



ANNUAL OPERATING REPORT

2023

PEOPLE

**PEOPLE FIRST AND
FOREMOST**

The content

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HALKBANK a.d. Belgrade (hereinafter: the Bank or HALKBANK) is obliged to compile a non-financial report once a year, in accordance with the Law on Accounting, which is incorporated into the Operating Report.

This means that the Annual Operating Report includes a non-financial report which contains information necessary to understand the development, business results and position of the legal entity, as well as the results of its activities related to minimum environmental protection, social and personnel issues, respect for human rights, corruption and bribery issues, including:

- 1) brief description of the business model of the legal entity;
- 2) a description of the legal entity's policies regarding these issues, including the basic analysis procedures being conducted;
- 3) results of these measures;
- 4) the underlying risks associated with those matters relating to the business of the legal entity, including, where relevant and necessary, its business relationships, products or services that may cause negative results in those areas, and the way in which the legal entity manages the business risks;
- 5) non-financial key performance indicators important for a particular business..

I DEVELOPMENT, ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

1. ESTABLISHMENT

HALKBANK Turkiye was founded in Türkiye in 1933 and has been building a growing network of branches since then. HALKBANK Turkiye aims to efficiently provide all banking services, create added value for its customers, shareholders and employees, as well as to contribute to the development of the banking sector and capital markets, but also gain a respectable place in the banking industry. Today, HALKBANK Turkiye operates successfully in Türkiye, North Macedonia, Serbia and the Netherlands.

HALKBANK has been operating in the Republic of Serbia since 2015 when HALKBANK Turkiye (Türkiye Halk Bankası A.Ş.) became the major owner of Čačanska banka (operating since 1956).

The Bank was registered with the Serbian Business Registers Agency under Decision no. BD 54244 dated 13th September 2005.

The Bank has been operating under the name of HALKBANK a.d. Beograd since 22nd October 2015 when the change of its legal name was registered in the Serbian Business Registers Agency under Decision no. BD 89155/2015.

2. ORGANISATION OF OPERATIONS

HALKBANK is a universal bank which offers all types of banking products and services to corporate clients, entrepreneurs and retail clients. The Bank encourages and finances the growth and development of the domestic economy, but is also a safe place for its clients' savings deposits. The Bank's primary goal is to create products that will completely satisfy all customers' expectations.

HALKBANK is registered in the Republic of Serbia for performance of payment operations and credit and deposit operations in the country and abroad and it operates in compliance with the Law on Banks.

HALKBANK is successfully expanding its business network and client base. Today, the Bank's products and services are provided through a business network of 38 branches, 5 sub-branches and 1 counter. As of December 31, 2023, the Bank has 10 branches in Belgrade, 3 branches in Čačak, branches in Ivanjica, Gornji Milanovac, Valjevo, Kraljevo, Novi Pazar, Aranđelovac, Užice, Požega, Prijepolje, Kragujevac, Smederevo, Kruševac, Šabac, Pančevo, Sremska Mitrovica, Novi Sad, Stara Pazova, Zrenjanin, Subotica, Niš, Leskovac, Vranje,

Pirot, Jagodina, Paraćin as well as 5 sub-branches - in Topola, Vrnjačka Banja, Tutin, Sjenica and Preševo. In 2023, the bank opened three new branches in Prijepolje,

the Vojvode Stepe Street in Belgrade and Stara Pazova, as well as one sub-branch in Sjenica.

3. BASIC PERFORMANCE RATIOS

(in RSD thousand)

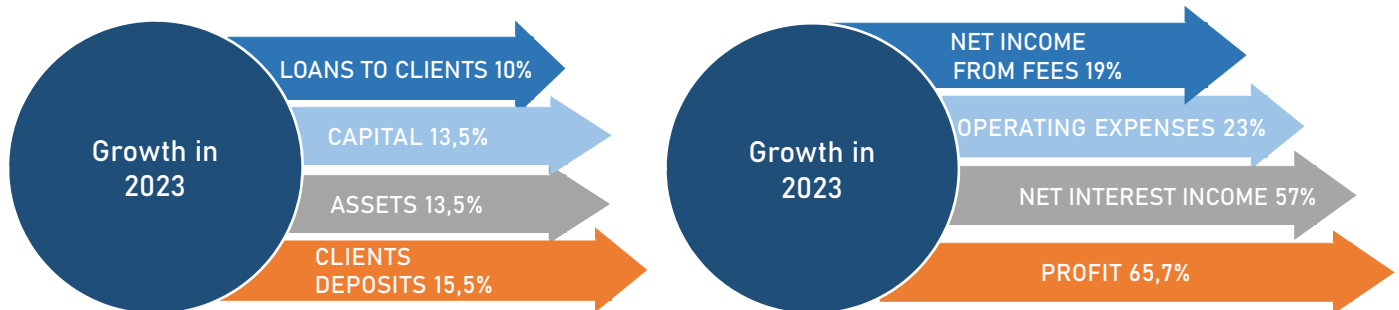
Income Statement**	2022.	2023.	Plan 2023	Plan realisation
Net interest income	2.958.785	4.655.559	4.778.577	97,4%
Net fee and commission income	1.575.463	1.879.984	2.175.012	86,4%
Net income/(losses) on impairment of financial assets	(154.391)	(521.767)	(340.029)	153,4%
Operating expenses	3.054.758	3.756.937	4.247.001	88,5%
Net profit before tax	1.412.915	2.377.374	2.406.424	98,8%
Profit tax	(131.142)	(251.109)	(294.184)	85,4%
Profit from deferred taxes	2.748	2.326	0	-
Net profit after tax	1.284.521	2.128.591	2.112.241	100,8%
Balance Sheet	31.12.2022.	31.12.2023.	Plan 2023	Plan realisation
Loans to clients*	70.909.114	77.910.768	93.080.561	83,7%
Deposits from clients*	75.653.127	87.255.941	90.707.442	96,2%
Capital	21.628.332	24.525.652	23.101.983	106,2%
Total assets	112.660.659	127.730.381	135.503.768	94,3%
Key Performance Indicators (KPI)	31.12.2022.	31.12.2023.	Plan 2023	
Costs to Income Ratio (CIR)**	66,28%	56,61%	60,75%	
Net Interest Income to OPEX	96,86%	123,92%	112,52%	
Non-interest income to Operating costs Ratio	54,02%	52,72%	52,10%	
Capital Adequacy Ratio (CAR)***	29,99%	26,98	21,46%	
ROA	1,26%	1,87%	1,73%	
ROE	7,82%	9,17%	9,57%	
NIM	3,68%	5,43%	5,16%	

All financial projections for 2023 are made in euros and their realization is monitored in euros. The planned values shown in this report were converted into dinars using the RSD/EUR exchange rate on the reporting date for the balance sheet positions, and at the average exchange rate in the period for the income statement positions.

*The differences between the positions "Loans to clients" and "Deposits from clients" in relation to the official form of the Balance Sheet are explained in points 3.1 and 3.2

**For the purposes of calculating the CIR indicator on the income side, in addition to Net income from interest and fees, income from the positions 'Other business income' and 'Other income' are also included.

*** Capital adequacy indicator - determined in accordance with the Decision on the temporary measure of the NBS. The capital adequacy indicator according to the standard calculation was 25,98% on 12/31/2023.



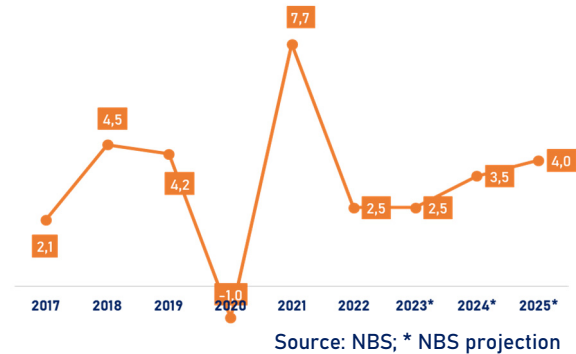
II FINANCIAL POSITION AND OPERATING RESULTS

1. MACROECONOMIC ENVIRONMENT AND BANKING SECTOR

Economic activity

The gross domestic product in 2021 and 2022 amounted to EUR 53.345 million and EUR 60.427 million, respectively, with an annual real growth rate of 7,7% and 2,5%, respectively. Measured by the real rate of growth of the gross domestic product, the economy of Serbia achieved a growth in economic activity of 0,7% in the first, 1,7% in the second, 3,6% in the third and 3,8% in the fourth quarter of 2023, which clearly shows the acceleration of economic activity in the second half of the year. Nevertheless, although the current NBS projection indicates a GDP growth of 2% to 3%, according to the RZS assessment, it is realistic to expect the achieved rate to be at the level of around 2.5%. The reason is the worse performance of the production sector of our most important trade partners, and especially the state of technical recession in which Germany is. Despite this, a return to pre-crisis economic growth rates of around 4,5% is expected in the medium term.

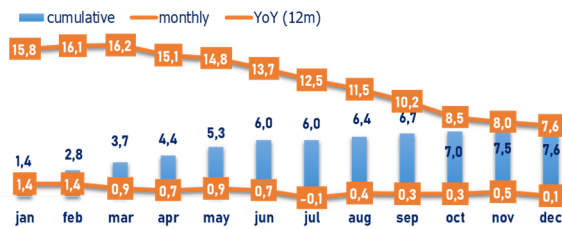
Real GDP growth rate (%)



Inflation

In December 2023, the year-on-year increase in consumer prices amounted to 7,6%, which is significantly above the target limit of the NBS (3,0% ± 1,5 p.p.), the monthly increase in consumer prices in December was 0,1%. During the year, the highest price growth was recorded by products and services from the housing, water, electricity group. energy, gas and other fuels (11,6%) mostly due to the increase in electricity and gas prices, followed by restaurants and hotels (9,7%), apartment equipment and ongoing maintenance (9,4%), while products from the food group and soft drinks recorded a price increase of 8,4%.

Consumer prices trends in Serbia during 2023

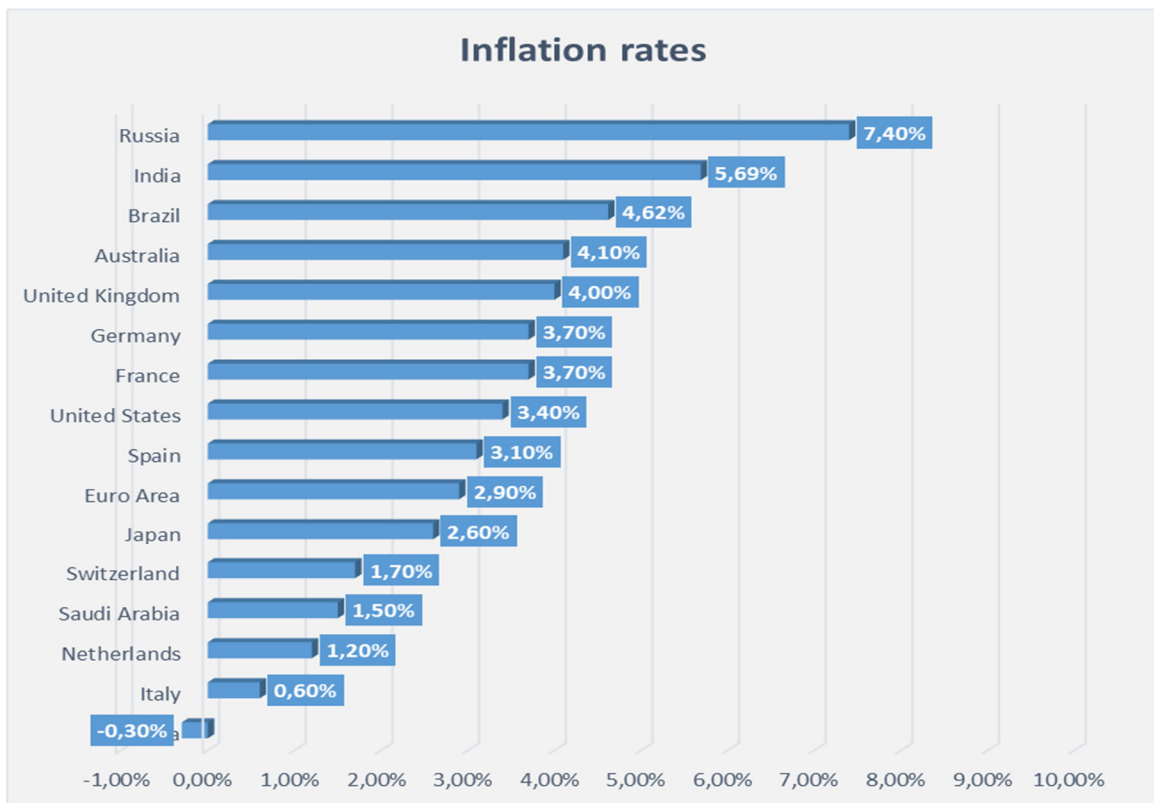


The National Bank of Serbia uses monetary policy measures to reduce price increases and bring inflation back within the inflation target, at the same time taking care not to jeopardize aggregate domestic demand, while the state limits the prices of some food products and energy products and

bans the export of certain agricultural products.

According to the NBS projection, inflation peaked in the first quarter of 2023 and has been on the decline since April. During 2024, inflation is expected to continue to decline throughout the entire period with a return to the target range in the middle of the year. According to the results of the Ipsos survey in December 2023, inflation expectations of the financial sector one year ahead are on the decline (Ipsos November 5,7%, Bloomberg December 4,5%), while expectations two and three years ahead are within the target range NBS.

Overview of inflation rates in the world's largest economies in 2023



Source: <https://tradingeconomics.com/>

Labor market

Thanks to preserved macroeconomic stability, as well as economic growth, the labor market remains largely resistant to the extremely negative impact of geopolitical events. They continued in 2023

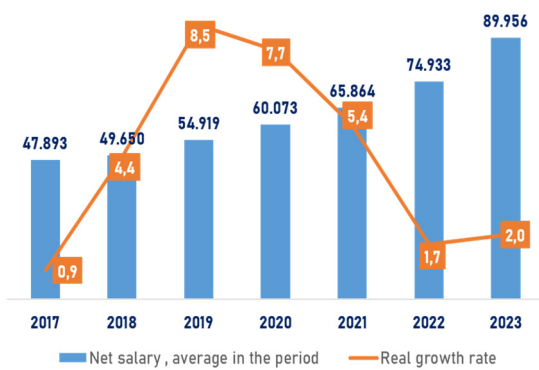
positive trends in the labor market, which are primarily reflected in the growth of employment and earnings in the private sector.

The total number of employees in 2023 was 2,360,588, which represents an increase of 2.2% compared to the previous year. In the third quarter of 2023, the unemployment rate of the population aged 15 and over was

9.0%, namely 8.5% for men and 9.6% for women. The lowest value was recorded in the Belgrade region (6.4%), followed by the region of Šumadija and Western Serbia with an unemployment rate of 8,8%, a slightly higher rate was recorded in the region of Vojvodina (10,1%), as well as in the region of South and Eastern Serbia (11,4%).

The average net salary continued to grow in 2023 (January–November period) and amounted to RSD 89.956 (EUR 767). Compared to the same period of the previous year, the nominal growth of wages was 14.8%, while the real growth was 2%. Real growth represents the growth of earnings when we exclude the effect of inflation.

Average monthly net salary and real growth rates



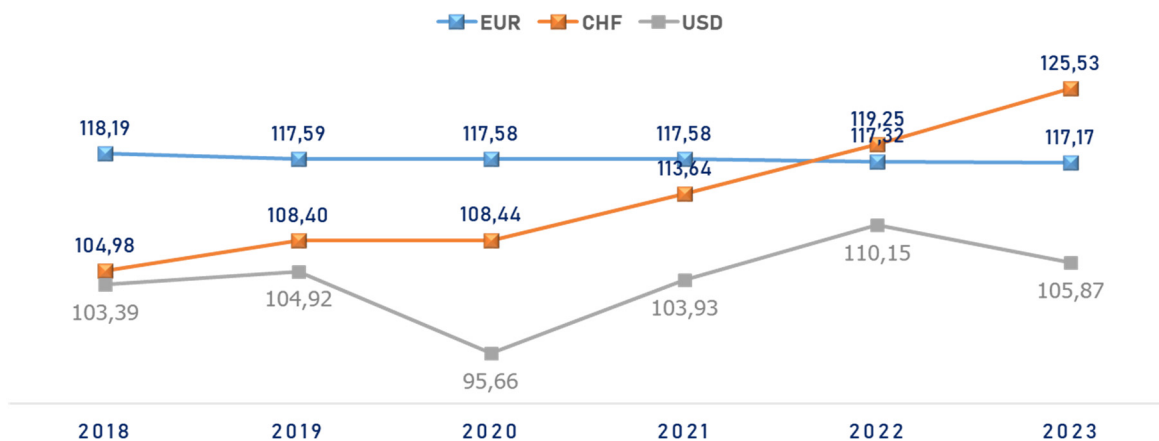
Source: Ministry of Finance

Exchange rate

Gross foreign exchange reserves of the National Bank of Serbia at the end of December 2023 amounted to EUR 24.909,1 million, which is the highest level of gross foreign exchange reserves at the end of the month, and at the same time at the end of the year since the data has been monitored in this way (since 2000). During December, gross foreign exchange reserves increased by 746,0 million euros, while compared to the end of the previous year they increased by 5.493,4 million euros.

During 2023, the dinar had a stable relationship with the euro, and during that period it strengthened by 0,22% compared to the euro. When it comes to the US dollar, in that case the dinar records greater oscillations and ends the year by 3,89% stronger compared to the exchange rate at the end of 2022. In the same period, the Swiss franc recorded a growth of 5,27% compared to the Serbian dinar.

FX trends



Source: NBS

Interest rates

When it comes to monetary policy, the previous year was marked by high interest rates. World central banks continued to implement restrictive monetary policy in order to return inflation to the target limits.

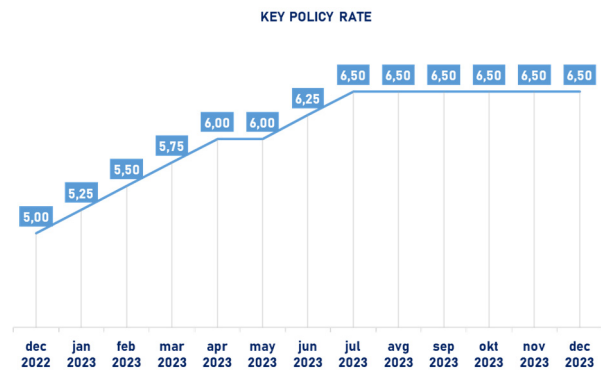
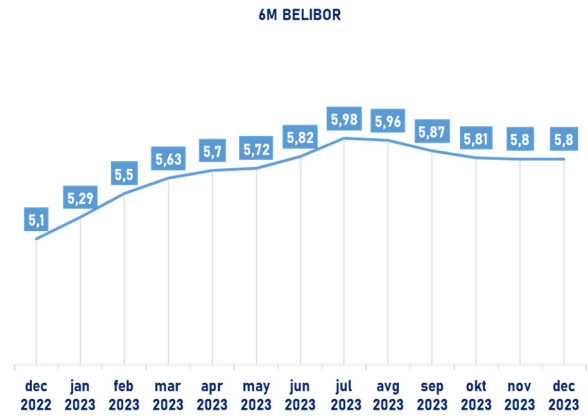
During 2023, the NBS Executive Board increased the reference interest rate six times, the last time in September, by 0,25 p.p. when the rate reached the level of 6,5%.

The European Central Bank also last increased the benchmark interest rate by 0,25 p.p. in September, setting it at the level of 4,5%. The US Fed has not changed benchmark interest rates since July, when it raised them by 0,25 p.p. on the new one from 5,25% to 5,5%.

We can expect that the reference interest rates of central banks will remain at a high level in the first half of 2024, after which their gradual reduction is forecast.

According to NBS data, the interest rate on newly approved household loans in dinars in December 2023 was 12,50%, while the interest rate on newly approved loans to the economy in the same month was at the level of 8,33%. The interest rate on newly approved loans to households in foreign currency and dinar loans indexed in foreign currencies in September 2023 amounted to 6,30%, while on newly approved loans to the economy it was at the level of 7,07%.

Interest rate fluctuations in financial markets



Credit rating

S&P – In October 2023, the rating agency Standard and Poor's maintained Serbia's credit rating at the BB+ level, despite expressed uncertainties from the international environment. The agency points out that uncertainties from the international environment are still significant, but that Serbia manages to amortize external challenges with favorable domestic trends and adequate economic policies. The agency states that Serbia's stable prospects for a further increase in credit rating take into account the fact that the domestic economy continues to grow, even though economic activity is slowing down in the euro zone countries that are our most important trading partners, such as Germany and Italy. In its report, the Standard and Poor's agency emphasizes the credibility and continuity of Serbia's monetary and overall economic policy, the resilience of our economy and the preserved stability of the banking sector.

Moody's – In September 2023, the Moody's agency maintained Serbia's credit rating at the Ba2 level, as well as stable prospects for a further rating increase. The report also states that the preservation of Serbia's credit rating is the result of good prospects for the domestic economy, which is supported by a dynamic

manufacturing industry, a favorable investment climate and an educated workforce, all of which together contribute to a high and widespread inflow of foreign direct investments. The Agency also highlights the predictable institutional environment and political stability, which favors the continuity of economic policy.

Credit rating of the Republic of Serbia, Türkiye, neighboring countries and Eurozone countries according to the rating agency Moody's

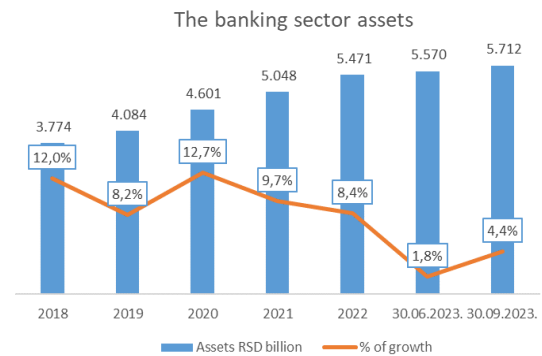
Country/Year	2018	2019	2020	2021	2022	2023	Current Outlook
Germany	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Stable
France	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Stable
Bulgaria	Baa2	Baa2	Baa1	Baa1	Baa1	Baa1	Stable
Romania	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Stable
Croatia	Ba2	Ba2	Ba1	Ba1	Baa2	Baa2	Positive
Serbia	Ba3	Ba3	Ba3	Ba2	Ba2	Ba2	Stable
Montenegro	B1	B1	B1	B1	B1	B1	Stable
Türkiye	Ba3	B1	B2	B2	B3	B3	Positive
Bosnia and Herzegovina	B3	B3	B3	B3	B3	B3	Stable

Source: <https://tradingeconomics.com>

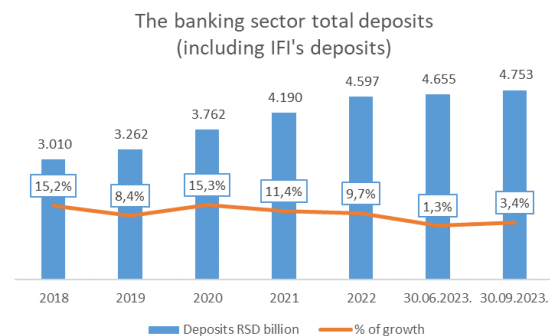
Banking sector

In September 2023, 20 banks with an organizational network of 1.349 business units were operating on the banking market of Serbia. The total number of employees in the banking sector is 21.873. In April 2023, RBA Bank was merged with Raiffeisen Bank, and from September Expobank changed its name to Adriatic Bank.

The total balance sheet of the banking sector of Serbia at the end of the third quarter of 2023 was EUR 48.736 million, which is an increase of 4,51% compared to the end of 2022. In the same period, the total deposits of clients and financial institutions recorded a growth of 3,51% and reached the level of EUR 40.558 million, the capital of banks increased by 8,93% and amounted to EUR 6.698 million.



Source: HALKBANK's analysis of the banking sector



Source: HALKBANK's analysis of the banking sector

The first 10 banks had a share of 91,88% in the total balance sheet, 92,19% in total

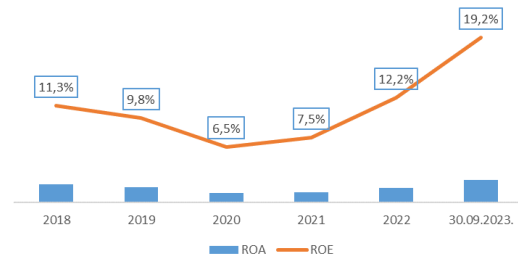
deposits, and 93,03% in loans. Banca Intesa remained the leading bank in terms of total assets and deposits with a share in the total assets of the banking sector of 14,97% and a share in total deposits of 14,96%. OTP Banka, Raiffeisen Bank, Unicredit Banka and NLB Komercijalna Banka also have a market share of over 10% in total assets. During the first nine months of 2023, HALKBANK recorded an increase in market share in the total assets of the banking sector as well as in total deposits and loans. HALKBANK's share in the total balance sheet assets of the banking sector is 2,12% and the Bank ranks 11th in terms of balance sheet assets.

In terms of total deposits, the Bank is also in 11th place in the banking sector with a share of 2%, in terms of loans, the Bank is in 11th place with a share of 2,42%.

As of September 30, 2023. the banking sector achieved a pre-tax profit of EUR 925,6 million, which is 85,68% more than in the same period last year. Nineteen banks operated with a positive result with a total profit of EUR 926,1 million, while one bank operated with a loss in the total amount of EUR 516 thousand. According to the realized profit before taxation in the first nine months of 2023 of EUR 14.944 thousand, HALKBANK took 11th place.

The increased profitability of the banking sector during the first nine months of 2023 was accompanied by an increase in profitability indicators compared to the same period of the previous year. At the end of the period, the return on equity (ROE) was 17,04% (9,26% at the end of Q3 2022) while the return on assets (ROA) was 2,30% (1,33% at the end of Q3 2022) . When calculating the indicator, the projected result after taxation was taken.

The banking sector profitability ratios

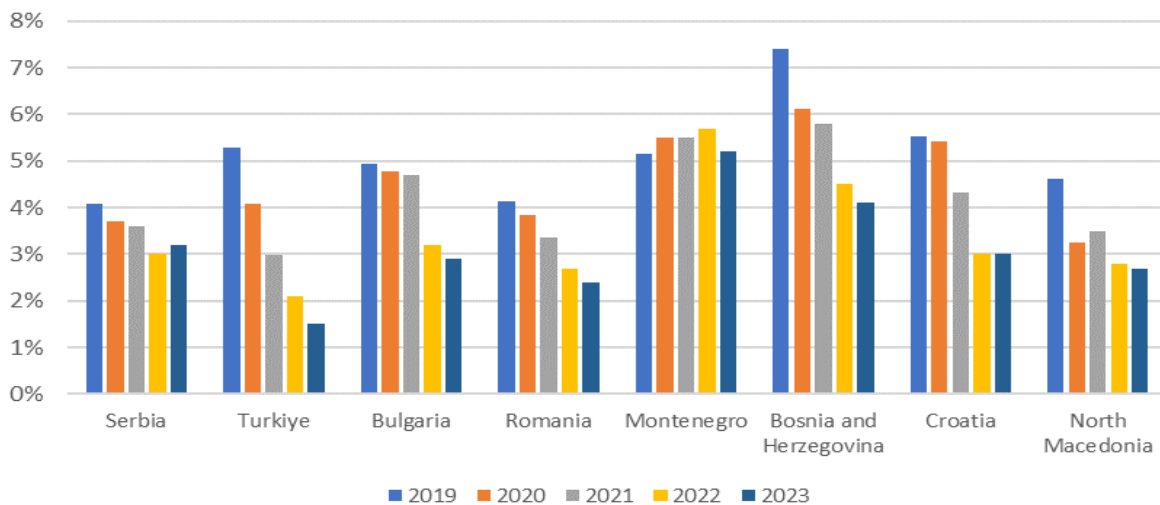


Source: HALKBANK's analysis of the banking sector

Problem loans (NPL ratio) amounted to 3,2% at the end of September 2023, while the coverage of these placements with value adjustments is 58,7%. At the end of the first nine months of 2023, HALKBANK had a share of NPLs in total loans of 1,48% and a NPL coverage ratio of 61,45%.

The banking sector of Serbia is adequately capitalized with an average capital adequacy ratio of 22,3%, which is significantly above the prescribed minimum of 8%.

NPL ratio



Source: <https://www.ceicdata.com>

2. ACHIEVEMENT OF BASIC OPERATING TARGET

The bank sees its goals through the realization of the goals set in the Business Policy for 2023. The goals were realized through the activities listed below.

1. In the business policy for 2023, the Bank plans to expand its business network by opening up to five new business units. In 2023, the bank opened four new business units, namely a branch in Prijepolje, a branch in Belgrade in Vojvode Stepe Street, a branch in Stara Pazova and a sub-branch in Sjenica. With the new branches, the bank currently operates with 43 branches, at the end of the previous year we had 39 branches.

2. Faster growth of key balance sheet positions is planned than the growth expected for the banking sector, in order to increase market share in the sector. In the period of high interest rates, high market competition and bank mergers, HALKBANK managed to maintain its market position in all key balance sheet positions.

3. In 2023, the bank achieved a positive financial result in the amount of RSD 2.128.591 thousand, which represents a growth of 65.71% compared to the same period of the previous year. The achieved values of the most important indicators related to this business objective are shown in the following table:

Indicators	31.12.2023.	(RSD thousand)	
		Plan 2023	Plan realis.
Net interest income	4.655.559	4.778.577	97,43%
Net fee income	1.879.984	2.175.012	86,44%
Operating costs	3.756.937	4.247.001	88,46%
Profit	2.128.521	2.112.241	100,77%

4. When it comes to the implementation project of the new "Core Banking" system, a project called Halk Fusion, further

activities continued. During Q4 2023, another dress rehearsal was performed - "Dress rehearsal # 3" as well as the second simulation of the first working day of ORC2 - "Operational Readiness Check". New iterations of the performance test were performed. End user trainings were held.

During the year, a retest of bugs and a final test was carried out with a special emphasis on Digital Origination application, where intensive work was done on solving bugs. We prepared and carried out the migration and ORC3 simulation on the first working day, as well as the finalization of user roles in applications, parameterization, testing and finalization of document templates. It is planned to change the internal acts, as well as other activities related to the release of the new system for production. After informing the National Bank of Serbia about the date of transition to the new system (end of January 2024), it is planned to inform clients about the exact dates and times about the (un)availability of the Bank's services during the migration period (February 15-18). Go live is planned for February 19, 2024.

5. The expansion of the network of POS terminals and ATMs continued. Realized investments during 2023 amounted to EUR 1.650 thousand, i.e. 41% of the planned budget. At the end of 2023, the bank had a network of 108 ATMs (98 at the end of 2022) and 5.329 POS terminals (4.332 at the end of 2022).

6. As of December 31, 2023, the bank achieved a capital adequacy ratio of 26,98% (it is planned to maintain this ratio at a level above 18%), which is significantly higher than the regulatory limits. The indicator was calculated with the application of the provisions of the Decision on temporary measures of the National Bank of Serbia, according to which, when calculating the value of the indicator, the amount of unrealized

losses/gains based on changes in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9, to which it was applied is excluded reduction factor of 70%. The adoption of the aforementioned Decision was initiated by the observed decrease in regulatory capital at the level of the banking sector in the period from September 30, 2021 to March 31, 2022, where the key reason was identified as a significant increase in accumulated unrealized losses based on the decrease in the fair value of the debt securities

portfolio from values that are valued at fair value through other results in accordance with IFRS, due to the increase in market interest rates.

According to the Business Policy for 2023, it is planned to maintain the daily liquidity indicator at a level above 1,60, as well as a narrower liquidity indicator at a level above 1,30. The mentioned goals were realized, bearing in mind the fact that on December 31, 2023. the value of the daily liquidity indicator was 2,07, and the narrower liquidity indicator was 1,43.

3. BALANCE SHEET

3.1 Assets

As of December 31, 2023, the Bank's total assets amounted to 127.730.381 thousand RSD and accounted increase of 13,38% compared to the end of 2022, or by 15.069.722 thousand RSD.

Regardless of the decline in the position of Cash and funds with the central bank by 23%, i.e. 4.998.458 thousand RSD, which is primarily caused by investment in reverse repo transactions with the National Bank of Serbia (8.008.616 thousand RSD) as well as investment in other forms of interest-bearing assets, such as placing loans to clients and investing in government securities, total assets increased primarily as a result of the growth of the client deposit base.

ASSETS	(in RSD thousand)			
	31.12.2022	31.12.2023.	Plan 2023	% of change
Cash, cash equivalents and assets held with the central bank	21.728.051	16.729.593	18.938.199	-23,00%
Financial assets*	12.096.361	13.718.309	10.230.553	13,41%
Loans to banks and other financial organizations**	4.066.778	13.923.701	4.686.948	242,38%
Loans to clients**	70.909.114	77.910.768	93.080.561	9,87%
Intangible assets, property, plant and equipment and investment property	2.745.689	3.807.201	7.772.835	38,66%
Other assets***	1.114.666	1.640.809	794.672	47,20%
Total assets	112.660.659	127.730.381	135.503.768	13,38%

* The position "Financial assets" consists of pledged financial assets, receivables from derivatives and securities from official Balance sheet.

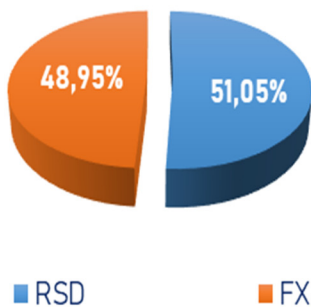
** The positions of „Loans to clients" and „Loans to banks and other financial organizations" differ from the positions „Loans and receivables from clients" and „Loans and receivables from banks and other financial organizations" presented in the official Balance sheet form for the amount of claims for accrued interest, fees and accrued interest receivable and accrued income for EIR compensation, shown in the „Other assets" position. Position „Other assets" includes position „Deferred tax assets" from official Balance sheet form.

*** The position „Other assets" includes position „Deferred tax assets" from official Balance sheet form.

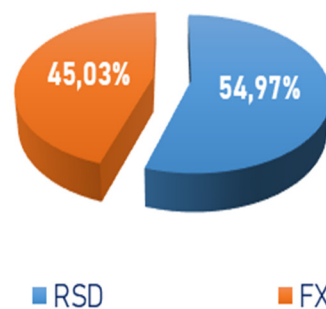
The biggest change in absolute amount compared to the end of the previous year is the position of loans to banks and other financial institutions with an increase of RSD 9.856.923 thousand. A significant change in the absolute amount was also recorded in loans to clients, which increased by 7.001.654 thousand RSD, whereby loans in the Corporate, SME and AGRO segment increased by 4.801.401 thousand RSD, and loans in the Retail segment by 2.251.133 thousand RSD while maintaining the portfolio of housing loans and stable growth of cash loans.

The following graphs present the currency structure of assets as at 31.12.2022. and 31.12.2023.

**Structure of Assets
31.12.2022**



**Structure of Assets
31.12.2023**



3.1.1 Loans to clients

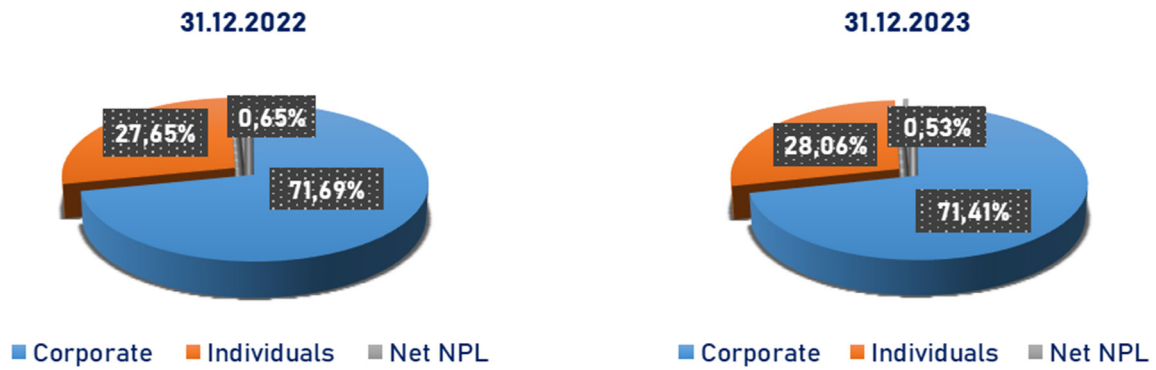
In accordance with the strategy of the HALKBANK, the main focus is on achieving maximum customer satisfaction, development of innovative products and services, improvement and digitalization of processes with a constant emphasis on raising business efficiency.

The structure of position Loans to clients as of December 31, 2022 and December 31, 2023 is given in the following table:

	(in thousand RSD)			
	31.12.2022.	31.12.2023.	Plan 2023	% of change
Loans to clients - net	70.909.114	77.910.768	93.080.561	9,87%
Corporate clients without NPL	50.836.424	55.637.825	67.526.982	9,44%
Retail clients without NPL	19.609.618	21.860.751	24.569.320	11,48%
NPL (net)*	463.072	412.192	984.259	-10,99%

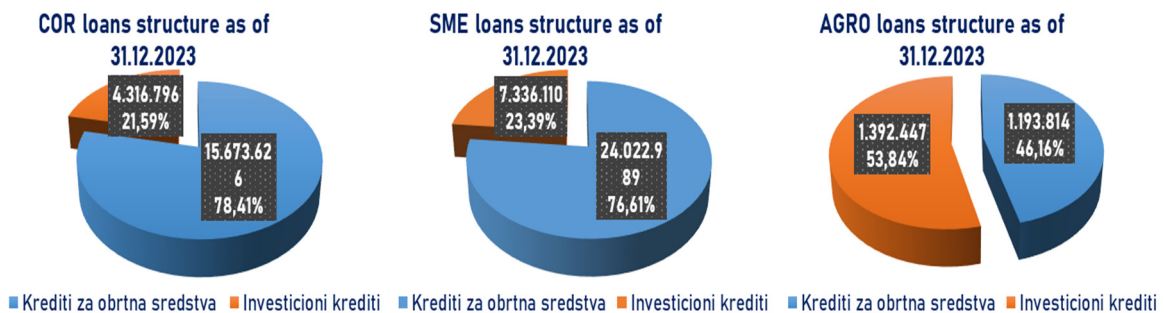
* NPL position refers to net receivables from problematic customers, without receivables for interest and fee

The Bank's net loan portfolio in 2023 increased by 9,87%, i.e. RSD 7.001.654 thousand. Compared to the end of 2023, net non-performing loans decreased by 10,99% and are still significantly below the budgeted amount, regardless of the current macroeconomic environment and interest rate growth.



Gross loans – Corporate

Gross corporate loans, including gross NPL, as of December 31, 2023, amount to RSD 57.071.518 thousand and recorded a growth of 10,39% compared to the end of 2022. The following graphs show the structure of these loans as of December 31, 2023:



The most important activities of Corporate and SME Marketing Division during 2023 were as follows:

- Bank realized EUR 338 million in Corporate, SME and Agro segments through standard loan products, as well as certain programs and actions. The focus was on the standard loan products, credit lines in cooperation with SEF foundation, FRK investment loans campaign in cooperation with the National Bank of Serbia, as well as lending to Agro clients.
- In 2023, the Bank was also selected at the Public tender of the Ministry of Economy of the Republic of Serbia for the participation of commercial banks and leasing companies in the realization of the Program of Support for Small Businesses for the Procurement of Equipment. This year 8 banks and 3 leasing companies are participating in the Program. The regulation provides the amount of EUR 11,9 million in grants. Bearing in mind the above, the total potential for investments amounts to at least EUR 47,6 million, of which the credit potential is 70% of that amount, ie EUR 33,3 million.
- The bank obtained approval from the NBS and is preparing to introduce the loan product "Project financing" into its offer for the business client segment. Project financing is the financing of legal entities for special purposes (so-called SPV) for the purpose of development, construction or refinancing of previous investments in development and construction, where the source of loan repayment is inflow based on the sale, lease and/or exploitation of the financed project.

The expected positive effects on the Bank's operations in the event of the introduction of a new product into the Bank's offer are as follows:

- the offer in the business client segment will become more competitive on the market
 - diversification of the existing loan portfolio
 - increasing the volume and number of housing loans
 - increase in the bank's loan portfolio covered by solid collateral
 - transformation from short-term to long-term exposures
 - better risk control.
- The Bank signed an agreement with the Ministry of Agriculture regarding subsidized loans for working capital and agricultural equipment. This is the sixth consecutive year of the Bank's participation in the program through which significant results have been achieved through lending to Agro clients. In addition, the Bank has started the cooperation with Ministry of agriculture, forestry and water management, regarding the World Bank-funded Competitive Agriculture Project, for grants approval in agriculture. Targeted group are commercial and market oriented agriculture households which are not fulfilling criteria for using Europe Union funds.

Gross loans – Retail

Gross retail loans, including gross NPL, as of December 31, 2023 amounted to 22.250.727 thousand RSD with the following structure:

Loand type	(in RSD thousand)		
	31.12.2022.	31.12.2023.	% of change
Cash loans	9.598.973	12.020.091	25,22%
Housing loans	9.285.051	9.209.163	-0,82%
Consumer loans	517.722	365.963	-29,32%
Allowed overdraft	149.856	168.463	12,42%
Other	402.622	487.047	20,97%
Total	19.954.224	22.250.727	11,51%

During 2023, the retail marketing and alternative distribution channels sector carried out the following activities with the aim of launching new products and services, increasing the portfolio and profitability:

- The retail loan portfolio grew by around EUR 4,2 million in Q4, ie EUR 19,5 million since the beginning of the year, which is a relative growth of 11,9%. Growth resulted exclusively from cash loans. In parallel with the further growth of the portfolio, there was also an increase in interest income, but in a significantly higher percentage, considering the trend of interest rate growth, Interest income from retail clients increased by 47% in 2023 compared to the previous year.
- In addition, the number of clients, placements and credit clients, salary and pension recipients, the number of users of approved loans, the number of issued credit cards, and the further growth of electronic banking users continued to grow. In this respect, the growth of income from fees for monthly maintenance of accounts, ie current account packages, continued, and this was solely due to the increase in the number of clients, given that the

- price of current account packages did not change.
- In order to further increase the number of new clients receiving salaries and pensions, the bank continued with the "New Clients" campaign by offering clients an advantage of 12 months without account maintenance fees after transferring salary/pension to an account in HALKBANK, and that the GOLD account package for employed persons, that is, the STANDARD package for pensioners. Young and unemployed students, up to the age of 26, are offered the SILVER package, without maintaining an account until receiving their first salary.
 - A campaign was launched with the aim of further increasing the number of salary-receiving clients, where, at the suggestion of the branches, certain employers (clients of the Bank) were placed on the benefit list for a period of 3, 6 or 12 months, in which their employees who transfer their salaries have the benefit of not paying account maintenance fees, as well as almost all tariffs for transactions carried out via electronic services.
 - The campaign for approval of loans and credit cards "HALK PACKAGE Tailored for you" for employed natural persons continued. The campaign contains 4 products:
 - cash loan/loan for refinancing
 - current account package - Silver or Gold
 - allowed overdraft on the current account
 - credit card – Mastercard World
 - Taking into account market trends and client requests, the Bank harmonized its offer and offered cash loans with a fixed interest rate in the observed period.
 - The offer of cash loans for pensioners has also continued.
 - In the previous period, the bank continued to expand the network of partners with whom it concludes agreements on arrangement loans, where it offered potential partners various forms of cooperation in which sellers of certain types of goods can offer their clients the sale of their goods on credit, with favorable interest rates, whereby they compensate the Bank for the interest difference up to market conditions.
 - In addition, great importance and attention is devoted to the further growth of the deposit base, so in the fourth quarter of 2023 it continued with a favorable offer for term deposits of natural persons. In this period, EUR 25 million of new deposits, EUR 15,6 million of time deposits and EUR 9,4 million of avis deposits of households were collected, mostly in EUR currency, which the Bank set as the most important goal.

3.2 Equity and Liabilities

Total liabilities of the Bank as of December 31, 2023 is 127.730.381 thousand RSD and has the following structure:

EQUITY AND LIABILITIES	31.12.2022.	31.12.2023.	(in RSD thousand)	
			Plan 2023	% of change
Deposits from banks and other financial organizations**	4.947.709	6.466.198	12.726.118	30,69%
Deposits from other clients**	75.653.127	87.255.941	90.707.442	15,34%
Funds borrowed***	6.225.876	4.765.760	6.342.244	-23,45%
Other liabilities****	4.205.615	4.716.830	2.625.980	12,16%
Total liabilities	91.032.327	103.204.729	112.401.784	13,37%
Share capital	18.362.669	18.362.669	18.340.044	0,00%
Profit of the current year	1.284.521	2.128.591	2.110.884	65,71%
Undistributed profit from previous years	542	0	0	-100,00%
Reserves	1.980.600	4.034.392	2.651.055	103,70%
Total capital	21.628.332	24.525.652	23.101.983	13,40%
Total liabilities	112.660.659	127.730.381	135.503.767	13,38%

* Revaluation reserves, as part of the Bank's total reserves, were increased as a result of the decrease in interest rates on the market of debt securities issued by the Republic of Serbia, which led to an increase in the fair value of the mentioned securities in the Bank's books. In addition, by the decision of the Bank's Assembly dated April 27, 2023, the Bank's profit from previous years in the amount of RSD 1.285.063 thousand was allocated to the position of profit reserve.

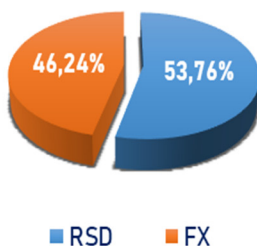
** The positions "Deposits from other clients" and "Deposits from banks and other financial organizations" differ from the positions "Deposits and other liabilities due to customers" and "Deposits and other liabilities to banks, other financial institutions and the central bank" presented in the official form of the Balance Sheet, for the amount of liabilities based on interest and fees, accrued liabilities for accrued interest and other financial liabilities to clients, which are presented in the position "Other liabilities".

*** The position "Received loans" shown in the overview is shown without accrued liabilities for accrued interest and accrued expenses for liabilities stated at amortized value using the effective interest rate, which are part of the total amount of loans received from customers and banks shown in the Bank's financial statements, which are shown in the overview under the position "Other liabilities". This position includes received loans recorded on account 508 regardless of the creditor's sectoral structure.

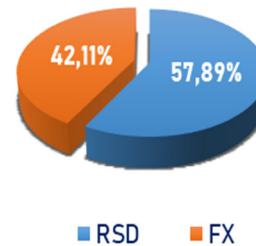
**** The position "Other liabilities" additionally contains the position "Provisions" from the official form of the Balance Sheet.

The following graphs present the currency structure of liabilities as at December 31, 2022 and December 31, 2023:

**Structure of liabilities
31.12.2022**



**Structure of liabilities
31.12.2023**



3.2.1 Deposits from banks, other financial organizations and central bank

The structure of deposits from banks, other financial organizations and central bank and comparative analysis as of December 31, 2022 and December 31, 2023 is presented in the following table:

(in RSD thousand)			
Deposits from banks and other financial organizations	31.12.2022.	31.12.2023.	% of change
Transaction deposits	163.875	204.509	24,80%
Other deposits	4.783.834	6.261.689	30,89%
Total	4.947.709	6.466.198	30,69%

3.2.2 Deposits from clients

The structure of deposits from clients and comparative analysis by segments as of December 31, 2022 and December 31, 2023 is presented in the following tables and graphs:

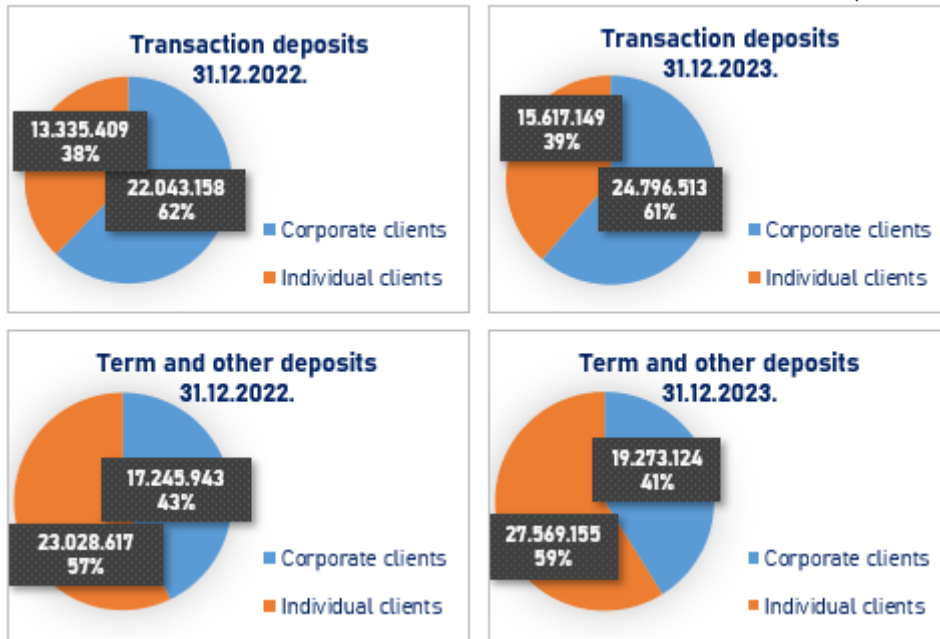
(in RSD thousand)				
Deposits from clients	31.12.2022.	31.12.2023.	Plan 2023	% of change
Transaction deposits	35.378.567	40.413.662	44.905.297	14,23%
Other deposits	40.274.560	46.842.279	45.802.145	16,31%
Total	75.653.127	87.255.941	90.707.442	15,34%

During the year, there was a significant growth of the deposit base of both transactional and term deposits. Corporate deposits recorded a growth of 12,17% compared to the end of the previous year, while retail deposits grew by 18,76% in the same period.

(in RSD thousand)				
Deposits from clients	31.12.2022	31.12.2023	Plan 2023	% of change
Corporate clients	39.289.101	44.069.637	50.126.323	12,17%
Retail clients	36.364.026	43.186.304	40.581.119	18,76%
Total	75.653.127	87.255.941	90.707.442	15,34%

The structure deposits from clients is presented in the following graphs::

(in RSD thousand)



Funds borrowed

(in RSD thousand)

Borrowed loans in foreign currency	31.12.2022.	31.12.2023	% of change
- EIB	3.767.574	3.177.590	-15,66%
- Demir-Halk Bank (Nederland) N.V.	821.257	292.934	-64,33%
- Revolving kredit FRK- EAR	1.291.979	1.000.354	-22,57%
- GGF	345.066	275.704	-20,10%
- Erste bank	0	19.178	
Total	6.225.876	4.765.760	-23,45%

During 2023, the bank repaid the principal of long-term loans from international financial institutions in the amount of EUR 14.617 thousand. In the same period, the Bank withdrew funds from international financial institutions in the amount of EUR 2.224 thousand.

3.2.3 Equity

The equity of the Bank as of December 31, 2023 is amounted to RSD 24.525.652 thousand and comprised of the following :

Equity	(in RSD thousand)		
	31.12.2022.	31.12.2023.	% of change
Share capital – ordinary shares	9.887.600	9.887.600	0,00%
Share capital – preference cumulative shares	1.340	1.340	0,00%
Share capital – preference non-cumulative shares	600.000	600.000	0,00%
Share premium	7.873.729	7.873.729	0,00%
Revaluation reserves**	-1.847.358	-1.078.630	-41,61%
Reserves from profit	3.827.958	5.113.022	33,57%
Undistributed profit from previous years	542	0	-100,00%
Profit of the current year	1.284.521	2.128.591	65,71%
Total	21.628.332	24.525.652	13,40%

* The increase in revaluation reserves, i.e. the decrease in unrealized losses, is a consequence of the decrease in interest rates on the market of debt securities, compared to the end of the year issued by the Republic of Serbia, which led to an increase in the fair value of the mentioned securities in the Bank's books.

** By the decision of the Bank's Assembly dated April 27, 2023, the Bank's profit from previous years in the amount of RSD 1.285.063 thousand was allocated to the position of profit reserve.

The information about the number of shareholders and the basic information of shares is presented in the following table:

Information on shares	31.12.2022	31.12.2023
Number of shareholders	1	1
Number of shares	1.048.894	1.048.894
Nominal value per share in RSD	10.000	10.000
Net book value per share in RSD	20.620,13	23.382,39

The National Bank of Serbia, bearing in mind that in the previous period a decrease in regulatory capital was observed at the level of the banking sector, in order to preserve and strengthen the stability of the banking sector of the Republic of Serbia, adopted a Decision on a temporary measure related to the calculation of the bank's regulatory capital.

The decision foresees a temporary measure related to the calculation of the bank's capital, in accordance with which the bank can exclude from the calculation of the basic share capital the amount of the temporary regulatory adjustment, i.e. the amount of unrealized losses/gains based on the change in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9 to which a reduction factor of 0,70 was applied.

The temporary measure refers to debt securities whose issuers are the Republic of Serbia, an autonomous province or a local self-government unit of the Republic of Serbia, and which are valued at fair value through other results in accordance with IFRS 9.

4. OFF-BALANCE SHEET ITEMS

The bank realizes a continuous growth of the portfolio of guarantees and letters of credit. In 2023 this position (which also includes assumed irrevocable obligations) recorded a growth rate of 27,78% compared to the end of 2022. Structure of off-balance sheet positions as of December 31, 2022 and December 31, 2023 is given in the following table:

(in RSD thousand)			
Off-balance sheet items	31.12.2022.	31.12.2023.	% of change
Contingent liabilities (guarantees, avals, acceptances and irrevocable liabilities)	24.324.703	31.082.766	27,78%
Operations for and on behalf of third parties	234.678	225.797	-3,78%
Derivatives (SWAP)	4.097.585	2.940.683	-28,23%
Other off-balance sheet items	116.639.915	127.897.768	9,65%
Total	145.296.881	162.147.014	11,60%

The following table compares the structure of the item guarantees, avals, acceptances and irrevocable liabilities as of December 31, 2022 and December 31, 2023:

(in RSD thousand)			
Contingent liabilities (guarantees, avals, acceptances and irrevocable liabilities)	31.12.2022.	31.12.2023.	% of change
Performance guarantees	15.355.621	19.135.073	24,61%
Payment guarantees	6.159.579	7.151.927	16,11%
Unused limits which cannot be revoked	2.131.882	3.670.831	72,19%
Issued foreign currency letters of credit with Banks' confirmation	469.290	673.749	43,57%
Issued uncovered letters of credit	208.331	451.186	116,57%
Total	24.324.703	31.082.766	27,78%

In the following table, position "Other off-balance sheet items" is presented.

(in RSD thousand)			
Other off-balance sheet items	31.12.2022.	31.12.2023.	% of change
Received fixed assets (buildings, cars, land etc.) as collateral in favor of the Bank	72.954.657	79.962.715	9,61%
Commitments for framework loans and facilities	13.369.034	21.099.135	57,82%
Calculated suspended interest	5.231.256	5.315.478	1,61%
Financial assets pledged as collateral	0	0	-
Other off-balance sheet items	25.084.968	21.520.440	-14,21%
Total	116.639.915	127.897.768	9,65%

5. INCOME STATEMENT FOR THE PERIOD

The Income Statement for the period from January 1st to December 31, 2023 is presented in compliance with the Law on Accounting, IFRS and NBS regulations.

The Bank realized a profit of RSD 2.128.591 thousand at the end of the 2023.

Income Statement	31.12.2022.	31.12.2023.	Plan 2023	(in RSD thousand)	
				Absolute change	% of change
Interest income	3.846.270	6.388.000	6.310.348	2.541.730	66,08%
Interest expense	-887.485	-1.732.441	-1.531.771	-844.956	95,21%
Net interest income	2.958.785	4.655.559	4.778.577	1.696.774	57,35%
Fee and commission income	2.147.386	2.622.764	2.976.893	475.378	22,14%
Fee and commission expense	-571.923	-742.780	-801.882	-170.857	29,87%
Net fee and commission income	1.575.463	1.879.984	2.175.011	304.521	19,33%
Net trading income	12.958	19.949	2.345	6,991	43,34%
Other operating income	74.858	100.586	37.520	25,728	36,21%
Net income/(losses) on impairment of financial assets	-154.391	-521.767	-340.029	-367.376	237,95%
Total net operating income	4.467.673	6.134.311	6.653.424	1.666.638	37,30%
Salaries, salary compensation and other personal expenses	-1.478.613	-1.849.014	-2.165.397	-370.401	25,05%
Depreciation costs	-522.341	-631.000	-735.986	-108.659	20,80%
Other expenses	-1.053.804	-1.276.923	-1.345.617	-223.119	21,17%
Total operating expenses	-3.054.758	-3.756.937	-4.247.000	-702.179	22,99%
NET PROFIT BEFORE TAX	1.412.915	2.377.374	2.406.425	964.459	68,26%
PROFIT TAX	-131.142	-251.109	-294.184	-119.967	91,48%
PROFIT FROM DEFERRED TAXES	2.748	2.326	0	-422	-
NET PROFIT BEFORE TAX	1.284.521	2.128.591	2.112.241	844.070	65,71%

In 2023, the bank increased its net interest income by 57,35%, i.e. 1.696.774 thousand RSD, compared to the result from 2022, primarily thanks to the growth of interest rates, but also the growth of the loan portfolio. Interest rates on the interbank market had a positive trend in the first three quarters of 2023, while in the last quarter that trend was suspended and interest rates are stagnating at a high level, or recording a modest decline. At the end of the year, 6M Euribor was at the level of 3,86%, while 6M Belibor was 5,80%. The bank achieved significant interest income by placing funds in reverse repo transactions with the NBS (RSD

249.738 thousand in 2023 compared to RSD 11.753 thousand last year) as well as from excess liquid funds on the account with the NBS (RSD 100.442 thousand in 2023 compared to RSD 62.347 thousand in 2022). The net interest margin increased from 3,68% as of December 31, 2022, to 5,43% as of December 31, 2023.

Net income from fees and commissions increased by 19,33%, i.e. by RSD 304.521 thousand. The biggest contribution to this increase was the growth of income from payment cards (an increase of RSD 202.472 thousand, i.e. 45,25%) as well as the growth of income from payment transaction fees (an increase of RSD 110.880 thousand, i.e. 9,82%), based on SWAP transaction (increase of RSD 74.192 thousand) and based on guarantees (increase of RSD 71.272 thousand).

In September 2023, the National Bank of Serbia made a decision to limit the interest rates on housing loans for debtors who are beneficiaries of the first housing loan with a variable interest rate, if the contracted amount does not exceed EUR 200,000. For these nominal debtors, the interest rate is temporarily limited for the next 15 months, starting with the October installment. For housing loans that were approved by July 30, 2022, the nominal interest rate cannot be higher than 4,08%. For housing loans that were approved in the period from July 31, 2022 to September 12, 2023 (the day before the Decision of the National Bank of Serbia entered into force), and whose initial interest rate is higher than 4,08%, the new interest rate is the rate from the initial repayment plan. For housing loans with a variable interest rate, approved starting from September 13, 2023, the fixed part of the interest (bank margin) cannot be higher than 1,1%, while for loans with a fixed interest rate, the interest rate cannot be higher than 5,03%. The bank will not have the right to demand from the debtor the difference in interest due to the application of this decision.

On November 30, 2023, the Bank booked a loss from modification in the amount of RSD 146.158 thousand.

Total operating expenses are higher by 22,99%, i.e. by RSD 702.179 thousand compared to the previous year. The largest participation in the total operating costs is recorded by the salaries of employees with 49,2%, followed by depreciation with 9,99%, depreciation costs related to MRS 6,81%, the premium paid to the Deposit Insurance Agency 5,87%.

The increase in operating expenses in the current year compared to the previous year is mostly influenced by the increase in other expenses, which are higher for RSD 71.857 thousand mostly due to the donation for the earthquake in Turkiye in the amount of RSD 58.233 thousand, reservation costs for court cases, which are higher for RSD 48.425 thousand compared to the previous year, an increase in electricity costs by 43,5%, rental costs that increased by 18,72%, as well as equipment maintenance costs that increased by 67,35%. The cost of employee salaries recorded a growth of 25,05%, that is, RSD 370.401 thousand, which is largely the result of an increase in the number of employees, as well as the adjustment of salaries to inflation. Provisions for the 13th and 14th salary, which in 2023 amounted to RSD 243.451 thousand, are part of the employee salary costs. Since the beginning of the Halk Fusion project, the salary costs of the employees working on the implementation of the new Core banking system have been capitalized in proportion to the time spent on the project. Capitalized salary costs in 2023 amount to RSD 351.045 thousand, while in 2022 they amounted to RSD 238.295 thousand.

Certain savings were achieved on the basis of legal services costs, official travel costs, audit costs and consulting services.

The structure of interest income is presented in the following table:

Interest income	(in RSD thousand)		
	31.12.2022.	31.12.2023.	% of change
Corporate clients	2.109.496	3.715.539	76,13%
Retail clients	1.150.808	1.687.874	46,67%
Securities	495.877	523.594	5,59%
Other	90.089	460.993	411,71%
Total	3.846.270	6.388.000	66,08%

The growth of other interest income was caused by interest income on excess liquid assets deposited with the NBS, income from the required reserve and primarily investment in reverse repo transactions with the NBS.

The structure of fee and commission income is presented in the following table:

Fee and commission income	(in RSD thousand)		
	31.12.2022.	31.12.2023.	% of change
Fees from payment operations	1.129.300	1.240.180	9,82%
- <i>Corporate Segment</i>	<i>806.534</i>	<i>889.359</i>	<i>10,27%</i>
- <i>Banking Segment</i>	<i>72.493</i>	<i>86.110</i>	<i>18,78%</i>
- <i>Retail Segment</i>	<i>54.730</i>	<i>56.615</i>	<i>3,44%</i>
- <i>Packages maintenance fees</i>	<i>195.543</i>	<i>208.096</i>	<i>6,42%</i>
Fees from guarantees	273.490	344.762	26,06%
Fees from FX changes	235.595	247.095	4,88%
Fees from payment cards	447.412	649.884	45,25%
- <i>Merchant service charges</i>	<i>271.537</i>	<i>399.378</i>	<i>47,08%</i>
- <i>Interchange fees</i>	<i>94.703</i>	<i>146.953</i>	<i>55,17%</i>
- <i>Payment cards and other</i>	<i>81.172</i>	<i>103.553</i>	<i>27,57%</i>
Other fees	61.589	140.843	128,68%
Total	2.147.386	2.622.764	22,14%

The structure of interest expense is presented in the following table:

Interest expense	(in RSD thousand)		
	31.12.2022	31.12.2023	% of change
Deposits – corporate	318.723	684.688	114,82%
Deposits – retail	286.922	586.141	104,29%
Banks deposits	190.632	222.154	16,54%
Borrowings IFI's	76.808	219.755	186,11%
IFRS 16	14.400	19.703	36,83%
Total	887.485	1.732.441	95,21%

The structure of fee and commission expense is presented in the following table:
(in RSD thousand)

Fee and commission expenses	31.12.2022	31.12.2023	% of change
Payment operations	219.625	236.479	7,67%
Fees from payment cards	322.076	472.412	46,68%
Credit bureau	13.754	17.985	30,76%
Other fees	16.468	15.904	-3,43%
Total	571.923	742.780	29,87%

6. CASH FLOWS

Cash flows from operating activities during the 2022 and 2023 are presented in the table below:

(in RSD thousand)			
Cash inflows from operating activities	I – XII 2022	I – XII 2023	Change
Interest	3.947.637	6.351.345	2.403.708
Fees	2.153.924	2.633.664	479.740
Other operating income	10.901	14.207	3.306
Dividend and share in profit	519	1.169	650
Total cash inflows	6.112.981	9.000.385	2.887.404
Cash outflows from operating activities			
Interest	794.632	1.467.825	673.193
Fees	570.108	740.451	170.343
Salaries	1.376.237	1.780.684	404.447
Tax and contribution	56.204	74.008	17.804
Other operating expenses	1.013.164	1.221.552	208.388
Total cash outflows	3.810.345	5.284.520	1.474.175
Net cash inflows from operating activities before increase/decrease in financial assets or financial liabilities	2.302.636	3.715.865	1.413.229

Cash inflows from business activities (before the increase or decrease of financial assets or financial liabilities) in 2023 are higher by RSD 2.887.404 thousand compared to 2022.

Cash outflows from business activities (before increase or decrease of financial assets or financial liabilities) in 2023 increased by RSD 1.474.175 thousand compared to 2022.

The net inflow of cash from business activities before the increase or decrease of financial assets or financial liabilities in 2023 amounts to RSD 3.715.865 thousand, which is an increase of RSD 1.413.229 thousand compared to the same period in 2022.

7. INVESTMENT PLAN

During 2023, total investments in fixed assets (including the right of use in accordance with IFRS 16 to which the amount of RSD 656.560 thousand), investment real estate and intangible assets refers to RSD 1.701.695 thousand.

Changes at these balance sheet items are presented in the following table: (in RSD thousand)

Investments*	Građevinski objekti	Oprema	Investicione nekretnine	Nematerijalna ulaganja	Zakupi u obuhvatu IFRS 16	Total	Plan 2023
Balance 31.12.2022.	196.602	768.558	132.687	1.016.170	631.670	2.745.687	2.742.216
Estimated balance on 31.12.2022. (budget)	205.314	601.747	126.474	854.928	640.111	2.428.574	2.846.600
Total increase:	0	294.809	0	750.327	656.560	1.701.696	5.665.290
IT	0	70.036	0	750.327	0	820.363	1.401.925
Adaption of business premises	0	95.685	0	0	0	95.685	3.907.157
Other	0	129.088	0	0	0	129.088	98.426
IFRS 16 – rents (building and cars)	0	0	0	0	656.560	656.560	257.782
Revaluation	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0
Total decrease:	9.518	216.676	11.486	146.691	255.811	640.182	735.504
Depreciation	9.518	216.249	3.834	145.589	0	375.189	498.110
Depreciation – IFRS 16	0	0	0	0	255.811	255.811	237.394
Sell	0	0	7.652	0	0	7.652	0
Other							
Disposal and retirement	0	427	0	1.102	0	1.529	0
FX effects							3.064
Balance 31.12.2023.	187.084	846.691	121.201	1.619.806	1.032.419	3.807.201	7.672.002

* Presented in net amount as opposed to the way it was presented in the Notes to the Financial statements

The Bank's investments in 2023 were related to the acquisition of software and equipment for the new Core project, the acquisition of cash deposit machines, POS terminals and ATMs in order to expand their network, investments in the development of projects related to business with payment cards, and have for the purpose of digitalization and improvement of the quality of services provided to clients, investments in IT equipment, both in the renewal of existing outdated equipment and in the procurement of equipment for new employees, investments in security equipment and other equipment necessary for the smooth operation of branches, as well as investments in development of existing and acquisition of new software solutions and acquisition of licenses for the same. Part of the funds was allocated for the renovation of the branch in Subotica, which will be located at a new address from December 2023, as well as for the adaptation of business premises for four new branches that were opened in 2023. Given that the process of implementing the new core system continued in 2023, part of the salary costs of the employees working on this project were capitalized in accordance with IAS 38.

8. COMPLIANCE OF OPERATIONS WITH THE NBS REGULATIONS AND IFI AGREEMENTS

Business compliance with NBS regulations

As of December 31, 2023, all the operating ratios of the Bank were within the limits prescribed by the Law on Banks and NBS regulations.

Ratio	The values prescribed by the NBS regulations	Values at December 31, 2023
Regulatory Capital - NBS temporary measure*	Min 10.000.000 €	183.280.192 €
Regulatory Capital – regular calculation	Min 10.000.000 €	176.381.654 €
Capital adequacy ratio - NBS temporary measure*	Min 8% (SREP 15,15%)	26,98%
Capital adequacy ratio – regular calculation	Min 8% (SREP 15,15%)	25,98%
Foreign exchange risk ratio	Max 20%	3,84%
Liquidity ratio	Min 1	2,07
Narrow liquidity ratio	Min 0,7	1,43
Liquidity coverage ratio	Min 100%	154,02%
Exposure to one person or group of related persons	Max 25%	15,34%
Sum of large exposures	Max 400%	31,10%
Investment in non-financial sector	Max 10%	10,19%
Bank's investments into non-financial sector, fixed assets and investment property	Max 60%	10,19%

** The National Bank of Serbia on June 29, 2022, adopted the Decision on a temporary measure related to the calculation of the bank's capital, in accordance with which the bank can exclude from the calculation of the core capital the amount of the temporary regulatory adjustment, i.e. the amount of unrealized losses/gains based on changes in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9 to which a reduction factor of 0,70 was applied.*

Respecting the above mentioned, on December 31, 2023 the Bank achieved a capital adequacy ratio of 26,98% (29,99% on December 31, 2022), which is significantly higher than the regulatory limits.

By the Decision on the Minimum Requirement for Capital and Eligible Liabilities of a Bank, National Bank of Serbia (IO NBS no. 30, April 07th 2022) defines ratio of Capital and Eligible Liabilities to total liabilities for the Bank equal to 7,30%, which was previously at level of 6,36%. As per the last available calculation from December 31, 2023, the ratio of the Capital and Eligible Liabilities to total liabilities of the Bank was 19,87%, which is significantly above the

defined limit. Based on the portfolio structure, it is expected that defined ratio will be on the similar level with the next calculation.

Compliance with the covenants from the agreements concluded with the international financial institutions (IFIs)

Pursuant to the defined limits in the agreements concluded with the international financial institutions (IFIs) - Green for Growth Fund (GGF), and European Fund for Southeast Europe (EFSE) the Bank is required to comply with agreed financial covenants until the final repayment of the loans. As of December 31, 2023, the Bank is aligned with all indicators.

III RISK MANAGEMENT ADEQUACY

The Bank's targets in risk management are identification, measuring, mitigating and monitoring all types of risks and thus minimizing the Bank's exposure to such risks.

Credit Risk

The Bank measures and monitors the credit risk level through assessing the clients' solvency and controlling the loan portfolio through the calculation of impairment provisions pursuant to the IFRS rules.

Structure of gross risk-weighted assets in terms of classification categories

Classification category	Classified amount as of 31.12.22	%		Classified amount as at 31.12.23	%	
		of the share in gross classified assets			of the share in gross classified assets	
A	44.788.492	39,49%		58.576.569	42,38%	
B	39.483.716	34,81%	74,30%	46.153.468	33,39%	75,77%
V	23.262.854	20,51%	20,51%	25.138.769	18,19%	18,19%
G	2.874.911	2,53%		4.907.639	3,55%	
D	3.012.171	2,66%	5,19%	3.435.574	2,49%	6,04%
Total	113.422.144	100,00%		138.212.019		100%

The total assets that are classified increased as of December 31, 2023 compared to the December 31, 2022 by 21,9%.

The structure of the Bank's portfolio changed in terms of an increase in the share of placements classified in categories A and B by 1,47 p.p., while the share of placements classified in category V decreased by 2,32 p.p. The share of placements in categories G and D also increased by 0,85 p.p.

Portfolio quality as of December 31, 2023 is at low risk level.

Collection and coverage of NPLs

Gross NPL based on the methodology of reporting to the National Bank of Serbia is shown in the following table:

	(in RSD thousand)		
	31.12.2022.	31.12.2023.	Change
NPL portfolio	946.974	1.160.764	213.790

NPL as of December 31, 2023 increased by RSD 213.790 thousand compared to December 31, 2022.

The increase in NPL is largely due to the entry into the default client SDK CONSTRUCTION DOO in the amount of RSD 84.160 thousand.

New exposures that became the NPL during the 2023, amounts to RSD 403.945 thousand, out of which 68% (RSD 276.007 thousand) relates to Corporate and SME clients, and 24% (RSD 97.901 thousand) to retail customers, 5% (RSD 20.948 thousand) to entrepreneurs and 2% (RSD 9.089 thousand) to agricultural clients.

From the beginning of 2023, the Bank collected RSD 426.419 thousand on the basis of NPLs.

Share of gross NPLs in total gross Bank's loans

Ratio	31.12.2022.	31.12.2023.	Change
Share of NPLs in total loans	1,32%	1,46%	0,14p.p.

NPL coverage			
Pokazatelj	31.12.2022.	31.12.2023.	
Ratio of NPL coverage with Impairment provisions for loans	79,49%	89,94%	
Ratio of NPL coverage with NPL Impairment provisions	49,96%	63,58%	

In Risk appetite framework, the Bank defined the optimal (target) level for distressed assets (NPE) and non-performing loans (NPL) at a level that is less than 5% and 3%, respectively as well as the NPL coverage ratio which is calculated as a ratio of NPL impairments and non-performing loans (NPL) at the level above than 50%.

On December 31, 2023, the Bank complies with the defined limits of these indicators.

Liquidity ratio

The realized value of the Liquidity coverage ratio (LCR) on 31.12.2023. is 154,02%, which is in line with the defined limits established by the Bank's internal acts.

The risk appetite framework defines the optimally acceptable value of the mentioned ratio as a minimum of 120%, and the defined exposure limit is as a minimum of 105%.

In accordance with the Liquidity Risk Management Procedure, the determined value is in the low risk zone ($p > 120\%$).

In line with Liquidity Contingency Plan, the value of the relevant indicator below 110% indicates a potential liquidity crisis of the Bank (an indicator for early detection of a liquidity crisis).

During 2023, the value of the indicator was in the range of 132,43% to 161,48%, which is significantly above the coefficient prescribed by the regulator's decision, but significantly below the average of the banking sector 182,98% (latest available data).

Liquidity Ratio and Narrow Liquidity Ratio prescribed by NBS in the period from January 1st to December 31, of 2023

	Liquidity Ratio	Narrow Liquidity Ratio
Value as of December 29, 2023	2,07	1,43
Average	2,05	1,49
Maximum	2,47	1,97
Minimum	1,65	1,20
Daily NBS limit	Minimum 0.8	Minimum 0.5
NBS limit on monthly level	Minimum 1	Minimum 0.7

Liquidity ratios of the Bank during 2023 were in accordance with the prescribed limits by the Decision on liquidity risk management by banks.

At the same time, the indicator values at the end of September are above the level of the optimally acceptable level of risk defined by the Bank's Risk Appetite Framework.

In order to manage liquidity risk adequately, the Bank monitors internally established indicators of structural liquidity, besides the limits prescribed by the NBS.

Additional liquidity ratios in the period from 01.01.-31.12.2023 – internally established

	Min.	Max.	Average	Limit
Liquid assets ratio	28,38%	34,26%	30,65%	Min 25,00%
Net loans to total deposits ratio	83,13%	91,41%	89,16%	Max 200,00%
Customers' deposits to total deposits ratio	92,29%	94,15%	93,35%	Min 75,00%
Deposit concentration ratio	13,90%	14,59%	14,28%	Max 30,00%

The Bank was within internally prescribed liquidity limits during 2023.

Foreign exchange risk

FX Risk ratio in the period from 01.01. – 31.12.2023.	
Value as of December 31 th , 2023	3,84%
Average	1,31%
Maximum	4,41%
Minimum	0,13%
Limit NBS	Max. 20%

Foreign currency risk measured by FX Risk ratio was located in the low risk category during 2023.

Interest rate risk

The impact of changes in interest rates on the economic value of the Bank is monitored through total net weighted position of the banking book.

Total net weighted position of the Bank as of December 31, 2023

	(in RSD thousand)
Total net weighted position	1.263.651
Equity	21.475.618
Total net weighted position and equity ratio	5,88%
Internally prescribed maximum	+/-10%

Operational risk

In the period from January 1st to December 31, 2023, 139 operational risk events were reported to the operational risk database. Out of a total of 139 operational risk events, 57 related to cash shortage, 47 to cash surplus, two to internal fraud, two to external fraud and 31 to other operational risk events.

Operational risk events are classified by line of business and type of event.

In relation to the line of business in this period, out of a total of 139 reported events, 112 related to Calculations and Payments, 13 to Commercial Banking and 14 to Business with Citizens. In relation to the type of event, 133 reported events related to execution, delivery and process management, two to external fraud, two to internal fraud, one to customers, products and business practices and one to damage to fixed assets.

Number of events	139
Cash shortage	57
Cash surplus	47
External frauds	2
Internal frauds	2
Other	31
Net loss in 000 RSD	27.901
Net loss in EUR	238.118

The Bank performs also risk assessment of Outsourcing processes, based on the contract concluded with third parties, which have clearly defined rights and obligations of the parties. When introducing new products, processes and systems or new business activities, the Bank also performs assessment and identification of operational risk.

Exposure risk

The Bank's exposure* to persons related to the Bank and its large exposures as of December 31, 2023

	(in 000 RSD)	% of equity	Limit NBS
Persons related to the Bank	3.288.650	15,31%	-
Large exposures	6.680.059	31,10%	Max 400%

* The Bank's exposure refers to exposure after applying credit risk mitigation techniques and deductions, in line with NBS Decision on Risk management.

Concentration risk

The Bank monitors the concentration risk through a concentration ratio that was defined as the ratio of the 20 largest gross exposures at the level of the client or the group of related parties reduced by exposures covered with cash deposits and total regulatory capital.

The policy of credit risk management has determined that the concentration ratio should be maintained at a level below 250%.

	31.12.2022.	31.12.2023.	Preference (target) value
Concentration ratio of 20 largest clients/groups of related parties	103,90%	106,72%	Max 250% of regulatory capital

As of December 31, 2023, the concentration ratio is within an internally defined limit.

Additionally, in order to manage the concentration risk, by the Procedure for the Credit Risk Management at the portfolio level, exposure limits (balance sheet assets and off-balance

sheet items) have been established to specific geographical areas and to a specific sector / business activity, which provide diversification of the portfolio. As of December 31, 2023, in the mining and processing industry, the largest exposure of the Bank is 21,49% and in retail 18,48%, which is significantly below the internally defined limit of 60% and 25% respectively. The exposure of the Bank in relation to geographical areas is monitored through the participation of exposures to clients from individual geographical areas in the total classified gross balance sheet assets and off-balance items. The Bank's largest exposure is to clients belonging to the region of Belgrade 38,69% and region of Central and Western Serbia and amounts to 36,94%, which is significantly below the internally defined limit of 50% and 70% respectively.

The Bank's exposure to certain types of products is monitored in accordance with the NBS Decision on concentration risk management, based on the Bank's exposure to certain types of products. Exposures of the Bank to retail loans with a contractual maturity of more than 2.920 days may not exceed 30% of the Bank's capital determined in accordance with the decision regulating the bank's capital adequacy increased by the amount of all bank liabilities in dinars with a remaining maturity of more than 1.825 days. The calculation of the capital amount referred to in the preceding paragraph shall not be subject to the regulatory adjustments and deductions from capital prescribed by the NBS decision regulating the bank's capital adequacy, except for deductions for the loss of the current year and earlier years and for unrealized losses. As of December 31, 2023, concentration risk ratio in retail segment calculated as previously described is 2,56%, which is significantly below the defined limit.

Investment Risk

The Bank did not have investments in non-financial sector as of December 31, 2023. Total investments in entities that are not in financial sector and in fixed assets and investment property were in the category of low risk (below 45% of capital).

Bank's investments into non-financial sector, fixed assets and investment property as of December 31, 2023

	Investments into non-financial sectors	Investments into fixed assets and investment property	Total
Amount (000 RSD)	0	2.187.395	2.187.395
Share in equity	0%	10,19%	10,19%
Limit NBS	Max 10%	-	Max 60%

Country risk - The risk relating to the country of origin of the person to whom the Bank is exposed

Bank establishes a system of country classification regarding the level of country risk and is committed to a system of risk classification by applying categories assigned by international rating agencies (Moody's, Standard&Poors and Fitch).

During 2023, the Bank had exposures to clients, which operate in countries that are classified as low-risk and medium-risk countries, according to the Classification of official international credit rating agencies and the Bank Procedure.

Bank's exposure towards countries, which are in the category of low risk, is without limits. The country from this category as of December 31, 2023 were Germany, Austria, USA and Czech Republic. Countries in the category of medium risk were Macedonia, Türkiye, Romania, Bosnia, Croatia and Montenegro. Exposure to countries in the category of medium risk was significantly below adopted internal limits during observed period.

Review of countries of clients whose exposure is involved in country risk
as of December 31, 2023

Country	Risk category	Limit	Share in Bank's capital
Germany	low	without limit	16,18%
Austria	low	without limit	3,29%
USA	low	without limit	0,43%
Czech Republic	low	without limit	0,05%
Belgium	low	without limit	0,00%
Macedonia	medium	100% regulatory capital	19,56%
Türkiye	medium	100% regulatory capital	25,64%
Romania	medium	20% regulatory capital	0,99%
Bosnia	medium	40% regulatory capital	1,64%
Croatia	medium	10% regulatory capital	0,01%
Greece	medium	10% regulatory capital	0,00%
Montenegro	medium	40% regulatory capital	0,02%
Albania	medium	25% regulatory capital	0,00%
Italy	medium	10% regulatory capital	0,00%

IV SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the end of the business year, there were no events that have a material impact on the financial statements for the period ending December 31, 2023.

V PROJECTED FUTURE DEVELOPMENT

The bank's business policy and strategy define the basic business goals and main guidelines for the Bank's development on the Serbian market. The Bank's development is fully supported by the Bank's shareholder, HALKBANK Türkiye, through continuous recapitalizations, all in accordance with business needs and set goals.

One of the main goals is to expand the business network of branches, while increasing the market share in Belgrade and other regions where the Bank currently does not have branches. According to the Bank's strategy, key balance positions are planned to grow faster than the expected growth of the banking sector, which will lead to an increase in the Bank's market share in the total assets, loans and deposits of the Serbian banking sector.

VI RESEARCH AND DEVELOPMENT ACTIVITIES

The bank conducts regular research on financial markets, analyzes the financial needs of clients and conducts research on the level of satisfaction of users of financial services.

The marketing sector continuously develops new products and services of the Bank and strives to, based on the information and conclusions obtained through market research and client needs, develop and offer to the market modified existing products, as well as completely new products and services.

VII INFORMATION ON REDEMPTION OF SHARES

There was no redemption of own shares during 2023.

VIII EXISTENCE OF AFFILIATES

HALKBANK is successfully expanding its business network and client base. Today, the Bank's products and services are provided through a business network of 38 branches, 5 sub-branches and 1 counter. As of December 31, 2023, the Bank has 9 branches in Belgrade, 3 branches in Čačak, branches in Ivanjica, Gornji Milanovac, Valjevo, Kraljevo, Novi Pazar, Aranđelovac, Užice, Požega, Prijepolje, Kragujevac, Smederevo, Mladenovac, Kruševac, Šabac, Pančevo, Sremska Mitrovica, Novi Sad, Stara Pazova, Zrenjanin, Subotica, Niš, Leskovac, Vranje, Pirot, Jagodina, Paraćin as well as 5 sub-branches - in Topola, Vrnjačka Banja, Tutin, Sjenica and Preševo. In 2023, the bank opened three new branches in Prijepolje, the Vojvode Stepe street in Belgrade and Stara Pazova, as well as one sub-branch in Sjenica.

IX CORPORATE GOVERNANCE RULES

Corporate governance rules of the Bank are regulated in the following by-laws:

- Statute of the Bank;
- Foundation Agreement;
- Corporate Governance Code;
- Business Code of Supervisory Board Members;
- Code of Conduct and Ethical Principles;
- Anti-corruption Policy and
- General Operating Conditions.





NON-FINANCIAL REPORT

2023

I. PROFILE OF THE BANK

1. Vision and Mission Statement

Our vision is to be one of the most respected and chosen Leading Banks in the country.

Our mission is to be a bank that:

- by understanding the needs and expectations of clients, through the best channels offers the most appropriate solutions, a bank that provides banking services to all clients in the fastest and most efficient way through efficient alternative distribution channels or through its branches;
- is focused on the real sector together with a strong presence in the retail field, has high technology, innovative products and services, one that is aware of social responsibility and corporate values, with high quality standards, which provides productive activities and long-term profitability;
- one that puts people first and that pays attention to customer satisfaction at the highest level.

2. Corporate values

Trust - You can be sure that your money is in good hands

Respect - We value your hard work and respect the capital you have acquired.

Honesty - Our business is transparent, and our priority is to fully protect your interests.

Quality - Our products and services are created in accordance with your requirements and expectations.

Simplicity - Our procedures are affordable and simple.

Speed - The processing of your requests is

done in the shortest possible time.

Efficiency - It is in our and your interest to come up with quick solutions with simple procedures.

Development - The Bank follows world standards and business trends in order to constantly improve and adapt its products and services to market requirements.

Professionalism - We have carefully selected associates and colleagues and assembled a team of top professionals who are trained and ready to meet all your requirements.

Discipline - We diligently and conscientiously fulfill all our obligations to meet your and our professional needs.

3. Membership

HALKBANK is a member of many associations, with which it cooperates and thus improves the business environment and economic development, including:

Turkish-Serbian business association
 Association of Serbian Banks
 CFO Association of Serbia
 Membership in accounting and tax committees at ABS
 Membership in FIC Serbia boards

4. Prizes and awards

The employees of HALKBANK achieved the best results within the support program for start-up companies using start-up loans, implemented in cooperation with the Serbian Foundation for Entrepreneurship, and on the occasion of which the SEF representatives presented the employees with awards for their efforts and achieved results.

5. Communication strategy

The communication strategy during 2023 was mostly focused on the communication oriented to retail and all that in order to promote the package of the Bank's

products and services, as well as innovations from the domain of digital services (digital wallets). In accordance with the mission and vision, HALKBANK takes care of the ways of communication with clients, as well as with narrow and wider public. Various communication channels were used to inform the public: continuously social media and web page of the Bank, periodically printed and digital media, as well as advertising over TV with national and local frequency outdoor advertising – like city lights, bus stations, advertising in the public transport in Belgrade, Novi Sad and Niš, printed and LED billboards across Serbia.

The Bank attended various events where communication with potential and existing clients was achieved – the Belgrade Car Show, agricultural fairs in Novi Sad, Kragujevac and Stara Pazova, participation in the "Career Days" employment fair at the Faculty of Economics in Belgrade and others.

In 2023, the Bank was one of the sponsors of the Serbia Epic Races cycling cup, the Serbian Days of Insurance conference and the Republic of Türkiye Day celebration. The Bank also organized a sports challenge in cooperation with NonStop Fitness centers, with a focus on the promotion of the Garmin Pay service, which during 2022 our Bank was the first to implement, both for users of Visa and Mastercard® payment cards.

In the 2023, cooperation with the Serbian Foundation for Entrepreneurship (SEF) on the loan project for maintaining liquidity and working capital continued. The focus is on young companies and agricultural farms.

Continuing the process of digitization and improvement of contactless payment services via mobile phones and smart watches, the Bank introduced Swatch Pay, Xiaomi Pay and Fidesmo Pay services in 2023.

HALKBANK has continued cooperation with the Ministry of Agriculture, Forestry and Water Management, with the help of whom, it joined the Serbia Competitive Agriculture Project (SCAP – Serbia Competitive Agriculture Project) started in cooperation with the World Bank in 2020, which will last until December 31, 2024.

II KEY EVENTS IN THE PREVIOUS YEAR

JANUARY

In January the new campaign has began – HALK PACKAGE tailored for you „4in1“, which offers clients the possibility of taking a cash loan/loan for refinancing with a fixed interest rate, with a current account package, without monthly maintenance costs for up to 6 months, allowed overdraft on the current account and a credit card for up to 6 months without a monthly membership fee.

HALKBANK can proudly say that in January it was the first and only bank in Serbia, that has united digital wallets and provided its customers the possibility of contactless payments with Mastercard® and Visa payment cards, via Apple Pay, Google Pay and Garmin Pay digital wallets.

FEBRUARY

Client our bank was the first in Serbia to obtain the right to grant funds in the amount of 320,000.00 RSD, based on a start-up loan realized in cooperation with the Serbian Foundation for Entrepreneurship – SEF.

MARCH

During March, the Bank was one of the sponsors of the Serbia Epic Races cycling cup, which was organized from March 24th to April 23rd throughout Serbia and represents the qualifications for the Olympic Games to be held in Paris in 2024.

APRIL

In April, the newly established branch in Prijepolje started operating. In order to start a good cooperation with clients from that region, a special welcome loan offer has been made.

HALKBANK has signed a new cooperation Agreement and launched an agricultural loan campaign with subsidies from the Ministry of Agriculture, Forestry and Water Management.

MAY

In May, a new branch started operating, at another location in Belgrade, in Vojvode Stepe Street.

JUNE

During June, the SwatchPAY! service was introduced, a new solution for contactless payments, which is enabled for all Mastercard® payment card users who own a Swatch watch with SwatchPAY! technology.

In June, the Bank organized a sports challenge in cooperation with NonStop Fitness centers, with a focus on the promotion of the Garmin Pay service, which in 2022 our Bank was the first to implement for users of Visa and Mastercard® payment cards.

In June, the HALKBANK & Visa prize contest was launched for all users of HALKBANK Visa payment cards, who had the right to participate in the award contest by leaving a creative comment on the Bank's Instagram profile under the post related to the contest. The prize competition, promotion and drawing of winners took place through the bank's profiles on the Instagram social network.

JULY

In July, the promotion of the current account Package campaign began, with benefits intended for all generations - employees, youth (from 18 to 26 years old)

and pensioners.

For all users of HALKBANK Mastercard® payment cards who own a Xiaomi smart device, the Xiaomi Pay service is enabled.

AUGUST

In order to further develop the business network, in August, a branch in Stara Pazova has started operating. Clients are provided with a special welcome loan offer.

In August, the Bank was selected as a reliable partner to participate in the Small Business Support Program for the purchase of equipment, which, in cooperation with the Ministry of Economy and the Development Agency of Serbia, supports the development of the domestic economy by lending to micro and small legal entities, entrepreneurs and cooperatives.

SEPTEMBER

In order to further develop the business network, in September a branch in Sjenica has started operating.

OCTOBER

In October, a prize contest was launched in cooperation with the Mastercard card organization for all users of HALKBANK Mastercard® World credit cards who achieve the minimum set spending, and who could win a Swatch watch that supports SwatchPAY! technology. The second part of the prize contest meant that clients who win a Swatch watch, add the HALKBANK Mastercard® World credit card to the digital wallet - SwatchPAY! and achieve the minimum set spending, within the set time limit, they can win cash back. The goal of the prize contest was sales incentive, as well as promotion of the new SwatchPAY! service.

Employees of HALKBANK achieved the best results within the support program for start-up companies using start-up loans, implemented in cooperation with the

Serbian Foundation for Entrepreneurship, and on the occasion of which SEF representatives presented the employees with awards for their efforts and achieved results.

DECEMBER

In December, HALKBANK employees participated in a humanitarian basketball tournament called "Aj ti za 3" organized by the "SOS Children's Villages of Serbia" Foundation and the Comtrade company, and in this way showed humanity and contributed to the organization, which has

used the entire amount of the participation fees, for support programs for children and vulnerable families.

In December, a campaign was launched for users of HALKBANK Mastercard World credit cards, which was created in cooperation with Mastercard and Gigatron. Users of HALKBANK Mastercard World credit cards have received a digital voucher in their email, with which they can get a discount at the checkout in any Gigatron store. The goal of the campaign was sales promotion and promotion of the Bank.

III KEY STAKEHOLDERS AND MATERIAL TOPICS

KEY STAKEHOLDERS		
STAKEHOLDER GROUP	STAKEHOLDER GROUP	STAKEHOLDER GROUP
CUSTOMERS	Branches	Timely, accessible and reliable information about products and services
Natural persons	Bank website	Continuous improvement of support
Small and Medium-Sized Enterprises	Call centre	Responsible advertising
Big Corporate Clients	Print and digital media	Flexible products and services
	Meetings	
SHAREHOLDERS AND INVESTORS	General meetings	Transparent management
Majority	Annual reports	Business results
	Bank website	
EMPLOYEES	Official Executive Board decisions	Opportunities for development and improvement
Bank Executive Board and Management	Meetings	Internal communication improvement
Business Network employee	Trainings	Employee satisfaction
Other employees	Intranet	
Union		

STATE-OWNED INSTITUTIONS	Annual reports	Transparent management
Regulatory Bodies	Meetings and consultations	Business results
Ministries and Government Institutions	Conferences	Regulatory compliance
LOCAL COMMUNITY	Annual reports	Investment in local community development
Local Self-Government	Meetings and consultations	Partnership projects
	Donations and sponsorship procedures	
BUSINESS COMMUNITY	Annual reports	Partnership projects
Business Associations	Meetings and consultations	Supplier selection transparency
Suppliers	Involvement in business association work groups and boards	
Business Partners		
MEDIA	Press conferences	Timely and open communication
National	Press releases	Business results
Local	Print and digital media	Investing in Local community
CIVIL SECTOR	Meetings and consultations	Partnership projects
Non-governmental organisations	Donations and sponsorship procedures	Investing in community
Non-profit organisations	Annual reports	Promotion of Corporate Social Responsibility
		Volunteering promotion

Material topics

Material topics are defined in accordance with the GRI guidelines and represent issues of importance to our stakeholders in the context of the Bank's impact on the environment in which it operates.

- Safety and health at work, training and education, equal opportunities for promotion and rewards
- Compliance with business standards, laws and regulations
- Responsible resource management, respect for the principles of "green procurement", recycling, energy management
- Responsible financing
- Marketing and communication with clients
- Contribution to the local community through continuous development of products and services available to all clients, donations and support for youth employment through the program "moja prva plata".

IV CORPORATE MANAGEMENT

HALKBANK, like all its employees, adheres to the highest standards of corporate governance, which is the foundation of responsible and sustainable business. The Bank is fully committed to complying with all legal provisions and regulatory frameworks relevant to our operations, which together with our management and control system ensures that the interests of all stakeholders are fully protected.

The Supervisory Board strives to continuously improve management processes in order to ensure business coherence, transparency and accountability in decision-making, as well as to ensure a healthy corporate culture.

The Supervisory Board of the Bank has adopted a Corporate Governance Code whose main goal is to present in a transparent and efficient manner the corporate governance system established

in the Bank and the introduction of good business practices in the field of corporate governance, which should balance the influence of its holders, all in order to ensure the long-term business development of the Bank.

In its operations, the Bank, through internal acts and the work process, ensures the avoidance of conflicts of interest between members of management bodies and persons related to them, taking into account the law and good corporate governance practice. The Code of Business Conduct and Ethical Principles consolidates general and specific rules and guidelines for ethical business conduct and conduct, while a number of other individual policies strengthen the system of governance and internal controls.

Management structure, mandate and composition of management bodies

The bodies of the Bank are: the Assembly, the Supervisory Board and the Executive Board.

The Assembly consists of the Bank's shareholders, i.e. Türkiye Halk Bankası A.Ş., Barbaros Mahallesi, Sebboy Sk. No.4,3 4746 Atasehir, Istanbul Turkey, identification number 862070 (hereinafter: shareholder) who, as the only one shareholder, performs the functions of the Bank's Assembly according to applicable regulations, Foundation Decision and Statute. Assembly is the highest body since the most important issues related to the Bank's operations are decided at its sessions. Assembly adopts the Business policy and strategy of the Bank, defining operation targets of the Bank for the period of minimum three years, adopts the financial reports of the Bank and adopts the decision on use and distribution of profits i.e. covering of losses, decides on capital increasing, on investments of capital in other bank or other legal entity, decides the amount on investment in fixed assets, adopts the Statute and amendments and supplements

to the Foundation Decision and the Statute of the Bank and decides on other issues in accordance with the law and Statute. One of the important issues within the scope of the Bank's Assembly is the appointment and dismissal of the President and members of the Supervisory Board in accordance with regulations.

The Shareholders' Assembly may have regular or extraordinary meetings. A regular meeting is held minimum on a yearly basis within the deadline in accordance with the law.

The Supervisory Board shall inform National Bank of Serbia of the date and agenda of the Bank's Assembly meeting within the timeframe stipulated for notifying shareholders.

Issues related to the Assembly - composition, competence, regular and extraordinary session, conference session, quorum, repeated session, President of the Assembly, shareholders' day and invitation to the session are regulated by the Statute of the Bank. Unless otherwise stipulated by the Law on Bank, provisions of the Law on companies relating to the assembly of a joint-stock company shall apply to the procedure of convening, notification and proceedings in meetings of the Bank's assembly.

The manner of work and other issues of importance for the work of the Assembly shall be regulated by the Rules of Procedure of the Assembly.

The governing bodies of the Bank are the Supervisory Board and the Executive Board.

Supervisory board

The members of the Supervisory Board have a good business reputation, rich experience in the field of finance and appropriate qualifications in accordance with the regulations of the National Bank of Serbia.

The term of office of the members of the Supervisory Board is four years with the possibility of re-election. At the end of 2023, the Supervisory Board of the Bank consisted of 7 (seven) members, including the President, of which two were independent members with active knowledge of the Serbian language and residing in the territory of the Republic of Serbia.

The Supervisory Board of the Bank meets at least once every three months, and more often if necessary. One of the most important duties of the Supervisory Board is to provide strategic direction to the Bank's management, harmonization of operations with laws, regulations and acts of the National Bank of Serbia, as well as internal acts of the Bank and the Group's guidelines, in achieving long-term goals.

During 2023, 11 sessions of the Supervisory Board were held. The subject of consideration and decision-making at these sessions, in the context of strategic and business decisions, were: regular monitoring of financial and business performance of the Bank, risk management, internal system control, business compliance and internal audit, reviewing and/or adopting a strategy and policy for risk management, giving prior approval for the Bank's exposure to any individual or group of related parties that exceeds 10% of the Bank's capital, i.e. for increasing this exposure to more than 20% of the Bank's capital, deciding on placements, reviewing decisions on approved exposures, adoption of the Bank's general business conditions, i.e. its amendments and supplements, as well as other important issues within the competence of the Supervisory Board.

Issues related to Supervisory Board - composition, appointment and dismissal, mandate, meetings, quorum, competence and other issues are regulated by the Law on Banks, Statute of the Bank and

relevant decisions of the National Bank of Serbia.

The manner of work and other issues of importance for the work of the Supervisory Board are more detailed regulated by the Rules of Procedure of the Supervisory Board.

Executive Board

The members of the Executive Board of the Bank are dismissed and appointed by the Supervisory Board for a period of 2 years with the possibility of re-election in accordance with the adopted amendments to the Statute, from June 14th, 2023. The Executive Board consists of 3 members, including the President.

The Executive Board of the Bank organizes and supervises business activities of the Bank on a daily basis and is responsible for implementation and efficient functioning of the system of internal controls in the Bank. The Executive Board shall: carry out decisions of the Bank's Shareholders' Assembly and the Supervisory Board, propose to the Supervisory Board the Business Policy and Strategy of the Bank, as well as the Risk Management Strategy and Policy and Capital Management Strategy of the Bank, implement the Business Policy and Strategy of the Bank by enacting relevant business decisions, analyse the risk management system and at least on a quarterly basis report to the Supervisory Board of the level of risk exposure and risk management, inform the Supervisory Board of all activities which are not in compliance with regulations and other enactments of the Bank and perform all other duties within its competence.

One of the basic competencies of the Executive Board is to supervise the day-to-day business activities of the Bank and to ensure that the overall organization of the Bank adequately supports the implementation of the business strategy and the achievement of the Bank's planned business objectives.

During 2023, the Executive Board of the Bank held a total of 55 sessions – of which two were written.

Issues related to the Executive Board – composition and quorum, appointment and dismissal, mandate, competence and other issues are regulated by the Law on Banks, Statute of the Bank and relevant decisions of the National Bank of Serbia.

The manner of work and other issues of importance for the work of the Supervisory Board are more detailed regulated by the Rules of Procedure of the Supervisory Board.

In order to improve operations and more adequate supervision, the Bank has other committees in accordance with applicable regulations: the Business Monitoring Committee (Audit Committee), the Credit Committee and the Assets and Liabilities Management Committee.

These committees ensure that the Bank operates in accordance with applicable regulations and are committed to reviewing issues in the field of risk management and internal control systems, business compliance and prevention of money laundering and terrorist financing, adequacy and efficiency of the Bank's procedures and security systems, all types of placements, as well as other issues important for the work of the Bank, each board within its scope.

The Audit Committee shall assist the Bank's Supervisory Board in supervising the activities of the Bank's Executive Board and Bank's employees. The Audit Committee consists of minimum three members, at least two of which are members of the Bank's Supervisory Board who have the appropriate experience in the field of finance. At least one member must be person independent of the Bank.

The Credit Committee of the Bank performs the following activities: makes

decisions on approving all types of dinar and foreign currency loans, quarantees, bill quarantees, letters of credit and other wararanties, as well as othter placement of the Bank, and performs other activities in accordance with the Bank's acts, law and regulations and performs other activities by order of the Supervosory Board.

The Assets and Liabilities Management Committee monitors the Bank's exposure to risks resulting from the structure of its balance sheet obligations and receivables and off-balance sheet items, on the basis of the received information proposes measures at its meetings for managing interest rate risk and liquidity risk in the manner that it makes concrete conclusions and/or decisions, or clear guidelines to organisational units of the Bank and its employees that should ensure appropriate management of the above mentioned risks and perform other activities established by the Bank's acts.

SUPERVISORY BOARD
1. Osman ARSLAN, President
2. Hasan TUNCAY, Member
3. Hamdi COŞGUN, Member
4. Güvenç USTA, Member
5. Caner GÖKBULUT, Member
6. Dr Jasmina BOGIĆEVIĆ, Independent Member
7. Vesna VUKOVIĆ, Independent Member

The Assets and Liabilities Management Committee members are appointed by the Supervisory Board from the Executive Board members and the Bank employees.

Issues related to the Audit Committee, Credit Committee and Assets and Liabilities Management Committee – composition and quorum, appointment and dismissal, mandate, competence and other issues are regulated by the Law on Banks, Statute of the Banke and relevant decisions of the National Bank of Serbia.

The manner of work and other issues of importance for the work of the Audit Committee, Credit Committee and Assets and Liabilities Management Committee are more detailed regulated by the Rules of Procedure on the work of each of the mentioned committees.

EXECUTIVE BOARD
1. Aziz Arslan, President
2. Hasan Cömert, Member
3. Dušica Erić, Member

CREDIT COMMITTEE
Members of the Credit Committee are elected in accordance with the Decision on establishing Credit Committee and appointment members of the Credit Committee

AUDIT COMMITTEE
1. Hasan TUNCAY, President
2. Hamdi COŞGUN, Member
3. Dr Jasmina BOGIĆEVIĆ, Member

ASSETS AND LIABILITY MANAGEMENT COMMITTEE

Members of the Assets and Liability Management Committee are appointed in accordance with the Decision on establishing and appointment President and Members of the Assets and Liability Management Committee

Members of the Assets and Liability Management Committee are the following:

1. The President of the Executive Board, president
2. Members of the Executive Board, members
3. The Head of the Credit Division, member
4. The Head of the Treasury Division, member
5. The Head of the Financial Management and Budgeting Division, member
6. The Head of the Corporate and SME Marketing Division, member
7. The Head of the Retail Marketing Division, member

Code of Business Conduct

The Code of Business Conduct and Ethical Principles is a set of principles and working rules that employees of the Bank should adhere to in their work and serve as a reminder of certain standards they need to meet. The purpose of this Code is to establish general ethical principles and norms of professional banking behavior in order to prevent all disputes and conflicts that may arise between employees, clients

and the Bank, but also contribute to the success and reputation of the Bank.

The Code is based on the vision, mission and corporate values of the bank: trust, discipline, efficiency, honesty, quality and professionalism. The Code of Business Conduct directs us to act responsibly, respectfully and sustainably in all aspects of business, protect and further strengthen our good reputation and build trust among our stakeholders.

Activities by which the Bank supports the goals of sustainable development of the United Nation

<p>1 NO POVERTY</p> 	<ul style="list-style-type: none"> - Providing financial services to vulnerable groups through the development of special products, market presence and adjustment of branches - Contribution to the local community 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<ul style="list-style-type: none"> - Contribution to the local community - Accessibility of branches and sub-branches - Product development and improvement and digital services
<p>2 ZERO HUNGER</p> 	<ul style="list-style-type: none"> - Contribution to the local community 	<p>10 REDUCED INEQUALITIES</p> 	<ul style="list-style-type: none"> - A wide range of bank products available to everyone
<p>3 GOOD HEALTH AND WELL-BEING</p> 	<ul style="list-style-type: none"> - Implementation of safety measures at work - Voluntary health insurance program - Free systematic examinations for employees - Working conditions adapted to epidemiological measures 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<ul style="list-style-type: none"> - Contribution to the local community - Donations
<p>4 QUALITY EDUCATION</p> 	<ul style="list-style-type: none"> - Training program for employees - Possibility of youth employment through the program "Moja prva plata" 	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<ul style="list-style-type: none"> - Providing clear and transparent product information. - Respect for the principle of "green procurement"
<p>5 GENDER EQUALITY</p> 	<ul style="list-style-type: none"> - The employment policy and procedure gives employment opportunities to anyone who meets the criteria 	<p>13 CLIMATE ACTION</p> 	<ul style="list-style-type: none"> - Recycling - Waste management - Energy management
<p>6 CLEAN WATER AND SANITATION</p> 	<ul style="list-style-type: none"> - Responsible treatment of the environment 	<p>14 LIFE BELOW WATER</p> 	<ul style="list-style-type: none"> - Responsible treatment of the environment
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<ul style="list-style-type: none"> - Loans intended for households for energy efficiency - Waste, energy and recycling management 	<p>15 LIFE ON LAND</p> 	<ul style="list-style-type: none"> - Responsible treatment of the environment
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<ul style="list-style-type: none"> - Contribution to the social product - Contribution to the local community - A wide range of bank products available to everyone 	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<ul style="list-style-type: none"> - Compliance of business with relevant legal and other regulations, business standards, procedures on prevention of money laundering and terrorist financing
		<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<ul style="list-style-type: none"> - Cooperation with EIB, SEF, GGF, EFSE, ITL, DHB, FRK

V ALTERNATIVE DISTRIBUTION CHANNELS

The beginning of the year was marked by the final activities on the project of introducing Visa and Mastercard digital wallets payment systems. HALKBANK is the first bank on the market to offer the possibility of using Apple Pay, Google Pay and Garmin Pay digital wallets for both Mastercard and Visa cards.

Likewise, HALKBANK is the only bank on the market that offers its clients the possibility, apart from manually adding Mastercard and Visa cards to the digital wallets, to add cards via the SmartHALK m-Banking solution for both Google Pay and Apple Pay. This service provides clients with easy integration and a seamless experience.

As a confirmation of quality, exceptional commitment and speed of implementation, HALKBANK was awarded by Visa as the 'Best in Class Wallet Enabler'.

The beginning of the year was also marked by projects within the card acceptance scope, where HALKBANK took part in the prestigious "Better Way" program, from the very beginning. The aforementioned program, organized by the Republic of Serbia, card companies and partners, involves popularizing the use of non-cash payments as a more efficient, reliable and practical method of payment, compared to cash, with a special offer for accepting payments at POS terminals intended for entrepreneurs, micro and small businesses.

Due to the growing tendency of contactless payments, a project was started to implement contactless functionality for cash withdrawals on the Bank's ATM acceptance network, which will greatly improve and facilitate its usage. The project is in the final stage and it is expected that the solution will be available to clients in early 2024. In parallel, in continuity, the growth of the ATM network continued, including strategically important new

locations, but also new devices of the latest generation and top quality were procured.

During the second quarter of 2023, the implementation of digital wallets gained a new dimension, because HALKBANK was the first to enable its customers to make payments with analog Swatch watches that support Swatch Pay technology. In cooperation with the company Mastercard and the representative for Swatch in the Republic of Serbia, the company Absolut Time, and with the aim of promoting the aforementioned functionality, a campaign was organized in the last quarter, when users of Mastercard World credit cards, were awarded with 50 Swatch watches that support Swatch Pay.

In addition, during the second quarter of 2023, in order to promote digital wallets, together with companies Visa and Garmin, and the Bank's client Non Stop Fitness, a competition was organized in which the winners were awarded Garmin watches that support Garmin Pay payment, as well as cash of RSD 10,000, which was made available to the winners in an account opened in the Bank.

The award campaign for the Exit music festival ticket packages was also organized with the Visa company, which was met with great interest from the Bank's clients, Visa payment card users.

In May 2023, we started a Visa incentive campaign for employees that lasted for 6 months. The bank's employees showed great interest in participating in the campaign, which resulted in the issuance and delivery of close to 6,000 Visa payment cards. After the end of the successful campaign, in October 2023, an awards ceremony was organized where colleagues, who achieved the best results, were presented with awards.

At the same time, a project was launched for deposit machines, which will enable more flexible business operations for our clients, as well as unburdening of the

tellers. In addition, there is the possibility to place the mentioned machines in the client's premises as well as in external locations as shopping centers and large markets, which will further bring the Bank closer to the clients. The completion of the project is expected after the migration to the new core system.

Recognizing the opportunity to stand out on the market as a Bank that supports the most innovative forms of payment, in the third and fourth quarter of 2023 we continued with innovations in the field of digital wallets and enable payment with Xiaomi devices that support Xiaomi Pay, as well as Zepp / Amazifit devices that support Zepp Pay. We are the only bank on the market that also supports 'wearable' payments, which allows our customers to pay for example with a ring, using the Fidesmo Pay digital wallet.

In the third quarter, discussions began with the company Visa on the subject of the Visa Business premium product, which we plan to include in the Bank's offer.

Since we have developed and implemented a modern solution for accepting payment cards in the merchants' online stores, in order to better present and use this service, in September we started cooperation with the company ChipCard as an aggregator, which resulted in a rapid increase in the number of users of this service.

At the same time, a project was launched to include the latest generation Android POS devices in the Bank's offer. Android POS enables better user experience, faster performance and easy integration.

At the beginning of 2023, we entrusted the activity of providing the so-called "PIN by SMS" service to Comtrade System Integration d.o.o. As the aforementioned project was successfully implemented, and with the aim of increasing operational efficiency and with the tendency to increase the scope of cooperation, in the third quarter the migration project of Bulk

SMS and Viber services was also launched, since this company is one of the largest service providers for Bulk SMS and Viber services, both for financial institutions and for companies engaged in other activities.

In accordance with the mandate of the National Bank of Serbia, in October we started a project that will enable the issuance of Dina cards with contactless technology.

At the end of the year, we launched a project for parcel machines that will provide the Bank with the opportunity to expand cooperation, gain new clients and increase turnover.

In December, we started a campaign with the companies Gigatron and Mastercard, within which Mastercard World credit card users were provided with the vouchers, in the value of RSD 3,000, which can be used at Gigatron sales points for all products, even already discounted. The campaign lasts until the end of January 2024.

In the course of 2023, we started the project of introducing eMenica. This functionality will enable clients to register and manage bills of exchange through their eBanking application (OfficeBanking), which will have a positive impact on the user experience.

The previous year was marked by activities related to the integration of digital services with the new information system, as well as the testing of all services as part of the Fusion project. In addition to this large project, we have optimized certain digital services so that the services are more stable and clients have a better user experience.

VI COMPLIANCE AND AML DEPARTMENT

The Compliance and AML Department was established in accordance with the Law on Banks. The Head of the Department is appointed by the Supervisory Board of the Bank and reports directly to him.

The part of the Department that prevents money laundering and terrorism financing is independent of other business activities of the Bank. The member of the Executive Board who is responsible for the implementation of the Law on Prevention of Money Laundering and Terrorism Financing (hereinafter: the Law) is appointed by the Supervisory Board of the Bank. The Authorized Person and his Deputy shall be appointed by the Executive Board of the Bank in accordance with the Law. Authorized persons of the Bank report directly to the Executive Board and are independent in their work.

Within the Department, there is also a function related to the protection of personal data and the application of the Personal Data Protection Law.

The main goal of the Department is to support the establishment of an appropriate system of internal controls at the Bank level, which allows it to operate in accordance with the set of ethical values contained in the Code of Conduct and ethical principles and in accordance with applicable laws, regulations and internal acts and international best practice.

In order to preserve independence in the work of the Department, the Head and Authorized persons periodically report to the Bank's Audit Committee, the Supervisory Board and the Executive Board on the activities of the Department and issues related to compliance risk and money laundering and terrorism financing risk.

The scope of work of the Department is as follows:

- Controls the compliance of operations with relevant legal and other regulations and takes care of the application of binding provisions on the prevention of money laundering and terrorism financing;
- Monitors regulations, informs the competent organizational units of the Bank on innovations and changes in regulations and controls their implementation in procedures, instructions and other acts of the Bank;
- Controls the compliance of procedures and instructions with laws and other regulations, business standards, procedures on prevention of money laundering and terrorism financing, as well as with other acts regulating the Bank's operations;
- Prepares, updates and harmonizes internal acts of the Department;
- Prepares the Operational Annual Plan for Monitoring the Compliance of the Bank's Operations;
- Prepares regular reports on performed controls of compliance with operations;
- Prepares annual reports on performed controls of compliance with identified and assessed main compliance risks and risk management plan;
- Reports to the Executive Board and the Audit Committee on the determined results of compliance control in accordance with the Compliance Monitoring Program and the Procedure, and reports on deficiencies related to the identified compliance with legal regulations and internal acts regularly to the Executive Board and the Audit Committee at least once a year Supervisory Board of the Bank;

- Prepares annual reports on the performed internal control and measures taken in connection with the implementation of the Law on Prevention of Money Laundering and Terrorism Financing;
- Prepares an annual assessment of the bank's exposure to the risk of money laundering and terrorism financing in accordance with the Decision on Guidelines for the Application of the Law on Prevention of Money Laundering and Terrorist Financing for Obligors overseen by the National Bank of Serbia;
- Prepares an annual risk analysis of money laundering and terrorism financing;
- Preparation of six-monthly reports for the National Bank of Serbia on the activities undertaken by the Bank in the field of prevention of money laundering and terrorism financing;
- Ensures proper and timely submission of data to the Anti-Money Laundering Administration in accordance with legal regulations;
- Obtains, controls, analyzes and forms reports to Anti-Money Laundering Administration on cash transactions in the amount of EUR 15.000 and more in dinar equivalent at the middle exchange rate of the NBS in accordance with regulatory regulations;
- Analyzes clients and transactions on their accounts, makes official notes and reports suspicious clients and transactions to the Anti-Money Laundering Administration;
- Forms and submits data upon requests of the Anti-Money Laundering Administration, the Financial Investigation Unit and the Anti-Corruption Agency;
- Acts on the orders of the competent authority to suspend transactions or monitor the financial operations of the party;
- Develops the annual Plan and training program for employees in order to implement regulations in the field of prevention of money laundering and terrorism financing and implements its implementation;
- Manages risks arising from omissions or non-compliance with laws, business standards, anti-money laundering and anti-terrorism financing procedures, as well as non-compliance with other acts, which ensure the Bank's operations;
- Actively cooperates with all organizational units of the Bank as well as the National Bank of Serbia, the Anti-Money Laundering Administration and the Association of Serbian Banks in obtaining views and opinions for the application of certain regulations and resolving disputes in their application;
- Monitors the implementation of the provisions of the Law governing the protection of personal data, other laws and internal regulations relating to the protection of personal data, including issues of division of responsibilities, awareness raising and training of employees in processing operations, as well as control;
- Takes all other measures for the protection of personal data in accordance with the Law, especially taking into account the legality, expediency and proportionality of the processing of personal data;
- Cooperates with the Commissioner for Information of Public Importance and Personal Data Protection, is a contact point for cooperation with the Commissioner and consults with him on issues related to processing,

including informing and obtaining opinions on the obligation to assess the impact on protection of personal data;

- Performs other tasks ordered by the Bank's management.

In addition to the above activities, in the field of compliance risk management, the Bank pays special attention to the fight against corruption, according to which it applies the principle of zero tolerance.

The Bank bases its activities on the prevention of behaviors that may lead to corruption.

The Bank has adopted the Anti-Corruption Policy and the Code of Business Conduct and ethical principles according to which any type of corrupt behavior is strictly prohibited.

The Bank's internal acts regulating the area of anti-corruption are available to all employees through the Bank's internal

portal, and it is the obligation of all employees to be regularly informed about newly adopted documents.

Raising employee awareness and targeted training are an extremely important part of the corruption risk management system. As one of the ways of risk mitigation in this area, the Compliance and Anti Money Laundering Department conducts regular training of employees.

Training in the field of business compliance "Corruption Prevention Policy" was organized by the Department in December 2022, in the form of a presentation that was delivered to all employees of the Bank via e-mail. The training covered general topics related to corruption and business ethics. The result of the training is to familiarise employees with zero tolerance, risks, ways of recognizing, ways of reporting and escalating cases related to this risk, relevant acts that need to be known and contact persons for any question in this area.

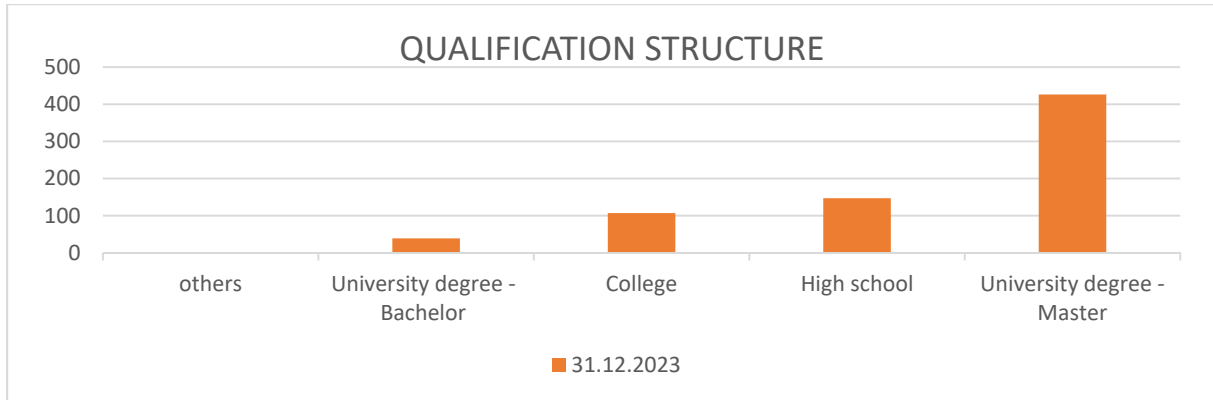
VII HUMAN RESOURCES

In 2023, the Bank did not face major obstacles in attracting new and retaining existing employees. Employee turnover was at a lower level compared to previous years. At the end of 2023, the bank had 721 employees compared to the end of 2022, when the number of employees was 657 employees, which represents an increase of 11,5%. The following table provides an overview of the structure of new employees in 2023, as well as the total number of employees in the Head Office and the business network.

Number of employees	31.12.2022.	new employees	31.12.2023.
Headquarter	306	20	326
Branches	351	44	395
Total	657	64	721

The Bank's strategy, both in the selection and recruitment process itself and in supporting employees to improve their formal education, the Bank has managed to retain a high number of employees with completed higher education.

The following chart shows the qualification structure of colleagues:



The age and qualification structure of employees at the end of 2023 is shown in the table below:

Stručna sprema (Qualification)	Godine starosti (Age)					Preko 60 godina (Above 60 years)	Ukupno (Total)
	Do 30 godina (Up to 30 years)	31-40 godina (31-40 years)	41-50 godina (41-50 years)	51-60 godina (51-60 years)			
I-NK (Elementary School)					2		2 (0,28%)
II-PK							0 (0,00%)
III-KV, SSS							0 (0,00%)
IV-SSS (High School)	37	29	48	26	7		147 (20,39%)
V-VKV							0 (0,00%)
VI/1-VŠS (College degree)	13	32	45	14	3		107 (14,84%)
VII/1-VS (University degree)	60	170	197	27	7		461 (63,94%)
VII/2 - Magistar, spec (Master)		1	1	2			4 (0,55%)
VIII – Doktor nauka (PhD)							0 (0,00%)
Ukupno (Total)	110 (15,26%)	232 (32,18%)	291 (40,36%)	71 (9,85%)	17 (2,36%)		721 (100,00%)

In the qualification structure of employees at the end of 2023, the participation of employees with higher education was 63,9%, while the participation of those under 30 was 15,26% and those over 50 was 12,21%.

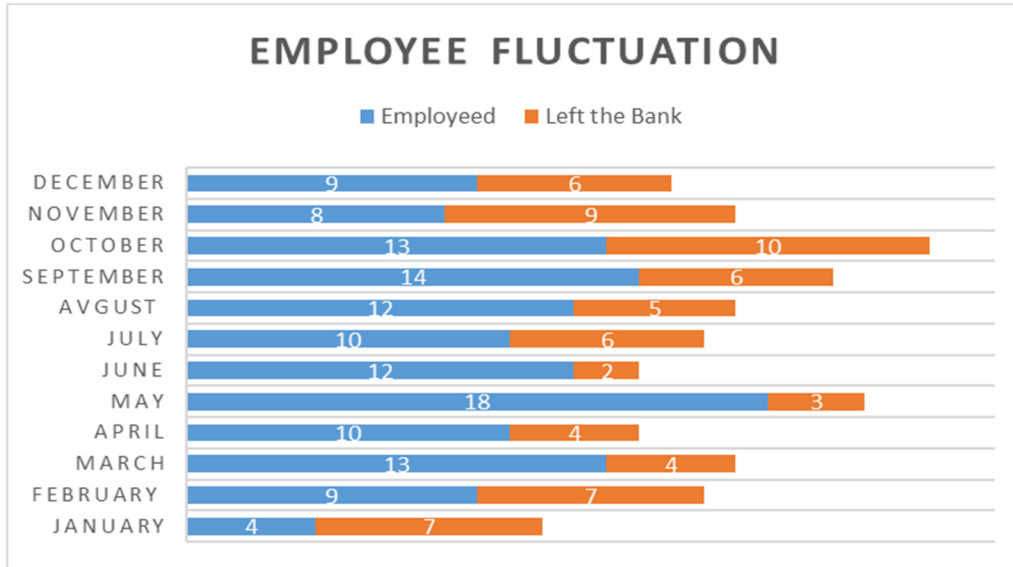
In the course of 2023, employee salary costs amounted to 13.518 thousand euros, that is about 2,6 million euros more than in 2022, which is adequate for the increase in the number of employees as well as the increase in salaries for existing employees.

Work in the Bank

During 2023, the Bank had a quiet period in terms of employee turnover, employees from key positions did not leave the Bank, the trend of leaving the IT sector, which is still the fastest growing industry on the labor market, stopped.

In accordance with the business plans, the number of employees in 2023 was higher by 8.8% compared to 2022 (721 employees in 2023 compared to 657 employees in 2022). The business

plan for 2024 predicts 802 employees, i.e. a growth of 11%, i.e. an approximate growth trend.



The average age of HALKBANK employees in 2023 was 41,31 years, of which 89 employees are under 30 years old, 481 are under 50 years old, while 87 are over 50 years old. Compared to the previous year, the differences are not significant: in the group under 30 years of age in 2022, there were 89 employees, 481 under 50, and 87 over 50.

In accordance with modern trends in the field of providing financial services, in the total number of employees, women predominate in relation to the number of men employed in the Bank – 67,96% of women and 32,04% of men.

The tables and graphs below represent the structure of employees at the end of 2023 by various categories:

Age structure		
Year	2022	2023
Up to 30 years old	89 (13.55%)	110 (15.26%)
31 – 50 years old	481 (73.21%)	523 (72.54%)
Above 50 years old	87 (13.24%)	88 (12.24%)

Gender/type of position structure				
Type of position	Male 2022	Female 2022	Male 2023	Female 2023
Total	215(32,72%)	442(67,28%)	237 (32,87%)	484(67,12%)
Managerial position	53(49,07%)	55(50,93%)	53(47,74%)	58(52,25%)
Operational position	162 (29,50%)	387(70,50%)	184(30,16%)	426 (69,83%)

Age / type of position structure			
Type of position	Up to 30 years	31-50 years	over 50 years
Total	101 (14%)	527 (73,09%)	93(12,89%)
Managerial position	1 (0,99%)	88 (16,69%)	28 (30,10%)
Operational position	100 (99%)	439 (83,30%)	65 (69,89%)

Total number and turnover rate of employees:

- > Retirement: 2023 – 6, compared to 2022 – 2
- > Hired: 2023 – 132 compared to 2022 – 152; 2021–135
- > Termination of employment: 2023 – 63, compared to 2022 – 82; 2021 – 86;

Staff selection

During 2023, the Bank expanded its network of branches and sub-branches by 3 branches and 1 sub-branch, which is the total number of 43 branches/sub-branches/counters in several cities throughout Serbia. New branches were opened in Prijepolje, Stara Pazova and Vojvode Stepe Street in Belgrade, with a total of 17 new employees. A new sub-branch was opened in Sjenica with 5 new employees.

HALKBANK took part in the state program "My First Salary" for the second time. In 2023, 9 young candidates gained their work experience in the Bank through the mentioned program, of which 4 candidates continued to work in the Bank by establishing an employment relationship. Considering the good experience in the Program, the Bank has applied for participation in the mentioned program and success is expected as in previous years.

Training and development of employees

Internal trainings

During 2023, HALKBANK continued with continuous training of its employees. Internal trainings are organized throughout the year and cover the areas of Money Laundering Prevention, Code of Business Conduct, Compliance of the Bank's Operations, Cashier Operations.

A large number of internal trainings were held on the topic of introducing the new Core system in the Bank, where all employees participated.

External, in-house trainings, specialist seminars and certifications

The Bank enables its employees to take professional certificates, which are important both for the employee and for the Bank itself. In 2023, the Bank provided its employees with ACCA (Association of Chartered Certified Accountants), CIA (Certified Internal Auditor) and certificates that are necessary for colleagues from the IT sector.

New compared to the previous year are the Turkish language classes held in cooperation with the Turkish Cultural Center. About 40 employees have passed the initial level and the plan for 2024 is to continue with the advanced Turkish language course.

Employee rights

Employees of the Bank are guaranteed the right to association, without discrimination based on membership in associations or trade unions.

The rights of all employees are regulated by the Labor Regulations, which are fully in accordance with the Labor Law.

The employee has the right to healthy and safe work. HALKBANK complies with all legal regulations related to safety and health at work, organizes first aid training, regular ophthalmological examination for all employees who work at a computer for more than 4 hours a day.

In the course of 2023, there were no deaths related to accidents at work, nor occupational diseases that would result in a longer absence from work.

Compensations (monetary compensations) and other benefits

Within the framework of employee benefits, during 2023, cooperation with Wiener Stadtische osiguranje continued in the area of mandatory insurance coverage, as well as cooperation with Milenijum osiguranje in the domain of additional health insurance. All employees are covered by additional health insurance policies.

All employees of the Bank are insured in case of surgery and/or serious illness, in case of injury and/or current or permanent incapacity for work and in case of accidents in accordance with the insurance policy paid by the Bank.

During 2023, the Bank had certain funds that it used for the preventive health care of its employees. A workshop for Mental Health was held for a month, i.e. 4 sessions, to which all employees of the Bank had access.

Complaints mechanisms

HALKBANK employees have the opportunity to send their appeal requests to competent colleagues in accordance with internal policies and procedures related to - the Law on the Prevention of Abuse at Work, the Law on the Protection of Whistleblowers, the Rulebook on Internal Whistleblower Procedures.

Employees have the freedom to address their manager or the Human Resources and Organization Department and present any type of request or complaint, which is resolved in accordance with the Bank's capabilities.

During the year 2023, not a single complaint related to the violation of human rights was submitted through the aforementioned procedures, nor were there any complaints from our employees, that is, established cases related to discrimination based on race, gender, religion, etc.

Achieved in 2023:

- Work on preventive health protection of employees
- Improvement of working conditions, mostly in terms of financial conditions and then also the working environment, considering that the extension of the Head Office provided a larger working space for the employees.
- Opening of the Training Center, which contributed to a better organization of training and employee training

Goals for 2024:

- Improvement of the benefits package for employees
- Supporting projects in the form of various partnerships with Faculties, student associations
- Work on improving the mental and physical health of employees by introducing various types of workshops/support programs

VIII RESPONSIBILITY TOWARDS CLIENTS

Customer support

The bank is committed to social responsibility, primarily through support to the development of entrepreneurship and the strengthening of the entrepreneurial spirit in Serbia, as well as through a strategic orientation towards the development and support of the Small and Medium Enterprises segment. In this regard, HALKBANK was one of the first banks in the market to start cooperation with international financial institutions through numerous guarantee schemes and credit lines through which it provided its clients with easier access to financial resources, as well as financing in difficult economic conditions. This strategic orientation was also confirmed through cooperation with the Serbian Entrepreneurship Foundation (SEF), established by the German Development Bank KfW and the Serbian Chamber of Commerce. It is a non-profit, non-governmental organization founded to achieve socially useful goals such as facilitating access to financial products for start-up clients, SME clients, entrepreneurs and registered agricultural farms, through cooperation with financial institutions.

In 2023, the bank cooperated with SEF through two guarantee lines, Covid-19 and Start-up. The Covid-19 guarantee line is designed to support small and medium-sized companies, entrepreneurs and AGRO clients whose businesses are directly or indirectly affected by the Covid-19 pandemic. Support to clients was reflected in easier access to financial resources, in order to ensure business continuity in crisis conditions and thus preserve employment. On the other hand, the Start-up guarantee line provides support to SME clients, entrepreneurs and AGRO clients who are beginners in business and for whom access to financial resources on the market is very difficult. In this way, the Bank, in cooperation with the SEF foundation, provides true support to the development of entrepreneurship, self-employment, innovative business solutions, technological progress, and overall economic growth.

Customer care

HALKBANK, guided by the slogan People first and foremost, always puts clients first and in the focus of all its activities. As clients satisfaction is the foundation of our business success, the Bank within the Corporate Communications and Quality Management Department is continuously working to improve the quality of service we provide to clients.

The quality management system is incorporated in the procedures Quality Management and Complaints of the Clients.

Respecting the quality management procedure, we strive for client satisfaction, trust and loyalty. One of our main goals is performance consistency - we want every branch or employee who serves the client to provide the same service. With regular branch visits, we want to ensure the speed of service, process efficiency as well as the kindness of employees and a friendly attitude towards customers. In order to provide the best possible services to clients, we try to make our branches accessible and in accordance with the most modern market standards. In the previous year, we opened three new branches and relocated one existing one. Through continuous research and monitoring, we strive to achieve better, faster and simpler processes without unnecessary steps.

Listening clients needs through suggestions, praise, questions and complaints, the Bank is always available to clients with maximum commitment. Quick and efficient resolving of complaints as well as prevention of complaints are aimed at raising the quality of services provided by the Bank to clients. The resolving of complaints process includes a number of

activities, including cooperation with managers in the relevant organizational units of the Bank, depending on the nature of the complaint, in order to assess the complaint, analyze it, gather information and evidence and find solution. The Bank's response is always clear, complete and understandable to the client. The Corporate Communications and Quality Management Department also cooperates with the National Bank of Serbia in order to provide clients with transparent and timely information. In the total number of complaints Bank received during the previous year, there were no complaints regarding non-compliance with regulations in the field of marketing communications, as well as complaints that have a systemically significant risk to the Bank's operations. Through regular reporting and monitoring of complaints through the application Monitoring operational risk and clients complaints, the Bank aims to constantly improve and enhance its products and services, as well as quality.

IX LOCAL COMMUNITY

The foundations of HALKBANK's socially responsible business are primarily in building and maintaining good relations with clients and employees, and therefore with the entire community. The motto "People First" is not just a sentence, but part of our corporate culture. We are proud of the relationships we build with our clients, because their satisfaction is a reflection of the Bank's efforts to achieve the best results. Establishing good relationships with clients, and therefore with the local and global community, is of great importance to us, because creating these connections leads to building a better environment for joint growth and development.

The goal of HALKBANK is to positively influence the community that surrounds it, even during unforeseen, crisis geo-political situations. The Bank constantly contributes to the local community through the implementation of socially responsible projects, participates and on a daily basis contributes to the development of sports and recreation at the national level and strives to help those who need help the most. For the Bank's success as a stable and safe institution, apart from quality operations, it is equally important to take care of the community, without which no undertaking would be possible.

Contribution to culture

The bank made a donation to the Turkish cultural center, the Yunus Emre Institute, with the aim of contributing to a better acquaintance with the Turkish culture and language in Serbia.

Development of sport

Sponsorship of the Serbia Epic Races cycling cup, which was organized from March 24th to April 23rd throughout Serbia and represents the qualifications for the Olympic Games to be held in Paris in 2024. With this gesture, the Bank, as a socially responsible company, continued the practice of helping and supporting the social community.

Celebrating the day of the Republic of Turkey

Sponsorship in the celebration of the Republic of Türkiye Day held on October 27, 2023.

Serbian Insurance Days

Sponsorship in the organization of the conference "Serbian Insurance Days 2023", which took place from November 28th to December 1, 2023.

Support for education

HALKBANK donated computer equipment to an organization called Club of Young Artists "54" in Vranje, which organizes creative and educational workshops for children in primary schools in Serbia.

Aid to the people of the Republic of Turkey

In March 2023, the bank donated 10 million Turkish liras (approximately 500 thousand euros) to the Ministry of the Interior of the Republic of Turkey as aid for remediation of the consequences of the devastating earthquake that struck that country. Bank employees also participated in the collection of humanitarian aid for the people of the Republic of Turkey by donating humanitarian funds.

Environmental protection

In 2023, HALKBANK, as a socially responsible company, implemented already established practice and measures in the field of environmental protection and thus mitigated the negative effects on the environment.

The fulfillment of the goals set, resulted in not having any penalties for non-compliance with environmental laws and regulations.

Procurement and supplier relationship

Procurement performed in the Bank is conducted in written form, in the spirit of good business in order to ensure the quality of procurement while respecting ethical principles and professional standards.

Integrity, honesty, independence, objectivity, impartiality, political neutrality, prevention of conflicts of interest, confidentiality of information, competence and professional conduct are expected of employees participating in the procurement process.

The procurement process is defined by the Procedure which determines the authorizations in approval and verification depending on the value of the procurement. Limits have also been set for the selection of suppliers depending on the value of the procurement, and for all procurements over EUR 5.000, the Procurement Commission has significant role.

The Bank strives to be guided by the principles of "green procurement" at every opportunity, and to that end it procures and installs equipment with the highest energy efficiency, leases vehicles with the latest generation engines, uses exclusively PEFC (FSC) paper and uses ecological supplies for cleaning.

We build and nurture a professional relationship and encourage mutual cooperation with suppliers, equally valuing benefits and ethics. We strive to be a fair and honest partner and we firmly believe that a relationship based on trust and integrity will be sustainable and beneficial for all. We place the same demand on our suppliers, whom we expect to adhere to ethical standards, employment practices, environmental protection and occupational safety.

An agreement on cooperation in the implementation of prescribed measures for the safety and health of employees is signed with suppliers with whom the Bank shares work space.

Environmental management system

The Bank uses resources responsibly and conscientiously, invests in sustainable development and thus strives to repay debt to society and communities. In order to protect the environment, it takes into account various aspects and continuously monitors key initiatives aimed at reducing the negative impact on the environment, such as:

- Rational consumption of energy and water
- Prevention of waste material generation
- Safe disposal of waste material
- Recycling

In that sense, the Bank concluded a contract on the implementation of the energy and natural resources management system, which will significantly contribute to energy savings in the coming period.

Conservation of natural resources

Indirect energy consumption refers to electricity used during the Bank's business activities, while direct energy consumption refers to the combustion of natural gas for heating purposes.

In 2023, electricity consumption was 1,085 MWh.

Energy management

By investing and installing modern electronic equipment, the Bank contributes to the application of clean technologies and technologies that save electricity and emit less noise.

Reducing energy consumption and implementing energy management programs is the ultimate goal that the Bank implements by performing the following activities:

- Installation of energy efficient lamps and bulbs (LED lamps and bulbs) in all new and renovated business premises;
- Installation of MOBOTIX cameras, alarm system and improvement of access control system that saves energy and IT resources for many years;
- Replacement of existing equipment with new, more energy efficient equipment;
- Installation of energy efficient air conditioners in all new and renovated business premises;
- Gradual replacement of outdoor advertising with a new type of advertising that has LED lighting;
- Leasing of environmentally friendly vehicles with the latest generation engines;
- The use of video and telephone conferencing to reduce business travel and fuel consumption;
- Lease a printer with an advanced printing system to reduce energy, paper and toner consumption.
- Implementation of an application solution for managing invoices in accordance with the Law on electronic invoicing, which reduces paper consumption;
- Implementation of an application solution for document management in order to create electronic and digitized documents.

Activities related to the structure, construction and maintenance of electrical installations, safety measures and responsibilities of employees as well as control of electricity consumption are defined in the Procedure for electrical installations and control of electricity consumption.

Waste management

In waste management, the Bank acts in accordance with positive legal regulations and implements an integrated waste management system, which includes:

- Waste prevention
- Reduction of waste and its hazardous characteristics
- Planning and control of waste management activities and processes
- Transport and disposal of waste
- Education of employees regarding waste management

All activities, systems and obligations of the Bank related to waste management are defined in the Waste Management Plan, which includes measures for waste management within the collection, transport, storage, treatment and disposal of waste.

The Bank has established a waste management system based on the following principles:

1. Reduction of waste at source
2. Reuse
3. Recycling
4. The principle of sustainable development
5. Principle of the waste management hierarchy
6. The precautionary principle
7. The principle of proximity and regional approach to waste management
8. The principle of choosing the most optimal option for the environment
9. The „polluter pays“ principle
10. Principle of responsibility

By applying the stated principles in environmental protection and waste management, the Bank also achieves economic benefits which are manifested in the reduction of costs of storage, handling, transport, treatment and final disposal of waste materials.

Waste recycling

The Bank has concluded an agreement with an authorized operator for the transport, disposal and treatment of hazardous waste, as well as an agreement on the takeover of secondary raw materials of paper origin. Toner recycling is managed by a company that leases multifunctional devices to the bank.

In 2023, the Bank handed over 3.369 kg of hazardous electronic and electrical waste for destruction and recycling and 460 kg of paper.

GOALS FOR 2024:

In the implementation of business policy in the field of environmental protection, the Bank's goals for 2024 are:

- further improvement of the documentation management system in order to gradually switch to electronic business;
- replacement of existing technical protection systems, video surveillance systems and installation of MOBOTIX cameras
- conducting training of employees in order to inform about the legal regulations related to environmental protection.
- continuation of activities on replacement of fluorescent lighting with LED lamps and light bulbs
- support to institutions and bodies of local self-governments in the creation and implementation of environmental policy, improvement of energy efficiency, preservation of natural resources and improvement of environmental financing.

X RISK MANAGEMENT

This chapter explains the risks, ie risk management mechanisms related to environmental issues, social and personnel issues, respect for human rights, corruption, in order to eliminate them completely.

Environmental risk management

The Bank recognizes that its operations can have direct or indirect impact on the environment

and the community in which it operates. The bank's objective is to responsibly manage the environmental and social risks (hereinafter: E&S) associated with its operations in order to minimize E&S impacts and to enhance long-term returns to the Bank's shareholders.

Although the Bank's activity is classified in low E&S risk category, it is obliged to ensure that during its activities it will not take any actions that may jeopardise cultural and historical locations, natural resources, flora and fauna, or cause involuntary resettlement.

E&S risk in the Bank is regulated by the Policy and Procedure for Environmental and Social Risk Management and is managed in two ways:

- Directly through management E&S risks arising from the Bank's basic activity
- Through management E&S risk encountered by the Bank's clients

The following bodies are responsible for managing E&S risk in the Bank:

- Supervisory Board that establishes and at least once a year reviews E&S Risk Management Policy and identifies the need for any amendments,
- Executive Board that implements the adopted policy and establishes the E&S Risk Management Procedure,
- Credit Committee that monitors the Bank's exposure to E&S risk and proposes certain measures to be taken,
- Credit Division in charge of identification of E&S risk on the level of individual transaction or client to which certain credit products are granted,
- The Risk Management Department that is responsible for operational implementation of this Policy through monitoring and reporting of risk exposure to the bank's management and relevant authorities.

Key employees in charge of managing E&S risk as well as continuity in carrying out environmental and social risk management policy are: president of the Executive Board and the member of the Executive Board in charge of risk management, director of Credit Division, employees in Corporate and SME Credit Department, Credit Analysis Department, Credit Monitoring Department, employees in Collection Unit and employees in Risk Management Department.

The Bank is particularly cautious to invest only in the projects that do not cause any environmental and social harm. Environmental and social (E&S) protection includes, besides ecological aspects, the issues of a local community and employee protection.

The aim of managing E&S risk is identification, assessment and control of the risks that may cause E&S harm and it is carried out in accordance with the E&S Risk Management Policy and the E&S Risk Management Procedure.

When processing individual clients' applications, E&S risk is classified for the basic activity of the client and the activity which is subject to financing.

There are the following E&S risk categories:

- High – Exclusion List;
- High – Category A;
- High;
- Medium and
- Low

Environmental risk

Overview of the Bank's exposures by environmental and social risk categories
(in RSD thousand)

Risk category	Number of clients		Amount of placements (balance and off-balance)		Increase/ decrease
	31.12.2022.	31.12.2023	31.12.2022.	31.12.2023	
High – Exclusion List	-	-	-	-	-
High – Category A	15	13	1.331.673	3.366.728	2.035.055
High	446	517	20.108.661	25.592.535	5.483.874
Medium	3.065	3.248	29.848.286	33.520.803	3.672.517
Low	2.583	2.914	37.288.389	45.512.282	8.223.893
Total	6.109	6.692	88.577.009	107.992.348	19.415.339

** For the purpose of analysis of environmental risk, the Bank includes only relevant part of portfolio.*

In the structure of exposures (balance sheet and off-balance sheet exposures) to clients, legal entities and entrepreneurs, as of December 31, 2023, the largest share was held by clients with activities with low environmental and social impact 42.14%, then exposures to clients with activities with medium impact participate with 31,04% activities with high impact participate 23,70% and activities with high risk category A participate with 3,12%.

Social and personnel issues, respect for human rights and prevention of corruption

As for the risks related to social and personnel issues as well as respect for human rights, the Bank has completely eliminated these risks through the introduction of policies, procedures and instructions, as well as through the obligation of all employees to implement them.

Current policies, procedures and instructions are:

Code of Business Conduct and Ethical Principles

All employees of the Bank are obliged to adhere to all principles and working rules defined by the Code of Business Conduct and Ethical Principles. In this way, all disputes and conflicts that may arise between employees, clients and the Bank are avoided, but also contribute to the success and reputation of the Bank.

Anti-Corruption policy

The Bank is obliged not to show tolerance for corruption in all its operations and to operate in accordance with laws and regulations, international laws, ethical and business principles for the prevention of corruption. The policy applies to all employees, as well as to the Board

of Directors. The policy also defines the way of its implementation, procedures in case of bribery and corruption, obligations of training and informing all employees, clearly defines possible risks so that this policy could not be violated or disregarded in any case (gifts, donations).

Whistleblowing rulebook

The Whistleblowing rulebook regulates the whistleblowing process at the Bank in accordance with the provisions of the Law and the Rulebook. Whistleblowing is the disclosure of information related to violations of regulations, human rights violations, exercise of public authority contrary to the purpose for which it was entrusted, threats to life, public health, safety, environment, as well as to prevent large-scale damage. All employees are familiar with the Rulebook.

Decision on the prevention of harassment at work

All employees of the Bank must be familiarised with the Decision on the prevention of harassment at work. The Rulebook prescribes the rules of conduct of employer and employees, ie other persons engaged by the Bank, in relation to the prevention and protection against harassment at work and in relation to work, ie sexual harassment.

The Labour rulebook regulates the rights, obligations and responsibilities arising from the work contract. The rulebook applies to all employees employed by the Bank.


An effective employee appraisal system is one of the key tools for achieving the bank's organizational goals, therefore **the Employee Appraisal System Procedure** precisely defines activities related to employee performance management and as such it is applied in all organizational parts of the Bank.

Establishment and termination of employment and keeping records of employees - which describes the process of establishment (selection), termination of employment, as well as induction training where the new employee is introduced to the rules, procedures of the bank and basic activities of all sectors in the bank.

Employee training procedure - this procedure defines the identification of needs and launching initiatives for training, training planning and type of training, evaluation of training to ensure that bank employees develop the required skills and knowledge to perform their jobs and activities.

HALKBANK A.D. BEOGRAD


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