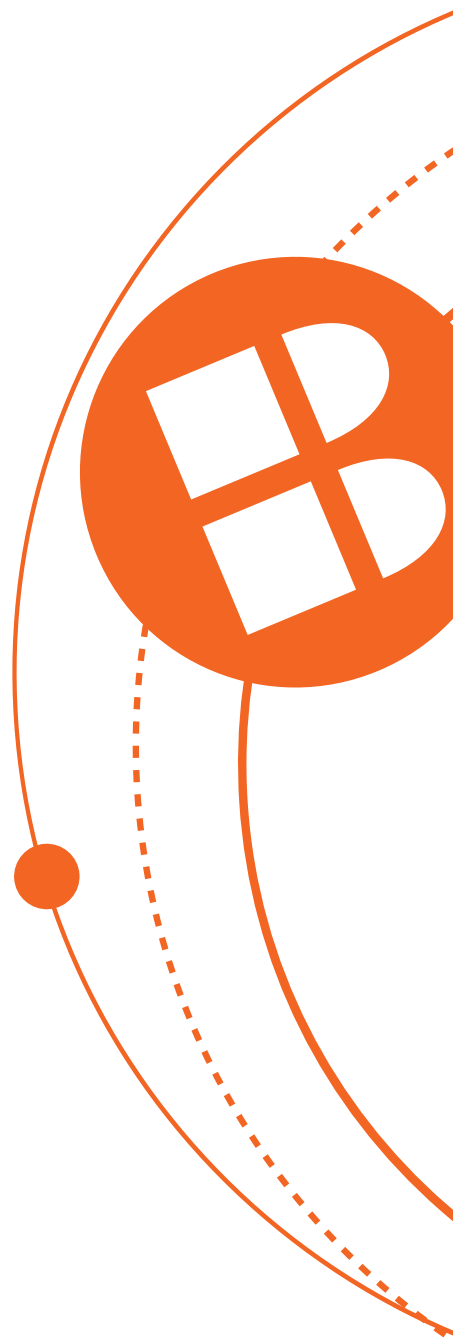


ANNUAL REPORT

FOR 2024

 **HIPOTEKARNA
BANKA**

Vama posvećena



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1

FROM THE
EXTERNAL
AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hipotekarna banka AD Podgorica

Opinion

We have audited the accompanying financial statements of Hipotekarna banka AD, Podgorica (hereinafter: "the Bank"), which comprise a statement of financial position as at December 31, 2024, a statement of comprehensive income, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes, including a summary of significant accounting policies and other disclosures (hereinafter 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the Bank's financial position as of December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Law on Audit of Montenegro, Law on Accounting of Montenegro and International Standards on Auditing (ISA) applicable in Montenegro. Our responsibilities under these standards are further described in Auditor's Responsibility for the Audit of Financial Statements section in our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants of the Committee on International Ethics for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Montenegro, and have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key Audit Matters	Appropriate audit procedure
<i>Impairment of given loans and receivables from clients and provisions for off-balance sheet items</i>	
As of December 31, 2024, the gross value of loans and receivables from clients amounted to EUR 287,059 thousand (December 31, 2023: EUR 266,107 thousand), while the total amount of the value correction of loans and receivables from clients amounted to EUR 17,494 thousand as of December 31, 2024 (December 31, 2023: EUR 17,696 thousands).	Based on our risk assessment and industry knowledge we examined the cost of impairment of given loans, receivables from clients and provisions for off-balance sheet items and evaluated the applied methodology as well as used assumptions and in accordance with the key audit matter.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key Audit Matters	Appropriate audit procedure
<i>Impairment of given loans and receivables from clients and provisions for off-balance sheet items</i>	
<p>The measurement of the cost of impairment of given loans and receivables from clients and provision for off-balance sheet items is considered key audit matter considering that the determination of the amount of provision for impairment requires the significant assessment by the management to determine the moment when the impairment is recognized as well as the impairment amount.</p> <p>The most significant consideration relates to:</p> <ul style="list-style-type: none"> • Assumption that are used in the model of expected credit loss for the assessment of credit risk related to exposure and expected credit losses for future cash flow of the client. • Timely identification of the exposure with significant increase of exposure to the credit risk and credit impairment. • Valuation of collateral and assumptions of the future cash flow on individually estimated credit exposures. <p>The management disclosed the additional information about the impairment cost of the given loans and receivables from clients for off-balance sheet items in Notes 3.3.8, 5.2, 7, 7.12 and 23 of the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • The assessment of key controls over assumptions which are used in expected credit loss model for the assessment of the credit risk related to exposure and future expected cash flows of the client. • detailed testing of the calculation of risk parameters, based on the official methodology of the Bank, which is the subject of assessment of compliance with accounting requirements. This testing also includes the assessment of model assumptions; • Assessment of key controls over the timely identification of exposure with significant increase of the credit risk and exposure identification of the impairment. • Collection and detailed testing which support the appropriate determination of the impairment cost of the loans and receivables including valuation of collateral and assumptions of future cash flow for individually assessed exposure of the loan impairment. • Assessment of key development of high-risk portfolio from the previous period with regard to industry standards and historical data. • Assessing the adequacy of various identified decisions of the Management regarding to assumptions related to the calculation of expected credit losses for individually assessed loans, as well as decisions on the approach to assessment of expected credit losses for collectively assessed loans, as well as evaluating applied methodologies using our industry knowledge; • Assessment of the accuracy and completeness of disclosure in financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)***Other information contained in the Bank's annual management report***

Other information refers to the information contained in the annual management report, but does not include the financial statements and the auditor's report on them. The management of the Bank is responsible for the preparation of other information in accordance with the regulations of Montenegro. Our opinion on the financial statements does not include other information. In connection with the audit of the financial statements, it is our responsibility to read the other information and thereby consider whether the other information is consistent in all material respects with the financial statements, with our knowledge obtained during the audit, or otherwise appears to be materially incorrect. In addition, we assessed whether the other information was prepared, in all materially significant aspects, in accordance with the Accounting Law of Montenegro, especially whether the other information was formally in accordance with the requirements and procedures for the preparation of other information of the Accounting Law of Montenegro in the context of materiality, i.e. whether any non-compliance with these requirements could affect the judgments made on the basis of this other information.

Based on the implemented procedures, to the extent that we are able to evaluate them, we report that :

1. other information describing the facts that are also presented in the financial statements are, in all materially significant aspects, in accordance with the financial statements; and
2. other information was prepared in accordance with the requirements of the Law on Accounting of Montenegro.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Annual Management Report. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit, Law on Accounting of Montenegro, and ISAs applicable in Montenegro will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Audit of Montenegro, Law on Accounting in Montenegro and ISAs applicable in Montenegro, we apply professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or avoiding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the applied accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the basic transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Đorđe Dimić.

Crowe MNE d.o.o. Podgorica

April 16, 2025




Đorđe Dimić, Certified auditor


Pero Đuričković, Certified auditor


Marija Dašić, Certified auditor


Vladimir Kavarić, Authorized person

INCOME STATEMENT

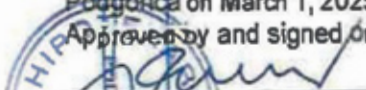
For the period from January 1 to December 31 2024

(In thousands of EUR)

	Note	2024	2023
Interest income and similar income	3.1, 6	32,150	24,383
Interest income on impaired loans		790	903
Interest expenses	3.1, 6	(2,096)	(2,169)
NET INTEREST INCOME		30,844	23,117
Fee and commission income	3.2, 9	32,226	28,998
Fee and commission expense	3.2, 9	(18,670)	(17,334)
NET FEE AND COMMISSION INCOME		13,556	11,664
Net profit/loss due to the derecognition of financial instruments not valued at fair value through profit and loss		(171)	(41)
Net profit/loss on account of financial instruments held for trading	3.3.	2,521	901
Net exchange rate gains	3.4.	1,271	1,244
Net profit/loss from the derecognition of other property		208	273
Other income	14	171	135
Employee expenses	10	(8,636)	(7,040)
Depreciation expenses	12	(2,979)	(2,572)
General and administrative expenses	11	(12,596)	(9,310)
Net income/expenses due to the depreciation of financial instruments not valued at fair value through profit and loss	3.8, 7	(1,993)	(3,561)
Provisioning costs	3.14, 8	64	(148)
Other expenses	13	(144)	(129)
OPERATING PROFIT		22,116	14,533
Income tax	3.6, 15	(3,655)	(2,276)
NET PROFIT		18,461	12,257
Earnings per share	31	1.8	1.2

These financial statements were approved by the Management board of Hipotekarna banka A.D. Podgorica on March 1, 2025 in Podgorica.


Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:




Esad Zaimović
 President of the Management Board


Jelena Vuletić
 Board member


Nataša Lakić
 Board member


Ana Golubović
 Board member


Nikola Spadijer
 Board member

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STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period from January 1 to December 31 2024

(In thousand EUR)

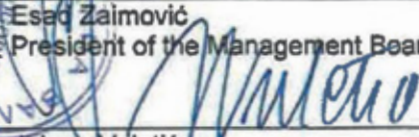
	<u>2024</u>	<u>2023</u>
Net profit	<u>18,461</u>	<u>12,257</u>
Total other comprehensive income		
The effects of changes in the value of securities that valued at fair value through other total results	475	492
Income tax based on items of total other result	(17)	6
Total other result for current year	<u>(57)</u>	<u>(53)</u>
Total other comprehensive income	<u>418</u>	<u>439</u>
TOTAL OTHER COMPREHENSIVE INCOME	<u><u>18,879</u></u>	<u><u>12,696</u></u>


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Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:

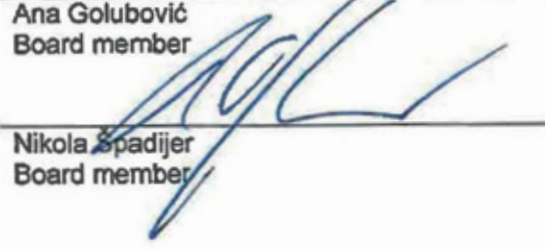



 Esad Zaimović
 President of the Management Board


 Jelena Vuletić
 Board member


 Nataša Lakić
 Board member


 Ana Golubović
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 Nikola Spadijer
 Board member

BALANCE SHEET

As at December 31, 2024

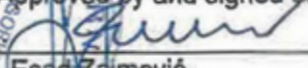
(In thousands of EUR)


	Notes	December 31, 2024	December 31, 2023
ASSETS			
Cash and cash balances and deposits accounts with central banks	3.7, 16	274,038	224,223
Financial assets at amortized cost		792,966	674,299
Loans and receivables from banks	3.8, 17.1	118,561	77,265
Loans and receivables from clients	3.8, 17.2	269,565	248,411
Securities	17.3	401,517	345,861
Other financial assets		3,323	2,762
Financial assets at fair value through other comprehensive income		6,817	6,368
Securities	18	6,817	6,368
Financial assets held for trading		-	-
Securities	18	-	-
Property, plant and equipment	3.5, 3.10, 19	10,403	9,129
Intangible assets	3.10, 20	2,770	2,306
Deferred tax assets	15c	22	43
Other assets	21	4,785	5,037
TOTAL ASSETS		1,091,801	921,405
LIABILITIES			
Financial liabilities at amortized cost		952,501	803,438
Deposits due to banks and central banks	22.1	36,195	2,415
Deposits due to customers	22.2	897,102	788,852
Borrowings from banks and central banks		4,500	-
Borrowings from clients other than banks	22.3	14,257	11,928
Other financial liabilities		447	243
Reserves	23	1,542	924
Current tax liabilities		3,507	2,233
Deferred tax liabilities	15c	72	15
Other liabilities	3.5, 24	26,917	26,381
Subordinated debt	26	13,271	13,261
TOTAL LIABILITIES		997,810	846,252
EQUITY			
Share equity	25	52,362	52,362
Share premium		-	-
Retained earnings/losses		22,614	10,383
Current year profit		18,461	12,257
Other reserves		554	151
TOTAL EQUITY	3.11	93,991	75,153
TOTAL EQUITY AND LIABILITIES		1,091,801	921,405
OFF-BALANCE SHEET ITEMS	28	1,087,319	957,066

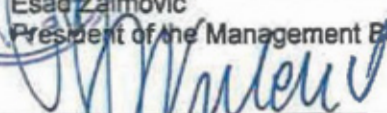
These financial statements were approved by the Management board of Hipotekarna banka A.D.


Podgorica on March 1, 2025 in Podgorica.

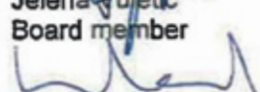
Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:


 Esad Zaimović
 President of the Management Board


 Ana Golubović
 Board member


 Jelena Vučetić
 Board member


 Nikola Spadijer
 Board member


 Nataša Lakić
 Board member

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STATEMENT OF CHANGES IN EQUITY

For the period from 1 January to December 31, 2024

(In thousand EUR)	Share capital	Share premium	Current year profit	Other reserves	Total
Balance as of 1 January 2023	52,362	-	10,383	(294)	62,451
Effect of the fair value of financial assets measured at fair value through other comprehensive income	-	-	-	439	439
Profit of the year	-	-	12,257	-	12,257
Actuarial losses/gains, net	-	-	-	6	6
Balance as of December 31, 2023	52,362	-	22,640	151	75,153
Balance as of 1 January 2024	52,362	-	22,640	151	75,153
Effect of the fair value of financial assets measured at fair value through other comprehensive income	-	-	-	418	418
Other effect of securities on capital	-	-	(26)	-	(26)
Profit of the year	-	-	18,461	-	18,461
Actuarial losses/gains, net	-	-	-	(15)	(15)
Balance as of December 31, 2024	52,362	-	41,075	554	93,991

These financial statements were approved by the Management board of Hipotekarna banka A.D. Podgorica on March 1, 2025 in Podgorica.

Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:

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President of the Management Board

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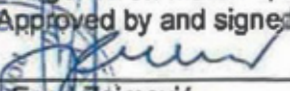
STATEMENT OF CASH FLOWS**For the period from 1 January to December 31, 2024****(In thousand EUR)**

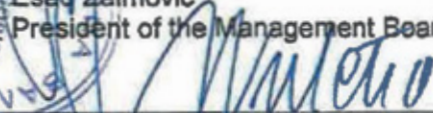
	2024.	2023.
Cash flows from business activities		
Inflows from interest and similar income	32,681	24,565
Outflows from interest and similar income	(1,580)	(2,040)
Inflows from fees and commissions	32,226	28,997
Outflows from fees and commissions	(18,670)	(17,334)
Outflows from employee salaries and supplier costs	(39,659)	(33,099)
Increase/reduction of credits and other assets	(21,169)	(16,102)
Inflows from deposits and other liabilities	142,429	87,757
Paid taxes	(3,184)	(2,069)
Other outflows	(66,659)	(107,608)
Cash inflow/outflow from business activities	56,415	(36,933)
Cash flows from investing activities		
Purchase of property and equipment	(2,331)	(1,885)
Purchase of intangible assets	(1,036)	(795)
Treasury bills	30,000	(20,358)
Inflows from the sale of material and long-term assets	42	13
Cash inflow/outflow from investing activities	26,675	(23,025)
Cash flows from financial activities		
Increase/reduction of borrowed assets	6,831	(3,835)
Cash inflow/outflow from financial activities	6,831	(3,835)
Exchange rate effect on cash and cash equivalents	1,270	1,245
Net increase/reduction of cash and cash equivalents	91,191	(62,548)
Cash and cash equivalents at the beginning of the period	290,193	352,741
Cash and cash equivalents at the end of the period	381,384	290,193

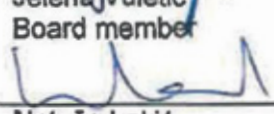
These financial statements were approved by the Management board of Hipotekarna banka A.D. Podgorica on March 1, 2025 in Podgorica.


Approved by and signed on behalf of Hipotekarna banka A.D. Podgorica:





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President of the Management Board


Jelena Vuletić
Board member


Nataša Lakić
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2

BUSINESS ACTIVITIES AND ORGANISATIONAL STRUCTURE OF THE BANK

I BUSINESS ACTIVITIES AND ORGANIZATIONAL STRUCTURE OF HIPOTEKARNA BANKA

ABOUT THE BANK

Hipotekarna Banka AD Podgorica ("the Bank") provides the widest range of banking and financial products and services to legal and natural persons in Montenegro, in accordance with the licenses issued by the competent institutions.

The conditions for establishing and operating banks in Montenegro are regulated by the Law on Credit Institutions and the Law on Business Companies, as well as by-laws of the Central Bank of Montenegro ("CBCG").

The provision of services on the securities market, which the Bank provides, is regulated by the Law on Capital Market and by-laws of the Capital Market Authority. The Bank also performs payment operations, which are regulated by the Payment System Law, including the related enabling regulations of the CBCG.

The Bank also performs insurance agency activities, which are regulated by the Insurance Law and the relevant by-laws of the Insurance Supervision Agency.

The Bank is subject to the control and supervision of the CBCG, the Capital Market Authority and the Insurance Supervision Agency.

As at 31.12.2024, the total number of employees employed in the Bank was 283 (243 employees of the Bank and 40 seconded staff), of whom: 2 employees with a PhD degree (0.72%), 13 with Master's degree (4.59%), 140 with higher education (49.47%), 63 with Bachelor's degree (22.26%), 13 with college education (4.59%) and 52 with secondary school education (18.37%).

CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE RULES

Bank's bodies are:

- » General Shareholders' Assembly
- » Supervisory Board and
- » Management Board

General Shareholders' Assembly

- » General Shareholders' Assembly is the highest body of the Bank.
- » The Bank's Shareholders' Assembly consists of its shareholders, whose interests can be represented by the authorized proxies as well.

In accordance with Article 15b of the Law on Takeover of Joint Stock Companies:

1) Capital structure of the Bank:

- » The Bank's share capital amounts to EUR 52,361,965.61, consisting of 10,241,148 ordinary, registered shares;

- » The nominal value of one share amounts to EUR 5.1129;
- » Shares are dematerialized, infinitely transferable and registered. The excerpt from the Register of the Central Securities Depository Clearing Company AD Podgorica is the only proof of ownership of shares;
- » A shareholder of the Bank, who owns ordinary shares, has the following rights:
 1. the right to attend the shareholders' meeting,
 2. the management right in proportion to the participation in the capital of this class of shares,
 3. the right to dispose of shares, in accordance with positive regulations,
 4. the right of pre-emption to purchase shares of new issues,
 5. the right to free shares in the event of an increase in share capital from the Bank's funds, in proportion to their share,
 6. the right to a dividend, after distribution to the owners of preferred shares, when the Bank's Shareholders' Assembly decides to pay the dividend,
 7. the right to obtain, upon personal request, a copy of the balance sheet and the profit and loss statement, as well as the report of the external auditor,
 8. the right to inspect, thirty days before the holding of the Shareholders' Meeting, as well as at the very meeting, the financial reports, including the reports of the external auditor,
 9. the right to a proportionate part of the property in case of liquidation of the Bank and other rights, in accordance with positive regulations.

2) There are no restrictions on the transfer of shares or securities;

3) Significant direct and indirect participation in capital (14 largest shareholders):

Shareholders	Number of shares	% of capital
CERERE SPA - TRST, ITALIJA	1.793.078	17.51%
GORGONI PAOLO	1.455.154	14.21%
GORGONI MARIO	1.379,584	13,47%
TODOROVIC MILJAN	663.398	6.48%
MONTINARI SIGILFREDO	503.973	4.92%
MONTINARI ANDREA	503.646	4.92%
MONTINARI DARIO	503.973	4.92%
MONTINARI PIERO	503.646	4.92%
GENMONT DOO TIVAT	401.840	3.92%
CERFIN DOO	396.070	3.87%
BALANCE AK DOO TIVAT	329.190	3.21%
KRUGGER DOO PODGORICA	276,511	2.70%
IBIS SRL	248.568	2.43%
TODOROVIC MILJAN NIKOLA	91.603	0.89%

4) There are no securities that give special control rights;

5) Positive legal and other regulations apply to the acquisition of shares by employees;

6) There are no restrictions on voting rights, such as restrictions on the voting rights of owners of a certain percentage of securities or a certain number of shares, deadlines for exercising voting rights, etc.;

7) There is no agreement between the shareholders that the issuer is aware of and that may result in restrictions on the transfer of securities and/or voting rights;

8) The manner of appointing and dismissing members of the Management Board is defined by positive legal and other regulations;

9) The powers of the members of the Management Board are defined by positive legal and other regulations;

10) There are no significant agreements in which the issuer is a contracting party and which produce legal effect, that are changed or terminated after the takeover of the issuer following the implementation of the public offer for takeover and their legal effects, unless the agreements, by their nature, are such that their disclosure would have significant adverse consequences for the issuer, provided that the issuer is not expressly obliged to disclose such data in accordance with the law;

11) The members of the Management Board and individual directors of the Bank's organizational parts have contractual clauses which define the payment of compensation for the termination of their term of office, in the amount of 6 (six) to 18 (eighteen) monthly net earnings.

The Bank's management bodies are: a) Supervisory Board and b) Management Board.

Supervisory Board

The Supervisory Board is the Bank's management body, which performs the function of supervising the Bank's operations, the powers of which are determined by the Law on Credit Institutions, the Law on Business Organizations and the Bank's Articles of Association.

Members of the Supervisory Board are elected and appointed by the Bank's Shareholders' Assembly.

The structure of the Supervisory Board and its bodies

Supervisory Board of the Bank:

- Sigilfredo Montinari, chairman
- Miljan Todorović, member
- Miljan Nikola Todorović, member
- Antonio Moniaci, member
- Mato Njavro, member

The Supervisory Board bodies:

Audit Committee:	Remuneration Committee:	Nomination Committee:
» Antonio Moniaci, chairman	» Miljan Todorović, chairman	» Sigilfredo Montinari, chairman
» Sigilfredo Montinari, member	» Antonio Moniaci, member	» Antonio Moniaci, member
» Mato Njavro, member	» Mato Njavro, member	» Mato Njavro, member

In addition to the aforementioned bodies of the Supervisory Board, the Supervisory Board appoints and dismisses the Audit Committee, which has 3 (three) members.

The members of the Audit Committee are:

- Draško Popović, chairman
- Vedrana Cicvarić, member
- Goran Knežević, member

During 2024, the Supervisory Board of the Bank made decisions on issues within its competence, continuously supervised the Bank's operations and periodically considered reports on the financial condition, operations and risks. In addition, the reports of standing bodies and control functions were regularly discussed.

The Supervisory Board of the Bank considered the reports on the examinations performed by the CBCG and monitored the implementation of measures and recommendations related to business operations improvement.

Management Board

The Management Board is the Bank's management body that performs an executive function and is responsible for day-to-day management of the Bank and for its representation, and the competences of which are determined by the Law on Credit Institutions, the Law on Business Organizations, by-laws and the Bank's Articles of Association.

The members of the Management Board are elected and appointed by the Supervisory Board of the Bank.

Management Board of the Bank:

- Esad Zaimović, chairman
- Ana Golubović, member
- Jelena Vuletić, member
- Nikola Špadijer, member
- Nataša Lakić, member

The Bank's Management Board holds meetings, as needed, at least monthly. During 2024, the Bank's Management Board held 33 meetings, where it made decisions on issues within its competence.

The Management Board manages the Bank's operations and supervises the work of the Bank's employees on a daily basis.

The Bank's Management Board ensures that the Bank operates in accordance with the regulations governing the Bank's operations, and establishes and implements a reliable Bank management system in accordance with the Law on Credit Institutions. The Management Board of the Bank periodically, and at least annually, examines the efficiency of the Bank's management system, including the appropriateness of procedures and the effectiveness of control functions, and notifies the Supervisory Board of its conclusions, and takes adequate measures to eliminate identified deficiencies.

The Bank's Management Board considered the reports on the examinations performed by the CBCG, as well as the reports of other supervisory institutions.

CORPORATE GOVERNANCE RULES

The Bank has established corporate governance in accordance with legal regulations, CBCG regulations and best practices.

Instead of the so-called monistic (one-tier) governance model, according to which there is one body that has the supervisory and management function (Board of Directors), the Bank has established an organizational structure in accordance with the provisions of the Law on Credit Institutions, which developed a dualistic (two-tier) governance model, according to which the function of supervision is performed by the supervisory board, and the management function is performed by the management board of the credit institution, which clearly delineates the functions of management and supervision and ensures management of credit institutions on a daily basis.

The goal of the established corporate governance is to ensure a transparent organizational structure and segregation of duties and responsibilities of corporate bodies and their bodies, effective supervision, functioning of control functions, with an emphasis on risk management, protection of the Bank's assets and reputation.

General Shareholders' Meeting

The Bank's shareholders exercise their rights at the Bank's Shareholders' Meeting. The Bank's Shareholders' Meeting decides on issues prescribed by the Law on Credit Institutions, the Law on Business Organizations and the Bank's Articles of Association.

The Supervisory Board of the Bank convenes the Shareholders' Meeting, and shareholders with at least 5% of the Bank's share capital have the right to convene it, in accordance with the Law on Business Organizations and the Bank's Articles of Association.

Convening of the Bank's Shareholders' Meeting, proceedings at the Meeting, quorum, decision-making and other matters of importance for the work of the Shareholders' Assembly are determined by the Law on Business Organizations, the Bank's Articles of Association and internal acts.

Supervisory and Management Boards

The obligations and responsibilities of the members of the Bank's Supervisory and Management Boards are determined by the Law on Credit Institutions, the Law on Business Organizations and the Bank's Articles of Association.

The procedure for appointing and dismissing, or recalling members of the Bank's Supervisory or Management Boards is determined by the Law on Credit Institutions, the Law on Business Organizations and the Bank's Articles of Association.

Supervisory Board

The Supervisory Board is the Bank's management body, which performs the function of supervising the Bank's operations, and the powers and responsibilities of which are determined by the Law on Credit Institutions, the Law on Business Organizations and the Bank's Articles of Association.

The members of the Bank's Supervisory Board are elected by the Shareholders' Assembly, with prior approval by the CBCG. The term of office of the members of the Bank's Supervisory Board lasts 4 years and they can be re-elected. The members of the Supervisory Board of the Bank must meet the conditions prescribed by the Law on Credit Institutions, the Law on

Business Organizations, relevant decisions of the CBCG and internal acts of the Bank. The members of the Supervisory Board must have collective knowledge, skills and experience required for independent and autonomous oversight of operations of the Bank, in particular for understanding tasks and significant risks of the Bank. The Supervisory Board has minimum 5 (five) and a maximum 9 (nine) members, of which two fifths are independent members, in accordance with the provisions of the Law on Business Organizations.

The Supervisory Board of the Bank has formed the following standing working bodies:

1. Nomination Committee;
2. Risk Committee, and
3. Remuneration Committee.

Management Board of the Bank

The Management Board is the Bank's management body that performs an executive function and is responsible for managing the Bank on a daily basis and for its representation, and the competences of which are determined by positive legal and other regulations and the Bank's Articles of Association.

The Management Board of the Bank has five members who are appointed by the Supervisory Board for a period of four years, whereby the members whose term of office expire can be reappointed.

Members of the Management Board

Banks must meet the conditions prescribed by the Law on Credit Institutions, the Law on Business Organizations, the relevant Decision of the CBCG and the Bank's internal acts.

Since the members of the Bank's Management Board manage the Bank's operations on a daily basis, they are also responsible for managing the risks to which the Bank is exposed in its operations. The Chairman of the Management Board represents the Bank in accordance with the decisions of the Shareholders' Assembly, the Supervisory Board and the Management Board. When undertaking legal actions and legal affairs on behalf of the Bank, the Chairman of the Management Board must ensure the signature of another member of the Management Board, functionally competent for the business area in question, as a rule, that is, another member of the Management Board. The members of the Management Board must be employed in the Bank full-time and must manage the Bank's operations from the territory of Montenegro.

Internal control and risk management system in relation to the financial reporting procedure

In order to ensure the reliability and objectivity of accounting statements and reports, an internal control system has been established in such a way that control points have been defined by the internal organization and procedures, thus ensuring control of the accuracy and completeness of data, as well as ensuring that all transactions are accurately booked and that the business books are up-to-date and mutually reconciled.

The Bank has established control procedures and activities related to data processing, segregation of duties, approval and authorization system and reporting scope.

Risk assessment of financial reporting is performed through the analysis and management of internal and external risks in the preparation of accurate and objective financial reports in accordance with the adopted internal acts of the Bank. Internal Audit controls the functioning

of the internal control system and makes recommendations for its improvement within the framework of the audits planned in the annual work plan. With the existing system of internal controls, the Bank strives to reduce the possibility of errors in financial reporting.

STATEMENT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

As a member of the Association of Montenegrin Banks, the Chamber of Economy of Montenegro and the Montenegrin Association of Entrepreneurs, the Bank adheres to the goals and guidelines of the code of business conduct of the aforementioned relevant organizations and the principles contained therein.

The Bank is a member of Montenegro Stock Exchange AD Podgorica.

The Code of Corporate Governance in Montenegro – the Code, adopted by the Board of Directors of Montenegro Stock Exchange AD Podgorica, intended for joint-stock companies whose financial instruments are listed on the stock exchange, contains a set of rules and principles for improving the practice of corporate governance, and the implementation is based on the "apply or explain" principle, so there follows an additional explanation of the manner of regulating the issue of preventing and resolving corporate conflicts.

Namely, the internal acts of the Bank regulate issues of conflict of interest, including issues of prevention and resolution of conflicts of interest of employees. Furthermore, in accordance with the regulations governing the capital market, the Bank has regulated, among other things, the issues of preventing the negative impact of conflicts of interest when providing investment and auxiliary services, performing investment activities, taking into account the interests of the Bank, other persons and clients. Additionally, the Conflict of Interest Policy regulates the prevention and resolution of conflicts of interest of members of the Management Board. As the Bank's Management Board manages the Bank, by analogy, it also resolves issues of possible (corporate) conflicts that may arise between shareholders and the Bank. This in particular for the reason that the Bank's Management Board is responsible for ensuring the Bank's operations, in accordance with the law, other regulations and the Bank's internal acts, thus also for minimizing the harmful consequences for the Bank which may also arise from the relationship between the Bank and its shareholders. Not a single shareholder of the Bank has ever been in conflict with the Bank, nor have they filed a lawsuit against the Bank.

Based on the above, in accordance with the provisions of Articles 15 and 19 of the Law on Accounting ("Official Gazette of Montenegro", no. 145/21 and 152/22), the members of the Bank's Management Board have declared that they apply the Code of Corporate Governance in Montenegro, as well as the codes of business conduct of the relevant organizations of which the Bank is a member.

DIVERSITY POLICY AND STRUCTURE OF THE BANK'S MANAGEMENT BODIES

The scope of this Policy is based on the principle of proportionality, i.e. taking into account:

- type, scope and complexity of jobs
- risk profile and
- the Bank's business strategy.

In general, in terms of diversity, the Bank's policy is to hire the best candidates for jobs or positions, regardless of whether they are male or female candidates and regardless of their age.

Historically speaking, the Bank has had a diverse structure and a significant number of women in leading positions, and for several years now an equal number of male and female directors.

The Bank's goal when selecting the candidates will continue to be to take into account, in addition to gender equality, the candidates' expertise, a wide range of skills and competences, as well as previous experience, in order to meet all the necessary criteria for diversity, not only in the management bodies, but also in the Bank as a whole, and at the same time enable the representation of different views, experiences and independence of opinion as an incentive for decision-making and complete execution of tasks.

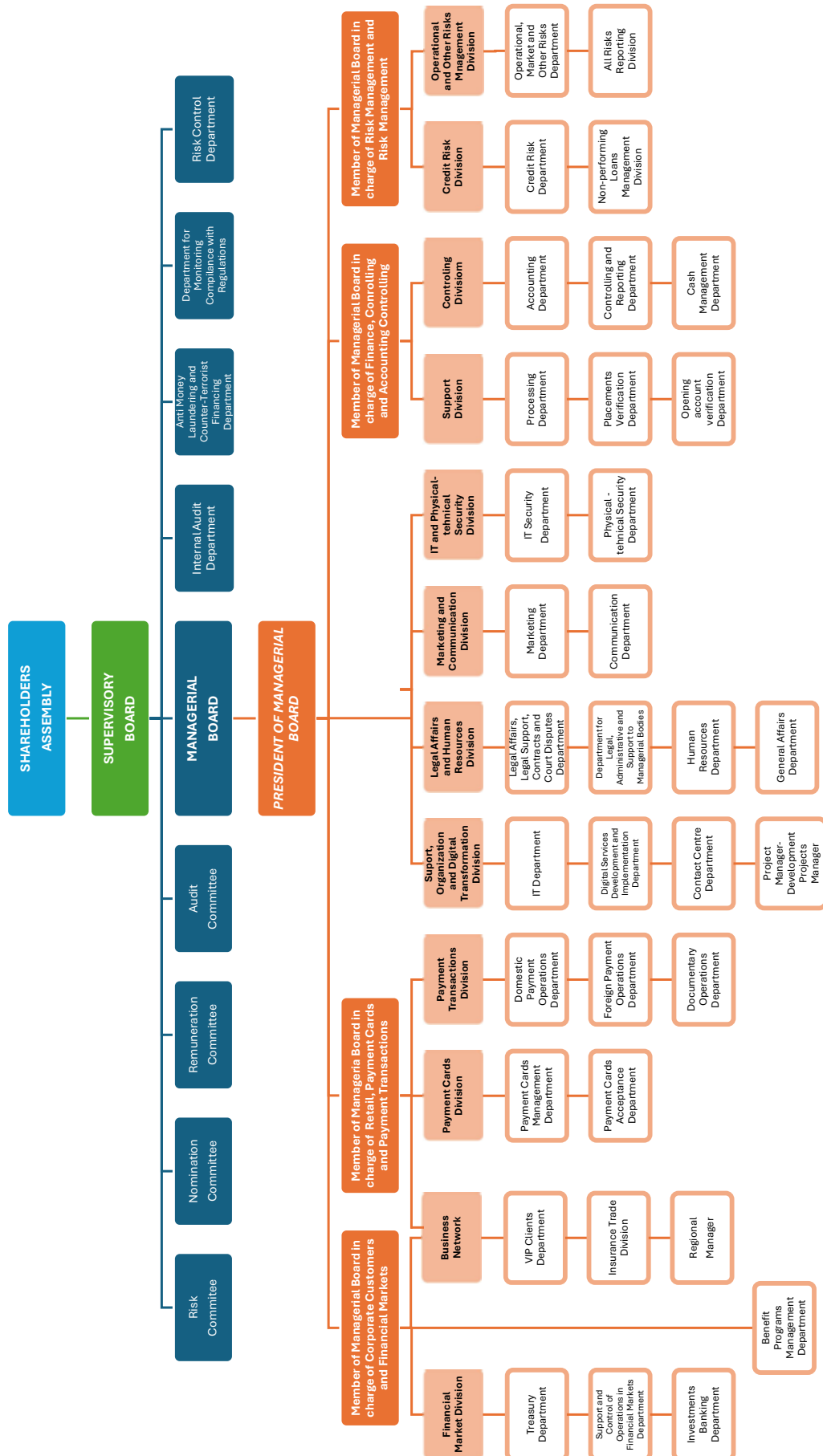
The structure of the Bank's Management Board is defined by positive regulations, the Bank's Articles of Association and other internal acts of the Bank, which ensure that all the members of the Bank's Management Board have necessary professional knowledge, abilities and experiences which enable it to independently and autonomously manage the Bank's operations and thus establish and implement lawful, safe and stable operations of the Bank.

The powers and responsibilities of the Bank's Supervisory Board and its working bodies are determined by positive regulations, the Articles of Association and other internal acts of the Bank, and the structure of the Supervisory Board in terms of diversity, i.e. the fulfillment of the quantitative goal of the participation of the less represented gender, at the level of at least one third, is in the domain of the Bank's shareholders, so by adopting this Policy at the Bank's Shareholders' Meeting, the shareholders as well assume an obligation regarding the targeted structure of the Bank's Supervisory Board.

BANK'S MANAGEMENT

MANAGEMENT BOARD:	<p>Esad Zaimović, chairman of the Management Board</p> <p>Nikola Špadijer, member of the Management Board for retail business, card operations and payment operations</p> <p>Ana Golubović, member of the Management Board for corporate business and financial markets</p> <p>Jelena Vuletić, member of the Management Board for risk management and control</p> <p>Nataša Lakić, member of the Management Board for finance, controlling and accounting</p>
CONTROL FUNCTIONS:	
INTERNAL AUDIT DEPARTMENT	Veselin Ivanović, Chief Internal Auditor
COMPLIANCE DEPARTMENT	Danka Dragičević, director
RISK CONTROL DEPARTMENT	Goran Smolović, director
SENIOR MANAGEMENT:	
FINANCIAL MARKETS DIVISION	Gojko Maksimović, director
CARD BUSINESS DIVISION	Ivan Milatović, acting director
PAYMENTS DIVISION	Milena Grupković, director
ORGANIZATION SUPPORT AND DIGITAL TRANSFORMATION DIVISION	Nikola Milović, director
LEGAL AFFAIRS AND HUMAN RESOURCES DIVISION	Božo Đurašković, director
CREDIT RISK MANAGEMENT DIVISION	Milana Stevanović, director
OPERATIONAL, MARKET AND OTHER RISKS MANAGEMENT DIVISION	Nikola Pejović, director
CONTROLLING DIVISION	Mira Sekulić, director
SUPPORT DIVISION	Mirjana Marković, director
INFORMATION AND PHYSICAL-TECHNICAL SECURITY DIVISION	Haris Dizadarević, director
MARKETING AND COMMUNICATIONS DIVISION	Eva Ivanović, director
BUSINESS NETWORK	Tamara Braunović, director
BENEFIT PROGRAMS MANAGEMENT DEPARTMENT	Jelena Stojanović, director
DEPARTMENT FOR PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM	Sanja Mijušković, Authorized person

BANK'S ORGANIZATIONAL SCHEME







3

DEVELOPMENT,
FINANCIAL POSITION
AND BUSINESS
RESULTS OF THE BANK

II DEVELOPMENT, FINANCIAL POSITION AND BUSINESS RESULTS OF THE BANK

BUSINESS OPERATIONS

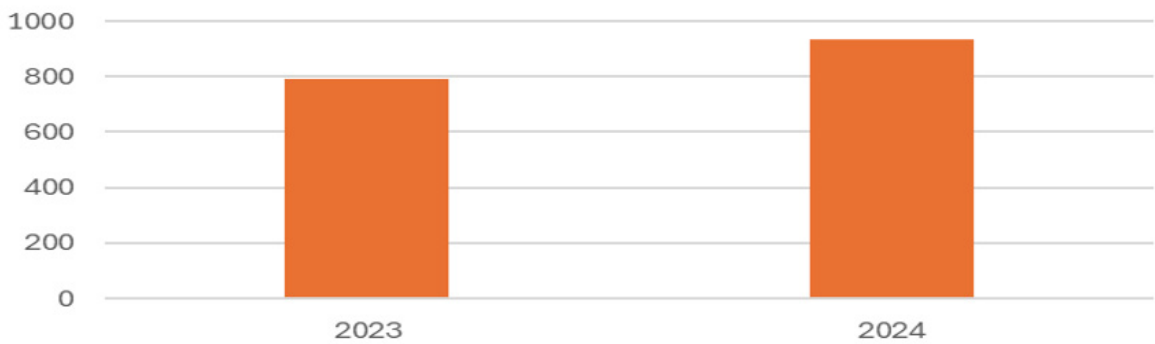
DEPOSITS

In 2024, compared to 2023, deposits grew by 17.95%, which shows that the trust of citizens and business entities in the Bank, despite the high level of deposits in the previous year, also grew in 2024, as in previous years.

Balance of total deposits¹:

Year	Total deposits (in '000 EUR)	% changes
2023	790.103	-
2024	931.956	17.95%

Graph showing total deposits in '000.000 EUR:



The aforementioned increase in deposits is the result of an increase in the number of clients, as well as growing trust in the Bank. Thanks to all the attributes that characterize the Bank, namely security, professionalism and the quality of the offer, we are recognized as a bank that should be trusted, thus continuing the positive trend of deposit growth.

The Bank has maintained an adequate deposit structure in terms of the participation of term and demand deposits in total deposits.

In total deposits, the share of deposits of legal entities was 54.78%, while the share of deposits of natural persons was 45.22%, which is shown in the following graph:

¹ The balance of clients' and banks' deposits does not include interest liabilities, prepayments and accruals



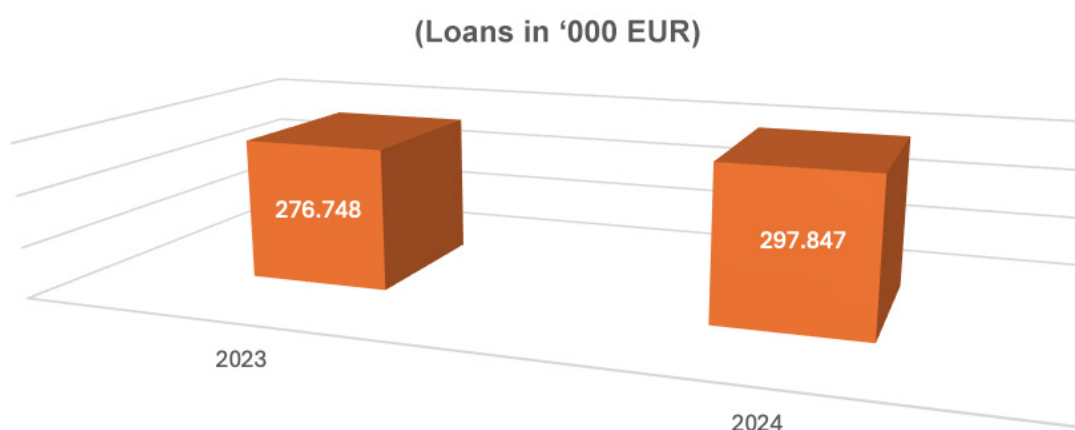
PLACEMENTS

As in previous years, in 2024 as well, the Bank approved placements to a large number of new clients. Continuous support and further development of existing clients is imperative for the Bank, and the key focus of employees is always on recognizing the needs, optimizing the structuring of arrangements and tariffs for existing clients.

One of the recognizable characteristics of the Bank is that, in addition to approving placements, it also provides advisory services to clients, all with the aim of improving operations and achieving better business results for both the Bank and its clients.

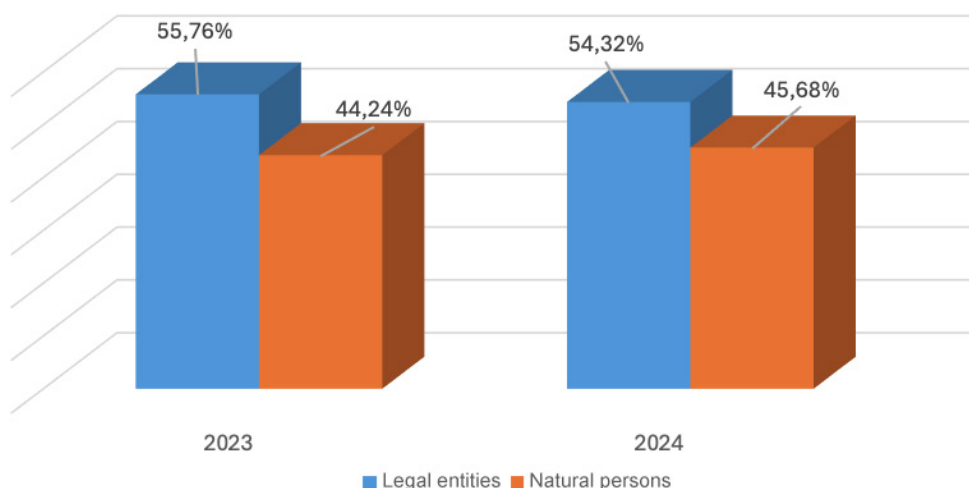
Balance of total loans²:

Year	Loans (in '000 EUR)	% of change
2023	276.748	-
2024	297.847	7.62%



In the structure of total loans, retail loans make 45.68% while the share of corporate loans is 54.32% of the total loan portfolio.

² The balance of total loans represents the amount of gross loans placed to clients and banks and it does not include interest receivables and prepayments and accruals.



In 2024, the Bank continued to optimize the portfolio for issued guarantees, taking into account the structure and purpose of the guarantees. Consequently, the guarantee portfolio at the end of 2024 amounted to EUR 80.2 million.



In its offer for legal entities, the Bank has cash loans, revolving loans, loans for paying obligations to suppliers, for refinancing obligations with other banks, overdraft loans, factoring, as well as all kinds of guarantees.

The Bank also offers a wide range of loans for retail: cash, loans for special purposes, student loans, loans for the purchase of cars, for adaptation and construction, for seafarers, overdraft loans, limits for purchase in installments, etc., as well as all kinds of guarantees.

DEVELOPMENT OF NEW PRODUCTS AND SERVICES

During 2024, the Bank made significant progress in the digitalization and improvement of its services, by which it increased efficiency, security and customer experience. By introducing new technologies and adapting to global standards, the Bank additionally strengthened its operational capacities and competitiveness on the market. Key projects during the year included the development of new functionalities, improvement of regulatory compliance and improvement of existing services, which provided customers with faster, safer and tailored services.

AML Project – Strengthening of risk management system

One of the most important projects in 2024 was the improvement of AML/CFT (Prevention of

Money Laundering and Financing of Terrorism) capacity, the purpose of which was to improve risk management and ensure regulatory compliance.

Relocation of Data Center – Improvement of Technological Infrastructure

In order to strengthen the security and efficiency of IT infrastructure, the Bank successfully implemented the project of equipment migration to One Data Center. After careful evaluation of the options, it was decided to enable access to top security standards and technological solutions through outsourcing. The new data center offers enhanced functionality, including uninterruptible power supply, improved cooling, access control, fire protection and advanced video surveillance. This project ensured greater system resistance to potential incidents and improved the Bank's capacity for business continuity management.

Compliance with PSD2 Directive – Safety and open banking

The Bank continued the process of regulatory compliance and one of the key projects was adapting the operations to the PSD2 Directive. This project improved the security of electronic transactions and open banking, allowing customers greater control over their finances.

Among the key components of this initiative, the following stand out:

- Introducing Customer Consent for Third Party Access to their Accounts (AISP- Account Information Service Providers) and Merchant Payment Confirmation (PISP- Payment Initiation Service Providers).
- Implementation of strong customer authentication (SCA), which additionally ensures data protection and minimizes risks of misuse.
- Improved transparency and ability to monitor financial flows in real time.

Through this project, customers got easier access to their finances and greater security, while the Bank increased its competitiveness and compliance with European standards.

Digital bank – the first phase of transformation

One of the strategic projects of the Bank in the framework of digitalization was the development of digital banking, which has been implemented in phases. The first phase of the "Digital Bank" project was successfully completed and brought a series of improvements in the user experience.

This phase included:

- Improvement of the design of mobile and electronic banking for more intuitive and simple use.
- Improvement of existing services based on user feedback.
- Introducing new functionalities such as standing orders and biometric authentication for faster and more secure account access.

In the coming period, through the second phase of the project, further digital transformation is planned, which includes:

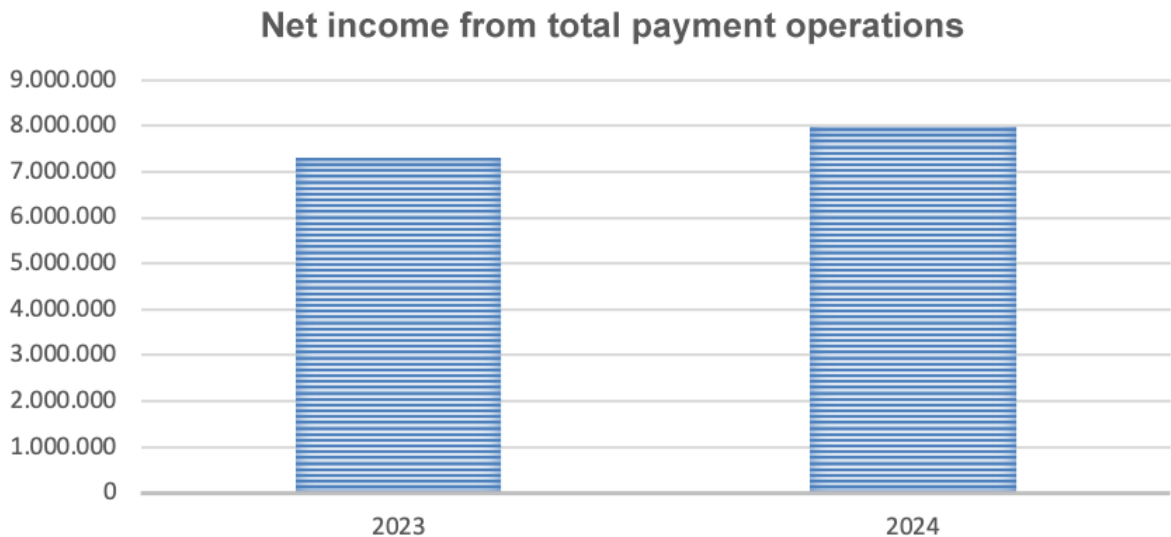
- Digital onboarding, allowing customers to open an account online without going to a branch.
- Online loan approval, simplifying the application and approval process.
- Communication with the Bank through the application, facilitating customer support and interaction.
- Automated sending of notifications to users through the application, allowing them to be informed in real time.

By implementing these projects, the Bank significantly improved its business processes, ensuring competitiveness and providing users with modern and safe financial services.

PAYMENT OPERATIONS

The Bank's payment operations in 2024 were characterized harmonizing with new and important regulations, such as the implementation of the PSD2 Directive, which resulted in improvements and changes, both in the procedural part and in the improvement of application solutions, and contributed to improving the security and experience of the Bank's clients. At the same time, the growth of the parameters that define the operation of this segment of the Bank has been achieved, and the set goals in the payment transaction have been achieved.

Net income from total payment transactions increased by 9.14% compared to the previous year.



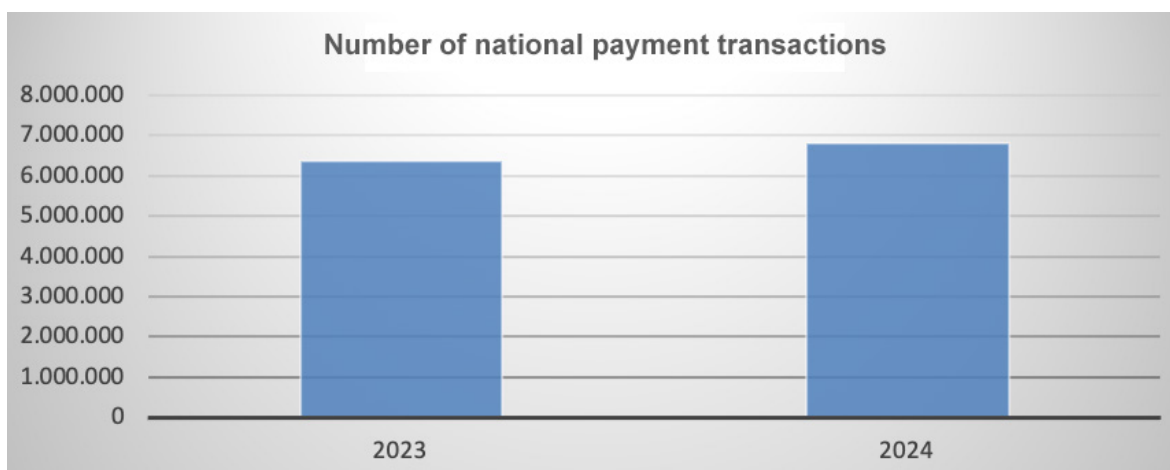
In the structure of net income from the total payment transaction, 34% refers to net income from international payment transaction, and 66% to net income from national payment transaction.

NATIONAL PAYMENT OPERATIONS

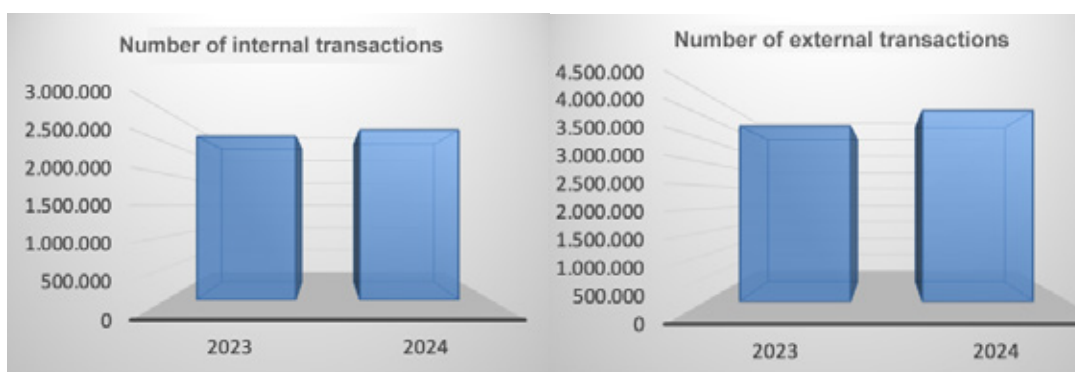
In the past year, this segment of payment transactions recorded growth, as a continuation of the trend from previous years. In accordance with the new regulation, the database - Register of Account Holders was improved, supplemented and updated with data, and several other software improvements were made.

The total number of transactions in the national payment system was approximately 7 million, which represents an increase of 6.69% compared to 2023. At the same time, the number of cash transactions amounted to approximately 1 million, which makes 16.57% of the total number of transactions.

The total amount of inflows in the national payment system was EUR 6,062 million, and the total amount of outflows was EUR 5,413 million. The amount of cash orders was EUR 1,157 million, which makes 10% of the total amount of all transactions and indicates a decline in the trend of using cash compared to previous periods.



We can emphasize that the number of internal transactions, in accordance with the general trend, increased by 3.68% compared to the previous year. External transactions also recorded an increase of 8.75% compared to 2023.



The new application solution of the digital bank contributed to a significant increase in the number of electronic transactions, which means that the good trend continues and that clients are increasingly turning to electronic applications and make payments with electronic payment orders. Therefore, it is important to point out that 28% of the total number of outgoing transfers were initiated in paper form, and the rest of 72% electronically - mHBklik, HBKlik and ATM.

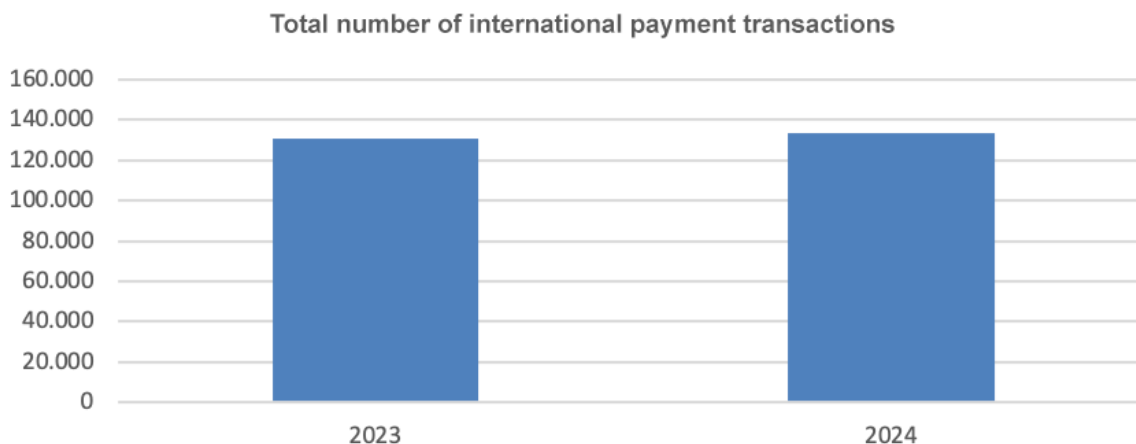
INTERNATIONAL PAYMENT OPERATIONS

This segment of the Bank's operations during 2024 brought stabilization and performing of business operations according to the plan, with continuously high numbers and volumes, both in payments and inflows. At the same time, predetermined targets related to business through correspondent banks were met. Preparatory actions for the application and selection of PSP for access to the SEPA Standard Credit Transfer payment scheme have been taken to a significant extent.

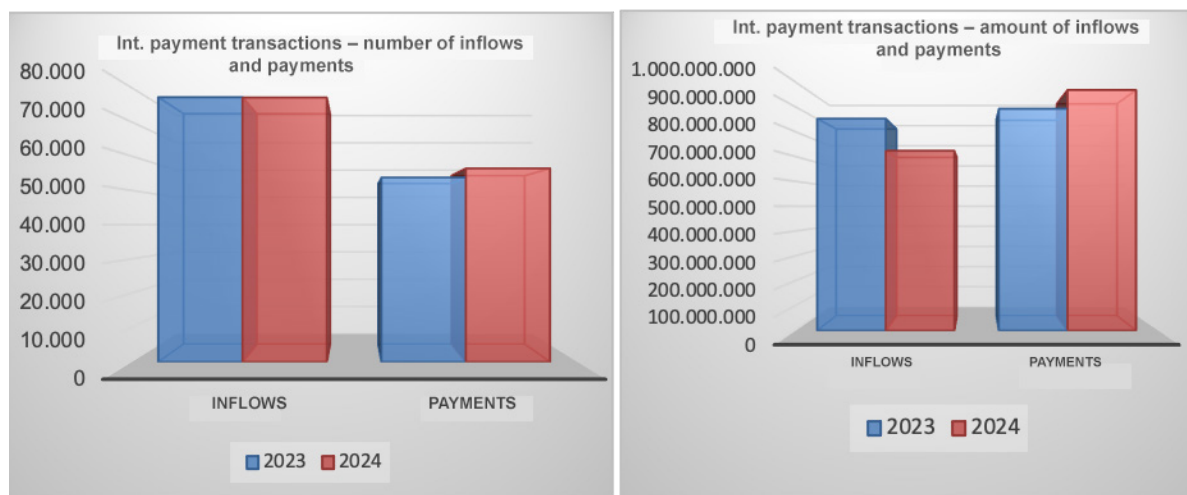
The increase in the number and volume of transactions on the one hand, i.e. the increasingly complex Compliance/AML/FT requirements on the other hand, and above all the significant global increase in external fraud and new, sophisticated hacking techniques, require additional activities on improvement and advancement of certain segments of the control

of international payment transactions, so the Bank implemented the SWIFT Transaction Screening functionality and prepared two additional services for implementation - Proof of Value and Pre-Validation.

In the field of documentary business, the Bank, in cooperation with correspondent banks and the EBRD, achieved standard good results and successfully responded to the needs of clients.



The total number of international payment transactions in 2024 is higher by 2.21% compared to the previous year. The number of international payments increased by 4.89% compared to the previous year, while the number of inflows remained at the same level.

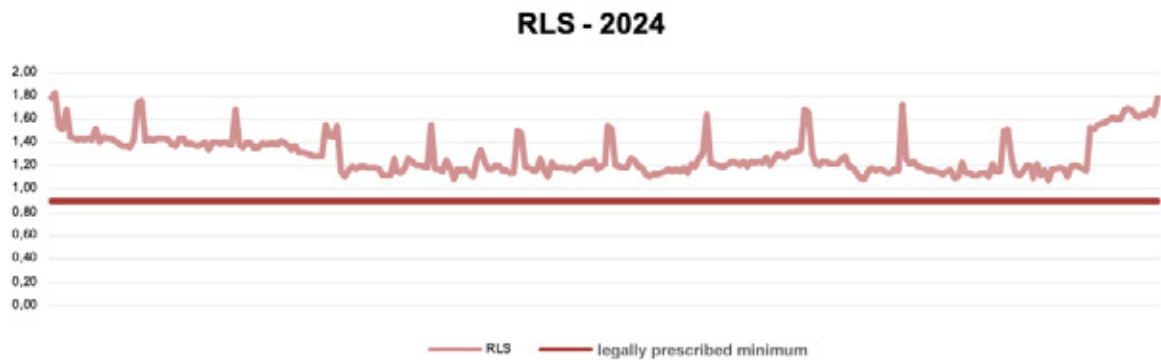


ASSETS MANAGEMENT

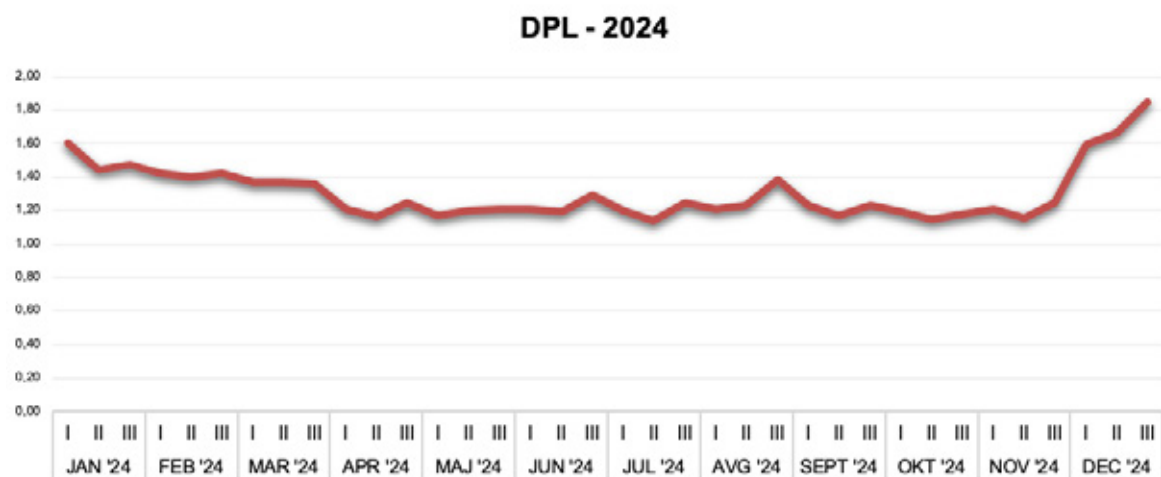
Ensuring optimal liquidity is a basic requirement for safe and efficient operations of every bank. The Bank should ensure the necessary liquidity by rational management of assets and liabilities in order to maintain appropriate ratio between liquid assets and total liabilities.

In 2024, through rational liquidity management, Treasury Department within Financial Markets Division managed to maintain the level of liquid assets as well as the total liquid position of the Bank at a satisfactory level. In addition, by daily, weekly, ten-day and monthly planning of available liquid funds it matched sources of funds with placements. Through cooperation with other

divisions and departments in the Bank, an adequate allocation of available funds was made. In this way, the Bank was able to regularly fulfill its obligations towards creditors, as well as to meet all the demands of clients in the shortest possible time. The daily liquidity ratio, which is calculated according to the methodology prescribed by the CBCG, was above the legally prescribed minimum of 0.90. throughout 2024.



At the same time, ten-year liquidity ratio was above the legally prescribed minimum of 1.00.



In order to manage term liquidity, the Bank regularly monitored indicators of structural liquidity through maturity matching of financial assets and liabilities, review of larger deposits maturities, as well as by determining the stable part of A-vista deposits according to the internal model and maintained it within satisfactory limits.

During 2024, the Bank also achieved high values regarding the LCR coefficient. In accordance with the CBCG regulation, the minimum amount of this coefficient is 100%. At the end of 2024, the coefficient was 843%. The high level of liquid coverage is the result of a large number of securities that meet the necessary criteria for classification as a highly liquid assets, as well as a large number of deposits that fall into the category of stable deposits.



The Bank is recognized as one of the most reliable and liquid banks in the banking system of Montenegro. This is supported by data showing that at the end of 2023 the total level of the Bank's deposits was approximately EUR 790 million, and at the end of 2024 even approximately EUR 930 million. Excess liquid assets were placed in securities and short-term deposits in EUR and USD with foreign banks. The nominal value of the portfolio of debt securities at the end of 2024 was approximately EUR 406 million. As for making term deposits out of free funds, cooperation with eight banks was established, and the average amount that was deposited was approximately EUR 75 million cumulatively.

In 2024, currency exchange rate fluctuations were recorded, especially the EUR/USD currency pair, which has the greatest impact on the Bank's exposure to the risk of exchange rate changes. Even in these conditions, Treasury Department managed to achieve an exceptional result based on Income from achieved exchange rate differences, which is the result of adequate management of the risk of exchange rate changes.

At the end of 2024, the total income from exchange rate differences was approximately EUR 1.271 million, which had a significant impact on the final financial result of the Bank.



INVESTMENT BANKING

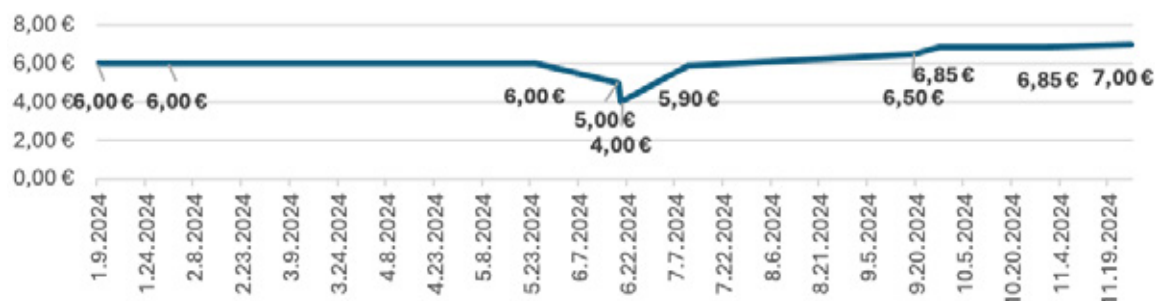
Montenegrin capital market

The total turnover recorded on the Montenegro Stock Exchange AD Podgorica in 2024 was approximately EUR 9.7 million, which represents a decrease of approximately 21.16% compared to the turnover in 2023. During 2024, 1,612 deals were concluded on the Montenegrin capital market, which represents a drop of about 8% compared to 2023.

The MNSE10 index (which tracks the price movements of the 10 most liquid companies) achieved a growth of around 2.09% in the past year, while the MONEX index recorded a growth of 5.46% in the past year.

The Bank's shares have a 20% participation in the MNSE10 index.

Share price movements of Hipotekarna Banka in the period from 01.01. - 31.12.2024:



The last price per share at the end of 2024 was EUR 7.00 (as of 19/11/2024), which represents an increase of 16.67% compared to the last recorded price in 2023 (EUR 6.00 as of 06/12/2023).

During 2024, Montenegroberza AD had six active members, of which three were banks. In terms of turnover on the Montenegro Stock Exchange AD, the Bank was in first place.

Brokerage and custody operations

The total turnover the Bank had on the Montenegro Stock Exchange AD Podgorica in 2024 amounted to EUR 6.8 million, which is 35% of the total turnover. Observing the achieved turnover, the Bank is the first in terms of participation in the total turnover achieved on the Montenegro Stock Exchange.

The structure of the Bank's turnover:

Type of securities	Number of transactions	Achieved turnover in EUR
Shares	286	5.633.766
Bonds	10	1.146.000
TOTAL	296	6.779.766

The total turnover in 2024, achieved by trading in subordinated bonds HBO3 and HBO4, amounted to EUR 1,146,000, namely:

Name of bond	Number of transactions	Achieved turnover in EUR
HBO3	2	210.000
HBO4	8	936.000
TOTAL	10	1.146.000

The turnover on the foreign market achieved by the Bank for the account of clients in 2024 was approximately EUR 900 million. Most of the mentioned transactions referred to OTC bond transactions.

Overview of concluded transactions on the international market in 2024 for the account of clients:

Total number of the executed transactions:	976
Total value of the executed transactions (EUR):	368.933.000
Total value of the executed transactions (USD):	529.064.000

As at 31.12.2024, the Bank's clients held approximately EUR 365 million in custody accounts, which is about 15% more than at the end of 2023, thus keeping the Bank's leading position in the area of custody operations in Montenegro.

III EXPOSURE AND RISK MANAGEMENT

Generally speaking, the risk management process includes: identifying, measuring, monitoring, controlling and reporting on risks. Policies and procedures for risk management, as well as methodologies and procedures for their measurement, are developed within the organizational units in charge of risk management. The establishment of a comprehensive framework for risk management as well as the affirmation of the risk management culture in general corporate culture of the Bank is a necessary prerequisite for the long-term success of any banking strategy.

This process is integrated in the framework of the Bank's corporate management and is based on the "three lines of defense" model - the "first line of defense" includes Bank's business lines, where the risk associated with products, activities, processes and systems arises; the "second line of defense" consists of the Bank's organizational units in charge of risk management and control - Credit Risk Management Division, Operational, Market and Other Risks Management Division and Risk Control Department. The "third line of defense" is internal audit, an independent external auditor, and may also include external independent qualified entities.

Within risk management, the framework is established by policies and procedures related to risk management, as well as the development of the necessary methodologies. Reporting within individual divisions is done on a weekly, monthly, quarterly and annual basis, and activities are reported to the Asset and Liability Management Committee, the Management Board, the Non-Financial Risk Committee, the Supervisory Board, the Risk Committee, as well as other relevant bodies.

The most significant risks to which the Bank is exposed in its operations are: credit risk, liquidity risk, interest rate risk from the banking book, market risks and operational risk.

Credit risk

Credit risk management is a key component of a comprehensive risk management system. Credit risk is managed at the individual level (the level of an individual credit placement), as well as at the portfolio level.

In the following charts, the amount of the loan portfolio consists of claims for the principal amount of loans placed with clients and banks and claims for guarantees paid.

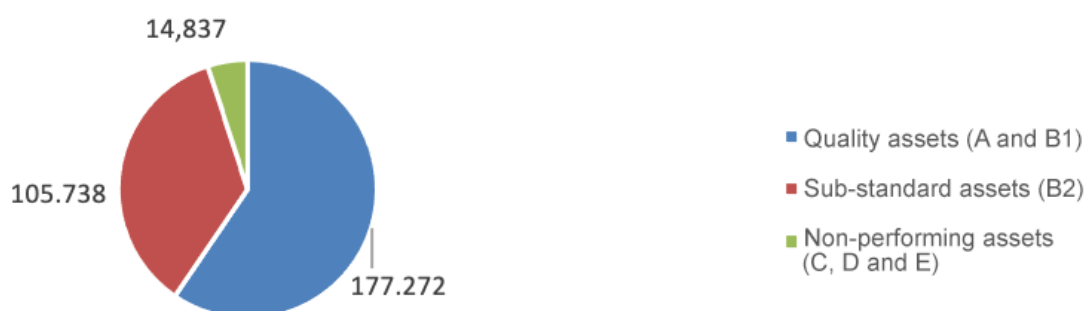
At the end of December 2024, the Bank's loan portfolio was 7.62% higher than at the end of December 2023.

CREDIT PORTFOLIO 2020-2024 (IN '000 EUR)



Of the Bank's total portfolio, 59.52% refers to quality assets (A and B1), 35.5% to substandard (B2) and 4.98% to non-performing assets (C, D and E).

Assets by quality - December 2024 (in '000 EUR)



- The following are the main indicators of credit risk: the percentage of provisions for estimated and potential loan losses, the percentage of impairments for expected loan losses, loan repayment delays, the share of non-performing assets in the total portfolio (NPL%).
- Provisions made (CBCG) for loan losses as of 31/12/2024 made 4.90% of the portfolio or EUR 14,597,159. If we make a comparison in relation to the end of 2023, the provisions decreased by 16.10% or EUR 2,801,150.

Portfolio / provisions according to CBCG

	31.12.2023.	31.03.2024.	30.06.2024.	30.09.2024.	31.12.2024.
Portfolio	276.747.161	290.608.572	301.663.145	288.843.339	297.847.030
Provisions	17.398.310	17.309.880	17.642.486	17.745.530	14.597.159
Provisions (%)	6,29%	5,96%	5,85%	6,14%	4,90%

- Impairments for expected losses as of 31.12.2024 amounted to EUR 17,177,449, i.e. 5.77% of the portfolio. Compared to the end of 2023, impairments increased by EUR 218,440 or 1.29%.

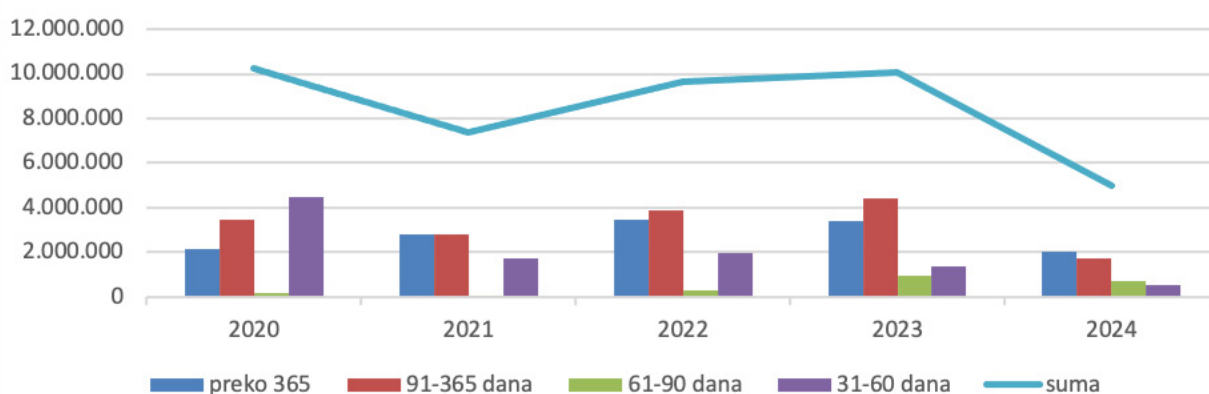
Portfolio / impairments according to internal methodology (model)

	31.12.2023.	31.03.2024.	30.06.2024.	30.09.2024.	31.12.2024.
Portfolio	276.747.161	290.608.572	301.663.145	288.843.339	297.847.030
Impairments	16.959.009	17.987.117	18.662.752	18.940.357	17.177.449
Impairments (%)	6,13%	6,19%	6,19%	6,56%	5,77%

Delay in loan repayment:

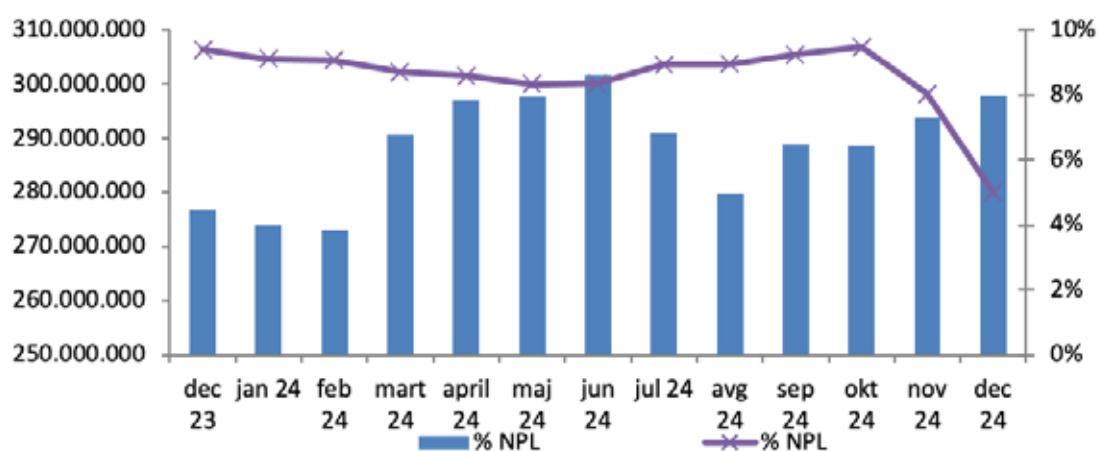
- The amount of loans past due over 30 days, as of 31/12/2024 amounted to EUR 5,004,379 or 1.68% of the Bank's total portfolio, while as of 31/12/2023 they amounted to EUR 10,057,779 or 3.63% of the Bank's total portfolio.
- The amount of loans past due over 90 days as of 31/12/2024 was 3,763,120 EUR or 1.26% of the Bank's portfolio, while as of 31.12.2023 they amounted to EUR 7,768,738 or 2.81% of the Bank's total portfolio.

Loan receivables past due

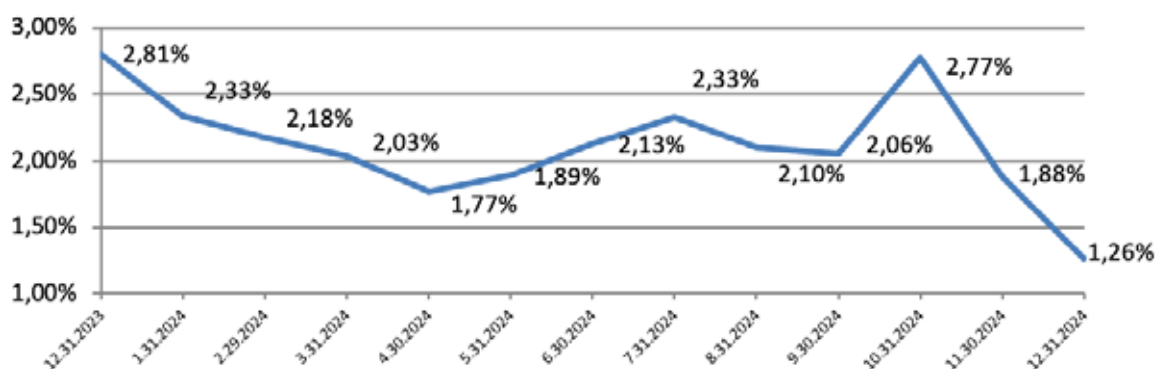


NPL according to credit rating groups (C, D and E) at the end of December 2024 amounted to EUR 14,837,097 or 4.98% of the portfolio, while at the end of December 2023 it amounted to EUR 25,974,264 or 9.39% of the portfolio.

Share of NPLs (C, D i E) in total loans



Percentage of loans past due over 90 days



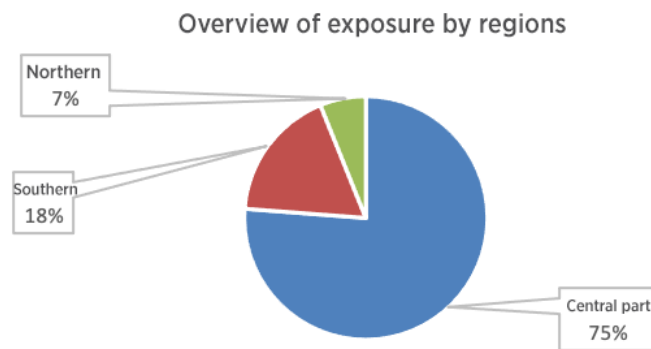
The table below shows the structure of the loan portfolio by activity as of 31 December 2024.

The largest share in the credit portfolio was related to the trade sector and amounted to 15.39% of the portfolio, while the share of exposure to natural persons was 42.59%.

Portfolio structure by economic sector as of 31.12.2024 (in '000 EUR)

Sector	Loan amount	% of portfolio	Limit
Natural persons	126.852	42,59%	45%
Wholesale and retail trade and repair of motor vehicles and motorcycles	45.853	15,39%	40%
Construction	29.405	9,87%	40%
Accommodation and food services	20.738	6,96%	40%
Non-residents	14.322	4,81%	40%
Processing industry	12.499	4,20%	40%
Artistic, entertainment and recreational activities	11.798	3,96%	40%
Financial activities and insurance activities	10.911	3,66%	40%
Professional, scientific and technical activities	4.773	1,60%	40%
Information and communications	3.528	1,18%	40%
Transport and storage	3.470	1,17%	40%
Real estate business	3.203	1,08%	40%
Mining and quarrying	3.179	1,07%	40%
Administrative and auxiliary service activities	2.397	0,80%	40%
Agriculture, forestry and fishing	1.919	0,64%	40%
Electricity supply	1.124	0,38%	40%
Other service activities	865	0,29%	40%
Water supply	583	0,20%	40%
Health and social protection	292	0,10%	40%
Education	136	0,05%	40%
Total	297.847		

The chart below shows the exposure of the Bank by regions in December 2024



The Bank's bond portfolio as of December 31, 2024 was EUR 405.86 million, the structure of which according to classification groups is shown in the following table:

Classification	Amount (000)	% of portfolio
A	380.286	93.70%
B1	21.542	5.31%
B2	1.000	0.25%
C1	2.074	0.51%
C2	0	0.00%
D	0	0.00%
E	957	0.24%
Total	405.860	100,00%

Bond portfolio structure by geographic location:

Country	Amount
Montenegro	95,810
Supranational organizations	82,282
France	33,479
Italy	20,957
Spain	16,000
Croatia	15,800
Austria	12,000
Poland	9,979
Germany	9,579
Romania	9,557
North Macedonia	9,000
Hungary	7,813
Czech Republic	7,400
Belgium	7,000

Latvia	6,000
Lithuania	5,500
Slovakia	5,425
Finland	5,000
Portugal	5,000
The Netherlands	4,724
Bulgaria	3,800
Chile	3,000
Russia	2,957
Serbia	2,957
Sweden	2,900
Japan	2,457
Korea	2,000
United States of America	2,000
Denmark	1,957
Turkey	1,649
Greece	1,500
Qatar	1,436
Luxembourg	1,287
Andorra	1,000
Austria	1,000
Ireland	1,000
Germany	1,000
United Mexican States	1,000
United Kingdom	1,000
Morocco	600
Mexico	574
Georgia	479
In total	405,861

Market risk

As part of **market risks**, the Bank analyzes the following risks: interest rate risk from the banking book, foreign exchange risk and position risk.

Interest rate risk from the banking book represents the potential negative impact of interest rate changes on the economic value of equity (EVE) and the Bank's net interest income.

When calculating the impact of changes in interest rates on the economic value of equity through gap analysis, the impact in six scenarios of changes in interest rates was considered:

- parallel rise shock;
- parallel fall shock;
- steepening shock, short-term rates fall and long-term rates rise;

- flattener shock, short-term rates rise and long-term rates fall;
- short-term interest rate rise shock;
- short-term interest rates fall shock.

The biggest impact on the economic value of equity is the parallel shock of falling interest rates in which there is a change in the economic value of equity in the amount of 10.10%. The stated value is significantly above the legally prescribed limit of 20%.

The impact of a parallel rise in interest rates of 200 bp on net interest income amounts to EUR -5.19 thousand.

Currency risk has no significant impact on the Bank's overall risk profile. The table shows the net open foreign exchange position by individual currencies as of December 31, 2024.

Foreign exchange positions – 21/12/2024 (converted in EUR)

Foreign currency	Assets	Liabilities	Net position
AUD	29.491	-24.353	5.138
CAD	18.849	-9.066	9.783
DKK	11.106	-925	10.181
JPY	0	0	0
KWD	0	0	0
NOK	810	0	810
SEK	0	-309	-309
CHF	3.273.768	-3.249.194	24.574
GBP	1.685.387	-1.568.915	116.472
USD	25.509.668	-23.951.902	1.557.766

Position risk

Position risk represents the risk of losses due to changes in the prices of financial instruments. As of 31.12.2024 the Bank had no positions in the trading book.

Liquidity risk

Considering the Bank's strategic decisions, maintaining a high level of liquidity is imperative in the process of managing this risk. The reputation of a highly liquid bank is particularly important for ensuring the growth of business through the growth of retail and corporate deposits.

Liquidity risk measurement and monitoring is carried out through:

- Projecting and monitoring cash flows;
- Measuring and monitoring the concentration of deposits and other sources of financing;
- Measurement and monitoring of liquidity indicators;
- Establishing, monitoring and maintaining adequate maturity matching of assets and sources of funds;
- Stress testing;

- Measuring, monitoring and assessing the stability of deposits;
- Monitoring potential liabilities recorded in the Bank's off-balance sheet records;
- Using financial instruments to establish an adequate composition of assets and sources of funds;
- Determining and monitoring other liquidity risk indicators.

One of the ways of managing the liquidity risk is the management of the maturity structure of the Bank's assets and liabilities. The maturity matching of financial assets and liabilities is determined according to the agreed and expected maturity, whereby when it comes to the expected maturity, methodological matching of cash flows is done. The Bank has a positive gap of expected cash flows in all maturity zones.

Maturity matching of financial assets and liabilities as of 31.12.2024 (according to the expected maturity*:

In EUR thousand

I	Financial assets in the balance sheet	1 - 7 days	8 - 15 days	16 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	Over 5 years
1.	Cash, deposit accounts with central banks and receivables from banks	251,351	0	0	0	0	0	22,687	0
1.a	Cash and cash equivalents	228,664							
1.b	Funds set aside as mandatory provisions	22,687						22,687	
2.	Financial assets at amortized value	116,027	17,888	28,088	77,756	136,029	95,299	276,146	45,733
2.a	Receivables from banks (funds with banks)	107,347							
2.c	Loans to banks	0	0	0	0	3,500	8,000	0	0
2.d	Loans to clients	5,030	315	2,332	25,370	26,992	67,752	132,823	25,732
2.e	Securities	0	17,600	26,000	53,500	107,489	23,987	156,327	20,957
2.f	Other financial resources								3,323
2.g	Interest receivables, accruals and impairments	3,650	-27	-244	-1,114	-1,952	-4,440	-13,004	-4,279
3.	FVOCI	0	0	0	0	0	0	0	6,817
3.e	Securities								6,817
4.	Financial assets held for trading	0	0	0	0	0	0	0	0
5.	Financial assets valued at fair value through the income statement, which are not held for trading	0	0	0	0	0	0	0	0
6.	Derivatives held for hedging purposes								
7.	Other assets	2,611							
	Total:	366,339	17,915	28,332	78,870	137,981	99,739	311,837	56,829

II	Financial liabilities in the balance sheet	1 - 7 days	8 - 15 days	16 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	1 - 5 years	Over 5 years
1.	Financial liabilities stated at amortized value	57,220	27,776	43,772	75,236	136,027	209,560	387,094	15,815
1.a	Deposits of banks and central banks	36,170	0	0	0	0	10	15	0
1.b	Customer deposits	20,361	23,270	43,631	75,197	135,556	208,771	376,581	12,392
1.d	Loans from clients other than banks	231	4,500	2	2	360	504	9,762	3,384
1.f	Other financial liabilities	447							
1.g	Interest and accruals	11	6	139	37	111	275	736	39
2.	Financial liabilities held for trading	0	0	0	0	0	0	0	0
3.	Financial liabilities that are not traded and are valued at fair value through the income statement	0	0	0	0	0	0	0	0
4.	Subordinated debt	0	288	0	0	0	0	12,983	0
5.	Derivative financial obligations as a hedging instrument								
6.	Other liabilities	18,461							6,569
	Total:	75,670	28,058	43,633	75,199	135,916	209,285	399,341	22,345
III	DIFFERENCE:	1 - 7 dana	8 - 15 dana	16 - 30 dana	31 - 90 dana	91 - 180 dana	181 - 365 dana	1 - 5 godina	Preko 5 godina
1.	Maturity gap I-II	290,669	-10,143	-15,301	3,671	2,065	-109,546	-87,504	34,484
2.	Cumulative gap	290,669	280,526	265,225	268,896	270,961	161,415	73,911	108,395
	% of total sources of funds	29.40%	28.40%	26.80%	27.20%	27.40%	16.30%	7.50%	11.00%

* The presented report on maturity matching was prepared according to the methodology of the Central Bank of Montenegro, where the positions in the report 'interest receivables, prepaid and accrued expenses and impairments' are subtracted from the total amount, whereby the impairments are shown in negative amounts.

Operational risk

Operational risk represents the probability of a loss for the Bank due to inadequate internal systems, processes and controls, including inadequate information technology, engagement of persons outside the Bank to perform certain tasks for the Bank, weaknesses or omissions in the execution of tasks or internal processes, the work of employees, unlawful actions and external events that may expose the Bank to risk.

Management of operational risks is regulated by internal acts of the Bank, as well as acts of the CBCG. On a daily basis, the Bank identifies events that have taken place as a result of exposure to operational risks. The Management Board and the Committee for Non-Financial Risks are reported on the identified risks, incurred losses, as well as the measures that need to be taken in order to solve the identified problems. In the area of operational risk management, the existing processes are constantly improved, mostly in relation to the education of employees on the importance of identifying and reporting events related to operational risks, then in relation to the identification and assessment of operational risks

within the self-assessment process, in the area of new products, processes and systems and when outsourcing business activities.

The objective of the Bank's operational risk management is to establish an efficient and effective system of operational risk management, based on numerous risk factors to which the Bank is exposed in the performance of its activities, including the scope, sophistication, nature and complexity of the Bank's activities, which ensures:

- identifying existing sources of operational risks and sources of operational risks that may arise from the introduction of new products, systems or activities;
- measurement of operational risk, accurate and timely assessment of that risk;
- monitoring operational risks by analyzing the situation, changes and trends of exposure to that risk;
- controlling operational risks by maintaining that risk at a level acceptable to the Bank, reducing it or completely eliminating it;
- defining powers and responsibilities in the process of establishing an operational risk management system;
- reporting and information system.

Operational risk is managed in a decentralized manner so that the organizational units where there is an operational risk are responsible for managing it in cooperation with the Department for the management of operational, market and other risks, which is responsible for providing support in the identification, measurement, mitigation and monitoring of risks, and providing the methodology that helps officers to manage risk in a timely and systematic manner.

REGULATORY CAPITAL AND CAPITAL ADEQUACY

The total regulatory capital of the Bank as of 31.12.2024 was **68,341** thousand EUR and consisted of:

- Common Equity Tier I in the amount of EUR **63,637** thousand.
- Supplementary capital in the amount of EUR **4,704** thousand.

Capital adequacy ratios and minimum required regulatory ratios are shown in the following table:

CAR	31.12.2024.	Min
CET1*	15.61%	9.75%
T1**	15.61%	11.71%
Total***	16.76%	14.32%

**Common Equity Tier I Ratio

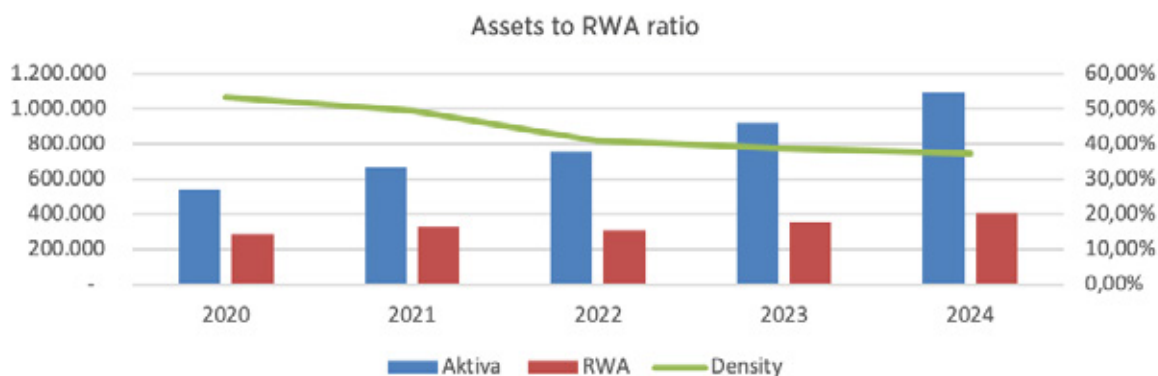
**Tier I

*** Total capital adequacy ratio

The stated minimum capital ratios include capital buffers as well as the capital requirement within pillar II of the Basel framework determined by the supervisory assessment of the CBCG.

All ratios are significantly above the legally prescribed minimums.

In the last five years, the Bank recorded a positive trend in the assets to RWA ratio, which indicates an improvement in the risk profile of assets.



IV WAYS OF PROTECTION AGAINST RISKS

Protection against placement risk is ensured through a proactive and preliminary analysis based on the relation between yield and risk (classification according to rating agencies and CBCG and expected yield/interest), and comparison of similar investments and alternatives. The Bank deals with preliminary analyses before investing (examination of publicly disclosed ratings, use of external ratings, etc.). Credit risk factors can change during the term of the placement, so decisions are made on keeping, reducing, sale or restructuring of the placement.

Credit risk is defined as the risk of the possibility of occurrence of negative effects on the Bank's financial result and capital due to non-fulfillment of obligations by the debtor (default of the debtor) or due to deterioration of the debtor's credit rating.

Measurement and assessment of credit risk are simultaneously performed at the level of the account (of the debtor) as well as at the level of the credit portfolio.

- At the debtor's level, the potential risk of the client is determined based on a set of risk characteristics. For retail, these characteristics include socio-demographic and behavioral characteristics, while for corporate clients, creditworthiness and potential credit risk are determined based on a set of financial risk parameters (related to the client's financial condition), as well as business risk and industry risk. The importance of individual risk characteristics for the purpose of forecasting the client's future risk is determined based on the analysis of historical data that the Bank has on its clients. Summarizing all risk characteristics weighted by the probability of their occurrence gives a general measure of risk for an individual debtor.
- At the same time, the Bank measures credit risk at the level of the entire portfolio. The Bank continuously evaluates its loan portfolio in terms of changes in the quality, composition and level of provisioning, and identifies the causes of such changes or possible non-fulfillment of target results. Risk analysis at the portfolio level, analysis of portfolio sub-segments, continuous testing of process efficiency and application of limits established based on risk are becoming increasingly important for the Bank's credit activity.

Protection against risk at the account and portfolio level is carried out in such a way that placements are collateralized, in addition to the assessment of cash flow (primary source of collection), and deposits, guarantees, sureties, co-borrowers, guarantors, mortgages, cessions can be used as secondary sources of collection.

Several risk classes are also monitored, which include: 1. Interest rate changes, 2. Reinvestment risk, 3. Early repayment risk and call risk, 4. Liquidity risk, 5. Exchange rate risk, 6. Inflation risk, 7. Macroeconomic and external risks.

Protection against these risks is carried out as follows:

The Bank monitors changes in interest rates and proactively makes alignment by trying to have horizontal or maturity matching, thus smaller maturity gaps. New placements follow the market and periodic adjustment of interest rates paid and received in order to keep the interest spread at the same level and ensure higher profitability for the Bank.

Reinvestment risk is related to maturity. The shorter the term, the lower the risk. There is a lower risk that new placements will have significant changes in interest rates and conditions under which they will be placed compared to current ones. The Bank predominantly makes short-term placements. In the Bank, placements to legal entities have a dominant share, a smaller part is related to placements to physical persons, where consumer, cash loans and cards dominate, and housing loans' share is minimal.

The average remaining weighted maturity of loan placements is given in the following table:

Weighted maturity	
Entire portfolio	3.30
Natural persons	4.22
Legal entities	2.52

The risk of early repayment is the risk of the impossibility of predicting cash flow, planning and monitoring. The Bank reduces this risk by agreeing on fee clauses for early repayment of placements, which are harmonized with the Law on Consumer Credits. The sole purpose of the fee is compensation for costs based on interest payments for deposits and credit lines from which it is financed and follows the maturity matching of placements with sources (liabilities, deposits and borrowings).

Liquidity risk is reflected in the inability of the Bank to provide funds on the market for financing activities under the same or similar conditions, as well as to sell placements under the same or similar conditions. The Bank protects itself from this, by striving to match placement positions with sources and reducing of maturity gaps as much as possible. New placements spreads are in line with new cost of sources. The transaction costs of acquiring credit lines, deposits and sales of placements are compensated by fees and their monitoring on the assets side of the Bank's balance sheet.

Hedging against the exchange rate is carried out by currency matching of placements with sources and an attempt for the Bank to have a net open foreign exchange position at the lowest possible level. In this way, changes in the exchange rate are not reflected on the income statement. In addition, the Bank takes into account the client's currency in which it operates and has cash flow, so it approves currency placements or makes investments for such clients.

There are many external factors and macroeconomic factors that cannot be predicted and seen at the present moment. The political risk that debtors will not be able to regularly service their obligations, is also included here as well as regulatory risk, capital transfers, natural disasters, corporate restructuring, purchases, mergers, acquisitions, etc. The Bank monitors country ratings and available information and tries to keep the risk of concentration of individual countries, products, clients, etc., within limits that cannot threaten the Bank's existence and operations.

The Bank reduces operational risks by the greatest possible degree of automation, procedures, dual controls, training, internal audits, as well as the entire system of internal controls.

V INVESTMENTS FOR THE PURPOSE OF ENVIRONMENTAL PROTECTION

As part of its continuous efforts to achieve a more sustainable business model, the Bank continues to implement activities that support environmental protection, which is a key component of its strategic turnaround. The Bank's goal is to become a regional leader in terms of ongoing commitment to positive impact on the environment and community.

As an important partner to entrepreneurs and the wider community, the Bank recognizes its responsibility to lead and support the community in its efforts towards sustainability. It is continuously committed to the expansion of its services, their digitalization, as well as the improvement of the support system for clients, striving to ensure quality and responsible business practices.

As the first bank in Montenegro to sign the Principles for Responsible Banking of the United Nations as early as 2021, the Bank made significant progress during 2024 in the process of harmonizing its operations with global sustainability goals. The Bank's intention is to set high ethical standards, as well as examples of good and sustainable business practices and thereby inspire other institutions in the region to follow this positive example.

Additionally, the Bank was recognized as the first Montenegrin bank that published a sustainability report and assessed the material significance of its business segments, thereby confirming its commitment to transparency and responsible business. A second Sustainability and Impact report is being prepared for 2024. Also, in the mentioned period, the Bank continued its activities aimed at having a positive impact on the environment (which will find its place in the Sustainability and Impact Report for 2024), among which are: joining of two more branches of the Bank to the EPCG green package, which provides 100% sustainable sources of electricity for the mentioned branches, designing the first green products, investing in green bonds, a large number of actions aimed at investing in the environment, but also contributing to the strengthening of women's rights, their promotion within the Bank, the encouragement of a healthy balance between work and private life, as well as training of all employees. Only some of the key activities which were concrete proofs of the Bank's intention to invest in its community, environment and stakeholders are mentioned.

Although significant steps have been made, the Bank is aware that the process of constant improvement continues. The goal is to develop a comprehensive framework for measuring the Bank's impact on the environment and society, with the aim of setting a positive example.

At the Bank, we recognize the importance of sustainable development, with a special focus on environmental protection and the well-being of the community in which we operate. The integration of the principles of environmental protection, society and management is not an option, but an imperative of responsible business.

VI PLANNED FUTURE DEVELOPMENT

During 2024, the unfavorable geopolitical situation continued, as well as further fight against inflation. The prognosis of the world economic growth is still not very bright, which leads to expectations that growth will be slow and uncertain in 2025 as well.

Following the trends of the general macroeconomic indicators of the global economy, as well as the Montenegrin economy, the Bank continues to focus its development orientation on improving the quality of service to its clients in all areas of business, while preserving the existing values, which still implies that the Bank will continue to focus on:

- continuous innovation of existing technical solutions in the use of the Bank's digital services, in order to increase the availability and quality of products and services;
- strengthening of internal capacities through continuous employee education, opening of new and innovating existing business units;
- continuous monitoring and improvement of the system of internal controls at all levels of business in order to ensure and maintain the quality of business at a high level, launching initiatives for revenue growth and optimization of operational efficiency;

all in order to satisfy all stakeholders of the Bank.

Education and development of employees remain one of the main activities in the future period, which will also be paid attention in 2025.

During 2025, the Bank will continue to carry out activities aimed at complying with complex regulations, harmonized with EU standards, but also to provide support to the social community in various areas - education, culture, health care, thereby contributing to social and economic progress.

VII RESEARCH, DEVELOPMENT AND INVESTMENT IN EDUCATION OF EMPLOYEES

In this business segment, the Bank continued to promote and affirm current values. The Bank continuously monitors and participates in market research, as well as analyses published by renowned agencies, and it uses the obtained data for brand positioning.

The key elements of success and our organizational culture are based on the knowledge, skills and commitment of our employees. Therefore, the Bank continuously plans the development and improvement of employees' skills, both by organizing trainings, with the help of experienced, competent employees, and by engaging renowned foreign consultants/consulting firms, specialized in human resources management.

We particularly consider it important to emphasize specialist educational seminars intended for our sales staff, i.e. employees who occupy positions where communication with clients is most often taking place, with the aim of improving their communication skills, styles adapted to different phases of that communication, as well as further developing of the skills to understand the needs of clients, all in their best interest. Additionally, the Bank is committed to the concept of continuous development of employees in managerial positions, so it hires external consulting teams to improve their skills, in accordance with modern standards.

During 2024, the following internal seminars and trainings were organized:

- Phishing, Cyber threats - protect yourself with knowledge, Clean desk and screen policy, Information security, Customer conversation - Guidelines, Incident management, Internal communication, Feedback and many others.

In addition to the above, the Bank's employees attended numerous external seminars and trainings, and had the opportunity to be certified in their areas of interest and thereby additionally contribute to the quality of services that the Bank provides to the community in which it operates, i.e. to its clients.

These activities represent key steps towards improving professional skills of employees, with the aim of achieving a higher level of efficiency and compliance with industry standards.

VIII REPURCHASE OF OWN SHARES

During 2024, the Bank did not repurchase its own shares.

IX FINANCIAL INSTRUMENTS SIGNIFICANT FOR ASSESSING THE FINANCIAL POSITION AND BUSINESS SUCCESS OF THE BANK

Among the financial instruments used by the Bank, which are important for assessing the financial position and performance of operations and for determining assets, liabilities, financial condition and profit or losses, two series of subordinated bonds issued by the Bank in 2019 and 2021, which had a positive impact on the increase of long-term sources of financing and strengthening of the Bank's capital adequacy indicators, stand out. The maturity of the mentioned instruments is January 2026, that is, January 2028.

X NETWORK OF BANK'S BUSINESS UNITS

The network of Bank's business units includes the following branches and sub-branches:

Branch Podgorica

Address: Ul. slobode br. 91
Tel: +382 19905
E-mail: filijala.podgorica@hb.co.me

Branch Nikšić

Address: Trg Save Kovačevića bb
Tel: +382 19905
E-mail: filijala.niksic@hb.co.me

Branch Bar

Address: Ul. Maršala Tita bb
Tel: +382 19905
E-mail: filijala.bar@hb.co.me

Branch Budva

Address: Mediteranska bb
Tel: +382 19905
E-mail: filijala.budva@hb.co.me

Branch Kotor

Address: SC Kamelija, Trg M. Petrovića bb
Tel: +382 19905
E-mail: filijala.kotor@hb.co.me

Branch Herceg Novi

Address: Trg Nikole Đurkovića bb
Tel: +382 19905
E-mail: filijala.hercegnovi@hb.co.me

Branch Bijelo Polje

Address: Ul. Slobode bb
Tel: +382 19905
E-mail: filijala.bijelopolje@hb.co.me

Branch Berane

Address: Ul. Mojsija Zečevića bb
Tel: +382 19905
E-mail: filijala.berane@hb.co.me

Branch Ulcinj

Address: Bul. Semi Fraseri bb
Tel: +382 19905
E-mail: filijala.ulcinj@hb.co.me

Branch Danilovgrad

Address: Baja Sekulića br. 8
Tel: +382 19905
E-mail: filijala.danilovgrad@hb.co.me

Branch Herceg Novi

Address: Bijela bb
Tel: +382 19905
E-mail: filijala.hercegnovi@hb.co.me

Branch Herceg Novi

Address: Kompleks PORTONovi, Donje naselje 04
Tel: +382 19905
E-mail: filijala.hercegnovi@hb.co.me

Branch Žabljak

Address: Narodnih heroja bb
Tel: +382 19905
E-mail: ekspozitura.zabljak@hb.co.me

Branch Podgorica

Address: Ul. Josipa Broza Tita br. 67
Tel: +382 19905
E-mail: ekspozitura.centrala@hb.co.me

Branch Podgorica

Address: Bul. Svetog Petra Cetinskog br.130
Tel: +382 19905
E-mail: ekspozitura.podgorica1@hb.co.me

Branch Podgorica

Address: Ul. Đoka Miraševića M3
Tel: +382 19905
E-mail: ekspozitura.podgorica2@hb.co.me

Sub-branch Podgorica

Address: Cetinjski put bb, Donja Gorica
Tel: +382 19905
E-mail: ekspozitura.podgorica3@hb.co.me

Sub-branch Podgorica

Address: Cetinjski put bb Shopping mol
BIG FASHION
Tel: +382 19905
E-mail: filijala.podgorica@hb.co.me

Branch Cetinje

Address: Ul. Bajova br. 74
Tel: +382 19905
E-mail: ekspozitura.cetinje@hb.co.me

Branch Tivat

Address: Ul. 21. Novembra br. 21
Tel: +382 19905
E-mail: ekspozitura.tivat@hb.co.me

Branch Tivat – Porto Montenegro

Address: Porto Montenegro, zgrada Teuta, Obala bb
Tel: +382 19905
E-mail: ekspozitura.porto.montenegro@hb.co.me

Branch Gusinje

Address: Čaršijska bb
Tel: +382 19905
E-mail: filijala.gusinje@hb.co.me





4

FINANCIAL REPORTS AND INDICATORS

XI FINANCIAL STATEMENTS AND INDICATORS

BALANCE SHEET

as at 31 December 2024 (in '000 EUR)

R. br.	ASSETS	31-Dec-2024	31-Dec-2023
1.	Cash and deposit accounts with central banks	274,038	224,223
2.	Financial assets at amortized cost	792,966	674,299
2.a.	Loans and receivables from banks	118,561	77,265
2.b.	Loans and receivables from clients	269,565	248,411
2.c.	Securities	401,517	345,861
2.d.	Other financial assets	3,323	2,762
3.	Financial assets at fair value through other comprehensive income	6,817	6,368
3.a.	Loans and receivables from banks	-	-
3.b.	Loans and receivables from clients	-	-
3.c.	Securities	6,817	6,368
3.d.	Other financial assets	-	-
4.	Held-for-trading financial assets	-	-
5.	Financial assets carried at fair value through profit or loss, not held for trading	-	-
6.	Derivative hedging instruments	-	-
7.	Changes in fair value of items subject to hedging	-	-
8.	Investments in subsidiaries, associates and joint ventures at equity method	-	-
9.	Investment properties	-	-
10.	Property, plant and equipment	10,403	9,129
11.	Intangible assets	2,770	2,306
12.	Current tax assets	-	-
13.	Deferred tax assets	23	43
14.	Non-current assets held for sale and discontinued operations	-	-
15.	Other assets	4,785	5,037
16.	TOTAL ASSETS:	1,091,801	921,405
	LIABILITIES		
17.	Financial liabilities carried at amortized cost	952,501	803,438
17.a.	Deposits of banks and central banks	36,195	2,415
17.b.	Deposits of clients	897,102	788,852
17.c.	Borrowings from banks and central banks	4,500	-
17.d.	Borrowings from clients other than banks	14,257	11,928
17.e.	Securities	-	-

17.f.	Other financial liabilities	447	243
18.	Held-for-trading financial liabilities	-	-
19.	Financial liabilities not traded and measured at fair value through profit or loss	-	-
20.	Derivative financial liabilities as security instruments	-	-
21.	Changes in the fair value of items subject to hedging	-	-
22.	Reserves	1,542	924
23.	Liabilities for assets held for sale and discontinued operations	-	-
24.	Current tax liabilities	3,507	2,233
25.	Deferred tax liabilities	72	15
26.	Other liabilities	26,917	26,381
27.	Subordinated debt	13,271	13,261
28.	TOTAL LIABILITIES:	997,810	846,252
	CAPITAL		
29.	Share capital	52,362	52,362
30.	Issue premiums	-	-
31.	Retained earnings	22,614	10,383
32.	Current year profit/loss	18,461	12,257
33.	Other reserves	554	151
34.	Interest without controlling influence on capital	-	-
35.	TOTAL CAPITAL: (29. do 34.)	93,991	75,153
36.	TOTAL CAPITAL AND LIABILITIES: (28. + 35.)	1,091,801	921,405

INCOME STATEMENT

from 1 January to 31 December 2024 (in '000 EUR)

No.	POSITION	31.12.2024 cum.	31.12.2023 cum.
1.	Interest income and similar income	32,150	24,383
2.	Interest income on impaired loans	790	902
3.	Interest expenses and similar expenses	2,096	2,169
I.	NET INTEREST INCOME (1 + 2 - 3)	30,844	23,117
4.	Fee and commission income	32,226	28,997
5.	Fee and commission expenses	18,670	17,334
II.	NET FEE AND COMMISSION INCOME (4 - 5)	13,556	11,664
6.	Net gains/losses from derecognition of financial instruments not carried at fair value through profit or loss	-171	-41
7.	Net gains/losses on held-for-trading financial instruments	2,521	901
8.	Net gains/losses from financial instruments carried at fair value through profit or loss not held for trading	-	-
9.	Changes in fair value in hedge accounting	-	-
10.	Net gains/losses from FX differences	1,271	1,244
11.	Net gains/losses from derecognition of other assets	208	273
12.	Other income	171	135
13.	Employee expenses	8,636	7,040
14.	Depreciation expenses	2,979	2,572
15.	Overhead and administrative expenses	12,596	9,310
16.	Net gains/losses from modification and reclassification of financial instruments	-	-
17.	Net gains/losses from impairment of financial instruments not carried at fair value through profit and loss	1,993	3,561
18.	Provision expenses	-64	148
19.	Other expenses	144	129
III.	PROFIT/LOSS BEFORE TAX: I+II+6+7+8+9+10+11+12-13-14-15+16-17-18-19	22,116	14,533
21.	Profit tax	3,655	2,276
22.	NET PROFIT/LOSS (III - 21)	18,461	12,257

Profit and Loss Account

In 2024, the Bank achieved profit in the net amount of EUR 18,461 million. Compared to the previous year, interest income increased by 30.27% and amounted to EUR 32,940 million, which is a consequence of investments in securities and an increase in credit activity of clients. Fee income compared to the previous year is higher by 11.14% and amounts to EUR 32,226 million.

The growth in income from fees is mostly related to the increase in income from fees related to card operations, payment transactions and off-balance sheet transactions. Net income from fees amounts to 31.92% of net income from regular operations of the Bank.

Other revenues compared to the previous year are higher by 59.22% and amount to EUR 4,001 million.

Regular business expenses, including depreciation, amount to EUR 24,356 million and are higher by 27.85% compared to the previous year. The increase in costs is a consequence of the Bank's increased activities related to the development of the business network, the number of employees, as well as other costs accompanying the Bank's operations.

Capital

The total capital of the Bank as of 31.12.2024. amounted to EUR 93,991 million. Compared to the previous year, the capital increased by 25.07%. As of December 31, 2024, the nominal value of the share capital was EUR 52,362 million. In the ownership structure of the Bank, foreign legal entities and individuals participate with 81% of the share capital, while the remaining share capital is owned by domestic legal entities and individuals.

Indicators

The Bank's position in the Montenegrin banking system based on the latest, publicly known data on the financial statements of all banks in Montenegro as of December 31, 2024:

BALANCE SHEET CATEGORIES	HB	CG SYSTEM	% SHARE OF HB IN CG system	Ranking of HB in CG system
	(' 000 000 EUR)			
Securities	408	1.322	31%	1
Loans and receivables from banks and clients	388	4.508	9%	4
Deposits of banks and clients	933	5.848	16%	2
Total capital	94	895	11%	4
Total Assets	1.092	7.251	15%	2
Net interest income	31	275	11%	4
Net fee and commission income	14	67	21%	2
Net profit	18	161	11%	3

Financial indicators of the Bank's business operations as of 31.12.2024:

- ROAA – 1,83%
- ROAE – 21,83%

MANAGEMENT BOARD

Member of the Management Board

Jelena Vuletić

Chairman of the Management Board

Esad Zaimović

Member of the Management Board

Ana Golubović

Member of the Management Board

Nikola Špadijer

Member of the Management Board

Nataša Lakić

