a sustainable future, what we at OTP banka stand for and what we have officially committed to with this signature. The leading position on the local market, the tendency to be a regional leader in financing a sustainable and gradual transition to a low-carbon economy, but also support for cultural, scientific, sports and social projects of national importance and transparency in reporting naturally preceded the decision to become a signatory of the initiative that arranges and affirms it on the global level. We are honored to be in the company of those who want to contribute to banking changing the world for the better," said Predrag Mihajlović, CEO and President of the Executive Board of OTP Bank Serbia, on this occasion.

The special importance of the UN Principles for Responsible Banking is that they highlight ways in which banking products, services and mutual cooperation can support and accelerate the changes necessary to achieve shared prosperity for current and future generations. By joining this initiative, signatory banks are joining the largest global banking community focused on sustainable finance, sharing good practices and developing guidelines and tools that benefit the entire industry.



Priceless planet Coalition

For the third year in a row, OTP banka Srbija is participating in the global initiative Priceless Planet Coalition by Mastercard. In cooperation with Conservation International and the World Resources Institute, the Priceless Planet Coalition aims to plant 100 million trees and thus contribute to reducing the consequences of climate change. One tree will be planted for each client who activated Apple Pay, i.e. Google Pay service or opened a Fluo, Praktik, Prestige or Klasik package account in OTP Bank by October 31, 2023, making them an important actor

in the mission for a healthier Planet and preservation of flora and fauna. This has ensured the planting of 46,000 trees in the course of three months in 2023, while in total that number reached close to 80,000 in the previous three years, the Bank participated in this initiative.

Reforestation is one of the most efficient and cost-effective ways to combat climate change. For this reason, OTP Bank and Mastercard invite everyone who "can distinguish a forest from trees" to join this global green initiative in order to join forces to plant 100 million trees in 18 locations around the world.



EIB Global and OTP Bank Credit line for small and medium enterprises

In December 2022, EIB Global, the branch of the European Investment Bank (EIB) for activities outside the European Union, agreed with OTP Bank Srbija and OTP Leasing Srbija a credit line worth 80 million euros to support small and medium-sized enterprises by improving long-term financing of enterprises in Serbia. This credit line aims to increase the SMEs innovation and growth capacity, while creating new employment opportunities.

This financial arrangement complies with the Economic and Investment Plan of the European Commission for the Western Balkans, aimed at encouraging the sustainable development of the region through support within the Team Europe initiative. It contributes to increasing the competitiveness of Serbian SMEs, growth led by the private sector and the implementation of the upcoming national strategy for SMEs.

EIB has a long-standing successful cooperation with OTP banka Srbija, which for 15 years enabled the efficient placement of financial resources for SMEs and mid-market capitalization

companies. Through joint operations, banks have supported small businesses in various fields, such as energy, environmental protection, industry, health, education, services, tourism and agriculture.



EBRD credit line for small and medium enterprises

In December 2021 and October 2022, the European Bank for Reconstruction and Development (EBRD) granted OTP Bank two lines respectively amounting to 2.3 billion dinars and 25 million euros to support small and medium-sized enterprises. At the end of 2023, it approved a loan for financing in the amount of 60 million euros. As part of that financial package, a 10 million euro loan is intended for the SMEs (small and medium-sized enterprises) Go Green program, supported by the European Union (EU).

The foregoing financial package enables OTP Bank Serbia to continuously support investments of small and medium-sized enterprises in improving technology and equipment, increasing competitiveness, as well as providing support for export potential. In addition, this loan also supports the green economy of Serbia, bearing in mind that 50 percent of the loan for SMEs and 70 percent of the part intended for the Go Green program for SMEs will be aligned to the EBRD initiative - Transition to a Green Economy (GET).



Upon successful completion of their investment projects, small and medium-sized enterprises financed through the Go Green program for SMEs will be entitled to a refund of 10 percent of the loan amount or 15 percent for investments in renewable energy sources and certain agricultural projects. The EU will provide incentives to help bridge the gap between high initial costs and future returns on investment.

SMEs represent the backbone of the Serbian economy and provide two thirds of jobs in the country. Improving their access to finance is of vital importance for the sustainable and inclusive economic growth of Serbia, as well as its integration into regional and global markets. OTP banka Srbija is a long-standing partner of the EBRD with strong references in terms of supporting domestic SMEs, with a focus on green transition and sustainability.

Products and services for farm holdings

In its operations, OTP Bank pays special attention to the agricultural sector, especially to the development of quality and innovative products for registered agricultural holdings. As a leading bank in Serbia in the agro segment, we are aware of how much investment our farmers need in order to improve their business and be competitive on the local and European markets. Therefore, we strive to adapt our offer to their needs, offering a wide range of banking products.

Traditionally, we presented our products and services at the 90th International Agricultural Fair in Novi Sad in 2023: a unique agro package account that offers more services at a lower price - dinar current account, DinaCard debit card, Mastercard Debit contactless card on request, statement delivery on the account electronically and at the bank counter, notifications about all changes to the account via SMS and M-bank. Regarding overdrafts, the Bank has made this product available even to users who are not Bank clients, and they can obtain it in the amount of up to 20,000 euros with fixed interest rate, in accordance with the Bank's credit policies. Furthermore, for all owners of registered agricultural holdings, OTP Bank offers quick working capital loans of up to 1,500,000 dinars, for six or 12 months without currency risk, with dinar installments that are always fixed, under a minimal procedure and a quick approval period. Dinar loans are available for working capital in the amount of up to one million euros, and so are investment loans with a repayment term of up to five or 15 years and a grace period of up to one year. Payments can be made at client's choice - monthly, quarterly or semestral. Even if the client wants to refinance a loan from another bank in this way, this service remains simple and quick.

"We are aware that obtaining all the necessary documentation for financial institutions when it comes to agricultural holdings may be a challenge, and in this sense OTP banka has taken a really significant step for our standardized offer. The

documentation for farmers now comes down to one piece of paper and an ID card, which significantly facilitates and simplifies the whole process," said Dejan Mirč, head of our the Agro Business Department, on this occasion.

In order for as many farmers as possible to have access to these benefits, CEO and President of the Executive Board of OTP Bank, Predrag Mihajlović and Đorđe Raković, Director of AP Vojvodina Guarantee Fund, signed the Cooperation Agreement between OTP Bank and the Guarantee Fund of AP Vojvodina. Thanks to this agreement, agro-loans offered by the bank will now be available to registered agricultural holdings on the territory of Vojvodina that have been approved by the Fund.

The cooperation agreement between OTP Bank and the AP Vojvodina Guarantee Fund was symbolically signed by Soter Rover - a robot that can cultivate a garden, orchard or vineyard by itself. This is an invention of the namesake company - one of the ten finalists of this year's cycle of the Generator ZERO competition of OTP Bank.



OTP banka finances "Digital Village" partner project

OTP Bank became a financial partner of the "Digital Village" project, which Delta Holding, BioSens Institute and Mokrin House launched in 2022. The project is a pioneering initiative in the segment of comprehensive digital transformation of the overall agricultural activity in Mokrin - a large and by all accounts advanced rural area. Thanks to this cooperation, agricultural producers who are members of the "Digital Village" will again gain access to all agro-services and products from the portfolio, including investment loans, loans for working capital, use of the bank's digital services, as well as numerous financial education opportunities.

"Digital village" aims to create opportunities for easier, more efficient and sustainable production, higher earnings for agricultural producers and more attractive life in the countryside, with a special focus on young people. Aware of the fact that agriculture has a strong development potential, as well as its share in the entire domestic economy, our involvement as the first partner in the field of finance represents an additional incentive not only for this project,

but also for the entire Serbian countryside.

Thanks to this project, farmers can easily and quickly access basic service information (weather forecast, exchange rate list, fuel prices, fertilizer prices, prices of goods on domestic and foreign exchanges), expert-advisory information (notifications about diseases and pests occurrences, as well as recommended species treatments to combat them, recommendations related to the dosing of artificial fertilizers, optimal deadlines for farming operations), satellite monitoring of production plots with basic indicators, and financial support will be provided in the next phase (loan inquiries and obtaining offers, loan applications through the platform, requests for production insurance policy offers, savings and deposits offers).

In front of the Bank, the Memorandum of Cooperation was signed by Marija Popović, our member of the Executive Board in charge of the corporate segment, and Dejan Mirč, head of the Agro Business, Department while on behalf of our partners the Memorandum was signed by Marija Desivojević Cvetković, vice president of Delta Holding, Dr. Vladimir Crnojević, director of the BioSens Institute and Branimir Brkljač, founder of Mokrin House.

"Given that the key idea of the "Digital Village" initiative is to cover most of the needs of the average farmer in Serbia through a specially created software platform, and that OTP Bank is one of the leaders of digitization in the banking sector, getting involved in this project was a completely natural step for us. Data show that about 70 percent of the total global arable land is in the hands of small farmers, but that they participate in the world market with only 35 percent of products. We hope that by joining the "Digital Village" we will help change these statistics for the better, and that we will be able to provide a more meaningful cultural life in Mokrin", said Marija Popović on that occasion.



OTP bank in the 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 respective business fields, with the aim of jointing efforts in 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 to Serbian farmers.

As members of the first Serbian AgroTech Supercluster, we have the opportunity to develop innovative and technologically advanced solutions in agriculture. With startup Agremo, we are developing a software platform that uses artificial intelligence and machine learning technologies to enable remote monitoring and analysis of primary agricultural production in all phases of the growing season. Thus, for the first time in Serbia, satellite images are being introduced on the banking market as important input data in the process of approving and monitoring agricultural loans.

This project was presented within the international program of the European Union at the Sorbonne University in Paris and this project was shortlisted among the 30 most promising out of a total of 400 applications.



In addition, the Bank is currently working on the development of a new product with the Agremo team, with the help of which we will be able to enable our clients, small farmers, to understand the benefits of using new technologies through reports on the condition of their plots and crops. Firstly, we will provide them excellent education and valuable information (they will receive reports jointly with the agro premium account package), and we will therefore enable them to use these benefits even on small plots.

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



In setting up and developing HR processes, OTP Bank is guided by the highest standards that apply in the financial sector and the global economy. With a focus on innovation, the Bank achieves its position as a preferred employer by creating benefits according to existing market trends, as well as by attracting and retaining professionals by listening and adapting to their needs. We are especially committed to attracting young talents and providing opportunities for personal and professional development.

The excellence of the HR process, continuous investment, modernization and improvement of the experience of employees in OTP banka have been confirmed by the “Employer Partner” certificate. This prestigious HR award from the “SELECTIO” consulting firm was preceded by a complex and detailed analysis, which clearly showed that OTP banka is strategically oriented towards employees, that it recognizes their key role in the overall development of the business and that it is making progress along the way. Following the 2022 certification, recertification was made in 2023, with the submission of measurable and exact data on achieved results and progress, which resulted in higher grades and better score than last year. Progress is reflected in the improvement of the selection process, the candidate experience and onboarding, ensuring a stimulating work environment, systematic provision of constructive feedback, as well as the support of employees through all stages of professional development.

On this occasion, Krstinja Šćepanović, head of the Human Resources Directorate at OTP Bank, underlined that the renewal of the certificate confirms the commitment towards continuous dialogue with employees, setting innovation trends and determined change management: “Our organization is going through numerous changes, and the excellence of the HR process is the foundation that ensures that we embark upon these changes equipped with innovative solutions and best practices, in order to shape the future that we want within our organization. Successful recertification, which allows us to continue to be the holder of the “Employer

Partner” certificate, is a clear signal to us that we are on the right path, and together, we are sending a message to our candidates, employees and associates that the bank is not a static, rigid system and that we are prepared to create a stimulating and inspiring environment. Our structured and strategic approach to human capital management processes, as well as proactive participation in business decisions have been recognized as an advantage that distinguishes us, resulting in better scores and higher ratings. Recommendations for further improvements will be our guideline and standard this year too.”

“The comprehensive approach to the improvement of the HR system of OTP banka Srbija is truly commendable, especially in the current dynamic period of business. During this year’s certification, I would like to emphasize the inclusion of employees in change management projects and initiatives for the improvement of innovation, as well as the recognition of those employees who live organizational values through their work. The Bank consistently keeps employees and their work experience high on the list of priorities, which unequivocally contributes to successful operations. Lara Šubić Šuša, manager of the Employer Partner project from the “SELECTIO” Group, said during the awarding of the certificate.

	2022.	2023.
Total headcount	2,692	2,720

In 2022, OTP Bank hired 37 people through contracts for temporary and occasional jobs, youth cooperatives and agencies for flexible employment. In 2023, 112 people were employed on the basis of labor contracts, youth cooperatives and flexible employment agencies, in sales agents, mail, reception, archives and call centers positions.

	2022.	2023.
Fluctuation rate	11.5%	14%

headcount* by regions (branches) 2022.	Belgrade	East Serbia	Šumadija	Vojvodina 1	Vojvodina 2	Western SErbia	TOTAL
Total headcount	304	182	183	217	213	196	1,295
Number of permanent employees	273	165	161	207	195	188	1,189
Number of part-time employees	31	17	22	10	18	8	106
Number of full time employees	304	182	183	217	213	196	1,295

*Headcount

**All employees are hired based on employment contract

***All employees are hired in full time

headcount* by region (branches) 2023.	Belgrade	East Serbia	Šumadija	Vojvodina 1	Vojvodina 2	Western SErbia	TOTAL
Total headcount	316	184	182	224	215	202	1,323
Number of permanent employees	293	180	172	212	199	196	1,252
Number of part-time employees	23	4	10	12	16	6	71
Number of full time employees	316	184	182	224	215	202	1,323

*Headcount

**All employees are hired based on employment contract

***All employees are hired in full time

Gender structure of employees	2022.		2023.	
	men	women	men	women
Headcount	736	1,956	720	2,000
percentage	27%	73%	26%	74%

2.7.1. Employees satisfaction

The annual research on the engagement of OTP Bank's employees is one of the ways through which every employee gets the opportunity to share his opinion on numerous issues that shape our organization. Based on the collected insights, we create an environment in which we want to develop, build our career, and which makes us proud to be a part of it.

Based on the results of the research conducted in 2022, clear and concrete plans have been developed with the Bank's management for the improvement of individual areas at the directorate level. We discussed these plans with employees from all parts of the Bank at events in Belgrade and Novi Sad. On this occasion, 120 team members shared their opinions, comments and suggestions in order to better understand certain insights from the research and improve action plans.

We focused on topics that we recognized through research as important for further improvements of our environment:

- o Attitude of management in relation to employees
- o Employee wellbeing
- o Recognition, performance and rewards
- o Open and honest communication
- o Collaboration between teams
- o Career development.

Using the "World Cafe" methodology, which allows groups of participants to rotate by topic, ie, by table, all employees had the opportunity to share their opinion on each of the 6 topics. The discussion on topics was led by HR business partners and a selected representative of each group. The excellent comments and guidelines given by the employees enabled a better understanding of the research results and improved the plans implemented during 2023.

The bank's successful year was marked by another important figure: with joint efforts, continuous dialogue and successfully implemented actions, our employee engagement score improved by 8 points. The employee engagement survey conducted in 2023 showed that we love our job, enjoy working with our team, recognize the various activities that have improved our environment, and are more willing to recommend our organization as a good place to work. Topics that are important to us, and which we recognized last year as the ones we want to focus on, have also been significantly improved. We have become better at celebrating success, more satisfied with rewarding and changing the earnings model in the network, more open in communication and more focused on mutual cooperation, proud of the bank's brand and reputation on the market. We have recognized what has been done since last year's survey, and based on that, we have greater confidence in future plans.

In 2023, we started using the Heartcount tool, which allows

us to monitor employee satisfaction in the work environment in real time on a weekly basis. This is especially important for colleagues in a managerial role as it allows them to track the performance of each individual employee and make informed decisions based on it.

The areas we monitor through this tool are in line with our plans to increase engagement - Wellbeing, Professional (personal) development, Relationship with management, Relationship with colleagues, Feedback, Job satisfaction, Productivity and efficiency. The ultimate goal is to feel the pulse of employees on a weekly basis, and by processing this data to gain insight into the areas that most affect employee satisfaction and engagement, as well as to monitor the effects of implementing action plans to improve engagement.



2.7.2. Diversity and equal opportunities

In its activities, 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.

These principles apply to all stages - from recruitment, employment, to opportunities for development and training. In order to support and promote diversity, we established cooperation with the United Nations Development Program, the Forum of Youth with Disabilities, and the Program for the Promotion of the Development of Roma Entrepreneurship (REDI). So far, two interns have completed a nine-month internship at the Bank through the REDI program, and in cooperation with the Forum, a competition has been opened for young people with disabilities, who will start the internship in 2024.

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 2023, 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	2022.		2023.	
	men	women	men	women
Total number of employees who used their maternity leave rights	0	159	0	117
Rate of return to work upon expiry of maternity leave	men	women	men	women
	-	98.12%	-	96%

2.7.3. 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 2023, all employees went through the process of performance evaluation and individual development.

For the pool of OTP talents, trainings were organized in the areas of: *people management, resilience, communication, team development, data management, change management.*

Employees in managerial positions went through ESG training, Strategic workshops, Board Effectiveness and Coaching programs.

The focus was on Agile Coach and trainings for Cloud, AI technologies, IT programming languages and tools.



	2022.		2023.		
	Managers	Employees (except managers)	Managers	Mid management	Employees (except managers)
Total hours of training by employees category	11,830	34,007	1,671	6,654	31,803
Average hours of training per employee	30.64	14.76	57	20.4	13.7
	Men	Women	Men	Women	
Total hours of training by gender	12,733	33,134	11,223	29,170	
Average hours of training per employee	17.30	16.94	15.6	14.6	

Level up

Hiring young people with little or no experience, investing in their development and guiding them in accordance with the Bank's strategic goals is the path we choose in our search for quality employees. In 2022, we launched an internship program dubbed "Level Up", with the idea of helping students reach the next career level among the diverse fields offered by the banking world. The areas have been selected to follow the Bank's strategic directions, and each subsequent edition of the program will follow a different theme. The entire program is designed based on the idea of learning in a real environment with a real impact on the daily operations of the Bank. In the first edition of the program, the focus was on data science, while the second edition of the topic tackled sales and analytics in a broader sense.



In the first edition, ten interns actively participated in the Bank's current projects within ten different teams, in Belgrade and Novi Sad. The second edition of the program provides an opportunity for 16 trainees. In addition to covering two topics, the program has also expanded geographically, so in addition to Belgrade and Novi Sad, we also have practitioners in Subotica, Kragujevac,

Niš and Leskovac. Interns get the opportunity to go through a seven-month program that we carefully designed for them. The candidate selection program is complex and consists of four parts, during which different skills and knowledge of candidates are tested. Colleagues in charge of human resources participate in the process, as well as colleagues into whose teams practitioners are assigned following a successful completion of the selection process.

Each intern is assigned a mentor and this is an area on which special focus is placed through the program, because through the evaluation process with the interns, this aspect has been shown to have the greatest impact on their experience, as well as the experience of the team to which the intern belongs. The mentoring program is designed as a two-way process in which both parties learn and encourage each other. Interns work on various projects that have a real impact on the Bank's operations, and their environment offers the same as the bank's new employees. This is how, from the very beginning, we develop a sense of responsibility and belonging to the team.

Multidisciplinarity is valued in our Bank, and so during this program as well as the regular onboarding process, young colleagues have the opportunity to attend various workshops and lectures aimed at introducing them to topics that may not be directly related to the topic of their practice program, or the position, which they are engaged in. The work of interns and mentors is monitored with the help of various tools that allow to adequately measure the success of the program, as well as to systematically provide necessary support to all participants in the program.

2.7.4. Occupational health and safety

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 is committed to providing its employees with a healthy and technically equipped workplace that complies with labor law regulations, as well as the protection of their physical integrity and health.

The Bank adhere to local and international legal regulations on the creation and maintenance of a safe and healthy working environment. Accordingly, the safety and health system at work covers all employees. Furthermore, all employees undergo training in occupational safety and health, first aid and fire protection according to the training plan and in accordance with the deadlines prescribed by law. The Rulebook on occupational health and safety is available to all employees on the notice board through an internal portal of the Bank, as well as the Instructions for handling injuries at work that all Bank employees may access.

The obligation of every employee is to comply with the health and safety regulations related to the performance of work, 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 has concluded a contract with licensed company, which provides services in the field of occupational safety and health, and appointed a licensed persons for occupational safety and health are appointed. Engaged companies perform preventive inspections of facilities and submit reports on observed defects, which are then eliminated. In accordance with the law, measurements of working environment conditions are carried out in summer and winter, as well as periodic controls of electrical installations. In case of observed defects, they are eliminated. Also, it is the duty of all employees to inspect their workplace and work equipment, safety equipment at work before starting and during work, and to immediately notify their immediate supervisor of any deficiencies. Managers forward the report to the Logistics Directorate. The person for OSH Logistics Directorate are obliged to carries out the inspection, and the observed deficiencies must be eliminated within 8 days from reporting. An employee has the right to leave his workplace if he/she recognizes a danger that threatens life and health.

OTP Employees are provided with regular systematic reviews. As part of the systematic examinations, an ophthalmologist's examination is also provided to employees who use equipment for working with a screen, in accordance with the Act on Risk Assessment.

	2022.	2023.
Total number injured	12	15
Number of injuries with serious consequences*	3	4
Injury rate	0.43	0.53
Injury rate with serious consequences	0.11	0.14

*sprains, dislocations, fractures

The following hazards have been identified as predominant cause of injuries, based on injury reports: tripping hazards over items placed by employees in aisles, careless movement, tripping, falls when arriving and leaving work, careless closing of cash registers. There is a record of occupational injuries resulting from the Occupational Safety and Health Act and the Rulebook on the content and manner of issuing occupational injury and occupational disease report forms, which is maintained by the delegated person for occupational safety and health.

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 amendments and supplements thereof
- 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

Sustainability of own operations

As part of OTP Bank's ESG Strategy, goals related to the impact of the bank's operations on the environment have also been defined. These include plans for decarbonization within Scope 1 and Scope 2 emissions, waste management, reduction of plastic use, use of recycled paper and reduction of paper use, use of LED lighting, measures to renovate the branch network, and renewal of rolling stock. The Logistics Directorate is responsible for this area. The bank's operations in this area are fully compliant with national legislation, which is confirmed by the fact that in 2023, as in previous years, there were no fines or other types of sanctions against the Bank in connection with non-compliance with laws and regulations.

2.8.1. Consumption of energy and energy efficiency

All branches of the bank and the central building 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. The temperature in the room is also regulated through the system with the same goal. With the same goal of contributing to energy efficiency, the temperature in the room is also regulated through this system. In addition, motion sensors have been installed in the administrative buildings in Belgrade at Bulevar Zorana Đinđić 48 and 50 in common areas (corridors, bathrooms, press rooms) in order to control and save on lighting.

Compared to the previous year, LED lighting was installed in another 30% of branches, which reduced electricity consumption. Previously, in 2021, the renovation of the building at Trg slobode 7 in Novi Sad was completed, which included replacing the complete fluo and halogen lighting with LED lighting, which reduced electricity consumption. In addition, the air conditioning system was replaced with an A+ class system, which has the highest average electricity savings in relation to capacity.



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

Energy consumption	2022.	2023.
Electrical energy from coal	-	-
Electrical energy from hydro power plants	42,490 GJ	33,915 GJ
Fuels of various origin used in heating plants in Serbia	20,962 GJ	18,961 GJ
Natural gas	7,553 GJ	2,756 GJ
Fuel oil	1,211 GJ	1,161 GJ
Energy consumption	2022.	2023.
Total electricity	42,490 GJ	33,915 GJ
Total heating energy	28,515 GJ	22,877 GJ

* Data on electricity consumption were collected from bills of the suppliers to which the bank pays services and which contain details of energy consumption. For energy consumption for heating, the data was analyzed in two ways - some bills show

the energy used, and on others - the calculation is based on the area. An approximation was made for the part calculated by area.

Generated and sold energy	2022.	2023.
Solar energy	262.75 GJ	138.67 GJ

*In addition to the weather conditions that affect the volatility in the volume of solar energy production, in 2023 the solar power plant was out of operation for two months in the summer period due to technical maintenance.

	2022.	2023.
Energy intensity	26.37 GJ per employee	20.6 GJ po zaposlenom

2022.	
GHG emission – Scope 2*	1,517 t
Intensity of GHG emission**	0.565 t per employee

2023.	
GHG Emisije – Scope 2*	1,307 t
Intenzitet GHG Emisija**	0.480 t po zaposlenom

* 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

By switching to the use of electricity only from the hydroelectric plant, compared to the base year of 2021, Scope 2 emissions were reduced by 8,223 t, and by rationalization of the branch network - by 359 t. The replacement of old air conditioners with new, more energy-efficient ones, as well as the replacement of old lighting with LED lighting also contributed to the reduction of Scope 2 emissions.

2.8.2. Waste management

The current Rulebook on waste management and the Waste Management Plan were adopted in 2023 by the Bank's Executive Board. The Rulebook regulates the collection, disposal and other activities related to waste in all organizational parts of the Bank. The waste management plan contains, among other things, instructions for the safe storage, handling and disposal of generated waste.

In accordance with the legal obligation, the Bank has appointed

a person assigned to waste management, and contracts have been concluded with companies that take over waste paper and discarded furniture for recycling purposes. Also, empty toner cartridges are collected, and hazardous waste is handed over to authorized companies in accordance with the Law on Waste Management. The total amount of submitted waste is monitored on an annual basis, and the aim is to reduce the amount of waste by reducing the amount of paper consumed thanks to digitization, as well as by reducing the use of products in plastic packaging. Reports on the annual amounts of collected waste are submitted to the Republic Institute of Statistics.

Waste separation boxes, as well as boxes for the collection of plastic caps, which are collected for humanitarian purposes for the needs of the "Cep za hendikep" Association, have been installed in the premises of the Bank's head office in Belgrade.

The bank is determined to procure recycled toners and paper with FSC certification (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 the possibility of handing it over for recycling is reduced due to the location of the facilities and the 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 was the supply of drinks in plastic packaging.

In 2022, 32 tons of paper and 32 tons of paper and 13 tons of electrical and electronic waste was delivered for recycling, and 66.6 tons of paper, 4.482 tons of electrical and electronic waste and 0.96 tons of old automobile tires were delivered in 2023.



2.9

Contribution to the community

As a responsible member of the social community, the Bank takes into account its needs, development directions and priorities, so that its activities contribute to long-term sustainability and inclusion.

Our priorities in this segment of activity are support for innovative projects and entrepreneurship, ecology and sustainable business, support for sports and cultural projects, contribution to financial education, as well as assistance to the local community, especially the most vulnerable social groups.

In choosing partners, 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 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. The support of OTP bank includes goods and monetary donations, mentoring support, support in the promotion segment, corporate volunteering, and contribution to increasing public awareness on certain topics of general importance.

In addition to independently initiating projects aimed at the welfare of the community, we are also involved in broader partnership initiatives. Through membership in local networks that promote sustainability as a healthy and desirable business model, we exchange best business practices and launch new initiatives. We firmly believe that joint action of the business, civil and state sectors is necessary for the successful development of the social community.

"Together for stronger social solidarity"

OTP banka Srbija, together with its friends and partners, the Serbian Philanthropic Forum and the Trag Foundation, launched the pioneering initiative "Together for a stronger social solidarity", dedicated to creating a single Register of civil society



organizations that the Bank will exempt from commissions when paying humanitarian donations to their dedicated accounts. Exemption from commissions will be valid for all groups of clients and for all payment methods realized through OTP Bank, regardless of the bank where the account for the donation is sent has been opened. This initiative was launched with the aim of affirming and strengthening the culture of giving in our social community.

The register of civil society organizations, which will be exempt from commissions when donations are paid into their dedicated accounts, will gather in one place all relevant organizations engaged in humanitarian work, which at the same time need additional support and visibility. The list will be updated every 12 months, after which new organizations will be able to apply to become part of this register.

"We are very happy that through intersectoral action and cooperation, we managed to find a quality and sustainable solution to support the work of the civil sector." We believe that the creation of the Register and the exemption of commissions on the payment of humanitarian donations to special accounts will contribute to the creation of a more favorable and encouraging framework for donation and philanthropy. Our goal is to gather in the Registry, in a single location, all actors of the civil sector whose work is transparent, continuous, worthy of respect and whose results deserve additional encouragement and greater visibility. We are proud that many good deeds and ideas will thus be accomplished. Our obligation at OTP Bank, as a leader in our field, is to do everything in our power to improve the community in which we work, to make it more humane and to encourage its development, but also to set a good example for others to do the same with the initiatives we launched. It is also important for us to send a message that launching joint initiatives usually achieves better and more lasting results", said Predrag Mihajlović, President of the Executive Board of OTP Bank.

"We are aware that exempting bank commissions on monetary

donations is a complex issue and that it involves entire systems in this action, but it is also important that banks have good will to resolve the issue." It is important that the lifting of commissions does not remain an isolated case from campaign to campaign, but a decision that will be made by all banks in the market. We are glad that OTP Bank, as one of the most prominent members of the Serbian Philanthropic Forum, was the first to decide to abolish bank commissions, and we are very pleased to be part of that important process. I would like to mention that gestures are very important. United around this initiative of the Serbian Philanthropic Forum and OTP Bank, we are showing the community that it is important to give the maximum contribution through our own initiatives and that donations for humanitarian and similar initiatives reach those for whom they are intended without any burden of commissions and fees," said Veran Matić, executive director of the Serbian Philanthropic Forum at the panel organized on the occasion of the presentation of the Register of organizations that will be exempt from paying commissions.



2.9.1. Innovation, entrepreneurship and green projects

Generator ZERO

In 2023, a new cycle of the Generator ZERO competition was conducted, the aim of which is to support solutions that contribute to the reduction of the carbon footprint and the growth of the green economy. The contest is open to innovators, startups, micro, small, medium and social enterprises, as well as civil society organizations, and a record 116 applications were received for this year's cycle.

The winner of the competition for 2023 is the project "Fragment plate" of startup Fragment Incorporated, which is engaged in the production of innovative and sustainable building material from 73% recycled glass. Namely, for the production of the

Fragment board, it uses post-industrial glass that would end up in a landfill, which slows down the filling and accelerates the creation of new landfills. Every construction of a new landfill has a high carbon footprint and leads to the destruction of biodiversity and the environment.

The winning team won from the Bank two million dinars in advisory and strategic support in the further development and promotion of the project - presenting the solution in the OTP Lab innovation hub of the parent OTP Group and the Portfolio investment fund.

"The tradition and reputation that Generator already has is the greatest recognition for our commitment to the improvement of the circular economy and the needs of the local community. The number and quality of applications, which grows every year, is an even better indicator of the general social importance of this topic, and that was exactly the reason why we dedicated this year's cycle to reducing the carbon footprint. The Generator ZERO project, for which we have gathered today, best illustrates OTP bank's strategic commitment to sustainable business and innovative thinking towards green economy development, which justifiably became one of our most important projects over the course of seven years. We hope that some of the solutions we saw in the Generator final will help us create a more responsible and sustainable environment," said Predrag Mihajlović, President of the Executive Board, at the proclamation of winners.

Support for the project was also provided by numerous partners: ICT HUB, Blic, Mastercard, Serbia Innovates Project supported by USAID, Digital Serbia Initiative, Belgrade Open School (BOŠ), Netokracija, Schneider Electric, MPC, Supernatural - an association that deals with environmental protection.



Acknowledgment for Generator ZERO

Our Generator ZERO won the fourth prize at the Disrupt awards contest, which was organized for the third time by ADAM studio, gathering all those who think differently and are ready to experiment in their work and thus push the boundaries. OTP Bank was awarded in the Financial Sector category,

which recognized our many years of efforts to support local entrepreneurs and innovators who want to reduce their carbon footprint with their ideas, projects and solutions and thereby preserve our planet and make our environment healthier.

With zo, at the unique Festival of socially responsible communication in Serbia and the region, we won the title Campaign with a purpose ECO GRAND PRIX 2023 in the category for the best ECO socially responsible campaigns. Our Generator LAB project was awarded, which was realized through three individual initiatives: Generator ZERO, Generator of Good Deeds and OTP Village. The award was presented to our Milena Mićanović, head of Communications and Public Relations, by Marija Beslač, Director of Communications and Partnerships at the Nordeus Foundation, in front of the expert Team of Honorary Selectors. For the Generator Lab project and outstanding contribution to sub-goal 8.3 of the 2030 Agenda, we won the "Champions of Sustainability" award given by the Forum for Responsible Business.

OTP Village

OTP Village, the latest "green" project of the Bank, which we are realizing in partnership with the ecological Association "Supernatural" has opened just a few kilometers from the center of Belgrade, in a location that is a habitat for thousands of bees. The launch of an urban apiary and nursery with 12 types of honey plants represents another in a series of initiatives with which we provide support for environmental activism and contribute to the increase of biodiversity in the desire to point out the key role of bees for the preservation of our entire ecosystem.



According to our Milena Mićanović, head of Communications and Public Relations, the Bank carefully evaluates its direct and indirect impacts on the environment and supports initiatives that have a positive impact on the overall state of the ecosystem: "The fact that bees pollinate more than 70 percent of plants and that the same percentage of the total flora and fauna depends on them encouraged us to think about this important topic and to start OTP Village together with our partners from the "Supernatural" Association. Establishing nurseries of honey plants and starting apiaries is our way to contribute to the preservation of biodiversity, but also to open another important ecological topic, which is the increase of knowledge about

honey and wild bees, whose survival depends on the survival of almost the entire planet. A responsible, rational and sustainable attitude towards resources and the natural environment is one of the key criteria both in the selection of projects and in the selection of partners that we will support. We are grateful to our collaborators from the "Supernatural" Association for starting another green story through OTP Village, which together should encourage us to carefully and responsibly choose how we behave today, because the future and survival of those who come after us depend on it." she pointed out.

At the opening of OTP Village, all those interested had the opportunity to participate in the planting of honey plants, while Stanko Rajić, president of the Belgrade Association of Beekeepers of Serbia, and Maja Kovač, a pharmacist who founded the "Smilje i Basilje" Association, could learn more about beekeeping and its urban models, as well as the importance, importance and specifics of honey plants.

The multiple importance and role of bees is evidenced by the fact that just one bee colony greatly increases the income of the surrounding agricultural crops through a significant increase in total yields. Srđan Stanković from the ecological organization Supernatural commented on their immeasurable contribution to the maintenance of the ecosystem, as well as the importance of the participation of the private sector in green actions.

"Cooperation of all social actors is necessary in order to transform the current, linear and long-term unsustainable economic system that functions according to the "buy-consume-throw" model into a sustainable, circular one based on clean energy sources and biodegradable materials. That is why the support that OTP bank has been providing for many years to many green programs is a real example of responsible behavior of the private sector. Launching OTP Village as a project dedicated to bees and the very act of planting 1,000 honey plants is extremely important to us. We are proud to bring the wonderful world of bees closer to people, because bees, due to their role as pollinators, are the most important creatures on the planet," concluded Stanković.

The OTP Village project is implemented through environmental education programs for employees and their children. In 2023, several ecological workshops were organized at the location of OTP Village, as well as at the Bank's premises.



Art competition

The bank organized the internal "How I save my planet" art competition for children of employees who in their own unique and creative way, showed how important ecology is to them, as well as the importance of protecting nature together.

The competition was extremely successful and exceeded all our expectations. We received a large number of creative, inspiring and imaginative works and a lot of positive comments for the launched initiative.

We are happy that through the drawings, we realized that our children recognize how important ecology is, see what are the ecological challenges of today and understand why it is important that we all have knowledge of how to save the planet.

Their works inspired us to use the motive from drawings to create promotional material. We made canvas bags, bookmarks, stickers, key rings, which, together with a book on the topic of ecology ("Help the world - save the planet" by Nemanja Potrebić or "Climate change" by Jean-Marc Jankovissy), which we donated to each child who sent us a drawing. An exhibition was also organized in the Bank's premises at 48v Zoran Đinđić Boulevard, in Belgrade.



Generator of good deeds

We organized the fourth "Generator of Good Deeds" Social and Sustainable Entrepreneurship Fair in the Ušće Shopping Center, during which six domestic small businesses based on sustainable and social business exhibited their ecological and recyclable products and presented the concepts of work and action in society.

As a Bank, we have been supporting the development of entrepreneurship in Serbia for many years, and green transition, i.e. commitment to sustainable business and ecological projects is one of the key strategic directions. On this occasion, Milena Mićanović, head of Communications and Public Relations of OTP Bank, spoke about why we advocate the visibility and strengthening of domestic social enterprises and small businesses: "We strive to initiate activities throughout the year that contribute to the development of entrepreneurship and the green economy, and with each new cycle of the Generator of Good Deeds, we want to draw attention to companies and small businesses that, through

their business models, education, products, encourage and invest in environmental projects or socially vulnerable groups. We believe that creating positive changes in the modern age requires the involvement of all of us, both citizens and entrepreneurs as well as the corporate sector, which is also a key message that we want to convey through such initiatives," said Mićanović.

Visitors were able to familiarize with the products of the new fashion brand Friends of the Danube, which creates t-shirts, sweatshirts and bags, and thus promote the protection of biodiversity of the Danube, i.e. of its riverbed, emphasizing the education of young people. Cozy2wear is a fashion brand focused on the use of natural, biodegradable and organic materials in the fashion industry. The social enterprise Naša kuća enables people with disabilities to become independent and earn money in a unique and innovative way - by recycling cigarette packs and creating a wide variety of paper products from them, while the Youth Integration Center raises awareness of the plight of street children through various initiatives and sales of creative products. All Nut is a brand focused on organic and natural cosmetics in the broadest sense, whose business is based on zero waste principles. Credo casa toys presented its concept of educational, ecological, open-ended toys. These toys, in addition to the function they have in directing attention and developing fine motor skills in children, provide the possibility of independent intellectual and artistic development.

Also, during the fair, the participants had the opportunity to share their previous experience at the Eco workshop with Srđan Stanković, a representative of the ecological organization Supernatural.

Three fairs have been held since 2019, when the Generator of Good Deeds initiative was created. The first supported six social enterprises, while the second, despite the pandemic, was organized in an online environment at the beginning of 2021, and five small businesses presented their recyclable, innovative and organic products. In 2023, the Fair was held for the first time in Novi Sad at Trg slobode, where there were seven exhibitors who, through their actions, protect the environment, speak and advocate in favour of socially vulnerable groups.



2.9.2. Financial education

Acquiring new financial knowledge is necessary on the way to better management of personal finances. At a time when financial technologies are advancing rapidly, OTP banka wants to give all citizens the opportunity to become better acquainted with certain banking products and concepts, and thus be more confident in making important life decisions.

With that goal in mind, we have created several educational materials that are available on the Bank's website. The Lexicon of financial terms refers to products and services that clients use most often, as well as other key financial terms. In addition to definitions formulated in a way that is receptive to the general population, the Lexicon provides illustrative examples and references to other useful tools. The advantages of using electronic and mobile banking is an educational material that helps citizens become familiar with the activation method, the main functionalities and advantages available to them, in order to safely, easily and quickly perform their financial transactions. In addition to materials intended for natural persons, there is also an educational material for small and medium-sized enterprises available. Five reasons why digitization is a lifesaver for small and medium-sized businesses, which is especially important in the context of the accelerated transition to digital business channels during and after the coronavirus pandemic.

Support to the „Financial literacy“ project

For the Bank, financial education and inclusion represent important and major topics in the segment of corporate responsibility, especially when it comes to children and young people, as a particularly important social group. Through the “Financial Literacy” project supported by our Bank, which is implemented with the support of partners who share a commitment to improving general and specific financial knowledge, 500 students from 13 secondary schools in 12 cities in Serbia will learn how to make smart financial decisions and why it is important that they understand all terms from the world of banking, telecommunications and insurance. The program is implemented by the Education Group consisting of Junior Achievement Serbia, Nordeus Foundation, Center for the Promotion of Science and the “Digital Serbia” Initiative.

Numerous educated business mentors from companies that support the initiative work with the students, including our colleagues Miljan Lazarević, Ana Planinčić, Igor Nedeljkočić and Jasmina Nikolić. As a first step, teachers in schools participating in the program and business mentors went through the program material together and prepared to enter the classrooms.

During the year, several workshops were held in schools throughout Serbia. Students at the School of Economics and Business in Kikinda had the opportunity to learn from our Miljan Lazarevic, director of the Zrenjanin branch as an educated

business mentor, during three workshops, why it is important to budget well and how to analyze different life situations at the moment when important financial decisions need to be made. During the workshops, which were held together with Professor Mirjana Sekulin, the most important financial terms, products and concepts were discussed.

Igor Nedeljkočić, senior sales manager for the economy at OTP Bank also participated in this program as business mentor and educator, and shared his impressions: “My idea was to explain to children in a receptive and age-appropriate way, using real examples, how finances are managed and what are the key financial terms. I tried to motivate them through interesting tasks to independently get a real picture of how correct financial decisions are made, how calculations are made and solutions are found in given situations. It was a great pleasure for me to participate in the “Financial Literacy” program, especially because the children showed a high degree of involvement and great interest in this topic. I am sure that projects dedicated to increasing financial knowledge among young people are beneficial for society as a whole on the long run”.



2.9.3. Investment in culture

Investing in cultural heritage and supporting the best individuals, projects and institutions in the field of culture is one of the most important and beautiful investments of the Bank. We are proud of our partnerships with recognized institutions that allow us to direct support and contribution to this area in the best way.

In partnership with Booka Publishing House, in 2023, the second cycle of the award competition for the best, original and unpublished novel in the Serbian language was held. We are extremely proud that this competition, although still young, has already become a synonym of discovery of new, talented writers. The incredible success of last year's and the first winner,

Mirjana Drljević, whose novel "No one is forgotten and nothing is remembered" became a bestseller with more than 7,000 copies sold, proof that this kind of competition is very much needed by the literary scene in Serbia.

Over 350 applications were received for the second cycle of the contest, and the jury's decision declared Mladen Milinov and his novel "Silence" as winner. Ivan Bevc, editor-in-chief of Booka publishing house, expressed his satisfaction with the fact that in the second annual competition, just like in the first, a new, fresh literary voice was discovered: "After the phenomenal success of the first competition, we faced a serious challenge. The number of manuscripts received promised that this time too we will discover a new literary voice, which is exactly what happened. In the fierce competition of several really excellent manuscripts, the exceptional novel "Silence" by Mladen Milinov stood out, mature, conceptually and narratively rounded and painfully current, and linguistically superior to the extent that it can be compared with the best regional works from this year's production. "Silence" is a great literary discovery, and its author, Mladen Milinov, is a rare talent. Once again, the contest that we held with the great support of our partners from OTP Bank confirmed its importance for the local literary and cultural scene", said Bevc.

The winner will receive a cash prize in the amount of 250,000 dinars, publication of the book in a circulation of 3,000 copies, with distribution in the region with intensive promotion of the author and the winning novel.



Izdavačka kuća Booka | OTP banka raspisuju

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"OTP Bank will remain committed to the field of culture, as well as supporting writers, because we truly believe in the power of stories to connect people. We are extremely glad that we share the same values with Booka publishing house," said our Milena Mićanović, head of communications and public relations, when announcing the winner.

OTP Bank traditionally supports the awarding of the "Politikin Zabavnik" prize for the best work intended for young people in the Serbian language. For the year 2023, by the unanimous decision of the expert jury, the prize for the best work went to Olivera Zulović, the author of the novel "Handbook for a Solid Life". The book tells the story of two teenagers, Ljuba and Ljubica, who become friends in the moments when they both the family is going through big breaks. All the characters in the book are real, and the thread that connects the main characters is that they become better because of each other.

The bank also supported the organization of a classical music concert by the Royal Strings of St. Đorđe, which was held at the White Palace on October 31, 2023, while the Bank's clients also attended the concert. The Royal Strings of St. George is a chamber orchestra, whose concertmaster is our celebrated violinist Sreten Krstić. The orchestra has been operating under this name since 1998, when it received the title of the Royal House of Karađorđević as a prominent ensemble in Serbia.

2.9.4. Support to sports

OTP Bank has been the biggest sponsor and official bank of the Olympic Committee of Serbia for more than 20 years. This cooperation represents by far the longest sponsorship in Serbian sports, and is often an example of fruitful, inspiring and successful cooperation between the business sector 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 nurture these values in our everyday business life. In addition, for many years, OTP Bank's Visa Olympic Card has enabled our clients to become donors themselves, because a part of the funds for each of their transactions, at the expense of the bank, is allocated to the fund for investing in sports.

As part of this long-term partnership, we responded with great pleasure to the invitation and donated funds for the construction of a state-of-the-art training hall in Mali Idoš, in which all conditions for the preparation of athletes have been met.

During the opening of the training hall, Predrag Mihajlović, our CEO and President of the Executive Board, recalled that this is the sixth consecutive Olympic cycle since OTP has become the official bank of the Olympic Committee of Serbia and pointed out that the bank will always proudly support the promotion of sports, especially among young people: "This donation best reflects our shared desire of us and our partners from the

Olympic Committee of Serbia to bring sports closer to everyone, as well as to enable the creation of atmosphere and conditions in small communities that will give birth to more champions like Adriana Vilagoš. We are sure that the new hall will contribute to its form remaining at the world level. We eagerly follow all of Adriana's competitions and wish her many more successes, medals and broken records. I would also like to thank the Olympic Committee of Serbia for recognizing us as a partner for such initiatives, and we hope that our support during these years has had at least a little influence in us becoming part of the greatest moments of Serbian sport," Mihajlović said.

srpskog sporta", rekao je Mihajlović.



Adriana Vilagoš, our most successful javelin thrower, the current vice-champion of Europe for seniors, as well as the world junior champion, also participated in the "Olympic training with OTP bank", which we traditionally organize together with our friends from the Olympic Committee of Serbia. The goal of this event is for children to fall in love with sports, learn the rules of sports and be active. We have been successfully implementing this project for over ten years in cities across Serbia, and in 2023 we visited Vršac.

Adriana shared her competitive spirit and love for sports with the students at the volleyball, athletics, handball, and basketball fields. Elementary school students from the schools Paja Jovanović, Vuk Karadžić, Mladost, Olga Petrov Radišić, Jovan Sterija Popović, competed and collected points in the foregoing sports, but also through the Olympic knowledge quiz, and the Jovan Sterija Popović Elementary School was the most successful, and was awarded with sports equipment and props in the value of 180,000 dinars.

In June 2023, the European Games were held in Krakow, and the Serbian team achieved an excellent result - 16 medals won. The Olympians delighted us with as many as 3 gold, 6 silver and 7 bronze medals. Our colleagues Jovana Kljutić, Olga Kovačević,

Aleksandar Vukmirović, Đorđe Stefanović and Stefan Cvijetić cheered on the athletes from the stands, who could feel what the Olympic spirit and Olympic values mean on the spot, see "fair play" at work and cheer their country.

Traditionally, we participated in the Olympic Day, which marked the 129th birthday of the International Olympic Committee. Together with the Olympic Committee of Serbia and other sponsors and partners, we competed in the sponsors' relay race. Our team consisting of Jelena Živković, Sonja Mikavica, Svetlana Đenić, Vladimir Pavlović, Đorđe Petrušić and Despot Đorđević won the third place.

2.9.5. Support to local communities

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

During 2023, the Bank's branches in Pirot, Babušnica, Svrlijig, Bor and Zaječar held "Open Days" for graduates of secondary economic schools, during which young people had the opportunity to learn about the way the bank works, as well as specialized products and youth services. The bank responded to the call of the director of the "Žarko Zrenjanin" high school in Vrbas, which is one of the oldest high schools in our country, for a donation of funds to equip the math cabinet - benches, chairs, cabinets, chairs, geometry accessories and printers.

The bank also participated in the reconstruction of the yard of the primary school in Dubona, which belongs to the largest school in the municipality of Mladenovac, "Momčilo Živojinović", at the invitation of the director of the school and the Mladenovac municipality, and on the occasion of the unprecedented tragedy that happened there. The collected funds are intended for the reconstruction of the yard, of the field and the wooden eco-house.

We also supported the national "World Robot Olympiad" competition for children in robotics held in the Hall of Sports in Subotica. The goal of the competition is to bring children and young people closer to science and scientific subjects through the construction and programming of robots, as well as to encourage them to choose engineering and IT as a career. The "World Robot Olympiad" was held for the fourth time, and the organizers are the Faculty of Teachers in the Hungarian teaching language and the Edutus faculty. This year, 82 teams from all over Serbia applied for the competition, with a total of more than 300 participants.



One of the examples of listening to the needs of the community is the donation of used and spent capital assets of the bank, including office furniture that was used in our branches, as well as computers and printers. In the course of 2023, over 340 expended basic funds were donated, which helped 19 beneficiaries, including primary and secondary schools, preschool institutions, health centers, hospitals, pensioners' associations, trade unions, as well as many other associations throughout Serbia.

During 2023, the Bank supported a number of cultural, sports and humanitarian events of local and regional importance in Novi Bečej, Zrenjanin, Užice, Vršac and Gornji Milanovac.

New Year donation of employees

An internal celebration for all employees of the Bank was organized in the context of joint humanitarian activities symbolically dubbed "When you know how to shine with your heart".

All bank employees are invited to donate food, toys and clothes on a voluntary basis and brighten up the holidays of the country's poorest families, as well as of children with mental and intellectual disabilities. Employees responded in high numbers: 2 tons of donated goods were collected and handed over to the Food Bank Association, whose primary activity is the fight against poverty, hunger and food waste, and to the MaliVeliki Association, which deals with improving the quality of life of children with developmental disabilities living in homes in less developed parts of the country.

The Bank strives to nurture the spirit of community among employees and to encourage them to join in, depending on their abilities, philanthropic activities and broader social importance.



New Year donation

At the end of the successful year, OTP banka signed an

agreement with the Ministry of Health on a medical donation worth five million dinars. OTP Bank will thus directly contribute to the improvement of emergency medicine in Serbia, by donating defibrillators to hospitals in major cities and portable defibrillators to health centers in remote rural areas.

The donation agreement was signed by Danica Grujičić, Minister of Health of the Republic of Serbia, and our Branimir Spasić, CFO and member of the Executive Board of OTP Bank, who emphasized that this act represents another step towards improving health conditions in Serbia.

"We want to mark the coming holiday period as a sign of humanitarian donations, when we will remember and give gifts to those who need support. This year, instead of buying New Year's gifts for clients and partners, we opted for a donation. We are very pleased that, in cooperation with the Ministry of Health, we will directly contribute to the well-being of the community where we work. We learned that there is a great need for defibrillators in hospitals all over Serbia, but also for portable ones used in health centers, especially outside of Belgrade, and that is the reason why we directed the donation to the provision of these devices. What makes us particularly happy is the realization that portable models, which will be delivered to health centers far from central hospitals, have the potential to literally save people's lives. We will actively strive to contribute to the social environment not only in the year ahead, but also in the years yet to come," said Spasić.

Volunteer club

In addition to financial support, OTP Bank is committed to promoting and fostering volunteer activism, with the aim of building a more humane social environment. In 2023, the Bank launched the Volunteer Club for employees and adopted the Policy on Corporate Volunteering. Last year, the Bank's volunteers took part in the volunteer action of cleaning 300 m of the Danube bank, which the Bank organized together with the "Supernatural" association, as well as in the action of greening urban areas in Novi Sad, which was organized by the City Administration. Apart from "green" volunteer activities, one of the bank's priorities is the engagement of employees in the field of helping and improving the quality of life for socially marginalized groups.

We created volunteering programs with the intention of achieving a higher standard of sustainability, social and environmental responsibility together with our employees.



GRI indeks

Statement of use	OTP banka Srbija a.d. Novi Sad has reported the information cited in this GRI content index for the period 01.01.2023. – 31.12.2023. with reference to the GRI Standards. Reporting cycle: annual
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CUSTOMER PRIVACY			
GRI 418: Customer Privacy 2016	418-1 SUBSTANTIATED COMPLAINTS CONCERNING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA	50	Goal 16



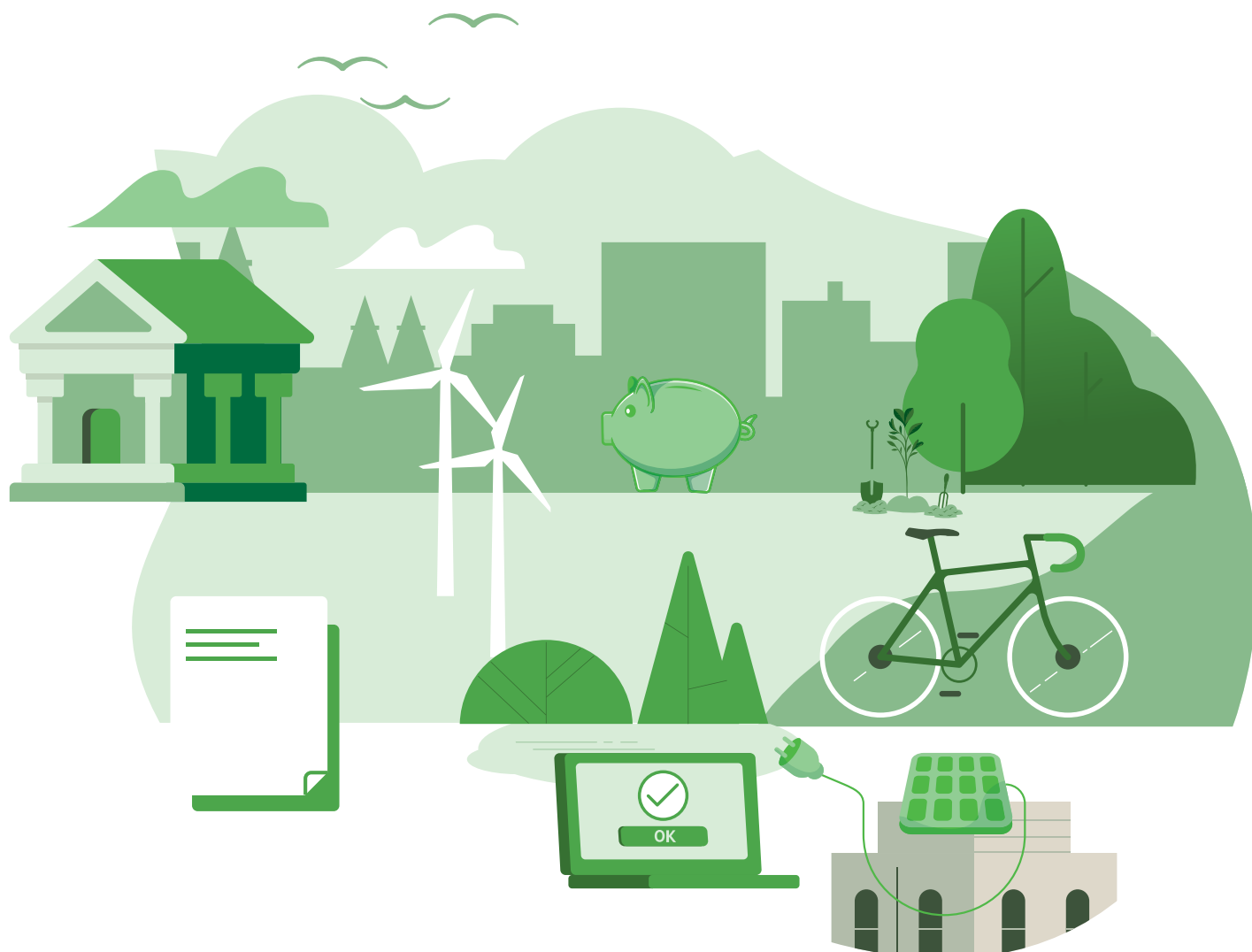
Data in the non-financial report of OTP banka Srbija a.d. Novi Sad refer to 2023, if not stated otherwise.

Contact person for questions about the report:


Milena Mićanović

Director of Communications and Public Affairs

milena.micanovic@otpbanka.rs



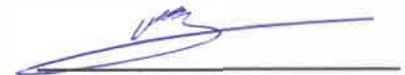
Annual Report of OTP banka Srbija a.d. Novi Sad for the year that ended on December 31, 2023 is approved by the management of the OTP banka Srbija a.d. Novi Sad on March 15, 2024.



Vladimir Pejčić
Head of Accounting Directorate



Branimir Spasić
Member of the Executive Board



Predrag Mihajlović
President of the Executive Board