



**HIPOTEKARNA
BANKA**

SUSTAINABILITY AND IMPACT REPORT

2024

Dedicated to the future



**SUSTAINABILITY AND
IMPACT REPORT**
2024

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A Message from the President of the Management Board

We believe that success lies in the ability to grow responsibly and be an agent of change for our clients and partners. Promoting the well-being of our employees, the success of our customers and supporting the communities that make us strong, are three core drivers in Hipotekarna Banka's business strategy.

As we present this second Impact and Sustainability Report, we reflect with pride on the progress we have made and our ongoing commitment to sustainability, which accompanies every aspect of our operations.

In 2023, we took significant strides in integrating sustainability deeper into our business strategy. Today, in 2025, we are more committed than ever to advancing the values of environmental stewardship, social responsibility, and governance excellence. Our journey over the past year has reaffirmed our belief that sustainability is not just a business imperative—it is an essential driver of long-term value and a brighter future for all.

In 2024, we have expanded and evolved our focus as we build on the foundations laid in previous years. We have made substantial investments in energy efficiency across our facilities, reduced our carbon footprint further, and introduced additional green financial products that empower our clients to contribute positively to environmental preservation. In the social sphere, we have continued to support local communities and charitable initiatives, fostering deeper connections with the people we serve and creating shared value for all. Our progress is also evident in our ongoing efforts to modernize our operations. Additionally, our comprehensive digitization initiatives continue to enhance banking accessibility and efficiency.

As we look ahead, we are excited to advance our sustainability journey with renewed commitment and purpose. Year after year, we prioritize expanding our product offerings, deepening our collaboration with clients to achieve their and our goals, and integrating sustainability more deeply into our corporate culture. We are also dedicated to enhancing transparency in our operations and upholding the highest standards of governance, ensuring lasting impact for our stakeholders.

This report serves as a testament to the dedication of our entire team at Hipotekarna banka, who work tirelessly to make these ambitious goals a reality. We are deeply grateful to our clients, partners, and the communities we serve, whose support and collaboration have been integral to our success.

Together, we are forging a path toward a sustainable, prosperous, and responsible future—one where economic growth goes hand in hand with environmental preservation and social equity.

Esad Zaimović
President of the Management Board
Hipotekarna banka



Understanding Hipotekarna Banka's Business Landscape

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About Us

Hipotekarna Banka was established in 1991. After undergoing a significant ownership change in 2005, it has become one of the top three largest banks in Montenegro and the only one among these to not be owned by a larger multinational banking conglomerate. Its current shareholder structure has been largely unchanged since 2005. The new ownership's restructuring and development strategy has shown its results in the almost 20 years that have passed since its acquisition and the rise of the bank to the top three in the country as well as also being recognized as a systemic bank for Montenegro.

The bank is well-known for its ability to think and move ahead of the curve and for its reactivity to the market, thanks to clear, effective decision processes and a transparent and responsive governance structure. It is recognized for the rigor of its quality control, trustworthiness and for its strict AML policies and procedures. Principal services include Corporate and Retail banking with a growing Investment banking division.

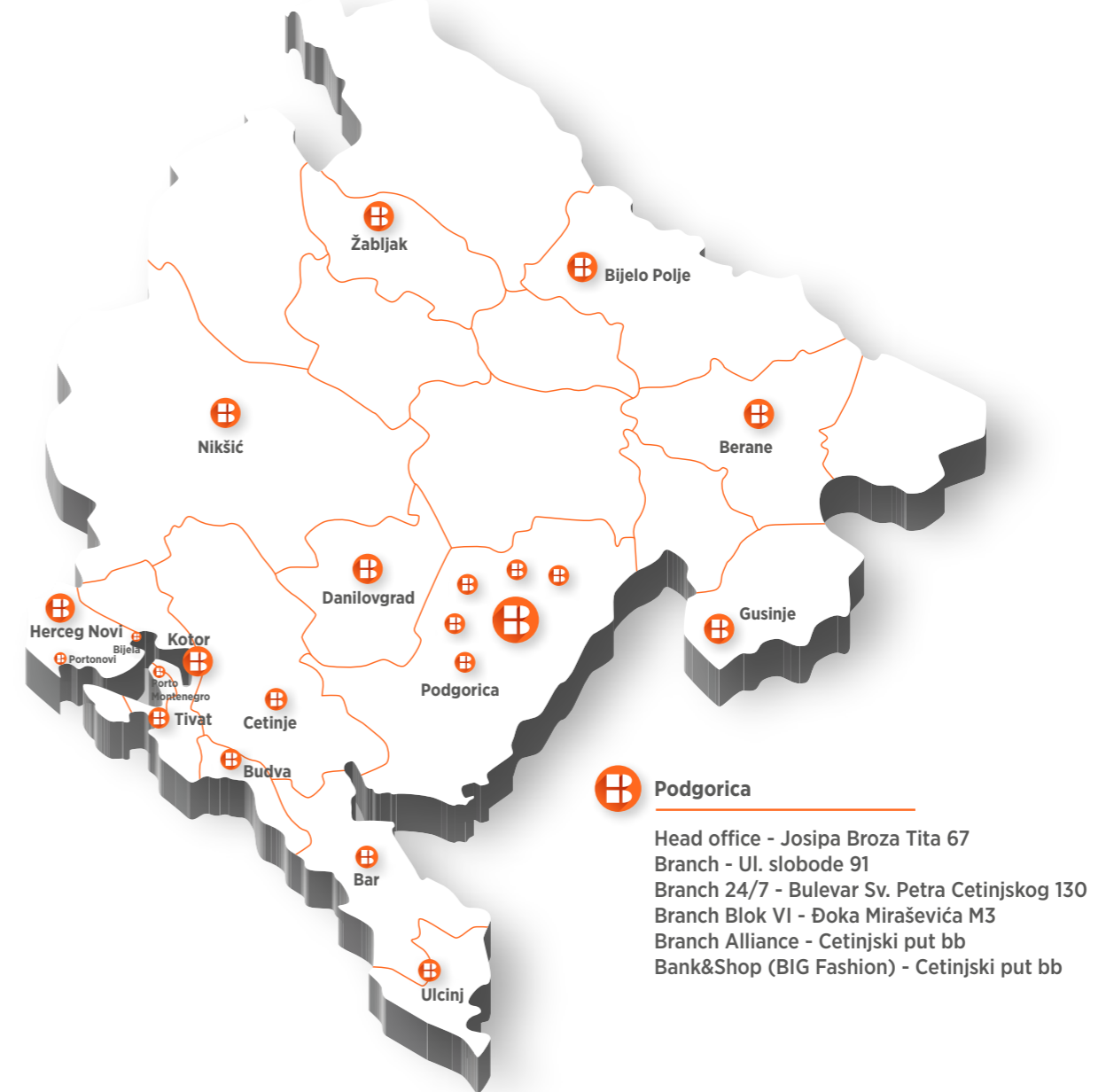
Domestic and international banking services are offered with a strong offering in digital & mobile solutions, making Hipotekarna Banka a reference point in its territory. Since its acquisition, the current shareholder structure has operated on a no dividend distribution policy, continually reinvesting profits into the company to help it grow and develop year over year, keeping a strong solvency ratio.

Hipotekarna Banka (the Bank, HB) 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 Law on Credit Institutions and the Law on Business Undertakings, as well as enabling regulations of the Central Bank of Montenegro (CBCG) prescribe the conditions for founding and functioning of banks in Montenegro.

The provision of services performed by the Bank in the securities market is regulated by the Law on Capital Markets and enabling regulations of the Capital Markets Authority. The Bank also performs payment operations that are governed by the Payment System Law and relevant enabling regulations of the CBCG.

The Bank also performs the insurance agency activities that are regulated by the Law on Insurance and relevant enabling regulations of the Insurance Supervision Agency.



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Road to the European Union

Montenegro's ongoing efforts to align with the EU's environmental policies pose unique opportunities for our bank to support green initiatives and invest in projects with positive environmental impacts. By delving into the exploration of this topic, we can gain valuable insights into the contextual landscape of our report. The potential to be at the forefront of sustainable development in Montenegro not only aligns with global environmental goals but also positions our bank as a catalyst for positive change in the region. This strategic alignment creates a symbiotic relationship where our financial support can fuel environmental progress while concurrently enhancing our institution's reputation as a responsible and forward-thinking player in the financial sector.

Montenegro embarked on its path to European Union (EU) membership by submitting an **application in December 2008**. After gaining **EU Candidate Status in December 2010**, **negotiations officially commenced in June 2012**. The accession process involves the adoption of 35 chapters of the EU Acquis - a set of rights and obligations that form the core of EU law - into national legislation, covering areas such as finance, justice, human rights, and more. Each candidate country's readiness is assessed against these chapters, and all must be negotiated, adopted, and closed before EU membership is granted¹.

As of now, Montenegro has made substantial progress, with **33 chapters screened and opened, and 6 provisionally closed**², signaling a commitment to alignment. A European Commission's report in 2022 noted moderate progress in economic aspects, significant strides in the digital and green transition, and advancements in competitiveness and inclusive growth.

To support Montenegro's convergence, the EU provides funding through mechanisms such as the Instrument for Pre-Accession Assistance (IPA I, IPA II, IPA III), the European Investment Bank, and the Economic and Investment Plan for the Western Balkans.

The EU is a strong advocate for the alignment with the 17 UN Sustainable Development Goals (SDGs). Montenegro, in collaboration with the UN and its partners, is dedicated to realizing the SDGs. Sixteen UN agencies, funds, and programs are actively collaborating in Montenegro, pooling their efforts through the execution of the Integrated UN Programme 2017-2021. This collective initiative aimed to bolster the country's advancement in aligning with national development priorities, in harmony with Agenda 2030 and the ongoing EU reform processes. The admission to the EU will imply complying with several regulations on environmental, social and governance criteria. The growing efforts on this direction are motivated by the urgency of setting and achieving more ambitious targets to keep the Earth's increase in temperature below the 1.5 degrees Celsius by the end of the century, as set by the Paris Agreement (2015).

The European Union has set itself as a leader for the green transition, and to achieve this, it has developed an ambitious set of frameworks, standards and regulations aimed at speeding up the transition in accordance with the Paris Agreement.

The EU's push for a green transition is evident in frameworks like the **European Green Deal** and the **Fit for 55 Package**, which set the target of **55% greenhouse gases emissions reductions by 2030, net emissions by 2050**, and economic growth decoupled from resource use. Moreover, one third of the €1.8 trillion of the NextGenerationEU Recovery Plan and the EU's Seven Year Budget from 2020 are aimed at sustainable objectives³. On top of that, a set of proposals has been drafted to revise and update EU legislation, with the aim of ensuring that public and private policy is in line with the previously mentioned objectives.

¹ European Neighbourhood Policy and Enlargement Negotiations, European Commission, 2023

² Government of Montenegro, 2024

³ Finance and Green Deal, European Commission, 2023

The EU places responsibility on financial institutions to align with ambitious sustainability targets. For Montenegro's financial institutions like Hipotekarna Banka, the compliance landscape will include:

- 1. Corporate Sustainability Reporting Directive (CSRD):** Large corporations and listed companies must report on social and environmental factors, disclose risks, and undergo impact assessments. The CSRD pressures EU corporations to disclose ESG information in a standardized format and set benchmarks and targets. The reporting should be independently assured and must be done in accordance with the European Sustainability Reporting Standards (ESRS), which were developed by the European Financial Reporting Advisory Group (EFRAG).
- 2. Sustainable Finance Disclosure Regulation (SFDR):** In the same way the CSRD regulates companies, the Sustainable Finance Disclosure Regulation (SFDR) puts pressure on investors, financial institutions, and other financial market participants. The SFDR requires financial firms to disclose how they integrate sustainability into their investments and into their financial products, forcing them to qualify the investments they offer in terms of their ESG characteristics. This regulation seeks to increase the transparency of available information for those who want to contribute to projects or companies supporting certain sustainable economic activities, and, in doing so, it aims to prevent greenwashing.
- 3. EU Taxonomy:** A standardized framework classifying activities or investments as environmentally sustainable, requiring disclosure by financial market participants. In the EU, all financial market participants, large companies, and listed SMEs are required to report following the standards of the Taxonomy. The applicability of the taxonomy for commercial banks is being specified by the European Banking Authority (EBA). In March 2021, the EBA proposed to oblige banks to disclose a "green asset ratio" and other KPIs. The Green Asset Ratio is the proportion of "sustainable" loans and assets (under the criteria of the Taxonomy) over the total value of the balance-sheet assets of a bank.

| | |
|--------------------|---|
| As of January 2022 | <ul style="list-style-type: none"> • Non-Financial entities report Taxonomy eligibility for the previous calendar year* • Financial entities report Taxonomy eligibility for the previous calendar year* |
| As of January 2023 | <ul style="list-style-type: none"> • Non-Financial entities report eligibility and alignment for the previous calendar year • Financial entities report Taxonomy eligibility for the previous calendar year |
| As of January 2024 | <ul style="list-style-type: none"> • Non-Financial entities report eligibility and alignment for the previous calendar year • Financial entities report Taxonomy eligibility and alignment for the previous calendar year |
| As of January 2025 | <ul style="list-style-type: none"> • Financial entities may include estimates on Taxonomy alignment for DNSH assessments of third-country exposures subject to the 2024 review period |
| As of January 2026 | <ul style="list-style-type: none"> • Credit institutions include Taxonomy alignment of their trading book and fees and commissions for non-banking activities |

- 4. Corporate Sustainability Due Diligence (CSDD):** Promoting environmental considerations, sustainable governance, and human rights integration into business operations and supply chains.

The EU's focus on ESG aligns with the global trend towards responsible and sustainable practices. Hipotekarna Banka's commitment to innovation and digitalization positions it well to meet the challenges and leverage opportunities presented by EU alignment.

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Indeed, Montenegro's EU accession journey and alignment with ESG regulations reflect a commitment to sustainable development and global best practices. As Hipotekarna Banka navigates these changes, it stands poised to contribute to Montenegro's integration into the EU's economic and sustainability frameworks. It is therefore under the consideration of all the above-discussed alignment issues that Hipotekarna Banka has produced its first sustainability report.

Focus on | CBCG's Exemplary Alignment

Among Montenegrin institutions, the Central Bank of Montenegro stands out for its substantial progress in aligning with EU standards. The 2024 report of the European Commission on Montenegro's alignment progress pointed out several times the stability and resilience of Montenegro's banking system, and the Asset Quality Review confirmed this. During the pandemic crisis and on the recovery period, CBCG introduced temporary measures supporting domestic banks with the goal of liquidity preservation. The European Commission recognized that **the balance sheet of domestic banks recorded significant growth**, further stressing the reliability of the Montenegrin banking system. The CBCG has shown continued commitment to implementing the Commission's recommendations, with the 2024 report noting that several financial regulatory measures were substantially fulfilled.

Through the incorporation of the Law on Credit Institutions and the Law on Resolution of Credit Institutions, along with most of their corresponding regulatory enactments, significant steps have been taken to align the legal framework more closely with prevailing EU standards. By instituting the Resolution Fund and formulating resolution plans encompassing all credit institutions within Montenegro, the Central Bank of Montenegro (CBCG) has instituted mechanisms poised to yield positive outcomes for the financial equilibrium and enduring viability of Montenegro's banking structure. The report from the European Commission also highlights that adjustments to the legal framework governing payment systems have progressed, bringing it into closer conformity with the EU Acquis. This makes evident the progress of the CBCG to align with the European Central Bank, with the European System of Central Banks (ESCB) and to eventually enter the Single Euro Payments Area.

For Montenegro, gaining access to the Single Euro Payments Area (SEPA) would signify a substantial leap forward in its financial landscape. SEPA facilitates cashless euro payments, including credit transfers and direct debits, not only within the European Union but also to several non-EU countries, in a seamless, rapid, and secure manner akin to domestic transactions. The integration into SEPA would bring about a harmonization of payment standards, eliminating disparities between national and cross-border transactions. This move would enhance the efficiency and competitiveness of Montenegro's economy, aligning it with the streamlined and standardized processes observed across all participating SEPA countries. Additionally, the broader accessibility and ease of cross-border transactions could foster increased economic collaboration and growth opportunities for Montenegro on the European stage.

SEPA Implementation: Advancing Montenegro's Financial Integration with the EU

As mentioned, as part of Montenegro's financial integration with the European Union, the implementation of the Single Euro Payments Area (SEPA) is a key step in aligning the country's banking sector with EU standards. By December 31, 2024, the SEPA Project within our Bank had made significant progress, with the official formation of a dedicated project team and the development of a comprehensive action plan for SEPA implementation. Coordination with the Central Bank of Montenegro (CBMNE) has been established, with biweekly reports submitted to the CBCG SEPA task force team to ensure transparency and alignment with regulatory requirements.

Key actions undertaken during this period include:

- » **Action Plan Development:** The SEPA project team has developed a structured action plan to guide the implementation process.
- » **Coordination with CBMNE:** Regular communication has been established with the Central Bank of Montenegro, ensuring alignment with national regulatory frameworks. Regular reports are sent every two weeks to the CBCG SEPA task force team, providing a snapshot of the project's progress.
- » **Engagement with Advisors:** CBMNE has engaged "Paylume," a Brussels-based advisory company, to support commercial banks in the SEPA transition. Paylume has provided guidance on the integration action plan, the Adherence Agreement pack, and the setup and testing of systems required for SEPA SCT transactions. A full-day workshop was also organized by CBMNE and Paylume to enhance banks' readiness.
- » **Educational Workshops:** Various educational workshops and events have been organized by external stakeholders, with participation from project team members, Compliance, IT development, and other relevant departments.
- » **Technical and Commercial Preparations:** The Bank has reviewed and assessed technical and commercial offers from various potential PSP banks.

Looking ahead to Q1 2025, the focus remains on completing the majority of legal and development work, paving the way for final legal adjustments, system testing, and go-live preparations in Q3 2025. As per the SEPA integration action plan, the project remains on track for a go-live date in October 2025.

Standards and Frameworks

GRI Standards and ESRS Standards

The Global Reporting Initiative (GRI)

GRI stands as an autonomous, global organization dedicated to assisting businesses and organizations in communicating their impact through a universal language. As the leading international standard, GRI is adopted by over 10,000 institutions across more than 100 countries. Employing a modular system of interconnected standards, regularly refined, GRI enables organizations to transparently and systematically report the impacts of their operations. This structured approach ensures clarity and openness to stakeholders, reinforcing the commitment to responsible and accountable business practices.

In 2021, as part of the Corporate Sustainability Reporting Directive the European Financial Reporting Advisory Group (EFRAG) was appointed as the technical advisor to the Commission responsible for developing the European Sustainability Reporting Standards (ESRS). On the 31st of July 2023, the Commission adopted the ESRS for use by all companies subject to the CSRD. This marks another step forward in the transition to a sustainable EU economy.

The effective collaboration throughout the drafting process of the ESRS, saw EFRAG and GRI acknowledge the successful attainment of a significant level of interoperability between their individual standards concerning impact reporting. This accomplishment has eliminated the necessity for companies to engage in double reporting, leading to the establishment of a user-friendly reporting system that avoids unnecessary complexity.

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United Nations Principles of Responsible Banking

Introduced at the UN General Assembly in 2019, the Principles for Responsible Banking constitute a transformative framework guiding the global banking community toward a positive transition for both people and the planet. This initiative boasts a significant global reach, with over 300 signatory banks, representing nearly half of the global banking industry. Positioned as the world's leading sustainable banking framework, these Principles foster a collective commitment to aligning core strategies, decision-making processes, and financial activities with the UN Sustainable Development Goals and other international agreements and targets.

The unique framework of the Principles for Responsible Banking centers around six core principles that infuse purpose, vision, and ambition into the realm of financial institutions.

| | | |
|-------------------------------------|--|--|
| PRINCIPLE 1: ALIGNMENT | PRINCIPLE 2: IMPACT & TARGET SETTING | PRINCIPLE 3: CLIENTS & CUSTOMERS |
| PRINCIPLE 4: STAKEHOLDERS | PRINCIPLE 5: GOVERNANCE & CULTURE | PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY |

Being First: Paving the Road to Sustainability

Hipotekarna Banka's vision to lead within the region is underpinned by a lasting commitment to having a positive impact on the country and the environment. While we are proud of our accomplishments, acknowledge that our journey towards responsible banking, innovation, and sustainability is an ongoing effort, and we see ourselves as catalysts for positive change in the financial sector and in the economic development of our domestic market of Montenegro and the broader Western Balkans region.

As a partner to a significant segment of the population and the enterprise sector, we recognize the responsibility to guide and support community in its sustainability-oriented endeavors. We are committed to broadening the spectrum of services we offer, enhancing the support systems that our clients depend on daily in their interactions with Hipotekarna Banka.

By becoming the **first and, to date, the only bank in Montenegro to sign the United Nations Principles of Responsible Banking**, we are taking a significant step towards aligning our operations with global sustainability objectives. Our intention is to set high ethical standards for ourselves and inspire others within the region to follow.

Furthermore, our distinction as the **first Montenegrin bank to publish a sustainability report and conduct a materiality assessment** reflects our commitment to transparency and responsible business practices. We recognize that we are still on a journey of continuous improvement in this field. Our aim is to create a framework for measuring our environmental and social impact and to lead by example. We sincerely hope that our actions will inspire other banks and businesses to embrace sustainability and transparency as well.

The **Brundtland Report in 1987** defined sustainable development as:

“

Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

”

At Hipotekarna Banka, while our primary mission revolves around generating and preserving the wealth of our clients, our commitment extends beyond financial gains. We are a prominent institution in a country that has a rich and complex history, and we like to think of ourselves as an agent that supports the growth and development of our nation, as seen in the incredible changes that Montenegro has undergone since the independence referendum of 2006. We inherently recognize the significance of sustainable development, placing utmost importance on the well-being of the environment and the communities where we operate. In the contemporary landscape, the integration of Environmental, Social, and Governance principles is not merely an option but an imperative aspect of responsible business conduct.

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**The Digital
Transformation
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The Digital Transformation Journey of Hipotekarna Banka

As part of its commitment to sustainability, innovation, and customer satisfaction, Hipotekarna Banka has embarked on a comprehensive digitization journey. This initiative not only aligns with our mission to deliver exceptional services but also strengthens our competitive positioning in a rapidly evolving digital landscape.

Building on the foundation laid in our previous Sustainability Report, this chapter details the progress of our two-phase digital transformation. It highlights key milestones achieved during Phase I, outlines the roadmap for Phase II, and explores the broader implications of our “Digital-First” strategy.

Phase I: Foundations of Digital Transformation

Phase I of HB’s digital transformation, successfully completed this year, focused on enhancing the customer experience across our digital platforms. Initiated in 2020 and executed with precision after vendor selection in 2022, project implementation commenced in June, marking a pivotal moment in our technological evolution. This phase was successfully completed in Q2 2024.

Key Achievements in Phase I

- » **Enhanced User Design and Experience**
HB revamped the design of its mobile and electronic banking platforms to provide a seamless, intuitive user experience. Guided by user feedback, the interfaces now reflect customer preferences and usability best practices.
- » **Strengthened Service Offering**
Improvements to existing services included the integration of user-requested features such as standing orders and biometric authentication. These additions have simplified processes and improved accessibility, making daily banking effortless for our customers.

These improvements have contributed to measurable growth in digital adoption among our customers, evidenced by a continuum of increase in the number of active digital banking users. Over a five-year span, the year-on-year growth has averaged 30.55% for the mobile banking service and 34.87% for the desktop banking service. In 2024, compared to 2023 the year-on-year increase was even more significant and has amounted to 47.18% for the mobile banking service and 50.26% for the desktop banking service.

Phase II: Building on the Momentum

With the successful completion of Phase I, HB is now poised to launch Phase II of its digital transformation in 2025. This phase will be pivotal in aligning the bank’s capabilities with global digital banking standards. Scheduled for execution in the upcoming year, Phase II will deliver a suite of innovative features.

Planned Initiatives in Phase II

» Digital Onboarding

HB will introduce a fully online onboarding process, allowing new customers to open accounts without visiting a branch. This feature not only enhances convenience but also reduces operational costs and carbon emissions associated with in-branch processes. During 2024, we have been:

- » Evaluating market-leading solutions.
- » Preparing for regulatory updates in Montenegro to support this initiative.
- » Targeting implementation within the next 12 months, depending on the completion of the aforementioned items.

» Online Loan Approval

Customers will soon be able to apply for and receive loan approvals, up to a certain amount, entirely online, reducing processing times and increasing transparency.

» In-App Communication and Notifications

Enhancing direct communication with customers, HB’s app will introduce in-app messaging and notification features. These tools will provide updates, reminders, and tailored insights to ensure a connected banking experience.

» Website Redesign

The bank’s website upgrade got to be the part in plan for Phase II of Digital bank project, undergoing a significant transformation, incorporating enhanced navigation tools and dynamic features to improve customer engagement. This is an important step we have planned to complete as an integral part of the Digitalization effort of the Bank.

“Digital-First” Strategy of Hipotekarna Banka

Central to our transformation journey is the “Digital-First” strategy, which prioritizes mobile and online banking as the primary service channels. This approach underscores our commitment to customer-centricity, sustainability, and innovation.

Key Pillars of the Strategy

1. Customer Experience Enhancement

By offering 24/7 access to banking services, we aim to provide unparalleled convenience to our customers. With 34.155 physical persons using the online banking services (data as of 31.12.2024, for both mobile and desktop versions) and 7.335 legal entities (with active number of users in the amount of 9.416 for the listed number of legal entities) of our total customer base already engaging through digital platforms, we are targeting an increase in the upcoming period, relying on improved functionalities of the online services as well as increased user friendliness.

2. Operational Efficiency and Sustainability

Digitization reduces dependency on paper-based and manual processes, cutting costs and contributing to our environmental sustainability goals. HB’s transition to digital banking is already estimated to have prevented generating significant amount of paper waste this year.

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3. Competitive Benchmarking

HB benchmarks its offerings against global leaders in the banking sector, ensuring that our services align with international standards of innovation and customer satisfaction.

4. Impact and Outlook

HB's digitization journey is a testament to our unwavering commitment to staying ahead of industry trends while remaining deeply attuned to our customers' needs. The adoption of Phase I features has already resulted in a significant increase in customer satisfaction, reflecting the success of our initial efforts.

Phase II, when completed, will further enhance HB's digital ecosystem, empowering customers with tools and services that redefine banking convenience. The strategic focus on digital onboarding, online loan approvals, and enriched in-app communication underscores HB's vision for the future—a vision centred on sustainability, innovation, and excellence.

As we move forward, Hipotekarna Banka remains committed to transparency and accountability in our digitization journey. Regular updates on progress, metrics, and customer feedback will continue to inform our stakeholders and guide our initiatives. Together, we are shaping a future where banking is not only digital-first but also people-focused.

Introduction of Tokens: Strengthening Client Security

As a cornerstone of Phase I of the Digital Bank project, Hipotekarna Banka (HB) introduced tokenization solutions—both mobile and hardware tokens—designed to enhance security and protect clients against fraud. This initiative reflects HB's commitment to delivering secure, cutting-edge solutions that meet regulatory requirements and exceed client expectations.

How Tokens Work

The mobile token (mToken) and hardware token (token) are tools that integrate advanced security measures to authenticate clients during online banking transactions. Whether a transaction is conducted via mBanking, eBanking, or e-commerce, the token plays a critical role in ensuring secure approvals.

When using the **mobile token**, the process unfolds as follows:

- 1. Transaction Initiation:** After initiating a transaction, clients are prompted to confirm or decline it using the mToken.
- 2. Identity Verification:** Before confirmation, the mToken requests the client to validate their identity either by entering a PIN code or through biometric methods (e.g., fingerprint or facial recognition).
- 3. Ownership Validation:** This additional step ensures that only the rightful owner of the token can authorize the transaction.

Similarly, the hardware token operates in a comparable manner, offering clients a physical device to securely approve transactions. These solutions provide flexibility to meet the varied needs and preferences of HB's diverse customer base.

As of the release of the token authentication solution in April 2024 until the year end, on 31.12.2024, there were 21.826 tokenized physical persons and 5.134 tokenized legal entities (with 6.287 authorized users). It is important to note that the tokenization does not mean new online banking users but rather conversion of existing users, as well as new ones, to a new and safer method of logging in to online banking services and authorization of each transaction.

Regulatory Framework: PSD2 and Strong Customer Authentication (SCA)

The adoption of tokenization was driven by the requirements of Strong Customer Authentication (SCA) under the revised Payment Services Directive (PSD2).

PSD2 is a European regulatory framework that aims to enhance the security of electronic payments and promote innovation in the financial sector. A central component of PSD2 is SCA, which mandates multi-factor authentication for electronic transactions.

While PSD2 was implemented in Europe in 2019, Montenegro adopted these regulations in the first quarter of 2024, with HB incorporating SCA no later than the start of Q2 2024.

Understanding Strong Customer Authentication (SCA)

Before the implementation of SCA, online payments in Montenegro typically relied on two-factor authentication combining a password with an SMS-based one-time password (OTP). While this method offered a level of security, it was not immune to vulnerabilities such as SIM-swapping attacks and interception of SMS codes and similar. Strong Customer Authentication (SCA) introduces a more robust security protocol by requiring two independent and distinct factors for verification. This approach—integrating elements such as biometrics or token ownership—significantly enhances the security of electronic payments, offering superior protection against fraud and identity theft compared to previous methods.

Benefits of Tokens and SCA Implementation

The introduction of tokens as part of the SCA framework offers several advantages for clients and the bank:

- » **Enhanced Security:** Multi-factor authentication reduces fraud risks by making unauthorized access significantly more difficult.
- » **Regulatory Compliance:** By adhering to PSD2 and SCA requirements, HB ensures compliance with the latest international and domestic banking standards.
- » **Improved Customer Confidence:** Clients can confidently transact online, knowing that their sensitive information is securely protected.
- » **Seamless User Experience:** With options for biometric verification and PIN authentication, tokens provide a secure yet user-friendly solution.

Looking Forward

By introducing mobile and hardware tokens as part of the Phase I Digital Bank project, HB has taken a proactive approach to safeguarding customer transactions in alignment with modern banking regulations. These robust security measures not only meet mandatory SCA requirements but also position Hipotekarna Banka as a leader in innovative and secure digital banking solutions in Montenegro.

Our clients' safety is our priority, and with tokens, Hipotekarna Banka ensures your transactions are protected every step of the way.

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Embracing Agile Methodology: A Step Toward Greater Efficiency

As Hipotekarna Banka (HB) continues to evolve and grow, we are committed to refining our internal processes to support our dynamic expansion.

We are proud to announce that HB is now the second-largest bank in Montenegro, with assets surpassing €1 billion.

This remarkable achievement is a testament to our unique position as a domestically-owned bank, unconnected to larger international banking chains. HB's rapid growth reflects the trust we have cultivated within Montenegro, demonstrating our ability to operate with agility and innovation in a competitive market.

To sustain this momentum and enhance our ability to adapt to change, HB has begun implementing the **Agile Methodology**, a modern approach to project and workflow management. This initiative aligns with our mission to maintain operational excellence while meeting the evolving needs of our stakeholders.

The Kanban Framework: Simplifying and Streamlining Workflows

A key element of our Agile transition is the adoption of the Kanban framework, a visual and collaborative system designed to improve task management and team efficiency.

How Kanban Works at Hipotekarna Banka

The Kanban framework organizes tasks into three distinct phases:

- » **TO DO:** A repository for all upcoming tasks awaiting initiation.
- » **IN PROGRESS** and **TO BE CONTINUED:** Tasks currently being executed by the team.
- » **DONE:** Completed tasks that are ready for review or deployment.

This simple yet effective structure provides clarity and transparency for team members, enabling them to quickly assess the status of each project at a glance.

Prioritization and Focus

HB has introduced a robust prioritization system to ensure teams focus on the most critical projects. Key features include:

- » **Management - Driven Prioritization:** Management members, in collaboration with department heads, nominate up to five priority tasks for active progress.
- » **Regular Review Cycles:** Every two weeks, Management and select directors review and adjust priorities in the TO DO column, adapting to evolving business needs.
- » **Focus on Completion:** Tasks in the IN PROGRESS column remain untouched until they are completed, maintaining a steady workflow and minimizing disruptions.
- » **Controlled Task Submission:** New requests cannot be added until all current priority tasks are finished, ensuring focus and accountability.

This structured process prevents teams from being overwhelmed by simultaneous demands and fosters a disciplined approach to task execution.

The Benefits of Agile Methodology at Hipotekarna Banka

The adoption of Agile principles, through the Kanban framework, brings several strategic advantages to HB:

- 1. Enhanced Efficiency:** Clear task visualization and prioritization reduce bottlenecks and accelerate project delivery.
- 2. Improved Accountability:** The structured workflow ensures every team member understands their role and responsibilities.
- 3. Adaptability:** Agile allows us to respond more effectively to market demands and evolving priorities.
- 4. Continuous Improvement:** Regular reviews enable ongoing refinement of processes, driving better outcomes over time.
- 5. Customer-Centric Focus:** Agile methodologies help HB remain aligned to customer needs, cultivating trust and driving satisfaction.

Agile: A Framework for Sustained Growth

By integrating the Agile methodology into our operations, Hipotekarna Banka is laying the groundwork for sustained success in a fast-changing industry. The Kanban framework is just the beginning of this transformative journey, reflecting our commitment to innovation, efficiency, and excellence.

As Montenegro's second-largest bank, we recognize the responsibility that comes with growth. Through its agile approach, HB is not just preparing for the future— It's shaping it, ensuring that its customers, employees, and stakeholders benefit from a responsive and forward-thinking organization.

Agility is not just a methodology; it's a mindset. And at HB, it's a mindset that drives us forward.

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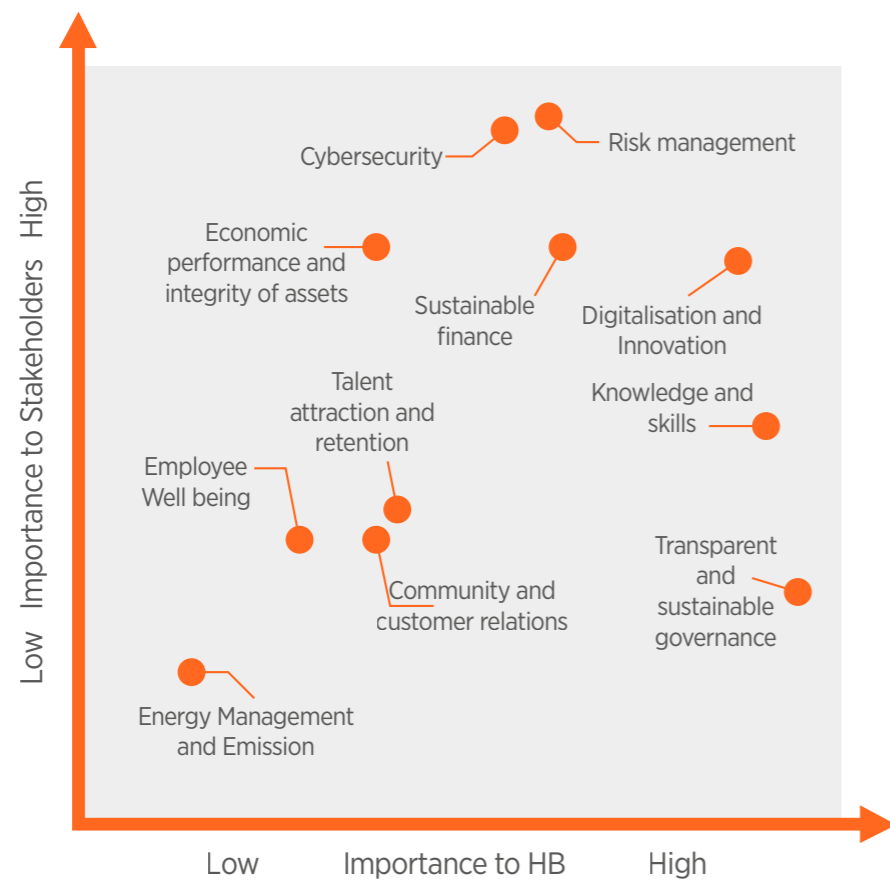
Materiality Assessment

[GRI 2-29] [GRI 3-1] [GRI 3-2]

In 2023, our Bank conducted a comprehensive materiality assessment in alignment with the Global Reporting Initiative (GRI) and European Financial Reporting Standards (EFRS). This assessment included an impact analysis and applied the principles of double materiality to identify key sustainability priorities. As a result, we have defined **11 material topics** that reflect our most significant economic, environmental, and social impacts, as well as the issues most relevant to our stakeholders.

These topics will guide our sustainability strategy and reporting, ensuring transparency and accountability in our commitment to sustainable development. As of now, this assessment is still deemed accurate and up to date, with an update planned for 2025.

To see more details of the assessment, please consult the Bank's 2023 Sustainability & Impact Report.



Our priorities

- 1 Digitalization and Innovation
- 2 Risk management
- 3 Cybersecurity
- 4 Sustainable finance
- 5 Knowledge and skills
- 6 Transparent and sustainable governance
- 7 Economic performance and integrity of assets
- 8 Talent attraction and retention
- 9 Community and customer relations
- 10 Employee Well being
- 11 Energy Management and Emissions Reduction Strategies

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Mitigating our impact through responsible operations

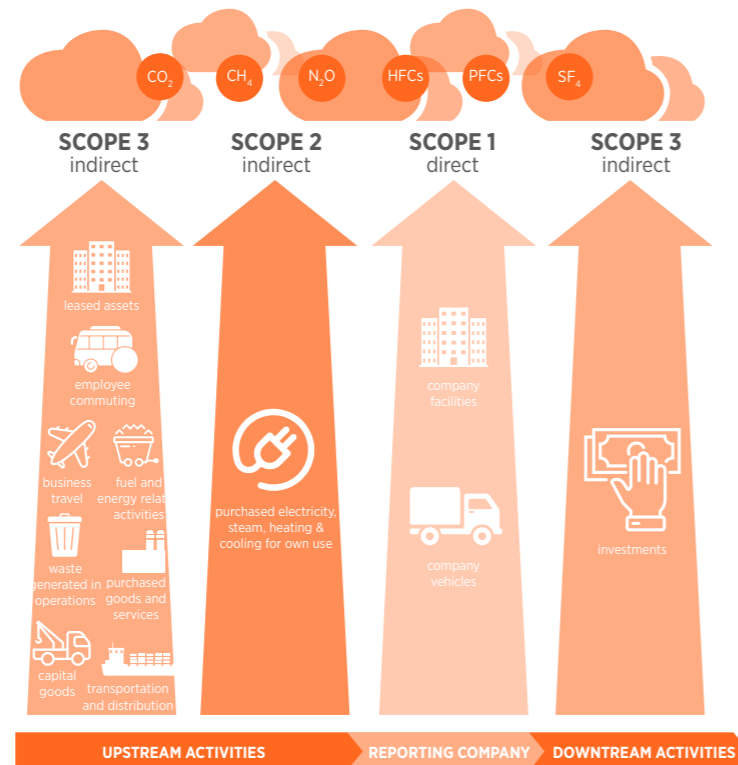


Environmental Footprint

Setting the Stage: Trends in Focus

Banks have significant influence through their financing and investment decisions, often shaping industries and economies. Consequently, the projects they support can contribute substantially to their carbon footprint.

In the banking sector, Scope 3 emissions primarily originate from financial and investment activities, closely tied to the companies and projects they fund. These emissions reflect the broader environmental impact of a bank's portfolio, underscoring the critical role of sustainable finance.



Key Environmental Context:

1.1°C increase in global temperatures since pre-industrial times. Limiting warming to 1.5°C requires a 43% reduction in global emissions by 2030 (IPCCC, Climate Change 2022: Impacts, Adaptation and Vulnerability, 2022).

2.7°C is the projected rise by century's end if current policies are not improved, far above the Paris Agreement targets (UN; 2021).

Banking's Impact and Responsibility:

99.9% of emissions from financial institutions stem from financed projects (Scope 3), not direct operations (CDP, Finance sector's funded emissions over 700 times greater than its own, 2021).

25% or fewer financial institutions are currently aiming to cut emissions across their entire value chain (S&P, Global Corporate Sustainability Assessment, 2022).

Trends in Sustainable Finance:

76% of financial institutions express interest in low-carbon transition opportunities, with green bonds and sustainable investments valued at \$2.9 trillion (CDP).

Banks as Catalysts for Change:

Financial leverage enables banks to influence emissions across industries. Addressing their full environmental footprint requires a focus on Scope 3 emissions, improved data transparency, and expanded sustainable finance initiatives.



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Energy

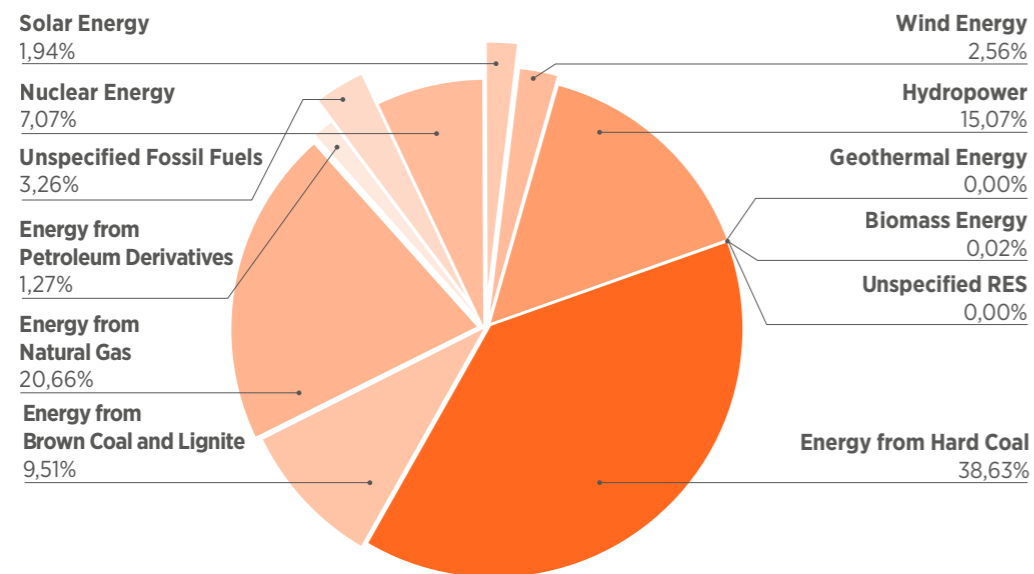
In 2024 Hipotekarna Banka consumed about 5213,27 GJ of energy. In 2024 3588,40 GJ arose from electricity consumption and 1624,88 GJ arose from fuel consumption of cars owned by the bank.

GRI 302-1 | Energy consumption within the organization (GJ)

| | Unit Of Measurement | 2024 | % | 2023 | % | 2022 | % | Delta 23-24 |
|--------------------------------------|---------------------|----------------|-------------|----------------|-------------|---------------|---------------|----------------|
| Electricity | GJ | 3588,40 | 69% | 6036,47 | 83,4% | 6004,36 | 82,0% | -40,55% |
| Diesel | GJ | 661,04 | 13% | 525,21 | 7,3% | 583,46 | 8,0% | 25,86% |
| Petrol | GJ | 963,84 | 18% | 675,58 | 9,3% | 736,78 | 10,1% | 42,67% |
| Total | GJ | 5213,27 | 100% | 7237,26 | 100% | 7324,6 | 100,0% | -27,97% |
| From Renewable Sources (Electricity) | GJ | 702,97 | 13% | 2892,07 | 40% | 2876,69 | 40% | -75,69% |

*The exact energy mix for 2024 will be disclosed in June 2025, computations has been made using the energy mix of 2023.

Our energy mix (2023)



Our **car fleet accounts for 31% of our energy consumption**. Below are several key indicators deemed significant for Hipotekarna Banka. Our fleet comprises 43 vehicles, with 63% powered by petrol.

Car fleet indicators

| | Unit of measurement | 2024 | % | 2023 | % | 2022 | % |
|-------------------------|-----------------------|-------------------|-------------|-------------------|-------------|-------------------|-------------|
| diesel | number of cars | 16 | 37% | 13 | 34% | 10 | 32% |
| petrol | number of cars | 27 | 63% | 25 | 66% | 21 | 68% |
| Total | number of cars | 43 | 100% | 38 | 100% | 31 | 100% |
| km count of diesel cars | km | 280.094,61 | 42,7% | 233.070,86 | 44,0% | 207.524,20 | 42,8% |
| km count of petrol cars | km | 375.126,64 | 57,3% | 296.812,92 | 56,0% | 277.386,21 | 57,2% |
| Total km count | km | 655.221,25 | 100% | 529.883,78 | 100% | 484.910,41 | 100% |
| <i>km per car</i> | <i>km</i> | <i>15.237,70</i> | | <i>13.944,31</i> | | <i>15.642,27</i> | |

The energy intensity does not include energy consumption outside the organisation and was calculated by dividing the total energy consumption within the organisation by the number of employees (283 in 2024, 256 in 2023, 240 in 2022) and by the net internal surface area of the buildings (4882,5 sqm in 2024, 4830,5 in 2023, 4778,5 in 2022) of the Bank.

GRI 302-3 | Energy Intensity

| | Unit of measurement | 2024 | 2023 | 2022 | Delta 23-24 |
|-------------------------------|---------------------|---------|---------|---------|-------------|
| Total energy consumption | GJ | 5213,27 | 7237,26 | 7324,60 | |
| Energy intensity per employee | GJ per employee | 18,42 | 28,27 | 30,52 | -35% |
| Energy intensity per surface | GJ/sqm | 1,07 | 1,50 | 1,53 | -29% |

Emissions

Scope 1 and 2 Emissions

[GRI 305-1] [GRI 305-2] [GRI 305-4] [GRI 302-4]

In the full knowledge that measuring is the key to improvement, Hipotekarna Banka calculates its Carbon Footprint, which estimates the greenhouse gas emissions caused by a product, service or organisation.

The Carbon Footprint of the organisation and the effects on climate change are expressed in t of CO₂.

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Scope 1, Scope 2, Scope 3 | Definitions

Scope 1 emissions are the company's direct emissions, generated mainly by the use of fuels and the operation of cooling and refrigeration systems.

Scope 2 emissions are related to the generation of energy carriers that the company receives from outside. In this regard, it should be noted that the only energy vector purchased is electricity.

Scope 3 emissions are indirect emissions related to all other aspects of the company's operations

[GRI 305-1] [GRI 305-2] | Direct (Scope 1) GHG emissions and Energy indirect (Scope 2) GHG emissions (t CO₂)

| | Unit of measurement | 2024 | % | 2023 | % | 2022 | % | Delta 22-23 | Delta 23-24 |
|--------------|------------------------|---------------|-------------|---------------|-------------|---------------|-------------|-------------|-------------|
| Scope 1 | tCO ₂ | 108,99 | 21% | 80,74 | 10% | 88,8 | 11% | -9,1% | 35% |
| Scope 2 | tCO ₂ | 413,9327 | 79% | 751,73 | 90% | 728,17 | 89% | 3,2% | -45% |
| Total | tCO₂ | 522,93 | 100% | 832,47 | 100% | 816,97 | 100% | 1,9% | -37% |

[GRI 305-4] | Emission intensity (tCO₂ /denominator)

| | Indicators | Units of measurement | 2024 | 2023 | 2022 | Delta 23-24 |
|------------------------------|--|-------------------------------------|--------------|--------------|--------------|-------------|
| Scope 1 | Emission intensity per employee | tCO ₂ per employee | 0,385 | 0,315 | 0,370 | +22% |
| | Emission intensity per surface | tCO ₂ per sqm | 0,022 | 0,017 | 0,019 | +34% |
| Scope 2 | Emission intensity per employee | tCO ₂ per employee | 1,463 | 2,936 | 3,034 | -50% |
| | Emission intensity per surface | tCO ₂ per sqm | 0,08 | 0,156 | 0,152 | -46% |
| Total (scope 1 and 2) | Emission intensity per employee | tCO₂ per employee | 1,848 | 3,252 | 3,404 | -43% |
| | Emission intensity per surface | tCO₂ per sqm | 0,107 | 0,172 | 0,171 | -38% |

Scope 3 - Our Impact Beyond Our Boundaries

[GRI 305-3]

As a financial institution, Scope 3 emissions represent the most significant portion of our overall carbon footprint. In a coordinated and organization-wide effort, we undertook a comprehensive analysis that goes beyond our direct operations. Our focus includes a diverse range of indirect emissions, specifically::

- » A detailed assessment of **employee commuting patterns**, based on survey data collected from our staff.
- » An in-depth analysis of **financed emissions**, carried out in collaboration with our Corporate Clients department, resulting in a thorough review of our lending portfolio. This work offers valuable insights into the emissions associated with our financing activities.

HB Employee Commuting Habits Survey

In its ongoing commitment to **sustainability** and **environmental responsibility**, Hipotekarna Banka recognizes the significant impact that **employee commuting habits** have on its overall environmental footprint.

As part of our efforts to create a more **eco-conscious workplace**, this analysis explores the **transportation methods, fuel choices, commute distances**, and participation in **sustainable commuting practices** among our employees. The aim is to assess the current state of commuting at the bank and uncover opportunities for further improvement.

To gather valuable insights, for the second year we conducted a **survey** among our employees, which provided us with data on **commuting patterns** and preferences. This survey serves as a foundation for future initiatives aimed at reducing our collective **environmental impact**. By analyzing the results, we aim to pinpoint **areas for improvement**, set **measurable sustainability goals**, and take decisive steps toward a **greener future**.

The analysis will focus on several key aspects, including the **carbon emissions** linked to different fuel types, opportunities for optimizing **commute distances**, and encouraging **sustainable practices** such as **carpooling** and **remote work**.

The goal of this initiative extends beyond just analyzing current commuting habits—it is about fostering **meaningful change**. By encouraging a culture of **mindful commuting**, we aspire to create a workplace where every employee plays a role in advancing a more **sustainable future** for both Hipotekarna Banka and the wider community.

Survey Results

Out of a total of **283 employees**, **28 were on leave** during the survey period due to reasons such as **maternity, illness, vacation**, or **personal commitments**. Additionally, **47 employees** are **non-direct workers** and were excluded from the survey.

Of the **208 employees available** for participation, **170 responded**, resulting in an impressive **response rate of 82%**, up from **77% in 2023**.

Among the key findings, a substantial majority – **123 employees (down from 142 in 2023)** – reported that they primarily use a **car** for their daily commute, representing **72%** of the survey participants (compared to **82% in 2023**).

This data offers invaluable insights into our workforce's **commuting habits**. The continued

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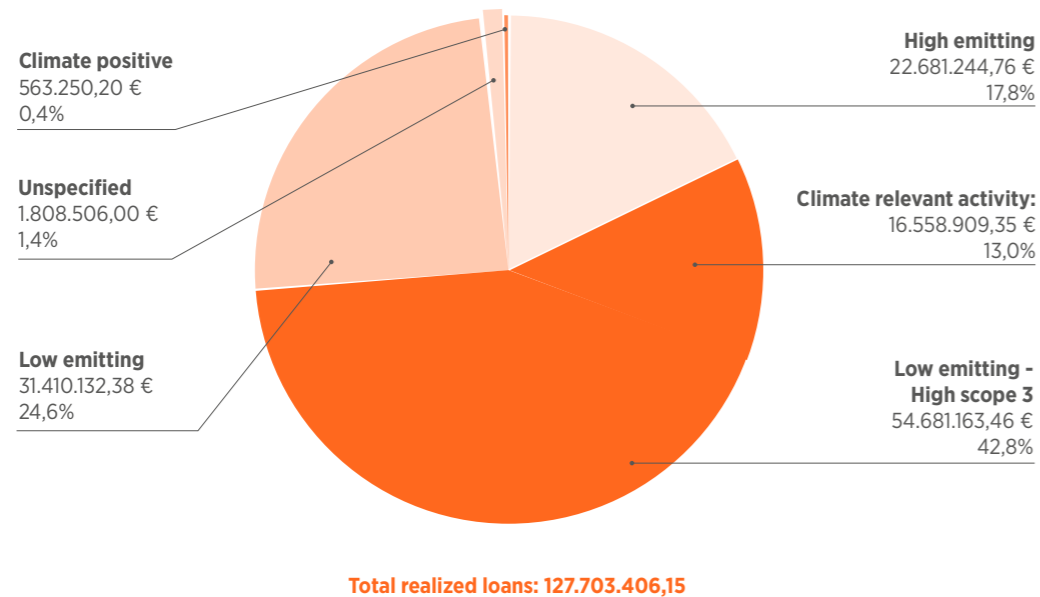
prevalence of **car usage**, coupled with the interest in **carpooling** (noted by **10 vehicles**), highlights potential areas for improvement. By further supporting and optimizing employees' **transportation choices**, we can work toward reducing our **environmental impact** and enhancing our **sustainability efforts**.

Financed emissions

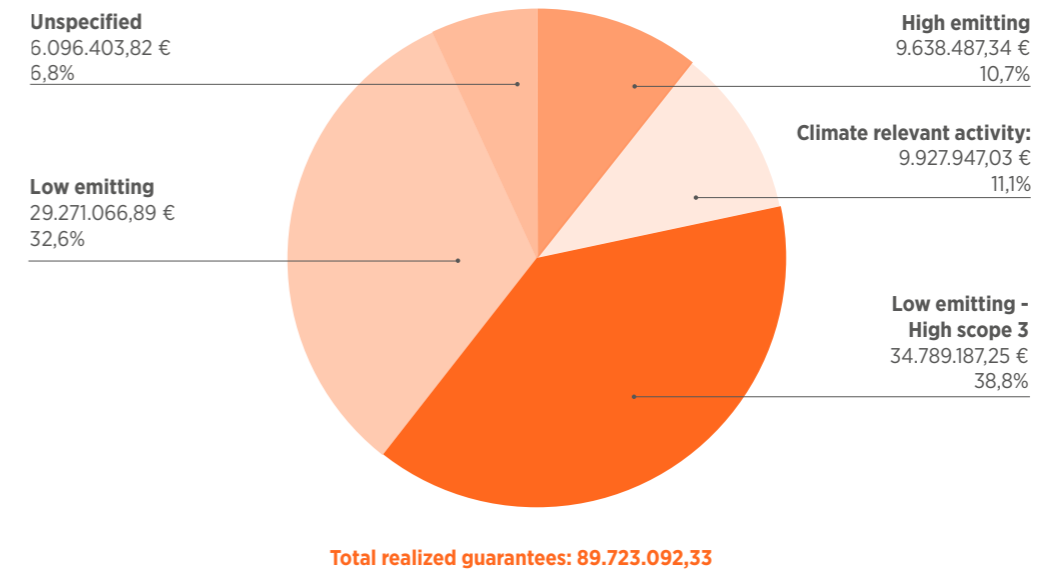
As a financial institution, Hipotekarna Banka continues to recognize that the largest portion of its emissions comes from indirect sources, commonly referred to as Scope 3 emissions. Understanding our critical role as intermediaries, we remain committed to examining the emission profiles within our portfolio.

This year, we repeated our analysis of client emissions, focusing on the distribution of investments across various industries and their associated emission categories. While data gaps remain, particularly due to the lack of detailed emissions data across our diverse client base, this year's analysis has further deepened our understanding of how our investments align with different emission categories. This insight continues to guide us in formulating tailored strategies aimed at reducing emissions and generating a positive environmental impact.

Legal entities, loans 2024:



Legal entities, guarantees 2024:



This analysis marks another step in our ongoing commitment to assessing Scope 3 emissions. Moving forward, our approach will remain consistent, with plans to further **refine and expand** our analysis in future years. We will continue to build on our current methods by extending the scope of our **questionnaires** and enhancing the data collection process – especially with a focus on **corporate clients**. This will allow us to gain a more **comprehensive understanding** of the environmental impact across various facets of our clients' operations.



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Community



Investing in a stronger, more inclusive community

Community

At Hipotekarna Banka, our commitment to the community extends far beyond banking – it is driven by a genuine dedication to creating a meaningful impact. Each year, we carefully select and support institutions and initiatives that address the diverse needs of our society.

Through thoughtfully planned initiatives in health, education, culture, and social responsibility, we actively contribute to positive change.

Health and Social Responsibility

The educational campaign “Dok si na vrijeme” (“While You Still Have Time”) was implemented with the goal of raising awareness about the causes, prevalence, prevention, and treatment of breast cancer. Our engagement in this project is crucial for reducing risk and improving quality of life within the community.

Additionally, our donation for organizing the **Montenegrin Menopause and Involutive Hypoandrogenism Association** conference contributes to the advancement of medical standards in the field of women’s health. By supporting the “Euromelanom 2024” campaign led by Dr. Ana Popović, we are aiding in raising public awareness about this disease.



The donation of wheelchairs to the **Elderly Home** in Podgorica enhances mobility and quality of life for individuals with disabilities, highlighting our commitment to social inclusion and equal opportunities for all.

Our support for the **International Women’s Club for Children with Developmental Disorders** provides essential therapies and support, further contributing to improving their lives.

The donation to the **Autism Center** contributes to improving the conditions for therapy and education for individuals with autism, fosters their integration into society, and promotes equality within the community.

Education and Youth Development

In the field of education and youth development, Hipotekarna Bank recognizes the importance of investing in the future. Purchasing computers for the “**Risto Ratković**” **Primary School** in Bijelo Polje assists in modernizing educational resources and providing primary school students with access to modern technology, which is crucial for their educational development.

Furthermore, supporting the **University of Montenegro (UCG)** by providing students with free access to the Jobiri platform, which aims to assist in job searching and career development, underscores our commitment to enhancing educational institutions and research activities, vital for the advancement of knowledge and innovation in society.

The donation of computers to the **Secondary Vocational School** in Bijelo Polje improves educational resources and infrastructure, contributing to the quality of education for children.

We also donated networking equipment to the Faculty of Electrical Engineering at the University of Montenegro to support the enhancement of educational infrastructure and provide students with access to modern technologies in the IT field.



Supporting the **scholarship program for MONTEB students at the Faculty of Economics**, University of Montenegro, enables the company to invest in the education of future professionals, strengthen its reputation as a socially responsible company, and build connections with promising talents for future collaboration.



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Sports and Development of Young Athletes



Supporting sports activities and the development of young athletes is also a significant part of Hipotekarna Bank's social responsibility.

Sponsoring the equipment for participants in the **basketball school in Cetinje** contributes to the development of young athletes and the promotion of a healthy lifestyle.

Our support for the **Handball Federation of Montenegro** aids in the development of handball, one of the most successful sports in Montenegro, and promotes sports activities among the youth.

Additionally, support for the preparation season for the **"Boys" Basketball Club in Bar** strengthens local sports clubs and provides young athletes with development opportunities.

The donation for the transportation of competitors to the **Karate Academy TN in Podgorica** enables young athletes to participate in competitions and foster a sports spirit.

By sponsoring the ninth **basketball camp in Kolašin**, we provide young people with opportunities to grow in sports and build teamwork, which is crucial for their future.



The agreement to provide **marketing services for VK1 gyms** allows us to connect with health-conscious clients and promote healthy lifestyles.

Sponsoring the **handball camp** of the renowned Montenegrin handball player Jovanka Radičević allows us to connect with young athletes and enhance our image as a socially responsible company.

We are sponsors of the Budućnost Voli basketball club, thereby supporting the development of sports in Montenegro, promoting healthy lifestyles, and enhancing the visibility of our brand.



By supporting the Lovćen Football Club and the Lovćen Women's Volleyball Club, we contribute to the development of local sports and motivate young talents to engage in sports and actively participate in competitions.

Support for the Sports and Recreation Association "Veteran" offers the bank an opportunity to support active members of the older population in their dedication to sports and health, thereby strengthening the brand's image as a socially responsible institution that invests in all generations and promotes physical activity.

Support for the Women's Volleyball Club "Luka Bar" in organizing the "Port Cup" tournament contributes to the promotion of sports and physical activity among young people.



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Culture, Arts and Entertainment

Hipotekarna Banka places great importance on cultural development and artistic initiatives.

Sponsoring the **Mediterranean Festival** supports the preservation of cultural heritage and the promotion of cultural identity.

The donation to the **Open Cultural Forum in Cetinje** for book printing aids in preserving local literature and cultural heritage.

Sponsoring the completion of the film **“Soul of Podgoricanos”** contributes to the creation of significant cultural works that enrich the artistic scene.

Additionally, support for the **Opuč Festival** and sponsorship of the **NY Jazz Festival 2024**, which includes our Street Jam for jazz music enthusiasts, further strengthen the Bank’s role as a promoter of culture and the arts.

Support for the printing of **Slobodan Boba Lalović’s comic** and the promotion of young talents through the **Montenegrin Fashion Chamber** contribute to the development of creative industries and artistic expression among the youth.



We sponsored the play **“Just Be Honest, Whoever Outsmarts Whom”** to support the development of the theatre scene, promote local dramatic art, and allow the audience to enjoy cultural content that addresses socially relevant issues through humor.

We also supported the **filming of a music video for singer Nenad Knežević Knez** to contribute to the development of the music scene, promote local artists, and support the creation of quality entertainment content that reaches a wide audience. Sponsoring the **XI International Puppet Festival in Podgorica** in 2024 presents an opportunity for the bank to support a cultural event that promotes family values, art, and social responsibility.

Support for the **“Podgorica” Folk Ensemble** provides the bank with an opportunity to contribute to the preservation of Montenegro’s cultural heritage through the cultivation of folk dance, song, and traditions, while also supporting the work of a community that promotes tradition at both local and international levels.

Support for the **Podgorica Art Salon** increases the brand’s recognition among art enthusiasts, creating a positive impression of the bank as a partner that invests in cultural projects.

Humanitarian Work and Social Responsibility

Hipotekarna Banka is dedicated to social responsibility and supports numerous humanitarian initiatives.

The donation to the **NGO “Čini dobro” (“Do Good”)** helps improve the quality of life for vulnerable groups, demonstrating our commitment to social solidarity.

The donation to the **Family Foundation** in Belgrade supports families by strengthening social support and solidarity in society.

The donation to the Italian Embassy contributes to strengthening international relations and cultural exchange between countries. A donation to the **Italian and Croatian Embassies** for participation in the Christmas humanitarian bazaar highlights our contribution to international cooperation and promotes the bank as a socially responsible company actively involved in events of significance to the community, while simultaneously building a positive image on both local and international levels.



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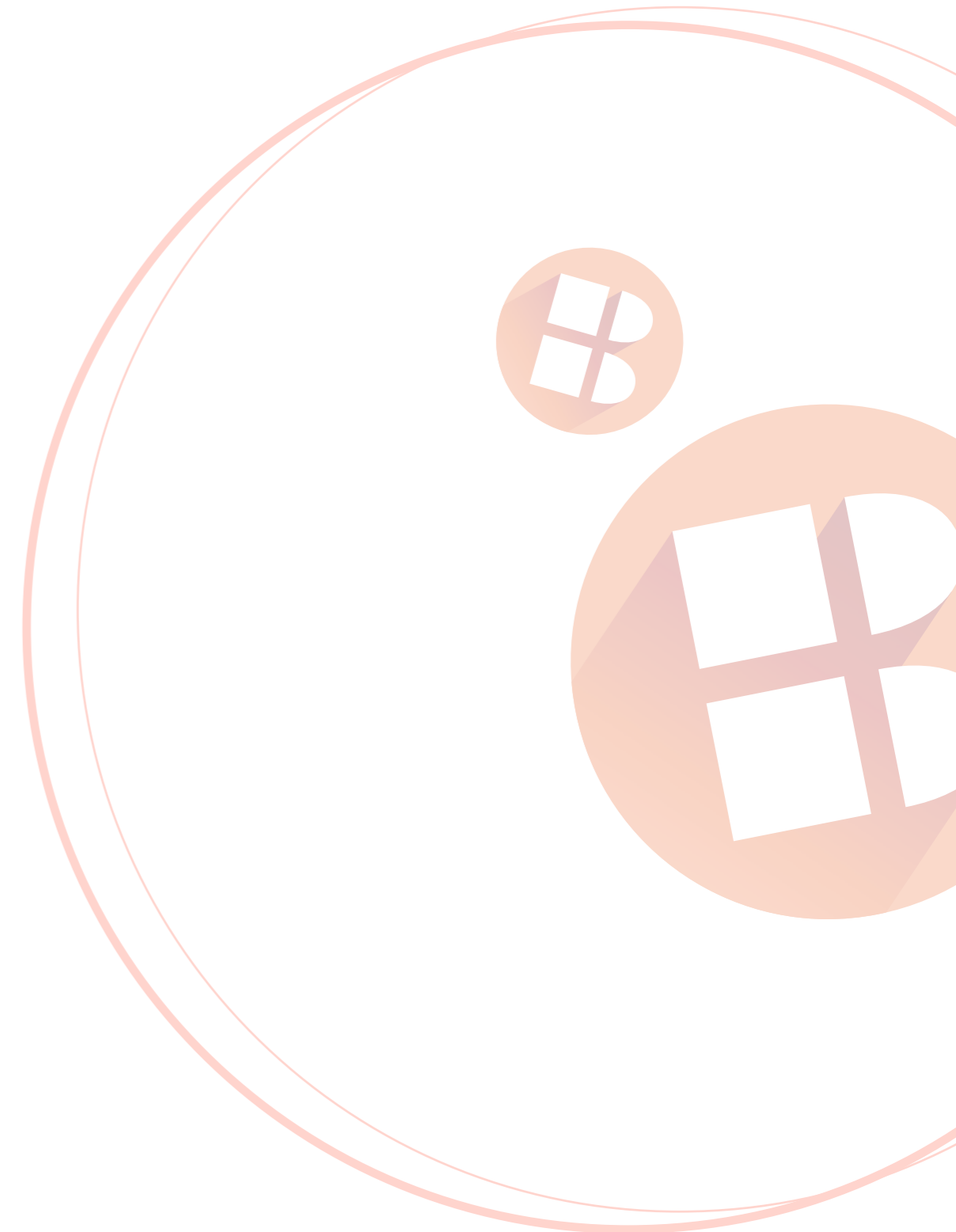
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Support for Professional Development and Research

Our bank actively supports the organization of professional conferences such as the **Balkan Integration Forum 2024**, the **In Fintech 2024 Conference**, the **International Congress of Accountants and Auditors of Montenegro**, and the international conference **“Montenegro Financial Markets”**. By doing so, we contribute to the development of professional knowledge and the exchange of innovative ideas in the region. Sponsoring these events demonstrates our commitment to enhancing business and financial practices, promoting new technologies, and strengthening collaboration between different sectors, while simultaneously positioning us as a partner actively involved in creating better conditions for business and the growth of the regional economy.





Clients and Partners



Driving sustainable progress through trusted relationships

Clients and Partners

Client engagement is essential to fostering sustainable and **responsible financial relationships**. As clients increasingly prioritize ethical and environmentally conscious decisions, their involvement becomes a powerful force for positive change. By supporting this shift, financial institutions respond to **evolving expectations and contribute to a more resilient, forward-looking economy**. This shared commitment forms the foundation for lasting partnerships built on trust, impact, and shared values.

Corporate Clients

Corporate Clients ESG Practices Questionnaire

The corporate client questionnaire, a pivotal component of our ESG initiatives, was conducted with precision and depth, encompassing insights from 30 clients (19 in 2023) selected across various business categories. Structured into three comprehensive sections, the questionnaire aimed to delve into various facets of Environmental, Social, and Governance behavior.

General Section:

- » Inquired about company size, providing context for understanding the scale and impact of the client's operations.
- » Explored disclosure and reporting habits, seeking to gauge the client's commitment to transparency and accountability in their business practices.

Environmental Section:

- » Addressed crucial aspects related to environmental sustainability.
- » Probed emissions practices to understand the client's carbon footprint.
- » Explored land use policies, water management strategies, and waste management practices, shedding light on the ecological impact of their operations.

Social and Governance Section:

- » Focused on the client's commitment to social responsibility and robust governance.
- » Sought information regarding human rights practices within their business operations.
- » Explored sustainability management practices across the organization, examining the integration of sustainable principles into their overall business strategy.

This in-depth questionnaire was designed not only to assess the current sustainability practices of our corporate clients but also to spark **meaningful dialogue around building a more responsible and forward-looking future**. The insights gathered play a vital role in guiding our efforts to align financial services with broader environmental and social priorities.

| Sustainability Metrics and Initiatives | Percentage of Companies 2023 | Percentage of Companies 2024 |
|--|------------------------------|------------------------------|
| Clear strategy or published statement regarding sustainability commitments | 55% | 57% |
| Appointment of officers or designated unit for business sustainability | 25% | 27% |
| Publication of information about environmental impact | 20% | 20% |
| Conducted ESG risk assessment | 15% | 17% |
| Measurement and reporting on greenhouse gas emissions | 10% | 0% |
| Human rights policy | 80% | 80% |
| Gender representation in the highest governing body | 85% | 47% |

The ESG Client Questionnaire conducted in 2024 provides a detailed overview of the current level of ESG integration among surveyed companies, revealing significant gaps in sustainability practices and governance structures. Less than **10%** of respondents have a clearly defined ESG strategy, and more than **70%** lack appointed ESG officers or formal sustainability reporting frameworks. Environmental responsibility remains underdeveloped, none of the companies surveyed measure and report their greenhouse gas emissions, indicating a limited focus on climate impact and sustainable business practices. Additionally, **over 80%** of companies do not have structured policies for managing environmental risks, highlighting the need for greater awareness and regulatory support in this area.

On social and governance matters, the results reveal concerning trends in workplace safety and labor practices. Workplace accidents were reported by **14%** of companies signaling the need for stricter compliance with labor laws and ethical employment standards. Gender diversity varies widely, with **nearly 30%** of companies reporting a workforce that is more than **90% male**, underscoring the importance of promoting inclusive hiring policies. However, there are some positive indicators, as **98%** of companies reported no known cases of corruption, child labor, or significant human rights violations.

Overall, the findings highlight both challenges and opportunities for improvement. Strengthening environmental impact reporting, increasing governance transparency, and encouraging regulatory support could play a crucial role in advancing ESG adoption. By fostering a culture of responsible business practices, companies can not only align with global sustainability trends but also enhance their long-term resilience and competitiveness in an evolving market.

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Retail Clients

At Hipotekarna Banka, our commitment to our clients goes beyond just financial services. This chapter explores our multifaceted approach to client engagement and the various programs designed to address their unique needs. We are constantly working to engage with our clients, **understand their preferences, and customize our offerings** to meet their evolving demands. Through effective communication, innovative products, and targeted support programs, we aim to build lasting relationships and enhance the overall client experience at Hipotekarna Banka.

Premium Program: Enhancing Value and Convenience for Our Users

The Premium Program remains a cornerstone of Hipotekarna Banka's commitment to providing customers with unparalleled benefits and savings. Through strategic partnerships and exclusive offers, we continue to enhance the value of our Premium card, ensuring our users enjoy a seamless and rewarding banking experience.

Expanding Benefits Through Strategic Partnerships

Throughout 2024, we collaborated with various partners to provide Premium cardholders with valuable discounts, rewards, and enhanced convenience across multiple industries. Some of the key initiatives included:

Glovo – Hipotekarna Banka and Glovo formed a successful partnership, granting Premium card users free delivery on all orders through the Glovo app during weekends. This initiative allowed customers to enjoy their favorite meals and products without additional costs, enhancing their weekend experience.

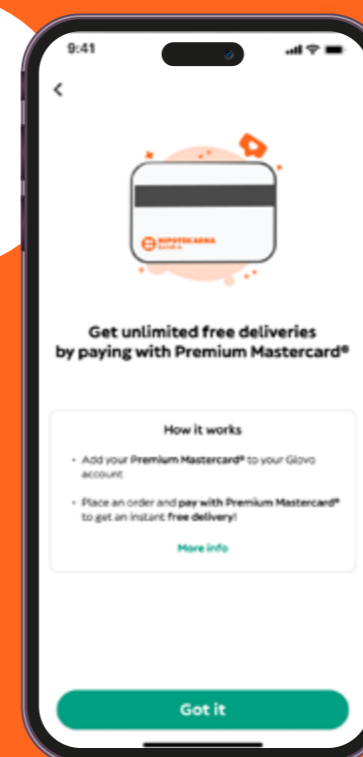
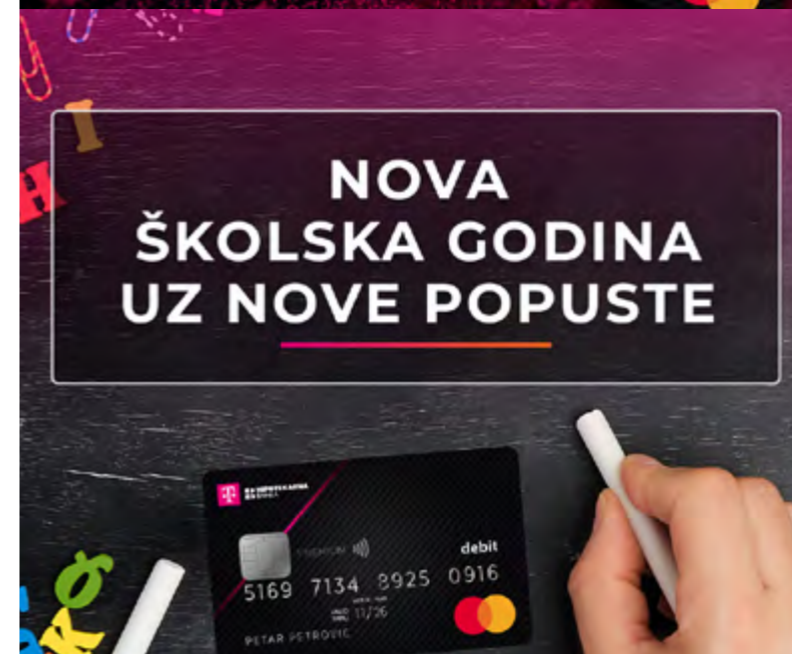
Diagnostica – Premium cardholders benefited from a 50% discount at Diagnostica, significantly increasing accessibility to essential healthcare services. This initiative contributed to better public health by making vital medical check-ups more affordable.

Shopping Days – During dedicated Shopping Days, Premium card users enjoyed discounts of up to 50% at select Premium partner retailers. These promotions provided substantial savings while introducing users to new products and services, reinforcing customer loyalty and brand engagement.

Bookstores – To support families at the start of the new school year, Premium cardholders received special discounts at partner bookstores. This initiative helped parents prepare for their children's education more affordably.

Winter Driving Safety – Safety remained a priority during the winter season, with Premium cardholders gaining access to discounts on vehicle maintenance services through our automotive partners. This initiative ensured safer driving conditions during the colder months.

Pink October – In collaboration with Moj Lab Polyclinic, we offered an additional 10% discount on breast ultrasound examinations for all Premium card users in honor of Breast Cancer Awareness Month. Our goal was to raise awareness and encourage early detection.



BESPLATNA DOSTAVA VIKENDOM
za svaku porudžbinu plaćenu Premium Mastercard® karticom.

Celebrating 13 Years of the Premium Program

To mark the 13th anniversary of the Premium Program, we introduced a new installment payment option, allowing Premium Mastercard users to split their purchases into up to 36 monthly installments. This new feature provides greater financial flexibility for our customers.

Premium Program by the Numbers

- » **Number of partners:** 654
- » **Number of POS terminals:** 2,014
- » **Premium turnover with partners in 2024:** EUR 70.9 million
- » **Total number of transactions:** 2.9 million
- » **Average transaction value:** EUR 24.45
- » **17% increase in Premium card turnover since 2023**
- » **14% increase in the total number of transactions since 2023**

Driving Financial Benefits for Users

In 2024, Hipotekarna Banka executed numerous campaigns and promotional actions to deliver tangible financial benefits to Premium cardholders. By offering discounts and installment payment options, we helped customers save significantly on everyday purchases.

The Premium Program's impact was particularly evident in retail partnerships, where users highly valued the card's benefits amid rising consumer prices. A standout example is **Voli Trade DOO**, where customers received a **3% discount and the option to pay in up to 4 installments**. Over the course of the year, Premium cardholders saved approximately **EUR 300,000** at this retail chain alone.

Strengthening Market Leadership

Thanks to its unmatched benefits and financial advantages, the Premium Program maintained its position as the market leader in 2024. Customers continued to recognize its value, particularly for everyday shopping needs. The success of the program underscores its strength, relevance, and the trust it has built among users. This trust will serve as the foundation for further innovation and enhancements in the coming years, ensuring that Hipotekarna Banka remains at the forefront of customer-centric financial solutions.

By continuously evolving and expanding the Premium Program, we reaffirm our commitment to enriching the financial well-being of our users while fostering strong relationships with our valued partners.

Green Products Initiative by Hipotekarna Banka

Green Loans for Legal Entities

As part of our ongoing commitment to sustainability, Hipotekarna Banka has introduced a financial incentive to support businesses that align with environmental standards. To encourage the adoption of sustainable practices, we have implemented a **0.5% interest rate reduction** for legal entities that meet specific sustainability criteria, regardless of the purpose of their loan.

Eligible clients must fulfill at least one of the following conditions:

- » Utilize green energy, which can be purchased through EPCG. As a bank, we are committed to using green energy ourselves.
- » Operate with installed solar panels.
- » Own or manage wind farms or wind parks.

This initiative will remain in effect until the allocated quota of **EUR 5 million** has been utilized. No additional documentation or special account types are required; businesses simply need to submit the relevant information via email for verification and record-keeping.

Additionally, all participating clients are required to complete the **ESG Questionnaire on Business Sustainability**, ensuring transparency and alignment with best practices in sustainable business development.

Green Growth Fund

The GGF credit line **facilitates financing for energy-efficient construction and green mortgages**, supporting projects that meet stringent energy efficiency criteria.

Key Features of the GGF Credit Line:

- » **Eligibility:** New or renovated buildings consuming less than 80% of the maximum acceptable required energy.
- » **Green Mortgages:** Maximum sub-loan amount of up to **EUR 500,000**.
- » **Construction Financing:** Covers up to **50% of construction costs** (excluding land costs), with up to **EUR 10 million** reported to GGF.
- » **Technical Support:** Fully covered by the **GGF Technical Assistance Facility (TAF)**.
- » **Technology Focus:** Promotes the adoption of modern, efficient technologies, including advanced heating systems, biomass utilization, and solar energy solutions.

Utilization of GGF Funds in 2024

The GGF funds have been actively utilized throughout 2024, reaching **80% of total allocation**. With a total credit line of **EUR 3.5 million**, funds were distributed across **2023 and 2024** to three legal entities and two private individuals.

All recipients met the **Green Growth Fund's predefined criteria**, ensuring at least **20% average energy savings** through the green functionalities of their buildings. Notably, all loans were provided to **real estate purchasers**, rather than construction companies, reinforcing the program's commitment to sustainable homeownership and energy efficiency.

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Partners

ESG Adria Summit

For the second consecutive year, **Hipotekarna Banka** is proud to participate as a Sponsor of the **ESG Adria Summit**, the region's premier business event dedicated to advancing sustainability and shaping the future of responsible growth. With a strong focus on **economic resilience and long-term prosperity**, the Summit provides a unique platform for establishing connections and strengthening ties with key EU and global stakeholders. It serves as a catalyst for **innovation, influence, and decisive action** in the ESG space.

More than just a conference, the **ESG Adria Summit** is where the next wave of sustainable business strategies for the Adriatic region takes shape. It is a place where **strategic alliances are forged, groundbreaking initiatives are launched, and thought leadership thrives**. Attendees gain invaluable insights, build influential relationships, and explore the latest ESG trends—from **pioneering technologies to transformative business models**.



The Summit is hosted by **Sustineri Partners**, a boutique consultancy and think tank specializing in **ESG and sustainability strategy**, and **Porto Montenegro**, a world-class marina and waterfront development located in the **UNESCO World Heritage-listed Bay of Kotor**. It is held in partnership with the Government of Montenegro and under the auspices of the **President of Montenegro**, bringing together senior representatives from **leading companies, banks, international financial institutions, government bodies, civil society, and sustainability experts** to foster collaborative dialogue and action.

Looking ahead, the **ESG Adria Summit** will continue its mission to drive **positive change** for businesses and society through thought-provoking discussions and long-term stakeholder engagement. **Hipotekarna Banka remains committed to supporting this initiative**, reinforcing its dedication to sustainability and responsible business practices in the region.

At the **ESG Adria Summit 2024**, our **Supervisory Board Member, Mato Njavro**, participated as a panelist in the discussion on **“Inclusive Leadership: Strategies for Fostering Diversity and Collaboration.”**

The panel explored effective strategies for cultivating inclusive leadership within organizations, emphasizing the integration of diversity and collaborative practices. Experts shared valuable insights on creating environments that promote equality, empower individuals from diverse backgrounds, and foster a culture where everyone can contribute to their fullest potential.

Moderator: Biljana Braithwaite, Founding Partner and CEO, Sustineri Partners, Chair, Women on Boards Adria (WOBA)

Panellists:

- » Anino Emuwa, Managing Director, Avandis Consulting and Founder of 100 Women@Davos
- » Brankica Janković, Commissioner for the Protection of Equality of Serbia
- » Mato Njavro, Dean, Zagreb School of Economics and Management and Member of the Supervisory board, Hipotekarna Banka
- » Sanela Pašić, Member of the Supervisory Boards, University professor and co-founder of Women's Mentoring Network
- » Olivera Vukajlović, Advisor to the President of Montenegro for Sustainable Development

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Corporate Values and Workplace



Fostering a culture of
integrity, purpose, and
shared growth

Corporate Values and Workplace

At **Hipotekarna Banka**, our **corporate values** are the foundation upon which we build our success. These values are reflected in the way we treat our employees, foster a **positive and inclusive workplace**, and drive **sustainable growth**. We understand that the strength of our organization is directly tied to the well-being and development of our people.

As we continue to evolve, our commitment to nurturing a culture of **trust, respect, and collaboration** remains steadfast. In the past year, we have made significant strides in creating a work environment where our employees feel **valued, supported, and empowered**. We recognize that a positive workplace culture is not just about achieving business goals – it's about ensuring our employees have the resources and opportunities they need to thrive both **personally** and **professionally**.

This chapter highlights our continued dedication to upholding our **core values**, with a focus on **employee engagement, well-being, and organizational growth**. We are proud to share the progress we've made in cultivating a workplace that fosters **innovation, inclusivity, and mutual respect**.

Employee Education and Development

At Hipotekarna Banka, we firmly believe that continuous learning is the foundation of professional excellence, regulatory compliance, and innovation. Through a combination of **internal digital training (Edu720 platform)** and **external specialized education**, we ensure that our employees remain equipped with the knowledge and skills necessary for a rapidly evolving financial landscape.

Internal Training: Edu720 Platform

Edu720 is an interactive **e-learning platform** that supports employees in fulfilling their professional development requirements through self-paced and instructor-led courses. The platform provides a **structured, user-friendly environment** that enables employees to develop their competencies across multiple areas, including compliance, cybersecurity, leadership, sustainability, and technical skills.

Training modules on Edu720 are designed to meet both **regulatory** and **operational** needs, ensuring that all employees, regardless of their role, have access to relevant learning content. In 2024, the platform remained an essential tool for employee education.

Training Covered Key Areas:

1. Cybersecurity & IT Awareness

- » **Phishing Awareness:** This course educates employees about phishing attacks, how to recognize fraudulent emails, and how to respond to potential threats. Real-world examples and preventive measures are provided to enhance cybersecurity awareness.
- » **Cyber Threats – Defend Yourself:** Employees are educated on various cyber threats and how to defend against them. The course covers malware, phishing, social engineering, and preventive measures.
- » **Email Usage:** This course covers secure and professional email usage within the bank. It includes email etiquette, phishing awareness, and best practices for handling sensitive information.
- » **Use of Portable Media:** Employees are educated on the risks associated with USB drives, external hard drives, and other portable storage devices. The training includes secure usage guidelines to prevent data leaks.

- » **Internet Usage:** Employees have been trained on responsible and secure internet usage in the workplace. The course highlights cybersecurity threats, safe browsing habits, and company policies on web access.
- » **Passwords:** This module emphasizes the importance of strong passwords and password management. Employees learn how to create, store, and update passwords securely to prevent unauthorized access.
- » **Information Security:** This training covers the fundamental principles of information security, including data protection, secure communication, and threat awareness. Employees will learn best practices for safeguarding sensitive bank data and preventing security breaches.
- » **User Access Rights Management:** Employees learn how to manage user access rights within the bank's systems. The training includes granting, modifying, and revoking access based on security protocols.

2. Regulatory & Compliance

- » **Self-Assessment of Operative Risks:** This module teaches employees how to perform self-assessments related to operational risk. It includes guidelines for identifying, evaluating, and mitigating risks in daily tasks.
- » **PPZ Education:** This course provides specific education related to risk and security measures in banking. Employees will gain insights into regulatory compliance and protection protocols.
- » **Incident Management:** This module covers the bank's approach to incident management, including reporting, response, and resolution procedures for security and operational incidents.

3. Soft Skills & Communication

- » **Internal Communication:** This training focuses on effective internal communication within the bank. Employees will learn about best practices for sharing information, collaboration tools, and maintaining professionalism in written and verbal communication.
- » **Feedback:** Encouraged a culture of constructive feedback to enhance teamwork and professional growth.

4. Workplace Security & Best Practices

- » **Clean Desk and Screen Policy:** Employees learn the importance of maintaining a clean and secure workspace. The training includes best practices for locking screens, securing physical documents, and preventing unauthorized access.

Completion Rates

Some courses within our training programs have relatively low completion rates, this is primarily due to the **ongoing nature** of many of these courses. A significant portion of our training is designed for **continuous enrollment**, meaning that every new employee is required to take the course as part of their onboarding process, rather than completing them all within a set timeframe. Additionally, many of these courses are **not structured to have a fixed end date**, such as December 31, which allows employees to complete them at their own pace throughout the year. This **flexible approach** ensures that employees can engage with the material when it best fits into their schedules, contributing to the lower immediate completion rates, but ultimately promoting **long-term learning and skill development**.

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| Course | Completion % |
|---------------------------------|--------------|
| Phishing Awareness | 90.7% |
| Email Usage | 87.6% |
| User Access Rights Management | 72.6% |
| Cyber Threats – Defend Yourself | 73.2% |
| Use of Portable Media | 75.1% |
| Internet Usage | 78.4% |
| Passwords | 79.4% |
| Information Security | 82.4% |
| Self-Assessment OR | 54.1% |
| PPZ Education | 49.2% |
| Incident Management | 56.6% |
| Internal Communication | 37.6% |
| Feedback | 36.0% |
| Clean Desk and Screen Policy | 77.6% |

External Training

As part of our ongoing commitment to sustainability, innovation, and employee development, the Bank has supported a range of (external) education initiatives designed to build internal expertise and resilience. Notably, through Logate Academy, our employees participated in in-depth training on Linux systems, focusing on **system administration, command-line operations, file system management, and essential security practices**. This training has strengthened the IT department's ability to maintain robust, secure, and efficient system infrastructure.

Additionally, employees attended **Machine Learning education** sessions aimed at building foundational knowledge in algorithms, data processing, data modeling and data predictions. This equipped participants with insights that support innovation in data-driven banking services.

Beyond these technical programs, employees also took part in **practical skill development** such as Adobe Premiere for multimedia production, fire extinction training for emergency preparedness, and First Aid certification, enhancing overall workplace safety and readiness.

Furthermore, the Bank continues to invest in flexible learning by providing access to the Udey platform for employees across various departments. This enables them to develop a wide array of competencies in areas such as Project Management, SQL, and other key business and technical skills, ensuring **continuous professional growth** and supporting a sustainable and future-focused organizational culture.

Moreover, several employees took on free-of charge courses to explain their knowledge such as free course of Python fast API (back end development) and similar - feel free to leave this one out as I do not have more info on what all employees did proactively not finances by the bank.

Corporate Initiatives

Gusinje Branch Inauguration

In June, we opened a **branch in Gusinje**. A completely new, modern environment, tailored to the financial needs of the residents of Gusinje and the surrounding areas.



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Premium Night

In October, we organized **Premium Night**, an event where we celebrated 13 years of the Premium program together with its partners. At the anniversary celebration, we reflected on the program's remarkable achievements and announced a new benefit of the Premium card – payment in up to 36 monthly instalments.



Empowering Women in Leadership

In **October**, the **Empowering Women in Leadership** workshop brought together **30 women** from various hierarchical levels within the bank, creating a dynamic space for **mentorship, skill-building, and empowerment**. Designed for women aged **25 to 40**, the event provided invaluable insights into leadership development, career progression, and personal growth.



Led by **Mr. Enzo Chiesa, Senior Country Advisor at J.P. Morgan** and former **General Manager at Gruppo BPM Banco Popolare di Milano**, the workshop opened with inspiring testimonials from two senior female leaders within the bank—one the **Head of Network**, the other a **Managerial Board member**. They shared their career journeys, reflecting on **key challenges at different stages** of professional growth while emphasizing **resilience, strategic thinking, and adaptability**.

The event then transitioned into **interactive role-play training sessions**, moderated by Mr. Chiesa, where participants practiced **essential negotiation techniques**. A special focus was placed on **body language, priority setting, and work-life balance**, allowing attendees to refine their soft skills in a **supportive, hands-on learning environment**.

The workshop fostered a strong sense of **female solidarity and professional fellowship**, equipping participants with enhanced soft skills and a deeper understanding of **social intelligence in leadership**. Many attendees expressed feeling **genuinely valued** by the bank, recognizing its commitment to **their growth and well-being**. The event also reinforced the importance of **work-life integration**, inspiring participants to pursue their career ambitions while maintaining **personal fulfillment and well-being**—a crucial element for **sustainable success**.

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Team Building Weekend

From **November 8th to 10th**, the **HB Team Building** took place at the **Palmon Bay Hotel & SPA** in **Igalo, Herceg Novi**, bringing together colleagues from across the bank for a weekend of learning, collaboration, and connection.

The event featured **internal workshops** on key topics such as *“SPN Annual Training and Reflection on the Application of International Restrictive Measures”* and *“The Importance of Client Onboarding and Planned Changes for the Future.”* In addition to these sessions, we welcomed a **guest lecturer, Radoje Cerović**—a psychologist, business consultant, and expert in communication psychology. He led an insightful workshop titled *“Communication and Relationships: What’s Under the Hood?”* and introduced participants to a **creative board-breaking technique**. This unique exercise focused on **concentration and mental resilience**, emphasizing how success is driven by mindset rather than physical strength. The weekend also included a **formal dinner**, hosted by **Mirsad Helić, Director of the largest branch in our portfolio**. Sharing the stage with our **President of the Management Board**, they highlighted the **remarkable achievements** of our team and celebrated the **bank’s outstanding results** over the past year. The evening was enriched with live music by the **Berin Buturović band**, adding to the festive atmosphere.

Beyond professional development, the most valuable aspect of this gathering was the opportunity to **strengthen personal connections**. With our bank’s presence spanning across **Montenegro**, this event allowed colleagues to **meet face-to-face, build stronger relationships, and foster a true sense of teamwork**.

We returned to our work duties feeling **more motivated, connected, and ready to take on new challenges together**.



Blok 6 Branch Inauguration

In November, we opened the **new Blok 6 Branch**, offering a comfortable and modern environment for conducting financial services. As part of this branch, we also launched a 24/7 Zone, enabling our clients to access services around the clock, year-round.

A responsible approach to the community, improving the work environment, and caring for the natural surroundings are some of the pillars of our sustainable operations. Accordingly, we have enhanced and landscaped the green spaces in front of the new Blok 6 Branch.



New Year's Celebrations

With a **traditional New Year's celebration**, we marked the end of a **successful 2024**, bringing colleagues together for a night of joy, recognition, and appreciation. The event took place on **December 14th** at the **Hyatt Regency Kotor Bay Resort**, creating a festive atmosphere filled with gratitude for the year behind us and excitement for the future.

This year's celebration featured a **fantastic musical lineup**, with performances by **Jelena Rozga**, **Saša Matić**, and **Dženan Lončarević**, ensuring a night of great entertainment and shared memories.

A highlight of the evening was a **lottery giveaway**, where **five lucky employees** won **weekend getaway vouchers** for themselves and a companion at the **Hyatt Regency Kotor Bay Resort**. Additionally, in the spirit of supporting employees and their families, the bank organized a **New Year's performance for employees' children** and **deposited €50 into their savings accounts**—a meaningful gesture that reflects our genuine commitment to the well-being of our team, both professionally and personally.

Beyond the celebration, the event was a chance to **recognize our collective achievements**, foster **stronger team connections**, and recharge for the opportunities ahead. Moments like these are essential, as they bring colleagues closer, boost motivation, and reinforce the **supportive and inspiring environment that drives our success**.





Governance



Leading with transparency
and accountability for long-
term value

Governance

[GRI 2-9 | 2-10 | 2-11]

Governance Structure

The governance framework of the Bank is built on a dualistic management model to ensure effective oversight and strategic decision-making. The key governing bodies of the Bank include:

1. **General Shareholders Assembly** – The highest authority in the Bank, composed of shareholders and their authorized representatives, with rights to vote, participate in decision-making, and access financial records.
2. **Supervisory Board** – Responsible for oversight and governance, ensuring compliance with laws and regulations.
3. **Management Board** – Executes the Bank's operations, ensuring daily management and strategic alignment with business objectives.

General Shareholders Assembly

The General Shareholders Assembly exercises its rights as stipulated by the Law on Credit Institutions, the Law on Business Undertakings, and the Bank's Articles of Association. Shareholders have full access to financial information, voting rights, and the ability to convene meetings if they hold at least 5% of share capital. Shareholders also have rights to receive dividends, obtain financial reports, and participate in the Bank's key decisions. The General Shareholders Assembly also plays a role in key strategic decisions such as capital increases, mergers, and major policy changes, ensuring that shareholders remain actively engaged in shaping the Bank's future.

In addition to its statutory obligations, the General Shareholders Assembly serves as a forum for discussing corporate performance, approving strategic initiatives, and ensuring accountability of the Supervisory and Management Boards. The Assembly meets annually but may also convene for extraordinary sessions when required. The Bank maintains transparent communication with shareholders by regularly publishing financial statements, governance reports, and sustainability disclosures.

Supervisory Board

The Supervisory Board, composed of at least five and at most nine members, is responsible for independent oversight of the Bank's operations. Two-fifths of its members are independent, ensuring objective decision-making. Members are elected by the General Shareholders Assembly for four-year terms and must meet specific professional expertise and regulatory requirements. The Supervisory Board has established the following standing bodies:

- » **Risk Committee** – Oversees the Bank's risk management policies and ensures alignment with the regulatory framework.
- » **Remuneration Committee** – Develops and oversees fair compensation practices and executive pay structures.
- » **Nomination Committee** – Manages board composition and leadership succession planning.
- » **Audit Committee** – Ensures the accuracy of financial reporting and compliance with internal and external audit requirements.

The Supervisory Board plays a critical role in evaluating the effectiveness of corporate governance mechanisms, reviewing internal control systems, and ensuring that the Bank adheres to both national

and international regulatory standards. During 2024, the Supervisory Board passed key decisions regarding operational oversight, financial stability, and regulatory compliance. It actively reviewed reports from the Central Bank of Montenegro and implemented measures to enhance governance practices.

The Board members must have a proven track record in financial services, corporate governance, and risk management. Regular training sessions and professional development initiatives are implemented to ensure that Board members remain informed about emerging trends in banking governance, cybersecurity risks, and ESG regulations.

To strengthen governance effectiveness, the Bank has implemented an evaluation system where the Supervisory Board assesses its own performance and that of the Management Board on an annual basis. This process ensures continuous improvement and alignment with regulatory expectations.

Management Board

The Management Board is responsible for executing the Bank's strategy and overseeing day-to-day operations. Comprising five members appointed for four-year terms by the Supervisory Board, the Management Board ensures regulatory compliance, risk management, and operational efficiency. The Chairperson represents the Bank and makes decisions jointly with other members.

Key responsibilities of the Management Board include:

- » Ensuring the implementation of a reliable corporate governance system.
- » Monitoring financial performance and operational efficiency.
- » Conducting periodic risk assessments and reporting findings to the Supervisory Board.
- » Overseeing compliance with banking regulations and internal policies.
- » Managing stakeholder relations and customer satisfaction initiatives.
- » Ensuring adherence to ethical banking standards, anti-money laundering policies, and corporate transparency initiatives.

The Management Board meets regularly to discuss operational performance, compliance matters, and business expansion opportunities. It also ensures that the Bank upholds ethical standards in all aspects of business, reinforcing the commitment to integrity and sustainable growth. To enhance decision-making efficiency, the Bank has established cross-functional teams that bring together key personnel from different departments, ensuring that governance decisions are data-driven and aligned with the overall corporate strategy.

Internal Controls and Risk Management

A robust internal control framework ensures the accuracy and completeness of financial reporting. The Bank has established:

- » **Internal Audit Division** – Monitors and evaluates the system of internal controls.
- » **Compliance Service** – Ensures regulatory adherence and prevents misconduct.
- » **Division for Prevention of Money Laundering and Terrorist Financing** – Oversees compliance with anti-financial crime regulations.
- » **Risk Control Service** – Established as an independent function in 2022 to proactively assess risks and provide strategic recommendations to the Board.

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The Bank's risk management strategy encompasses financial, operational, regulatory, and reputational risks. In 2024, the Bank introduced the **Risk Appetite Framework (RAF)** to strengthen its risk management capabilities. The RAF allows the Bank to assess deviations from strategic objectives, identify potential financial threats, and ensure sustainable operations.

Corporate Governance Code Compliance

The Bank adheres to the Corporate Governance Code of Montenegro and follows ethical business conduct standards. The Bank's conflict of interest policies ensure transparency and integrity in decision-making processes. The Code is applied under the "comply or explain" principle, with additional measures in place to resolve conflicts of interest among employees, executives, and shareholders. The Bank's governance model emphasizes ethical conduct, responsible banking practices, and stakeholder engagement.

The Bank regularly reviews and updates its governance policies to reflect evolving best practices and regulatory expectations. As a member of several financial and business associations, the Bank actively participates in industry dialogues on corporate governance advancements.

Diversity and Inclusion

[GRI 405-1]

The Bank promotes gender equality, diverse perspectives, and expertise in governance bodies. The Supervisory Board is committed to achieving at least one-third representation of the less-represented gender. The Bank ensures that all governance body members possess the necessary knowledge, skills, and experience to oversee and execute strategic operations effectively.

The Bank's Diversity Policy emphasizes:

- » Equal employment opportunities regardless of gender, age, or background.
- » Fair selection processes to ensure diverse representation at all levels.
- » Gender balance in executive positions.
- » Continuous professional development for leadership roles.

ESG Risk Management and Integration

The Bank is currently working on implementing an **ESG Risk Rating Framework**, first outlined in the **2023 Sustainability and Impact Report**, with full-scale application expected by **2025**. This initiative aligns with global sustainable finance principles, ensuring that environmental and social considerations are integrated into financial decision-making.

The ESG Risk Management Framework is designed to systematically assess the sustainability performance of investments and lending practices. It establishes risk thresholds based on environmental impact, carbon footprint, labor rights adherence, and corporate governance practices. This framework ensures that the Bank does not engage with entities that pose significant sustainability risks and prioritizes financing for projects and businesses aligned with the United Nations Sustainable Development Goals (SDGs).

The Bank has committed to:

- » Conducting **ESG due diligence** on all major lending and investment activities to identify and mitigate potential sustainability risks.
- » Establishing an **ESG risk rating system** that assesses companies based on environmental impact, social responsibility, and governance integrity, using internationally recognized ESG assessment criteria.

- » Creating **specialized financial products** that incentivize green investments and climate-friendly business models, including lower interest rates for sustainable projects and financing incentives for renewable energy development.
- » Developing an **internal ESG training program** to equip employees with the skills and knowledge required to integrate ESG factors into financial decision-making.
- » Implementing an **ESG data analytics system** that enables real-time tracking of ESG risk exposure and ensures compliance with evolving regulatory frameworks.

The ESG Risk Rating Framework applies to three key sub-portfolios:

- » **Individuals** – Customers receiving financing for ESG-related projects (e.g., energy efficiency improvements, solar energy installations, and green home upgrades) receive an upgraded ESG rating, which may qualify them for preferential loan terms.
- » **Securities** – The Bank will only finance securities with an ESG rating of A to C, while excluding securities associated with industries with negative environmental or social impacts (such as fossil fuels, deforestation-linked supply chains, and companies with poor labor practices).
- » **Legal Entities (Companies)** – Companies seeking financing will undergo ESG assessments based on their industry sector, corporate governance structure, sustainability disclosures, and carbon emissions performance. Businesses in sectors deemed high-risk for ESG concerns (such as mining, heavy manufacturing, and chemical production) will face stricter evaluation criteria.

ESG RATING SCALE

| ESG GRADE | DESCRIPTION |
|-----------|--------------------------------|
| A | LOW ESG RISK |
| B | LOW TO MODERATE ESG RISK |
| C | MODERATE EGS RISK |
| D | MODERATE TO INCREASED ESG RISK |
| E | INCREASED ESG RISK |
| F | HIGH ESG RISK |

To ensure that ESG risk considerations are fully embedded in decision-making processes, the Bank has also established an **ESG Risk Committee**, responsible for reviewing high-risk transactions and making recommendations to the Management Board regarding potential sustainability risks. The ESG Risk Committee collaborates with the Compliance, Risk Management, and Corporate Strategy departments to ensure that ESG integration aligns with both financial performance and ethical banking principles.

Additionally, the Bank is working towards:

- » Developing **partnerships with environmental organizations and regulatory bodies** to stay ahead of ESG compliance requirements and best practices.
- » Enhancing **transparency and reporting**, ensuring that the Bank provides stakeholders with detailed disclosures on ESG performance and risk management activities.
- » Establishing **long-term ESG Key Performance Indicators (KPIs)** to measure the Bank's impact on sustainability and responsible finance, including tracking carbon footprint reduction, social impact metrics, and ESG-driven financial product uptake.

A Message from the President of the Management Board

Understanding Hipotekarna Banka's Business Landscape

The Digital Transformation Journey of Hipotekarna Banka

Materiality Assessment

Environmental Footprint

Community

Clients and Partners

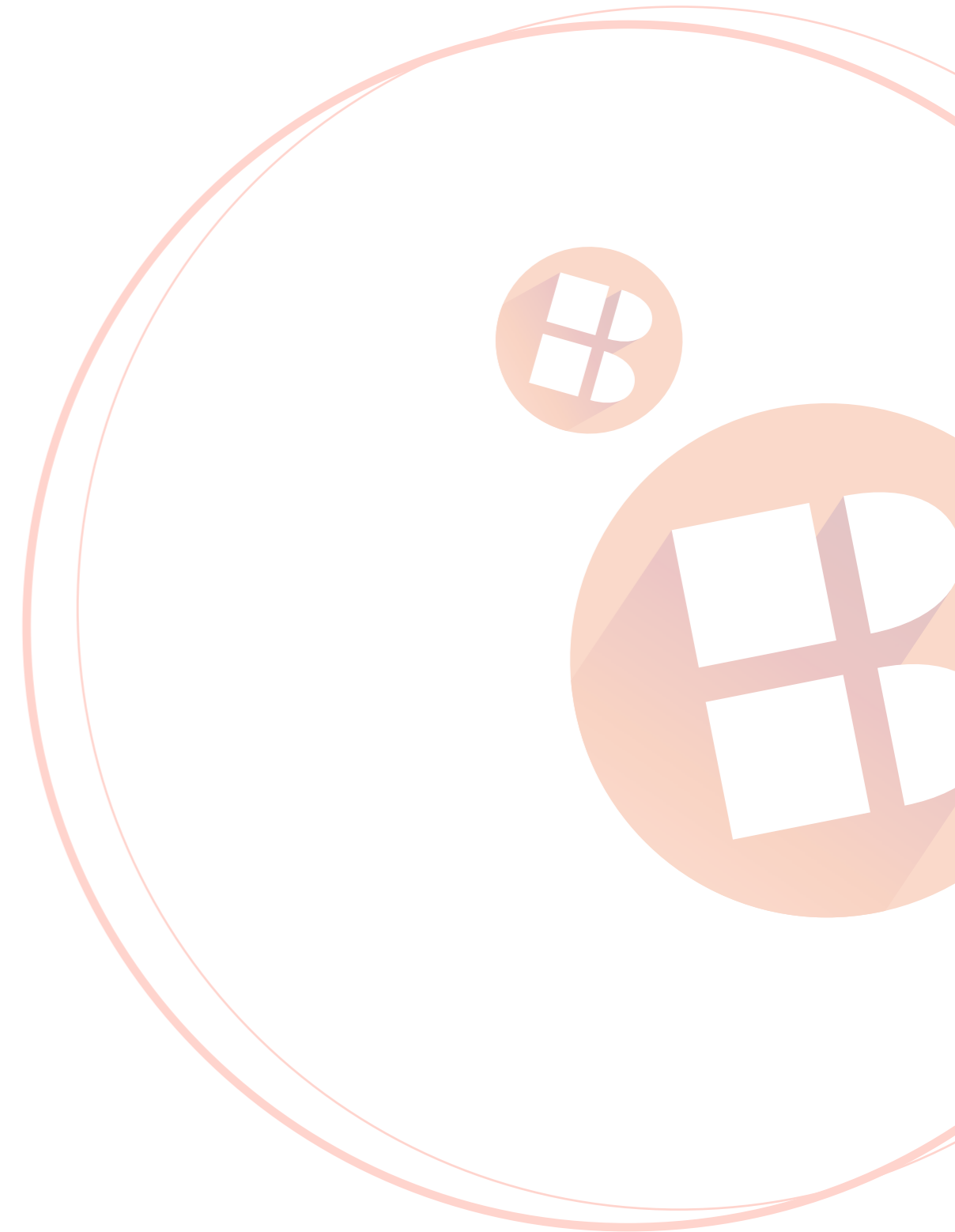
Corporate Values and Workplace

Governance

Methodology

The Bank's ESG risk management strategy aligns with regulatory expectations from international financial institutions and sustainability reporting frameworks such as the **Global Reporting Initiative (GRI)**, the **Task Force on Climate-related Financial Disclosures (TCFD)**, and the **EU Taxonomy for Sustainable Finance**. To support this transition, the Bank is investing in **advanced data analytics tools** to improve ESG reporting and risk assessment capabilities.

As the Bank progresses towards full implementation of its ESG Risk Rating Framework by 2025, it will continue to refine its policies, strengthen its ESG governance mechanisms, and integrate sustainability considerations into its core business model. The Bank remains committed to promoting responsible banking practices that contribute to long-term environmental, social, and economic well-being.





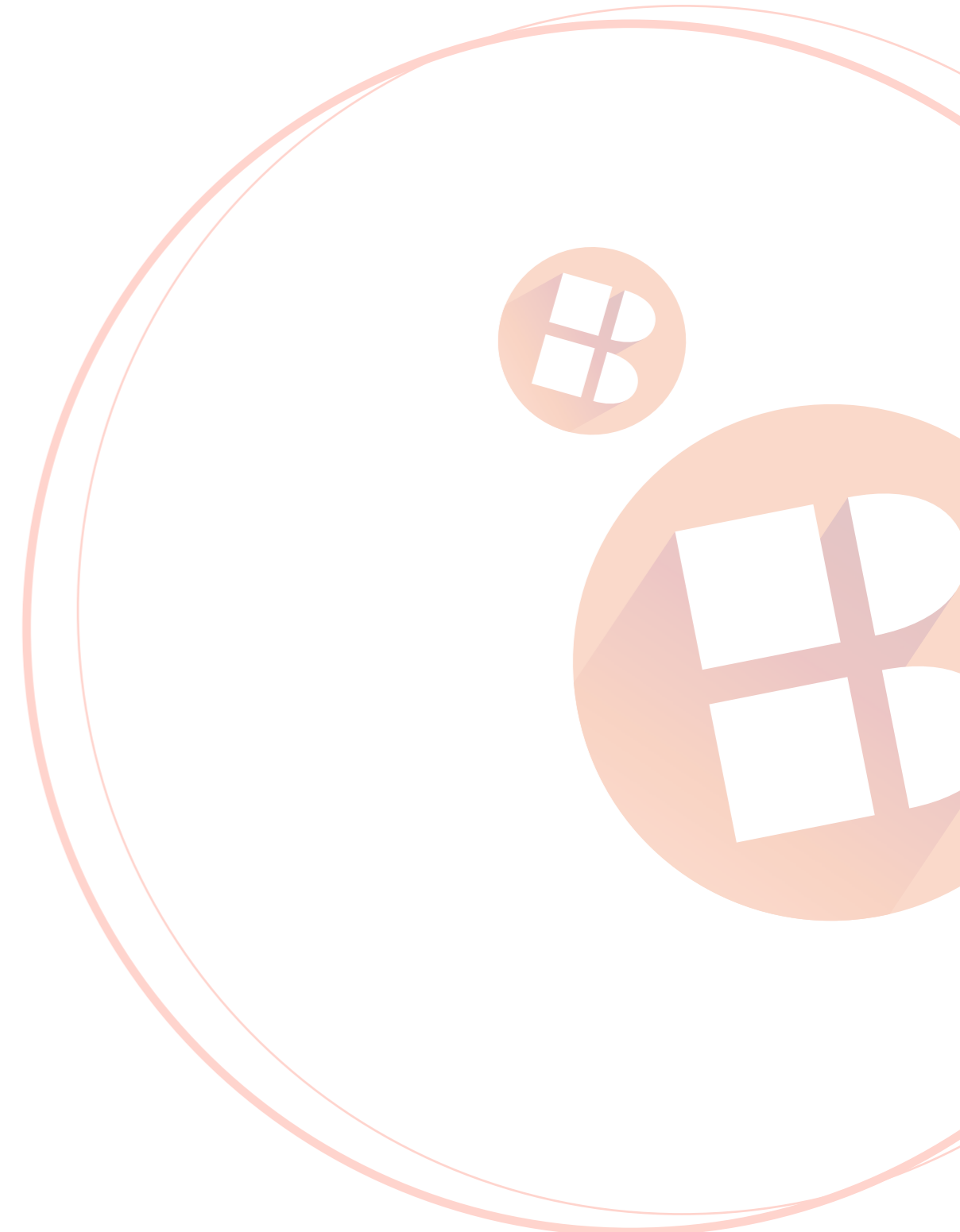
Methodology

Methodology

Our **second Sustainability Report** aims to provide a comprehensive overview of the key results and activities carried out during the fiscal year 2024. The reporting scope remains consistent with the one used for our consolidated financial statements and includes the economic, environmental, and social performance of **Hipotekarna Banka**. This document has been prepared in alignment with the **GRI Standards**, which continue to serve as the primary reference for non-financial reporting both at the national and international levels.

Materiality remains central to our sustainability reporting, serving as the threshold that determines the importance of the topics we report on. As outlined by the GRI Standards, material topics are those that may significantly reflect the organization's **economic, environmental, and social impacts**, or influence the decisions of stakeholders. This year, we have focused on the material topics that best capture the company's ongoing commitment to sustainability, reflecting our core values and the evolving landscape of the bank's operations.

Data sources for this report include internal documents, industry benchmarking insights, sector analyses, and other verified official sources referenced throughout the report. We continue to prioritize transparency and relevance, ensuring that the information presented is both meaningful and accurate for our stakeholders.



GRI Content Index

| | |
|-------------------------|--|
| Statement of use | Hipotekarna banka AD Podgorica has reported the information cited in this GRI content index for the period 01/01/2024 - 31/12/2024 with reference to the GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |

| GRI STANDARD | DISCLOSURE | LOCATION | NOTES |
|--|--|--|----------------|
| GRI 2: General Disclosures 2021 | 2-1 Organizational details | Legal name: Hipotekarna banka AD Podgorica Ownership and legal form: AD Location of headquarters: HIPOTEKARNA BANKA AD PODGORICA, 81000 Podgorica, Josipa Broza Tita 67 Countries of operation: Montenegro | Fully reported |
| | 2-2 Entities included in the organization's sustainability reporting | The entities featured in the Impact Report mirror those included in the consolidated financial statements, solely comprising Hipotekarna Banka. | Fully reported |
| | 2-3 Reporting period, frequency and contact point | The sustainability reporting period is from January 1, 2024, to December 31, 2024. The reporting period aligns with the financial reporting period. For inquiries regarding the report or reported information, please contact sustainability@hb.co.me. | Fully reported |
| | 2-4 Restatements of information | In comparison to the 2023 report, we have made the following adjustment to ensure accuracy and consistency in our reporting: <ul style="list-style-type: none"> • Car Fleet Indicators Table: In the 2023 report, the data for diesel and petrol vehicles were inadvertently switched. In this year's report, we have corrected this error to accurately reflect the fuel types. This correction enhances the reliability of our data and ensures transparency in our sustainability reporting. | Fully reported |
| | 2-5 External assurance | The Impact Report 2024 has not been subject to external assurance. | Fully reported |
| | 2-6 Activities, value chain and other business relationships | Please refer to the About Us section of the report. | Fully reported |
| | 2-7 Employees | Please refer to sheet 2-7 | Fully reported |

| | | | |
|--|--|---|--------------------|
| GRI 2: General Disclosures 2021 | 2-8 Workers who are not employees | Types of non-employees workers: Car maintenance company; Agency for managing social networks; Cleaning company; Notary; Human resources manager; Company for the supply space fresheners; Advertising company; Media buying company; Procurement office material; Printing materials; Company for making envelopes. | Partial disclosure |
| | 2-9 Governance structure and composition | Please refer to § Supervisory Board; § Management Board | Fully reported |
| | 2-10 Nomination and selection of the highest governance body | Please refer to § Governance | Fully reported |
| | 2-11 Chair of the highest governance body | Please refer to § Management Board | Fully reported |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | <p>The board has entrusted the sustainability department with the responsibility of conducting an impact analysis. This analysis is designed to comprehensively assess the organization's actions and operations concerning sustainability, including their economic, environmental, and social impacts.</p> <p>The process begins with the sustainability department conducting a thorough impact analysis, considering various aspects such as environmental footprint, social responsibility, and economic sustainability. This analysis is then shared with and reviewed by the risk department, which evaluates the potential risks associated with the identified impacts and formulates strategies to manage them effectively.</p> <p>Throughout this process, the highest governance body, typically the board of directors, participates as an observer. While not directly involved in the day-to-day operations, the board holds the authority to intervene if necessary, ensuring alignment with the organization's overall strategic direction and goals. This involvement ensures that sustainability initiatives are integrated into the organization's overarching strategy and governance framework.</p> | Fully reported |
| | 2-7 Employees | Please refer to sheet 2-7 | Fully reported |
| | 2-13 Delegation of responsibility for managing impacts | Please refer to Disclosure 2-12 | Partial disclosure |

| | | | |
|--|--|---|----------------|
| GRI 2: General Disclosures 2021 | 2-14 Role of the highest governance body in sustainability reporting | Regularly scheduled every three months, the sustainability department, along with the CEO, convenes for comprehensive meeting sessions dedicated to reviewing and shaping sustainability initiatives and performance. While the CEO is not directly accountable for sustainability reporting, their involvement throughout the process is integral. The CEO actively participates in data collection, reviews findings, and provides valuable insights before integrating them into the report. This collaborative approach ensures that sustainability efforts are aligned with organizational objectives and reflect a thorough understanding of our commitments and achievements. | |
| | 2-15 Conflicts of interest | Please refer to § Corporate Governance Code Compliance | Fully reported |
| | 2-16 Communication of critical concerns | <p>Critical concerns are categorized into two distinct types: those pertaining to the survival of the bank and those that pose a risk to its reputation.</p> <p>For matters concerning the survival of the bank, a structured escalation process is employed, triggered by specific key parameters—such as Early Warning Indicators (EWI) 1 and 2, as well as predetermined pre-break triggers. These parameters, if endangered, signify potential threats to the bank's survival. Monitoring of these indicators occurs on a quarterly basis, with predefined actions and measures ready to be activated if EWI 1 and EWI 2 indicate imminent danger. Should a trigger break occur, the escalation process is immediately initiated in alignment with the Bank's Recovery Plan. This plan, strategically crafted beforehand, outlines recovery options including timelines, responsibilities, and measures. Following a trigger break, the Bank's management promptly convenes a meeting to delegate necessary actions, responsibilities, and deadlines. Additionally, the Supervisory Board and the Central Bank of Montenegro are promptly informed.</p> <p>Conversely, in the event of a reputational issue, swift action is taken utilizing the electronic database of operational risks. The matter is promptly discussed during the initial collegium meeting, wherein a comprehensive analysis is conducted to determine appropriate actions, assign responsibilities, and set deadlines. Unlike threats to the bank's survival, reputational issues do not pose an immediate existential threat. Consequently, devising suitable measures and formulating an appropriate response requires more time, in alignment with the bank's overarching vision and mission.</p> | Fully reported |

| | | | |
|--|---|--|----------------|
| GRI 2: General Disclosures 2021 | 2-17 Collective knowledge of the highest governance body | The Board endorses the ESG Strategy along with the reporting framework, encompassing the materiality analysis and milestone activities essential for target attainment. Furthermore, board members consistently engage in sustainability-focused events and conferences. | Fully reported |
| | 2-18 Evaluation of the performance of the highest governance body | As of the reporting period, the organization does not have established processes for evaluating the performance of the highest governance body in overseeing the management of impacts. | Fully reported |
| | 2-19 Remuneration policies | The bank's management receives fixed monthly salaries. The bank adheres to a Remuneration Policy that governs the potential for disbursing variable compensation. Variable incomes are distributed on an ad hoc basis, solely at the discretion of the competent management body. | Fully reported |
| | 2-20 Process to determine remuneration | The Supervisory Board oversees variable remuneration for the Board of Directors and senior management. For other employees, the Management Board decides on variable remuneration, guided by the Remuneration Policy. | Fully reported |
| | 2-21 Annual total compensation ratio | <p>The annual total compensation ratio is calculated 11,01. $(305.075,02/27.720,49=11,01)$</p> <p>The change in the annual total compensation ratio is calculated 0,15%. $((305.075,02-298.555,80)/298.555,80*100)/(((27.720,49-24.196,75)/24.196,75)*100)$.</p> <p>All those who were and are still employed during the year 2024 are included. For a part-time employee, full-time equivalent wage rates are used. The types of compensation that are included are: salary, bonuses, , retirement payment, employees' work in committees, winter allowance, benefit for private health insurance, help employees for treatment, transportation fee from home to work. The title of the highest paid individual is President of the Management Board.</p> | Fully reported |
| | 2-22 Statement on sustainable development strategy | Please refer to § CEO Letter | Fully reported |
| | 2-23 Policy commitments | Please refer to annual report 2024 dedicated section. | |

| | | | |
|--|-----------------------------------|---|----------------|
| GRI 2: General Disclosures 2021 | 2-24 Embedding policy commitments | <p>The bank operates with a strategic plan and various components within its business plan, each with distinct roles in the balance sheet and profit and loss statement. Tasks and subtasks are organized into projects or subprojects, with responsibilities allocated and commitments implemented through project teams. This is achieved by involving all relevant departments in projects and adhering to written policies and procedures.</p> <p>Every policy and procedure delineates specific tasks, roles, responsibilities, and timelines. Each relevant department within these policies and procedures is provided with detailed descriptions of their tasks, duties, and responsible functions, along with defined targets.</p> <p>We conduct training sessions tailored to the specific areas of our business activities, ensuring compliance with regulatory requirements. While these sessions typically occur annually, there is a recognized need to enhance their quality and forward-looking perspective in the future. Compliance with policies and procedures is obligatory, guiding day-to-day operations.</p> <p>At regular intervals, as outlined in our policies and procedures, reports are compiled and submitted to higher levels of the organizational hierarchy. These reports are summarized at the top level of the bank, facilitating timely decision-making.</p> <p>The bank integrates its commitments into organizational strategies, operational policies, and procedures in the following manner: Starting from our strategic mission, vision, and goals, we align them with a five-year business plan, which serves as the cornerstone document. We ensure that all areas, including procurement and investment policies and practices, align with these documents. Decisions regarding the initiation, continuation, or termination of business relationships are guided by our strategy and business plan, considering their impact on key performance indicators, return on equity, return on assets, and other relevant ratios.</p> <p>New products, processes, or procurement processes must adhere to a policy for implementation, receiving approval from all relevant departments. In the case of outsourcing, adherence to the outsourcing policy and procedures, along with compliance with legislation, is mandatory. All initiatives are subject to internal and external audits to ensure adherence to established standards and regulatory requirements.</p> | Fully reported |
|--|-----------------------------------|---|----------------|

| | | | |
|--|---|--|----------------|
| GRI 2: General Disclosures 2021 | 2-25 Processes to remediate negative impacts | <p>The bank has established a comprehensive approach to managing negative impacts and addressing grievances, consisting of four distinct levels:</p> <ul style="list-style-type: none"> • Media Monitoring: Daily monitoring of all media channels is conducted to track mentions of Hipotekarna Bank and our clients. This monitoring is facilitated through the receipt of daily emails from Nina Media (ops@ninamedia.me). • Legal Oversight: The Legal department diligently monitors all lawsuits filed against Hipotekarna Bank. Provisions are made in the balance sheet and profit and loss statement to account for potential losses, estimated as a percentage of the amount claimed in the lawsuit. • Compliance Procedures: A structured compliance procedure is in place to address grievances from unsatisfied clients, vendors, and stakeholders. Grievances can originate from various sources, including the call center, compliance books in business units, and through email submissions on our website. • Operational Risk Management: Provisions are made for all negative impacts recorded in the Operational Risk database. An estimation of the maximum potential loss from these impacts in future periods is based on historical records. <p>Each of these four levels operates independently and generates reports that are submitted to the Management Board and Board of Directors at frequencies prescribed by the respective procedures.</p> <p>This multi-tiered approach ensures that the bank remains vigilant in identifying and addressing negative impacts and grievances, thereby safeguarding the interests of all stakeholders.</p> | |
| | 2-26 Mechanisms for seeking advice and raising concerns | <p>Individuals seeking guidance on implementing responsible business conduct policies and practices or wishing to raise concerns about the organization's business conduct are encouraged to contact the Human Resources (HR) department. HR serves as a dedicated point of contact for employees, providing assistance, clarification, and support in navigating and adhering to organizational guidelines, while also ensuring confidentiality and handling concerns with sensitivity and discretion. Through this centralized approach, the organization aims to foster a culture of transparency, accountability, and responsible business conduct.</p> | Fully reported |

| | | | |
|---|--|---|----------------|
| GRI 2: General Disclosures 2021 | 2-27 Compliance with laws and regulations | During the reporting period, the Central Bank of Montenegro, serving as the regulatory authority for the banking market in Montenegro, did not identify any significant instances of non-compliance with laws and regulations involving Hipotekarna Banka. As such, there were no violations of regulations reported or recorded during the observed period. | Fully reported |
| | 2-28 Membership associations | Please refer to: § Corporate Governance Code Compliance; § Being First: Paving the Road to Sustainability | Fully reported |
| | 2-29 Approach to stakeholder engagement | Please refer to: § Materiality Assessment § Community § Client's and Partners § Corporate Values and Workplace | Fully reported |
| | 2-30 Collective bargaining agreements | Within the bank, individual collective agreements with employees are not established. Instead, the General Collective Agreement is enforced, which is mandatory for all employers in Montenegro. | Fully reported |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | See sheet 201-1 | Fully reported |
| | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | See sheet 202-1 | |
| GRI 202: Market Presence 2016 | 207-2 Tax governance, control, and risk management | The bank applies all relevant applicable laws in the area in which it operates, including tax laws. Legal service and compliance inform all relevant services about legal changes related to their area of business, which are then obliged to harmonize business with the aforementioned changes. The accounting department prepares financial reports on a monthly, quarterly and annual basis and submits them to the Central Bank and the Management Board. The final annual reports are also submitted to the tax administration through the e-portal, supplemented by other reports that the tax administration requires from the organization. The bank(accounting department) also submits to the tax administration a monthly report on the taxes paid and the contributions it made in the previous month,through the e-portal. | Fully reported |
| GRI 207: Tax 2019 | | | |

| | | | |
|--|---|---|--------------------|
| GRI 302: Energy 2016 | GRI 302-1 Energy consumption within the organization | Please refer to: § Energy. | Fully reported |
| | 302-3 Energy intensity | Please refer to: § Energy. | Fully reported |
| | 305-1 Direct (Scope 1) GHG emissions | Please refer to: § Scope 1 and 2 Emissions. | Fully reported |
| GRI 305: Emissions 2016 | 305-2 Energy indirect (Scope 2) GHG emissions | Please refer to: § Scope 1 and 2 Emissions. | Fully reported |
| | 305-3 Other indirect (Scope 3) GHG emissions | Please refer to: § Scope 3 - Our Impact Beyond Our Boundaries. | Partial disclosure |
| | 305-4 GHG emissions intensity | Please refer to: § Scope 1 and 2 Emissions. | Partial disclosure |
| | GRI 308-1 New suppliers that were screened using environmental criteria | See sheet 308-1 | Fully reported |
| GRI 308: Supplier Environmental Assessment 2016 | | | |
| GRI 401: Employment 2016 | GRI 401-3 Parental leave | See sheet 401-3 | Fully reported |
| GRI 402: Labor/Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | The minimum notice period regarding operational changes is four weeks and provisions for consultation and negotiation are specified in collective agreements. | Fully reported |
| | 403-9 Work-related injuries | There were no work-related accidents or injuries reported in 2024 involving employees or non-employee workers of Hipotekarna Banka. | Fully reported |
| GRI 403: Occupational Health and Safety 2018 | | | |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | See sheet 404-1 | Fully reported |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | Please refer to: § Promoting Education | Fully reported |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | Please refer to: § Diversity Policy And Structure Of The Bank's Management Body | Partial Disclosure |
| GRI 414: Supplier Social Assessment 2016 | GRI 414-1 New suppliers that were screened using social criteria | See sheet 414-1 | Fully reported |

GRI 2-7 | Employees

| a. Employees by gender and region | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|-----------------------------------|------------|------------|----------|----------|------------|------------|-----------|----------|----------|------------|------------|-----------|----------|----------|------------|
| | Female | Male | Other | N.D. | Total | Female | Male | Other | ND | Total | Female | Male | Other | N.D. | Total |
| Region 1 (centralni) | 130 | 90 | 0 | | 220 | 121 | 76 | 0 | | 197 | 104 | 76 | 0 | | 180 |
| Region 2 (sjeverni) | 16 | 8 | 0 | | 24 | 13 | 7 | 0 | | 20 | 13 | 7 | 0 | | 20 |
| Region 3 (južni) | 33 | 6 | 0 | | 39 | 29 | 11 | 0 | | 40 | 32 | 8 | 0 | | 40 |
| Total | 179 | 104 | 0 | 0 | 283 | 163 | 94 | 0 | 0 | 257 | 149 | 91 | 0 | 0 | 240 |

| b. Employees by contract, gender and region | 2024 | | | | | | | | | | | | | | | |
|---|--------------------|-----------|----------|----------|------------|------------------|-----------|----------|----------|-----------|------------------|-----------|----------|----------|-----------|------------|
| | Central Montenegro | | | | | North Montenegro | | | | | South Montenegro | | | | | Total |
| | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total | |
| Number of permanent/ full-time employees | 93 | 73 | 0 | | 166 | 8 | 6 | 0 | | 14 | 18 | 7 | 0 | | 25 | 205 |
| Number of permanent/ part-time employees | 34 | 20 | 0 | | 54 | 6 | 4 | 0 | | 10 | 11 | 3 | 0 | | 14 | 78 |
| Regional total | 127 | 93 | 0 | 0 | 220 | 14 | 10 | 0 | 0 | 24 | 29 | 10 | 0 | 0 | 39 | 283 |

| b. Employees by contract, gender and region | 2023 | | | | | | | | | | | | | | | |
|---|--------------------|-----------|----------|----------|------------|------------------|----------|----------|----------|-----------|------------------|----------|----------|----------|-----------|------------|
| | Central Montenegro | | | | | North Montenegro | | | | | South Montenegro | | | | | Total |
| | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total | |
| Number of permanent/ full-time employees | 86 | 65 | | | 151 | 9 | 6 | | | 15 | 30 | 7 | | | 37 | 203 |
| Number of permanent/ part-time employees | 25 | 14 | | | 39 | 3 | 1 | | | 4 | 4 | 2 | | | 6 | 49 |
| Regional total | 111 | 79 | 0 | 0 | 190 | 12 | 7 | 0 | 0 | 19 | 34 | 9 | 0 | 0 | 43 | 252 |

| b. Employees by contract, gender and region | 2022 | | | | | | | | | | | | | | | |
|---|--------------------|-----------|----------|----------|------------|------------------|----------|----------|----------|-----------|------------------|----------|----------|----------|-----------|------------|
| | Central Montenegro | | | | | North Montenegro | | | | | South Montenegro | | | | | Total |
| | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total | |
| Number of permanent/ full-time employees | 95 | 68 | | | 163 | 12 | 6 | | | 18 | 27 | 7 | | | 34 | 215 |
| Number of permanent/ part-time employees | 9 | 8 | | | 17 | 1 | 1 | | | 2 | 5 | 1 | | | 6 | 25 |
| Regional total | 104 | 76 | 0 | 0 | 180 | 13 | 7 | 0 | 0 | 20 | 32 | 8 | 0 | 0 | 40 | 240 |

c. Describe the methodologies and assumptions used to compile the data
 Personnel program

d. Report contextual information necessary to understand the data reported under 2-7-a and 2-7-b
 Region 1- central (bank branch - Podgorica, Danilovgrad i Cetinje) region 2 - northern (bank branch in Bijelo Polje, Berane, Nikšić, Gusinje and Žabljak); region 3- southern (bank Branch in Bar, Ulcinj, Kotor, Tivat, Herceg Novom and Budva)

e. Describe significant fluctuations in the number of employees during the reporting period and between reporting periods
 There were no significant fluctuations in reporting period and between reporting periods

GRI 201-1 | Direct economic value generated and distributed

| Total of all Regions (EUR '000) | 2024 | 2023 | 2022 |
|--|--------|--------|--------|
| Direct economic value generated | 48.400 | 37.293 | 27.649 |
| Direct economic value distributed | 29.939 | 25.036 | 21.607 |
| Operational costs | 17.178 | 15.424 | 12.957 |
| Value distributed to employees | 8,636 | 7.040 | 7.255 |
| Value distributed to capital providers | 0 | 0 | 0 |
| Value distributed to Public Administration | 3.737 | 2.351 | 1.218 |
| Value distributed to shareholders | 0 | 0 | 0 |
| Value distributed to community | 388 | 220 | 176 |
| Held economic value | 18.461 | 12.257 | 6.042 |

GRI 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage

| a. Employee Wages Ratio, by gender and at significant locations or regions | 2024 | | | | | | 2023 | | | | | | 2022 | | | | | |
|--|--------------------|------|------------------|------|------------------|------|--------------------|------|------------------|------|------------------|------|--------------------|------|------------------|------|------------------|------|
| | Central Montenegro | | North Montenegro | | South Montenegro | | Central Montenegro | | North Montenegro | | South Montenegro | | Central Montenegro | | North Montenegro | | South Montenegro | |
| | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male |
| Entry Level Wage (hourly or monthly) | 600 | 600 | 600 | 600 | 600 | 600 | 550 | 550 | 550 | 550 | 550 | 550 | 470 | 470 | 470 | 470 | 470 | 470 |
| Local Minimum Wage (hourly or monthly) | 600 | 600 | 600 | 600 | 600 | 600 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 |
| Ratio of Entry Level Wage to Minimum Wage | 100% | 100% | 100% | 100% | 100% | 100% | 122% | 122% | 122% | 122% | 122% | 122% | 104% | 104% | 104% | 104% | 104% | 104% |

| b. Other workers (Non-employees*) Wages Ratio, by gender and at significant locations or regions | 2024 | | | | | | 2023 | | | | | | 2022 | | | | | |
|--|--------------------|------|------------------|------|------------------|------|--------------------|------|------------------|------|------------------|------|--------------------|------|------------------|------|------------------|------|
| | Central Montenegro | | North Montenegro | | South Montenegro | | Central Montenegro | | North Montenegro | | South Montenegro | | Central Montenegro | | North Montenegro | | South Montenegro | |
| | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female | Male |
| Entry Level Wage (hourly or monthly) | 600 | 600 | 600 | 600 | 600 | 600 | 550 | 550 | 550 | 550 | 470 | 470 | 470 | 470 | 470 | 470 | 470 | 470 |
| Local Minimum Wage (hourly or monthly) | 600 | 600 | 600 | 600 | 600 | 600 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 |
| Ratio of Entry Level Wage to Minimum Wage | 100% | 100% | 100% | 100% | 100% | 100% | 122% | 122% | 122% | 122% | 104% | 104% | 104% | 104% | 104% | 104% | 104% | 104% |

*These individuals are employed through a staffing agency.

| |
|---|
| c. Whether minimum wage is absent or variable per location. Where there is more than one minimum, disclose which one was used, per location. |
| In Montenegro the minimum monthly wage defined by law is EUR 600 and 800 EUR |

GRI 308-1 | New suppliers that were screened using environmental criteria

| a. New suppliers screened (%) | 2024 | 2023 | 2022 |
|--|------|------|------|
| Total number of new suppliers | 11 | 9 | 8 |
| Number of suppliers screened with environmental criteria | 8 | 6 | 6 |
| Percentage | 73% | 67% | 75% |

GRI 308-1 | New suppliers that were screened using environmental criteria

| Parental leave | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|---|--------|------|-------|------|-------|--------|------|-------|------|-------|--------|------|-------|------|-------|
| | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total | Female | Male | Other | N.D. | Total |
| a. Total number of employees that were entitled to parental leave, by gender. | 13 | 0 | 0 | | 13 | 7 | 0 | 0 | 0 | 7 | 7 | 0 | 0 | 0 | 7 |
| b. Total number of employees that took parental leave, by gender | 13 | 0 | 0 | | 13 | 7 | 0 | 0 | 0 | 7 | 7 | 0 | 0 | 0 | 7 |
| c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. | 3 | 0 | 0 | | 3 | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |
| e. Retention rates of employees that took parental leave, by gender. | 100% | 0% | 0% | | 100% | 100% | | | | 100% | 100% | | | | 100% |
| f. Return to work rates of employees that took parental leave, by gender | 100% | 0% | 0% | | 100% | 100% | | | | 100% | 100% | | | | 100% |

404-1 | Average hours of training per year per employee

| a. Average training hours per employee | 2024 | 2023 | 2022 |
|--|------|------|------|
| Senior Management (in minutes) | 94 | 80 | 75 |
| Middle Management (in minutes) | 299 | 80 | 75 |
| Non-Management (in minutes) | 238 | 170 | 135 |

| a. Average training hours per employee | 2024 | 2023 | 2022 |
|--|------|------|------|
| Female | 187 | 143 | 135 |
| Male | 365 | 143 | 135 |
| Average training hours per employee | 237 | 143 | 135 |

*Average training hours in 2024 were computed taking into consideration both internal (conducted to the Edu 720 portal) and external training, while in 2023 and 2022 detailed information regarding external training was not available and therefore disclosures include only training conducted in-house through Edu720.

GRI 414-1 | New suppliers that were screened using social criteria

| a. New suppliers screened (%) | 2024 | 2023 | 2022 |
|---|------|------|------|
| Total number of new suppliers | 11 | 9 | 8 |
| Number of suppliers screened with social criteria | 8 | 6 | 6 |
| Percentage | 73% | 67% | 75% |



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