

**CORPORATE GOVERNANCE CODE
OF HALKBANK a.d. Beograd**



HALKBANK a.d. Beograd is a member of T.Halk Bankasi A.Ş group and acts in accordance with applicable regulations of the Republic of Serbia. Türkiye Halk Bankası A.Ş., Barbaros Mahallesi, Sebboy Sk. No.4,3 4746 Atasehir, Istanbul Turkey, Identification number: 862070 is a lawful holders (owners) of the shares in 100% (Halkbank A.Ş. Türkiye).

Halkbank A.Ş. Türkiye serves its clients through nationwide branches, offices, special transaction offices and with foreign representatives. As a bank with a mission, Halkbank will continue to support the traders, artisans, and SMEs who are the foundation of Turkey, as well as all entrepreneurs who contribute to investment and employment, with a modern banking approach. Halkbank will continue to be known as one of the industry's strongest and most reputable institutions.

- Second largest bank in Turkey in terms of assets,
- Second largest network in Turkey with near 1000 branches (including special transaction centers and offices) nationwide, with at least one branch in every city in Turkey,
- Strong and stable deposit base,
- Effective alternative delivery channels,
- Widespread customer base,
- Strong position in all sectors of banking with established banking practices,
- Strong capitalisation,
- Nationwide and international credibility.

We are HALKBANK a.d. Beograd, a universal bank that provides all types of banking products to business and retail clients. Our aim is to be a bank that encourages and finances the growth and development of domestic economics and provides a safe place for deposits of our clients.

Our primary duty is to create products that will completely fulfil expectations of our clients. We are extremely proud of fast and high quality products and services and we consider them our brand and virtue that distinguish us from others.

With our kind and obliging employees in the pleasant ambience of our affiliates, we are inviting you to become part of our successful family, because so many things connect us.

The values that we believe in and which are deeply rooted in our operations are:

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

Respect – We appreciate your diligence and respect the capital you generated.

Honesty – Our operations are transparent, and it is our priority to fully protect your interests.

Quality – Our products and services are tailored to your requirements and expectations.

Simplicity – Our procedures are easy to understand and user-friendly.

Speed – Your requests are processed within minimum term.

Efficiency – It is in our and your interest to reach fast solutions by simple procedures.

Progress – HALKBANK observes world standards and business trends with the aim of constant improvement and adjustment of its products and services to market requirements.

Professionalism – We have carefully selected our associates and colleagues and comprised a team of high experts that are trained and ready to respond to all your requests.

Discipline – We fulfil diligently and conscientiously all our obligations so that we can meet your and our professional needs.

So Many Things Bring Us Together!

People Beyond Everything!

HALKBANK a.d. Belgrade

CORPORATE GOVERNANCE

1. GENERAL PROVISIONS

1.1. Subject matter

Subject matter of Corporate Governance Code (hereinafter: the Code) is establishment of basic principles of corporate practice in HALKBANK a.d. Beograd (hereinafter: the Bank) as a non joint-stock company and organizational culture according to which holders of corporate governance in the Bank will act, particularly with regard to impact on the public and transparency of the Bank's operations, shareholder rights, competences and actions of corporate governance holders, informing and disclosing the Bank's operations and management of all types of risks.

1.2. Objectives

The major objective of the Code is to present the corporate governance system established in the Bank in a transparent and efficient manner and to introduce good business practices in the field of corporate governance, which should provide balance in its holders' impact and strengthen confidence of shareholders and investors in the Bank, with the purpose of ensuring long-term business development of the Bank.

This Code is supplement to regulations to the valid legal regulations, decisions of the National Bank of Serbia, acts of the Bank and international and domestic rules and practices of corporate governance, so that no provision of the Code repeals legal and other rules that regulate the same issue differently.

1.3. Meaning of terms in the Code

Bank means a joint-stock company headquartered in the Republic of Serbia and licensed by the National Bank of Serbia, which performs deposit and lending activities and which may perform other activities in accordance with law.

Banking group means a group of companies which consists exclusively of financial sector persons, and which includes at least one bank being the ultimate parent company or a subsidiary.

Indirect ownership exists when a person not having direct ownership in a legal person has the ability to effectively exercise ownership rights in such person via direct ownership of another person.

Controlling participation exists when one person has:

- 1) direct or indirect right or ability to exercise 50% or more of voting rights in a legal person, and/or direct or indirect ownership of 50% or more of capital of such legal person; or
- 2) the ability to elect at least half of the members of the managing board or other management body in such legal person; or

3) the ability to effectively exercise dominant influence over the management of a legal person or over the business policy of such legal person.

Corporate governance is the set of rules that determine how it operates and how to control the management bodies of the Bank, regulating relations between the management bodies, shareholders, customers and all stakeholders.

Persons related to a bank are:

- 1) members of the banking group to which the bank belongs;
- 2) members of the managing and executive board of the bank, members of the bank's committees defined by this Law, members of management bodies of a member of the banking group to which the bank belongs, as well as family members of those persons;
- 3) persons with participation in the bank and in persons which are members of the banking group to which the bank belongs, as well as family members of those persons;
- 4) legal persons in which persons specified in items 2) and 3) of this paragraph hold controlling participation.

Family members of the natural person shall include:

- 1) his blood relative in the direct line, blood relative in the collateral line to the third degree of kinship, as well as a spouse and an extra-marital partner of these persons;
- 2) his spouse and extra-marital partner and their blood relatives up to the first degree of consanguinity;
- 3) his adoptive parent or adopted child, as well as the descendants of the adoptee;
- 4) other persons that live with that person in the same household.

Related persons are persons where at least one of the following conditions is met:

- 1) two or more legal or natural persons are related in such a way that one of them holds significant or controlling participation in another legal person or other legal persons;
- 2) two or more legal or natural persons where the relation specified in item 1) of this paragraph does not exist are related in such a way that there is a possibility that deterioration of the financial position of one person may cause deterioration of the ability of another person or persons to settle their obligations;
- 3) two or more legal and natural persons are related in such a way that the natural person is a member of the managing or executive board or other management body in another legal person or other legal persons;
- 4) two or more legal and natural persons are related in such a way that family members of the natural person hold significant or controlling participation in another legal person or other legal persons or they are members of the managing or executive board or other management body in those legal persons;
- 5) family members of natural persons who are members of the managing or executive board or other management body or persons with special authorities and responsibilities in one legal person are at the same time members of the managing or executive board or other management body or persons with special authorities and responsibilities in another legal person or other legal persons.

Regulatory authority means a national authority empowered by the regulations of the respective country to issue and revoke operating licences to/from financial sector persons and to supervise or regulate their operation. In the Republic of Serbia, the National Bank of Serbia issues and revokes operating licenses and controls the solvency and legality of banks' operations and performs other activities, in accordance with the law governing banks;

Risk is the possibility of an event whose consequences could affect the achievement of the Bank's objectives.

External audit is a process of checking and evaluating the Bank's financial statements, data and methods used in preparing the financial statements, in order to express expert and independent opinion on the truthfulness and objectivity of the stated financial condition, results of operations and cash flows of the Bank prepared in accordance with the financial reporting framework applied by the Bank.

Risk management is the process of identifying and assessing risk, by defining appropriate controls in response to risk.

Business compliance - compliance with laws, regulations, rules, business standards, procedures for the prevention of money laundering and terrorist financing, internal acts and business ethics of the Bank, which apply on the Bank's operations.

1.4 Shareholders' rights

The Bank shall guarantee to shareholder to exercise its ownership and non-ownership rights provided for by Law, Foundation Decision and Statute of the Bank.

2. THE BODIES OF THE BANK

2.1. The Bank's bodies are:

- the Shareholders' Assembly,
- the Supervisory Board,
- the Executive Board.

Supervisory Board and Executive Board of the Bank are management bodies of the Bank.

2.2 Shareholders' Assembly

The Shareholders' Assembly is comprised of the Bank shareholder, who conduct functions of the Shareholders Assembly in accordance with applicable regulations.

A shareholder is entitled to participate in the work of the Shareholders Assembly, which implies:

- Right to vote on the issues about which his class of shares votes;
- Right to participate in the debate about the issues on the agenda of the Shareholders Assembly, which includes the right to file motions, ask questions related to the agenda of the Shareholders Assembly and receive answers, in compliance with the Statute of the Bank and the Rules of procedure of Shareholders' Assembly.

The Bank's shareholder is entitled to participate in the work of the Shareholders' Assembly, so the Bank will ensure:

- that Shareholders' Assembly Meetings may be held in the headquarter of the Bank and/or using conference calls or other audio and visual communication equipment, so that all persons participating in a session may communicate with one another at the same time in a way that enables clear identification of all participants;
- to call the Shareholders' meetings within terms prescribed by the law which regulates companies providing sufficient time to shareholder to get familiar with the agenda and materials to be reviewed and decided upon at the meeting;
- that materials delivered to shareholder include complete information and elaboration of proposed items on the agenda;
- to allow shareholder to vote through its representatives or proxy, so as to make vote in the presence and through its representatives or proxy have the same effect, providing that the adopted mechanism does not jeopardize efficiency and rationality in planning and holding the meeting;
- to provide shareholder to ask questions and give proposals based on the agenda, as well as conditions and procedure of replying to such answers.

In accordance with positive regulations of the Republic of Serbia, the Bank will ensure that shareholder is timely and fully informed about significant corporate changes, particularly amendments to the Foundation Decision and Statute, equity decrease or increase, material changes in ownership structure and statutory changes.

2.3. Management bodies of the Bank

Supervisory Board and Executive Board of the Bank are management bodies of the Bank.

A member of the Bank's Supervisory Board may not be a member of the Bank's Executive Board.

Members of the Supervisory Board and Executive Board of the Bank shall be responsible for keeping the Bank's operations in accordance with the law, as well as with by-laws and rules of the National Bank of Serbia, as well as the rules and procedures of the Bank, in accordance with the duties and responsibilities of the Supervisory Board i.e. Executive Board established by law governing banks, the regulations adopted on basis of this law, the Articles of association and acts of the Bank.

Members of the Supervisory Board and the Executive Board are appointed for the period prescribed by Bank's Statute, in a manner to establish the achievement of long-term goals of the Bank, stability and continuity of the Supervisory Board and the Executive Board (in terms of their membership and work) with the aim that decision-making be efficient and risk management in the Bank.

The election and appointment of members of the Supervisory Board and Executive Boards are performed in accordance with the Law on banks, regulations of the National Bank of Serbia and general acts of the Bank.

In order to achieve more efficient corporate governance, in the appointment of members of the management body, the Bank shall ensure that the appointed person has:

- Good business reputation in relation to its own work experience and engagement,
- Appropriate academic education and work experience,
- Possesses certain moral qualities,
- Has not been convicted of acts that would make him unfit to perform the function,
- Contributes to the achievement of the Bank's goals with his personal characteristics,
- to be committed to work committee appointed for.

Members of the Supervisory Board/Executive Board are obliged:

- to regularly attend and actively participate in the work of the Supervisory Board/Executive Board meetings,
- to duly review the materials for the Supervisory Board/Executive Board meetings,
- to base their decisions, in executing their function as members of the Supervisory Board/Executive Board, upon expert and competent ideas, prudently and in reasonable belief that they act in the Bank's best interests,
- to regularly inform other members of the Supervisory Board/Executive Board of any potential conflict of interest that they may have in carrying out their functions as members of the Supervisory Board/Executive Board ,
- to consider information and materials provided by the Bank for the purpose of their function as members of the Supervisory Board/Executive Board as confidential, and treat them confidential during their mandate and after the expiry of their function as the member of the Supervisory Board/Executive Board ,
- to be conscientious and loyal to the Bank, not to use confidential information for their personal interests and personal wealth, and business opportunities of the Bank for their personal needs,
- to respect rules regarding the conclusion of agreements in which there is conflict of interests and they are obliged to notify immediately the Supervisory Board/Executive Board of any legal entity/natural person related to any member of the Supervisory Board with which the Bank has or will establish business relationship,

Members of Supervisory Board and Executive Board shall make decision conscientiously, in accordance with the law and in the Bank's interest.

2.4. Remuneration of members of management bodies

The Bank takes care that the remuneration of the members of the management body is at the appropriate level, in accordance with the tasks and scope of engagement, thus connecting the interests of the members of the Supervisory Board and Executive Board with the long-term interests of the Bank and shareholders.

Bank's Shareholder Assembly shall, at least once per year, review written information which contains detailed data on all salaries, remuneration and other earnings of the members of the Supervisory Board and Executive Board of the Bank, and on all contracts between the Bank and the members of these boards, and other persons related to those members, and which result in proprietary benefit for such persons, as well as the proposal of the Supervisory Board regarding salaries, remuneration and other proprietary benefits of these persons for the following year.

2.5. Conflict of interest

In its operations, the Bank, through internal acts and the work process, ensures the avoidance of conflicts of interest of members of management bodies and persons related to them, taking into account the law and good practice of corporate governance.

A member of the Supervisory Board and Executive Board may not participate in considering and deciding on the approval of any legal transaction between him and the Bank, between the Bank and any member of his family, between the Bank and a legal entity in which he or any member of his family participates in the management or management of, or in which he has significant or controlling interest in accordance with the Law which regulates banks, as well as a proposal for a decision deciding the rights and / or obligations and / or responsibilities of that member.

Within one month of assuming their positions, the members of the Supervisory Board and Executive Board shall submit to the Supervisory Board a statement in writing which shall contain:

- All proprietary rights of such persons and members of their families, whose market value exceeds dinar equivalent of EUR 10,000 at the official middle rate on the day of the assessment of the value of such proprietary rights;
- the legal entity in which the persons that issue the statement, or the members of their families, participate in management or governance bodies or hold participation in that legal entity, and/or have the status of a partner or general partner.

In the event of any changes of these data, members of the Supervisory Board and Executive Board are obliged to inform Supervisory Board thereof within one month after the change occurs.

2.6. Supervisory Board

The Supervisory Board is a managing body executing operations within its competences as prescribed by the Law which regulates banks and the Bank's Statute.

Members of the Supervisory Board must comply with conditions prescribed by the Law on Banks, legislation of the National Bank of Serbia (hereinafter: NBS) and the Bank's Statute. Members of the Supervisory Board must have good business reputation and appropriate qualifications prescribed by the National Bank of Serbia.

Minimum 1/3 members of the Supervisory Board must be persons independent from the Bank, and/or persons with no direct or indirect ownership in the Bank or in the member of the Bank's banking group and not employed in the Bank, nor in the member of the Bank's banking group.

Minimum three members of the Supervisory Board must have appropriate experience in the field of finance – at least three years of experience at management position in financial sector entity or six years of experience in financing and banking area and with recognition as an expert or scientific worker in such areas. Other members of the Supervisory Board must have minimum six years of experience at managing positions in a business entity.

At least one member must have an active knowledge of the Serbian language and the place of residence in the territory of the Republic of Serbia.

2.7. Executive Board

The Executive Board organizes the Bank's operations and conducts daily supervision over the work of employees.

Members of the Executive Board should be persons with appropriate professional and personal qualities, good business reputation and qualifications prescribed by the National Bank of Serbia.

Members of the Executive board shall be full- time permanent employees of the Bank.

At least one member of the Bank's Executive Board must be fluent in Serbian language and have permanent residence in the Republic of Serbia, and all members of the Executive Board must have residence in the Republic of Serbia.

Bank's general acts govern issues pertaining to the work of the Executive Board, such as:

- segregation of the Executive Board competences from the Supervisory Board competences,
- operations that the Executive Board execute with prior consent of the Supervisory Board and the procedure for obtaining such prior consent,
- manner of calling and holding meetings of the Executive Board, ensuring balance between the need for executing certain formal procedures and the need for efficient operational work of this body,
- quorum and manner of making decisions at the Executive Board meetings,
- obligations of the Executive Board to the Shareholders' Assembly and the Supervisory Board and the manner of their implementation and
- other issues of importance for efficient executive function in the Bank.

3. OTHER COMMITTEES

3.1. Committee for monitoring the Bank's operations (Audit Committee)

The Committee for Monitoring the Bank's Operations is the body that supports the Supervisory Board in the supervision over the work of the Bank's Executive Board and the Bank's employees.

Minimum two members of the Committee for Monitoring the Bank's Operations must have appropriate experience in the field of finance – at least three years of experience at management position in financial sector entity or six years of experience in financing and banking area and with recognition as an expert or scientific worker in such areas.

Members of the Committee for Monitoring Bank's Operations cannot be persons related to the bank, except by virtue of their membership in the Supervisory Board of the Bank.

One member of the Audit Committee must be independent from the Bank.

Members of the Audit Committee meet at least on a monthly basis, and once in a quarter in the Bank's head office at minimum.

Audit Committee is obliged to propose to the Supervisory Board to eliminate the detected irregularities and schedule the meeting of the Shareholders' Assembly when it assesses that the Bank operates contrary to Law, any other regulations, the Statute or other enactment of the Bank or when it makes such assessment on the basis of the audit report, or when it detects other irregularities that may significantly affect the operations of the Bank.

1.2. Credit Committee

Credit committee shall make decisions regarding credit requests within the limits established by the Bank's enactments and perform other activities established by the Bank's enactments.

The Credit Committee make decisions on approving all types of placements. Decision making is subject to the rules defined in the Policies, procedures and other applicable regulations of the Bank, as well as in applicable regulations of the National Bank of Serbia.

3.3. Committee for Managing Assets and Liabilities

Committee for managing assets and liabilities shall monitor the Bank's exposure to risks resulting from the structure of its balance sheet obligations and receivables and off-balance sheet items, propose measures for management of interest rate risk and liquidity risk, and perform other activities established by the Bank's enactments.

4. INTERNAL CONTROL, SUPERVISION OF COMPLIANCE OF THE BANK'S BUSINESS OPERATIONS AND INTERNAL AUDIT

The Bank establishes a special organizational unit the competence of which includes the supervision of compliance of the Bank's business activities and internal audit activities, which control the regularity of the Bank's work and the efficiency of the functioning of the internal control system.

4.1. Internal audit and supervision of compliance of the bank's business operations

The Supervisory Board establishes an efficient system of internal controls in the manner that ensures continuous monitoring of the risks to which the Bank is or may be exposed in its operations, which particularly include:

- risk management function;
- compliance function and
- internal audit function

The Executive Board is responsible for establishing the internal control system and execution of internal control over the Bank's operations at all levels.

The organizational unit for supervision of compliance of the Bank's business activities carries out the following activities:

- monitoring of compliance of the Bank's business with Law and any other regulations, operating standards, anti-money laundering procedures and procedures for combating terrorist financing, as well as any other enactments regulating the Bank's business;
- at least once a year identifies and assesses key risks of compliance and proposes plans for such risks management, composes the report thereon and submits it to the Executive Board and the Audit Committee;
- composes the programme regarding monitoring of compliance of the bank's business activities, which particularly contains methodology of activities of such organizational unit, planned activities, manner and deadlines for composing the reports, manner of checking of such compliance as well as the plan regarding training of the employees.
- informs the Executive Board and the Audit Committee of any identified omissions regarding compliance of the Bank's business activities.

4.2. Internal Audit

The Bank has an internal audit system, which enables the audit of the Bank's operations in a professional, high-quality, impartial and independent manner.

Internal Audit in which competence is internal audit:

- assess adequacy and reliability of the Bank's system of internal control and function of control of compliance of the Bank's activities;
- ensure adequate identification and control of risks;
- determine deficiencies in the activities of the Bank and its employees, as well as cases of default and excess of authority and prepare proposals for elimination of such deficiencies as well as recommendations for their prevention;
- holds meetings with the Bank's Supervisory Board, as well as with the Audit Committee;
- prepare reports on activities of the internal audit on a regular basis and submit them to the Bank's Supervisory Board, as well as to the Audit Committee.

4.3 Risk management

Risk management function in the Bank is defined in a way that Bank's operations are sustainably optimized through consistent management of all material risks in such a way:

- to promote a consistent and prudent approach to risk management throughout the Bank, at all organizational levels
- to identify, measure and control all types of financial and non-financial risks that affect on our business and optimize risk taking through a proactive approach
- consistently communicate about all potential and identified risks, thus consistently applying the risk management framework and constantly raising awareness of its importance.

5. EXTERNAL AUDITOR

In order to conduct annual audit of its financial reports, the Bank shall annually hire an external auditor (audit firm).

The decision on the selection of external auditor is made by the Shareholders' Assembly at the proposal of the Supervisory Board and Audit Committee. The bank shall notify the National Bank of Serbia on appointment of external auditor within 15 days from the day of such appointment.

In the procedure of preparing the proposal for the selection of external auditor, the Supervisory Board of the Bank should review the opinion of the Audit Committee regarding the assessment of qualifications, expertise, available resources, efficiency and independence of potential candidates for external auditor.

For external auditor the Bank may appoint an entity listed with the National Bank of Serbia that meets the criterion of independence from the Bank.

The person that manages audit and signs the report must have the highest professional title in audit, and according to the law on audit that person must have three years of experience in bank audit operations and must be independent from the Bank.

External auditor may conduct maximum 5 audits of regular annual financial statements in a row.

The external auditor may not conduct both an audit of the bank's financial statements and provide consulting services to such bank during the same year, nor may they conduct an audit for the business year in which they provided consulting services to such bank.

6. PROVIDING INFORMATION OF THE BANK'S WORK AND OPERATIONS

In accordance with corporate management principles, apart from statements and information set out by law that are not classified as confidential and are not considered as trade secret, providing the information to the public means provision of financial and non-financial information to potential investors and all users, including shareholders, immediately and fully, transparently and accurately.

The Bank publishes all material information about its work and operations at its internet presentation www.halbank.rs.

The most significant facts that the Bank publishes are the following:

- the Bank's risk management strategies and policies, the Bank's equity, the Bank's capital adequacy ratio as well as other information in accordance with the regulations of the National Bank of Serbia,
- the full external auditor's report on the audit of annual financial statements of the Bank, including notes to the financial statements,
- quarterly unaudited financial statements including balance sheet, off-balance sheet items, income statement and statement of cash flows,
- names of members of the Supervisory Board and Executive Board and of shareholders,
- organizational structure and list of the Bank's organizational units
- General Operating Conditions of the Bank and
- other information.

The Bank will publish auditor's report in short form in one daily newspapers distributed throughout the territory of the Republic of Serbia, within 15 days after receiving such report.

In publishing information and reporting the Bank will in all respect comply with stipulations of the Law which regulates governing on banks, Law which regulates companies, and other regulation and secondary legislation relevant for this matter.

7. TRANSACTIONS WITH A RELATED PERSON TO THE BANK AND PREVENTING CONFLICT OF INTEREST

The Bank identifies all transactions with persons related to the Bank and takes care that this transactions are in accordance with the law and that they are not harmful to the Bank's operations, as well as that they are concluded under market conditions.

Through the established system of internal control, the Bank is taking care about prevention of conflicts of interest at all levels of management and business segments.

8. RELATIONSHIP WITH REGULATORY BODIES

The Bank in a transparent manner establishes and maintains communication with the National Bank of Serbia as a regulatory body and reports about all issues relevant to its operations within the deadlines prescribed by the Law on Banks.

Transparent and public reporting to the NBS is provided as follows:

- The Bank adopts and implements procedures that ensure compliance with regulations and transparent and public reporting of regulatory bodies;
- The Bank provides support to regulatory bodies in its operations in order to optimize and maintain regulatory standards.

9. RESPONSIBLE FINANCING

When making business decisions related to financing, in addition to economic factors, social, environmental and ethical criteria are also considered.

When making such decisions, the Bank shall ensure:

- establishing and implementing the principle of responsible financing in order to regulate Bank's financing activities;
- establishing and implementing the principles of environmental and social protection in order to Bank make business decisions easier and faster in accordance with them.

10. FINAL PROVISIONS

The Supervisory Board will ensure that this Code is implemented and will monitor its implementation and adjustment of the activities of the Bank and its bodies with principles set out in this Code.

Any disputes arising from the implementation of this Code will be settled in peaceful way with intermediation of the Supervisory Board.

When this Code come into force, Corporate Governance Code of HALKBANK a.d. Belgrade number 1816/2012 of 17.04.2012, cease to be valid

This Code will come into effect as at the day of its adoption and will be published at the Bank's official internet page.

Number: 3633

Date: 15.10.2020.

**HALKBANK a.d. Beograd
SUPERVISORY BOARD**