

ANNUAL OPERATING REPORT

2024

PEOPLE

PEOPLE FIRST AND
FOREMOST

The content

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

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

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

I DEVELOPMENT, ORGANISATIONAL STRUCTURE AND BUSINESS ACTIVITIES

1. ESTABLISHMENT

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

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

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

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

2. ORGANISATION OF OPERATIONS

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

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

HALKBANK is successfully expanding its business network and client base. Today, the Bank's products and services are provided through a business network of 39 branches, 5 sub-branches and 1 counter. As of December 31, 2024, the Bank has 11 branches in Belgrade, 3 branches in Čačak, branches in Ivanjica, Gornji Milanovac, Valjevo, Kraljevo, Novi Pazar, Aranđelovac, Užice, Požega, Prijepolje, Kragujevac, Smederevo, Kruševac, Šabac, Pančevo, Sremska Mitrovica, Novi Sad, Stara Pazova,

Zrenjanin, Subotica, Niš, Leskovac, Vranje, Pirot, Jagodina, Paraćin as well as 5 sub-branches – in Topola, Vrnjačka Banja, Tutin,

Sjenica and Preševo. In 2024, the bank opened one new branch in the Krunska Street in Belgrade.

3. BASIC PERFORMANCE RATIOS

	(in RSD thousand)			
Income Statement**	2023.	2024.	Plan 2024	Plan realisation
Net interest income	4.655.559	5.306.405	6.182.913	85,82%
Net fee and commission income	1.879.984	1.995.488	2.590.391	77,03%
Net income/(losses) on impairment of financial assets	(521.767)	(728.540)	(421.506)	172,84%
Operating expenses	3.756.937	4.489.706	5.050.533	88,9%
Net profit before tax	2.377.374	2.556.567	3.400.787	75,18%
Profit tax	(251.109)	(204.767)	(356.173)	57,49%
Profit from deferred taxes	2.326	(583)	0	-
Net profit after tax	2.128.591	2.351.217	3.044.614	77,23%
Statement of financial position	31.12.2023.	31.12.2024.	Plan 2024	Plan realisation
Loans to clients*	77.910.768	87.853.673	99.232.263	46,63%
Deposits from clients*	87.255.941	97.521.763	109.860.836	45,41%
Capital	24.525.652	27.746.352	27.482.879	108,91%
Total assets	127.730.381	138.611.297	156.263.593	38,13%
Key Performance Indicators (KPI)	31.12.2023.	31.12.2024.	Plan 2024	
Costs to Income Ratio (CIR)**	56,61%	60,45%	57,01%	
Net Interest Income to OPEX	123,92%	118,19%	122,42%	
Non-interest income to Operating costs Ratio	52,72%	47,22%	52,98%	
Capital Adequacy Ratio (CAR)***	26,98	25,47%	22,37%	
ROA	1,87%	1,79%	2,18%	
ROE	9,17%	9,00%	11,72%	
NIM	5,43%	5,51%	5,89%	

All financial projections for 2024 are made in euros and their realization is monitored in euros. The planned values shown in this report were converted into dinars using the RSD/EUR exchange rate on the reporting date for the Statement of financial position, and at the average exchange rate in the period for the income statement positions.

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

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

*** Capital adequacy indicator – determined in accordance with the Decision on the temporary measure of the NBS. The capital adequacy indicator according to the standard calculation was 25,38% on 12/31/2024.



II FINANCIAL POSITION AND OPERATING RESULTS

1. MACROECONOMIC ENVIRONMENT AND BANKING SECTOR

Economic activity

The Gross Domestic Product in 2023 amounted to 75.204 million EUR with an annual real growth rate of 3,8%. The Gross Domestic Product for three quarters of 2024 amounted to 59.939 million EUR. Measured by the real growth rate of the Gross Domestic Product, Serbia's economy achieved growth in economic activity of 4,7% in the first, 4,2% in the second, and 3,1% in the third quarter of 2024, while according to the flash estimate by the Statistical Office of Serbia, the GDP growth rate in the fourth quarter of 2024 was 3,3%. The displayed rates indicate initial growth at the beginning of 2024, followed by a slowdown in economic activity in the second half of the year. The projected GDP growth for 2025 is 4,2%, with a similar level expected in 2026, after which an acceleration to 5% is expected in 2027, in line with a new investment cycle. The planned growth will be led by domestic demand, while further growth in employment and wages will support private consumption, and investment growth will be stimulated by the implementation of projects in the transportation, energy, and utility infrastructure sectors, along with significant public investments.

Real GDP growth rate (%)



Inflation

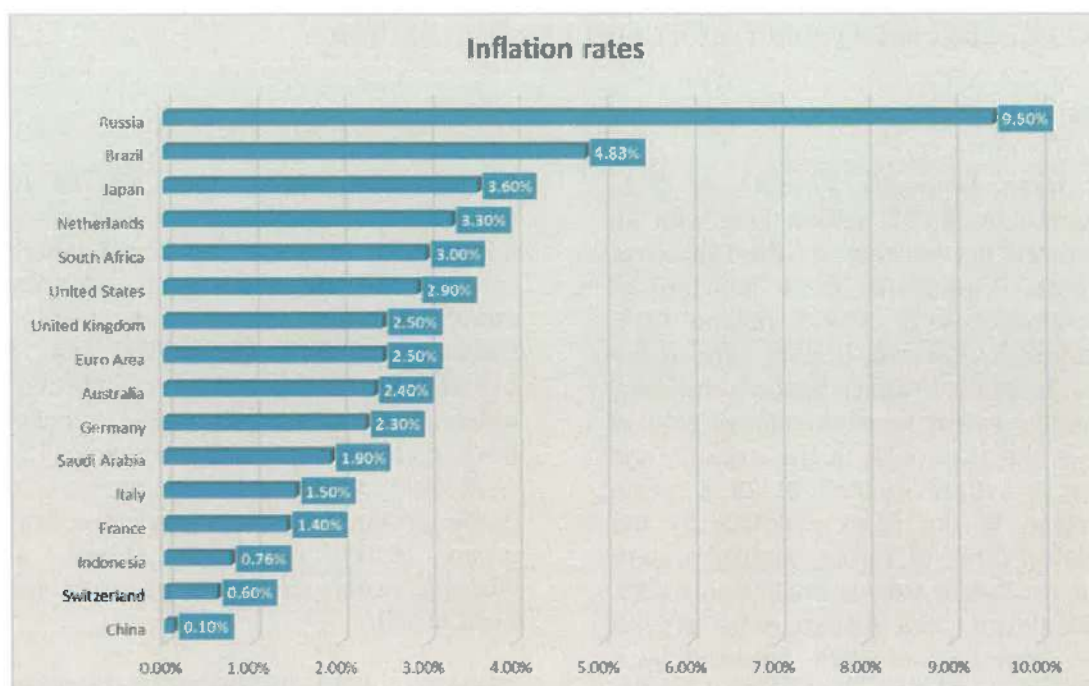
In December 2024, the year-on-year increase in consumer prices amounted to 4,3%, which is within the target inflation range of the NBS (3,0% ± 1,5 p.p.), with a monthly increase in consumer prices in December of 0,1%. During the year, the highest price increases were recorded in hotels and restaurants (9,6%), alcoholic beverages, tobacco, and narcotics (7,7%), household equipment and maintenance (6,2%), products and services in the health group (5,7%), education (4,3%), and housing, water, electricity, gas, and other fuels (3,5%).

Consumer prices trends in Serbia during 2024



Inflation followed a decreasing trend throughout the year, while since May it has been within the target range of the NBS. The Executive Board of the National Bank of Serbia reduced the reference interest rate three times during 2024, the last time in September, and it currently stands at 5,75%. Projections by the National Bank of Serbia predict that inflation will remain within the target range throughout the entire projection period of two years, with a tendency to approach the central value of the target by the end of next year. This inflation movement will be primarily supported by continued restrictive monetary conditions, anchoring not only medium-term but also short-term inflation expectations within the target range, as well as lower import inflation and a decline in global oil prices, which is expected in line with futures trends.

Overview of inflation rates in the world's largest economies in 2024



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

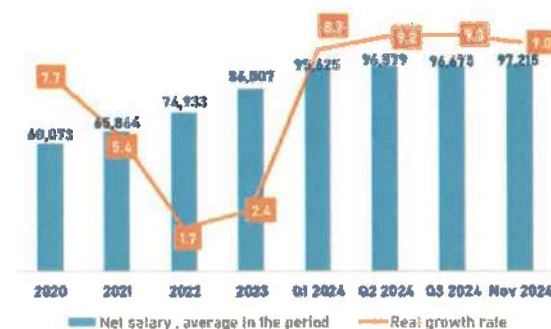
the increase in wages when the effect of inflation is excluded.

Labor market

The total number of employed persons in Q3 2024 amounted to 2.923.500, which is an increase of 2,1% compared to the same quarter of the previous year. The employment rate of the population was 51,9%. Compared to the previous quarter, the employment rate increased by 0,5 p.p. In the third quarter of 2024, the unemployment rate for the population aged 15 and over was 8,1%, with 8% for men and 8,2% for women. The lowest value was recorded in the Belgrade region (5,9%), followed by the Šumadija and Western Serbia region with an unemployment rate of 7,6%, a slightly higher rate was recorded in the Vojvodina region (8,3%), as well as in the Southern and Eastern Serbia region (11,4%).

The average net salary continued to grow, and in the period from January to November 2024, it amounted to RSD 100.738 (861 euros). Compared to the same period of the previous year, the nominal salary growth was 14,1%, while the real growth was 9,0%. Real growth represents

Average monthly net salary and real growth rates



Exchange rate

Source: RZS

The Gross foreign exchange reserves of the National Bank of Serbia at the end of December 2024 reached a record level of 29.294,5 million euros. Compared to the end of November, they increased by 589,9 million euros, and compared to the end of the previous year, they increased by 4.385,4 million euros.

The dinar had a stable exchange rate against the euro during 2024, and during this period, it weakened by 0,14% against

the euro. The situation is similar against the US dollar, where the dinar weakened by 0,2% compared to the end of the previous

year. The Swiss franc recorded a growth of 1,86% against the Serbian dinar in the same period

FX trends



Source: NBS

Interest rates

When it comes to monetary policy, the previous year was marked by high interest rates with a gradually declining trend. Global central banks continued implementing a restrictive monetary policy, but with cautious easing due to inflation returning within the defined target range.

During 2024, the Executive Board of the NBS lowered the reference interest rate three times, the last time in September, by 0,25 p.p., when the rate was at 5,75%.

The European Central Bank lowered the reference interest rate four times during the previous year, and in February 2025, it further reduced the rate to 2,9%. In September 2024, the ECB changed the operational framework for implementing monetary policy by reducing the spread between the interest rate on main refinancing operations and the interest rate on deposit facilities to 0,15 p.p.

The US Federal Reserve adjusted the reference interest rate three times in the previous year, each time reducing the rate by 0,25 p.p. The last reduction was in

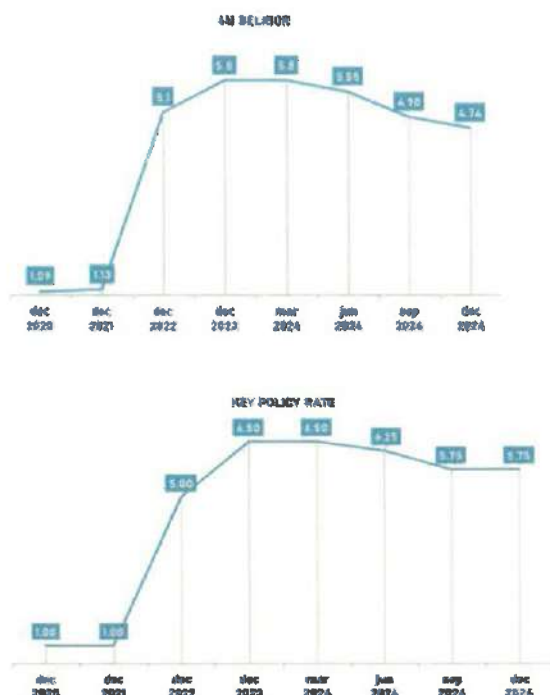
December when the rate was at the level of 4,25%-4,5%.

We can expect that reference interest rates of central banks will continue to decline throughout 2025.

According to the data from the NBS, the interest rate on newly approved loans to households in dinars in December 2024 was 9,87%, while the interest rate on newly approved loans to businesses in the same month was 6,90%. The interest rate on newly approved loans to households in foreign currencies and dinar loans indexed in foreign currencies in December 2024 was 5,52%, while the interest rate on newly approved loans to businesses was 5,56%.

Interest rate fluctuations in financial markets





Credit rating

S&P – In the October report for Serbia, the agency Standard & Poor's raised Serbia's

credit rating to the level of BBB-, making Serbia, for the first time in its history, classified among countries with an investment-grade credit rating. The decision to increase the credit rating was made under favorable macroeconomic prospects for the country and increased resilience to external shocks, thanks to responsible economic policy management, which is expected to continue in the coming years.

Fitch – In January 2024, Fitch agency maintained the positive outlook for obtaining an investment-grade rating, while keeping the credit rating at BB+. The report also states that the preservation of Serbia's credit rating is the result of an adequate combination of economic policies, including good fiscal management, strong prospects for economic growth driven by investments, as well as high foreign exchange reserves of the National Bank of Serbia.

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

Country/Year	2018	2019	2020	2021	2022	2023	2024	Current Outlook
Germany	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Stable
France	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Stable
Bulgaria	Baa2	Baa2	Baa1	Baa1	Baa1	Baa1	Baa1	Stable
Romania	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Baa3	Stable
Croatia	Ba2	Ba2	Ba1	Ba1	Baa2	Baa2	Baa2	Positive
Serbia	Ba3	Ba3	Ba3	Ba2	Ba2	Ba2	Ba2	Positive
Montenegro	B1	B1	B1	B1	B1	B1	Ba3	Stable
Türkiye	Ba3	B1	B2	B2	B3	B3	B1	Positive
Bosnia and Herzegovina	B3	B3	B3	B3	B3	B3	B3	Stable

Source: <https://tradingeconomics.com>

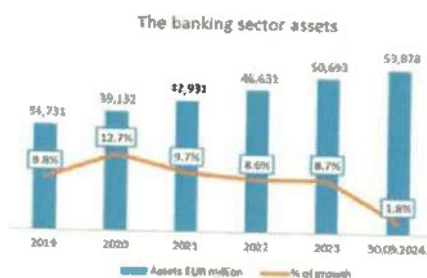
Banking sector

In September 2024, there were 20 banks operating in the Serbian banking market, with an organizational network of 1,340 branches. The total number of employees in the banking sector was 22,253. As of

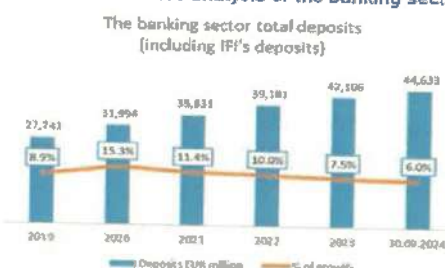
May 24, 2024, Mobi Bank changed its name to Yettel Bank.

The total balance sheet of the Serbian banking sector at the end of the third quarter of 2024 amounted to EUR 53,878 million, an increase of 6,28% compared to

the end of 2023. During the same period, total deposits from clients and financial institutions grew by 6%, reaching EUR 44.633 million, while bank capital increased by 9,58%, totaling EUR 7.648 million.



Source: HALKBANK's analysis of the banking sector



Source: HALKBANK's analysis of the banking sector

The top 10 banks accounted for 91,04% of the total balance sheet, 91,26% of total deposits, and 92,49% of loans. Banca Intesa remained the leading bank by balance sheet size and deposits, with a 15,64% share in the banking sector's balance sheet and a 15,92% share in total deposits. Other banks with a market share of over 10% in total assets include OTP Bank, Raiffeisen Bank, and UniCredit Bank.

HALKBANK share in the total balance sheet assets of the banking sector is 2,10%, and the bank ranks 11th in terms of balance sheet size. In terms of total deposits, the bank is also ranked 11th in the banking sector with a share of 1,98%, and in terms of loans, it ranks 11th with a share of 2,40%.

As of September 30, 2024, the banking sector reported a pre-tax profit of EUR 1.221 million, which is a 31,93% increase compared to the same period last year. Nineteen banks reported positive results, with a total profit of EUR 1.222 million, while one bank reported a loss of EUR 825 thousand. With a pre-tax profit of EUR 14.903 thousand at the end of Q3 2024, HALKBANK ranked 10th.

The increased profitability of the banking sector was accompanied by an improvement in profitability indicators compared to the same period last year. At the end of Q3 2024, the return on equity (ROE) stood at 22,26% (compared to 19,21% at the end of Q3 2023), while the return on assets (ROA) was 3,11% (compared to 2,59% at the end of Q3 2023). The indicators were calculated based on the projected result after taxation.

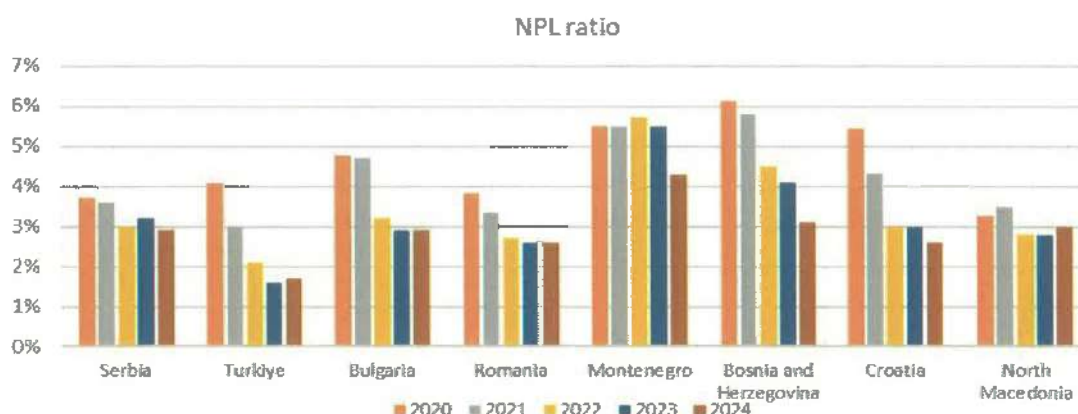
The banking sector profitability ratios



Source: HALKBANK's analysis of the banking sector

Non-performing loans (NPL ratio) amounted to 2,7% at the end Q3 of 2024, while the coverage of these placements with value corrections is 61,8%. At the same period, HALKBANK had a share of NPLs in total loans of 2,21% and a non-performing loan coverage ratio of 51,43%.

The banking sector of Serbia is adequately capitalized with an average capital adequacy ratio of 20,1%, which is significantly above the prescribed minimum of 8%.



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

2. ACHIEVEMENT OF BASIC OPERATING TARGET

The bank sees its goals through the realization of the goals set in the Business Policy for 2024. The goals were realized through the activities listed below.

1. With its business policy for 2024, the Bank planned to expand its business network by opening up to five new branches. At the end of 2024, the Bank operated with 39 branches and 5 sub-branches within its network. In December, we opened a new branch on Krunska Street in Belgrade

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

3. The Bank achieved a positive financial result in 2024 in the amount of 2.351.217 thousand RSD, which represents a growth of 10,46% compared to the previous year. The achieved values of the most important indicators related to this business goal are shown in the following table:

Indicators	31.12.2024.	(RSD thousand)	
		Plan 2024	Plan realis.
Net interest income	5.306.405	6.182.913	85,82%
Net fee income	1.995.488	2.590.391	77,03%
Operating costs	4.489.706	5.050.533	88,90%
Profit	2.351.217	3.044.614	77,23%

4. The project of implementing the new "Core Banking" system named Halk Fusion has been completed. The launch of the new "Core Banking" system into production was carried out on 19.02.2024. The launch into production was evaluated positively and extremely successfully, as there were no interruptions in the Bank's operations or irregularities that would significantly affect the provision of services to clients.

Before the production launch, the Bank carried out certain preparations to support clients in the event of major disruptions, which included informing clients, forming support teams, increasing resources within the contact center, and planning more efficient operations in case of complaints. Already after just a few days, the resources temporarily assigned to the contact center were returned to their standard positions, and no significant complaints related to reputational and other risks were recorded.

During the stabilization period, with the support of Asseco, the Bank worked intensively on corrections and further improvements of the system. The signing of the Project Completion Protocol was finalized at the end of April, officially closing the project.

5. The expansion of the network of POS terminals and ATMs continued. Realized investments during 2024 amounted to EUR 1.388 thousand, i.e. 38,65% of the planned budget. At the end of 2024, the bank had a network of 112 ATMs (108 at the end of 2023) and 5.780 POS terminals (5.329 at the end of 2023).

6. As of December 31, 2024, the bank achieved a capital adequacy ratio of 25,37% (it is planned to maintain this ratio at a level above 18%), which is significantly higher than the regulatory limits. The indicator was calculated with the application of the provisions of the Decision on temporary measures of the National Bank of Serbia, according to which, when calculating the value of the indicator, the amount of unrealized

losses/gains based on changes in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9, to which it was applied is excluded reduction factor of 25%. The adoption of the aforementioned Decision was initiated by the observed decrease in regulatory capital at the level of the banking sector in the period from September 30, 2021 to March 31, 2022, where the key reason was identified as a significant increase in accumulated unrealized losses based on the decrease in the fair value of the debt securities portfolio from values that are valued at fair value through other results in accordance with IFRS, due to the increase in market interest rates.

According to the Business Policy for 2024, it is planned to maintain the daily liquidity indicator at a level above 1,60, as well as a narrower liquidity indicator at a level above 1,30. The mentioned goals were realized, bearing in mind the fact that on December 31, 2024. the value of the daily liquidity indicator was 2,1, and the narrower liquidity indicator was 1,74.

3. STATEMENT OF FINANCIAL POSITION

3.1 Assets

The total balance sheet assets of the Bank as of 31 December 2024 amount to 138.611.297 thousand RSD, reflecting a growth of 8,52% compared to the end of 2023, or an increase of 10.880.916 thousand RSD.

The largest relative change is recorded in the decline of the position "Loans to banks and other financial institutions" by 48,26%, or 6.719.097 thousand RSD. The position of financial assets has increased by 35,39%, or 4.854.639 thousand RSD, primarily due to the increase in the position of government bonds available for sale.

In absolute terms, the largest change is recorded in the position "Loans to clients," which increased by 9.942.647 thousand RSD, with loans in the Corporate, SME, and AGRO segments increasing by 6.862.423 thousand RSD, and loans in the Retail segment increasing by 2.832.852 thousand RSD, while maintaining the mortgage portfolio and steady growth in cash loans. Cash and assets with the central bank recorded an increase of 2.778.882 thousand RSD, or a growth of 16,61% compared to the end of the previous year.

ASSETS	31.12.2023.	31.12.2024.	(in RSD thousand)	
			Plan 2024	% of change
Cash, cash equivalents and assets held with the central bank*	16.729.593	19.508.635	20.644.178	16,61%
Financial assets**	13.718.309	18.572.948	19.892.533	35,39%
Loans to banks and other financial organizations***	13.923.701	7.204.445	6.583.024	-48,26%
Loans to clients***	77.910.768	87.853.673	99.232.263	12,76%
Intangible assets, property, plant and equipment and investment property	3.807.201	4.060.703	8.541.854	6,66%
Other assets****	1.640.809	1.410.893	1.369.741	-14%
Total assets	127.730.381	138.611.297	156.263.593	8,52%

* The position of Cash and assets at the central bank differs from the same position from the official form of the Statement of financial position for the amount of interest.

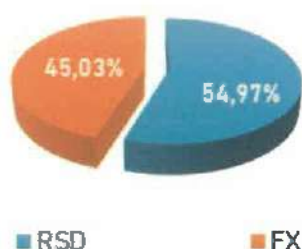
** The position "Financial assets" consists of pledged financial assets, receivables from derivatives and securities from official Statement of financial position.

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

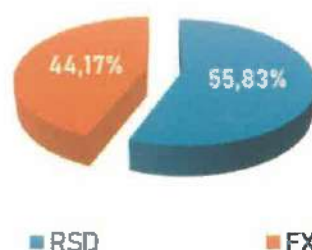
**** The position „Other assets" includes position „Deferred tax assets" from official Statement of financial position form.

The following graphs present the currency structure of assets as at 31.12.2023. and 31.12.2024.

**Structure of Assets
31.12.2023**



**Structure of Assets
31.12.2024**



3.1.1 Loans to clients

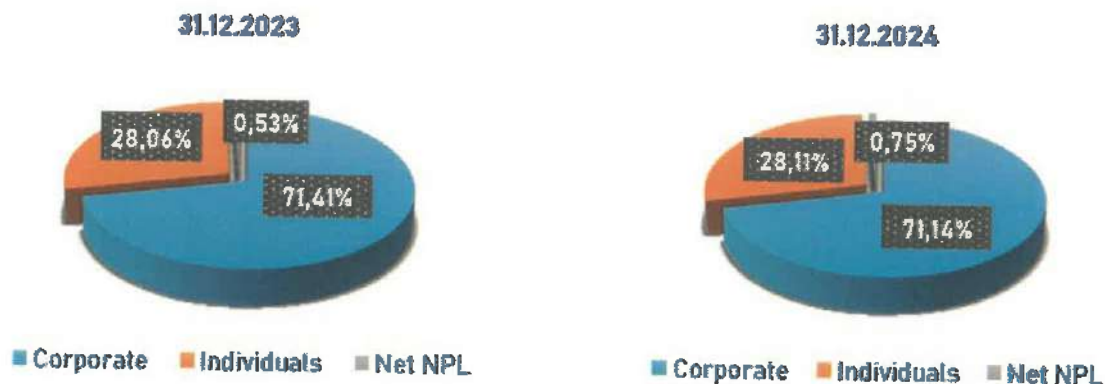
In accordance with the strategy of the HALKBANK, the main focus is on achieving maximum customer satisfaction, development of innovative products and services, improvement and digitalization of processes with a constant emphasis on raising business efficiency.

The structure of position Loans to clients as of December 31, 2023 and December 31, 2024 is given in the following table:

	31.12.2023.	31.12.2024.	Plan 2024	(in thousand RSD) % of change
Loans to clients - net	77.910.768	87.853.415	99.232.242	12,76%
Corporate clients without NPL	55.637.825	62.500.506	71.331.186	12,33%
Retail clients without NPL	21.860.751	24.693.603	27.304.280	12,96%
NPL (net)*	412.192	659.564	596.776	60,01%

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

The Bank's net loan portfolio increased by 12,76% during 2024, or 9.942.647 thousand RSD. Net non-performing loans, compared to the end of 2023, increased by 60,01%.



Gross loans – Corporate

Gross corporate loans, including gross NPL, as of December 31, 2024, amount to RSD 64.324.775 thousand and recorded a growth of 13,37% compared to the end of 2023. The following graphs show the structure of these loans as of December 31, 2024:



The most important activities of Corporate and SME Marketing Division during 2024 were as follows:

- The Bank has disbursed EUR 440 million to large clients, small and medium-sized enterprises, and agricultural clients, through loans from the Bank's potential, as well as specific programs and campaigns. The focus was on loans from the Bank's potential, with current credit lines being in collaboration with the SEF foundation, placements from the FRK credit line in cooperation with the National Bank of Serbia, as well as placements in the Agro client segment.
- The Bank also participates this year in the Small Business Support Program for equipment procurement through the Public Call of the Ministry of Economy of the Republic of Serbia. This year, 8 banks and 3 leasing companies are participating in the program. The regulation provides for a grant amount of EUR 6,8 million.
- The Bank signed an agreement with the Ministry of Agriculture regarding subsidized loans for working capital and agricultural equipment. This is the sixth year of the Bank's participation in the program, through which significant results have been achieved in the Agro client segment. Additionally, the Bank, in collaboration with the Ministry of Agriculture, Forestry, and Water Management, has started the implementation of the Competitive Agriculture Project, financed by the World Bank, for the allocation of grants in agriculture. The target group is commercial and market-oriented agricultural holdings that do not meet the requirements to use funds from European Union funds.

Gross loans – Retail

Gross retail loans, including gross NPL, as of December 31, 2024 amounted to 25.084.404 thousand RSD with the following structure:

Loand type	31.12.2023.	31.12.2024.	(in RSD thousand)
			% of change
Cash loans	12.020.091	14.286.771	18,86%
Housing loans	9.209.163	9.603.608	4,28%
Consumer loans	365.963	427.966	16,94%
Allowed overdraft	188.579	231.390	22,70%
Other	466.931	534.669	14,51%
Total	22.250.727	25.084.404	12,74%

During 2024, the retail marketing and alternative distribution channels sector carried out the following activities with the aim of launching new products and services, increasing the portfolio and profitability:

- The loan portfolio increased by around EUR 10 million in Q4, or EUR 24,5 million since the beginning of the year, representing a relative growth of 12,89%. The growth primarily stemmed from cash loans, which increased by EUR 19,5 million, while mortgage loans rose by EUR 3,5 million and car loans by EUR 1,5 million.
- Additionally, the growth in the number of clients, loans, credit clients, salary and pension recipients, users of overdraft facilities, the number of issued credit cards, and the further

increase in electronic banking users has continued. In this regard, there has been a continued growth in fee income for monthly account maintenance or current account packages, which is solely due to the increase in the number of clients, as the price of current account packages has not changed.

- The campaign "Benefits for employees of important SME and corporate clients of the bank" has also continued. For each new employee of our client who is placed on the benefits list and who transfers their salary, the Bank enables the use of a current account without a maintenance fee or other transaction costs initiated through electronic services, for a period of 3 to 12 months, depending on the branch's proposal and the approval of the Bank's Executive Board.
- The campaign for approval of loans and credit cards "HALK PACKAGE Tailored for you" for employed natural persons continued. The campaign contains 4 products:
 - cash loan/loan for refinancing
 - current account package – Silver or Gold
 - allowed overdraft on the current account
 - credit card – Mastercard World
- Taking into account market trends and client requests, the Bank harmonized its offer and offered cash loans with a fixed interest rate in the observed period.
- The offer of cash loans for pensioners has also continued.
- Additionally, great importance and attention were given to further growth of the deposit base, so in Q4 2024, the Bank continued to actively work on attracting new clients and new deposits. In Q4, EUR 21,2 million in new deposits were collected, mostly in EUR, which the Bank set as the most significant goal.
- As part of the project for the implementation of additional digital wallets with the card company Visa, HALKBANK successfully implemented and enabled clients to add payment cards to digital wallets SwatchPAY!, Fidesmo, and Fitbit. The continuation of the implementation of Xiaomi Pay and Amazfit (Zepp) digital wallets is underway.
- During November and December, the Bank organized a campaign for clients, users of Mastercard payment cards, in which, by meeting certain criteria, it was possible to win a valuable prize – a Tapster bracelet, which, with the help of the Fidesmo digital wallet, allows for contactless payments.
- An initiative has been launched to renew the mBank and eBank applications for individuals and legal entities. The changes to the application solutions will be reflected in providing clients with access to additional useful options and services, a much better graphical interface, a more intuitive experience, and a more dominant role of the mBank solution compared to eBank.

3.2 Equity and Liabilities

Total liabilities of the Bank as of December 31, 2024 is 138.611.297 thousand RSD and has the following structure:

EQUITY AND LIABILITIES	31.12.2023.	31.12.2024.	(in RSD thousand)	
			Plan 2024	% of change
Deposits from banks and other financial organizations**	6.466.198	6.753.815	8.160.097	4,45%
Deposits from other clients*	87.255.941	97.521.763	109.860.836	11,77%
Funds borrowed**	4.765.760	3.542.051	5.217.558	-25,68%
Other liabilities***	4.716.830	3.047.316	5.542.223	-35,39%
Total liabilities	103.204.729	110.864.945	128.780.714	7,42%
Share capital	18.362.669	18.362.669	18.333.660	0,00%
Profit of the current year	2.128.591	2.351.217	3.042.796	10,46%
Undistributed profit from previous years	0	6.952	0	-
Reserves	4.034.392	7.025.514	6.106.423	74,14%
Total capital	24.525.652	27.746.352	27.482.879	13,13%
Total liabilities	127.730.381	138.611.297	156.263.593	8,52%

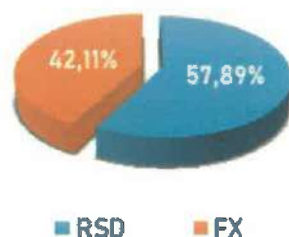
* The positions "Deposits from other clients" and "Deposits from banks and other financial organizations" differ from the positions "Deposits and other liabilities due to customers" and "Deposits and other liabilities to banks, other financial institutions and the central bank" presented in the official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

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

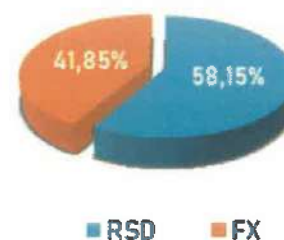
*** The position "Other liabilities" additionally contains the position "Provisions" from the official form of the Statement of financial position.

The following graphs present the currency structure of liabilities as at December 31, 2023 and December 31, 2024:

**Structure of liabilities
31.12.2023.**



**Structure of liabilities
31.12.2024.**



3.2.1 Deposits from banks, other financial organizations and central bank

The structure of deposits from banks, other financial organizations and central bank and comparative analysis as of December 31, 2023 and December 31, 2024 is presented in the following table:

	(in RSD thousand)		
Deposits from banks and other financial organizations	31.12.2023.	31.12.2024.	% of change
Transaction deposits	204.509	180.704	-11,64%
Other deposits	6.261.689	6.573.111	4,97%
Total	6.466.198	6.753.815	4,45%

3.2.2 Deposits from clients

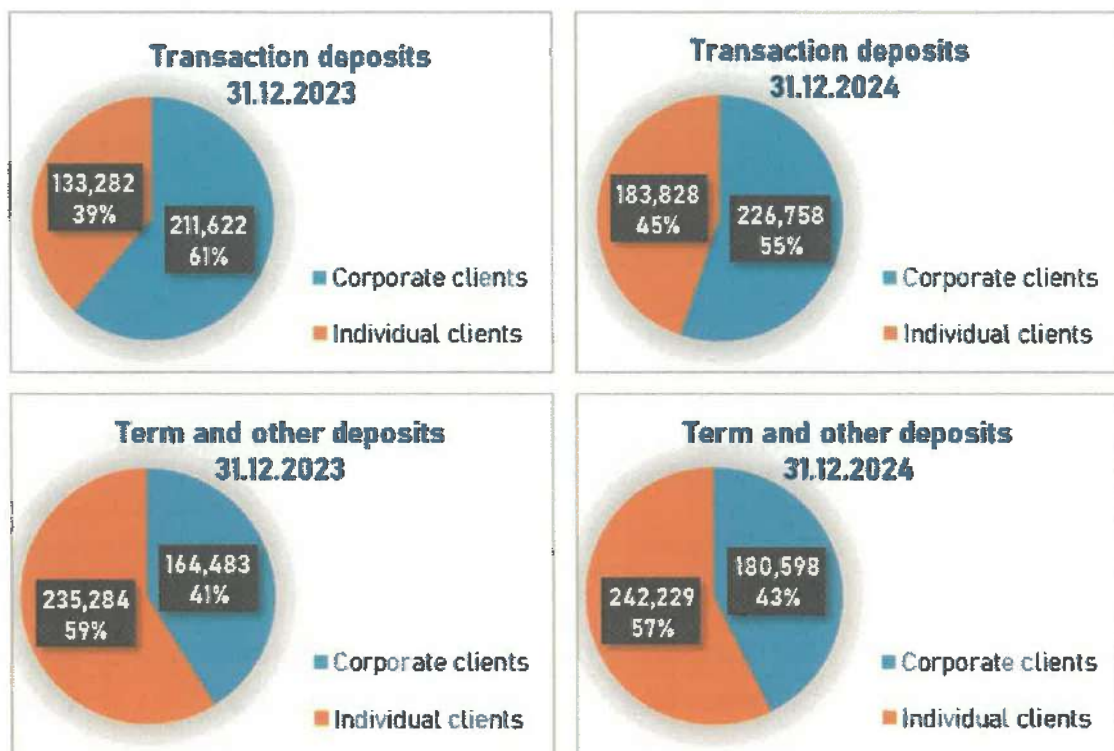
The structure of deposits from clients and comparative analysis by segments as of December 31, 2023 and December 31, 2024 is presented in the following tables and graphs:

	(in RSD thousand)			
Deposits from clients	31.12.2023.	31.12.2024.	Plan 2024	% of change
Transaction deposits	40.413.662	48.044.710	53.755.090	18,88%
Other deposits	46.842.279	49.477.053	56.105.746	5,62%
Total	87.255.941	97.521.763	109.860.836	11,77%

During the year, there was a significant growth in the deposit base, both in transaction and term deposits. Business sector client deposits recorded a growth of 10,5% compared to the end of the previous year, while household deposits grew by 13,05% during the same period.

	(in RSD thousand)			
Deposits from clients	31.12.2023	31.12.2024	Plan 2024	% of change
Corporate clients	44.069.637	47.666.676	56.654.413	8,16%
Retail clients	43.186.304	49.855.087	53.206.423	15,44%
Total	87.255.941	97.521.763	109.860.836	11,77%

The structure deposits from clients is presented in the following graphs:
(in EUR thousand)



Funds borrowed

(in RSD thousand)

Borrowed loans in foreign currency	31.12.2023.	31.12.2024	% of change
- EIB	3.177.590	2.711.393	-14,67%
- Demir-Halk Bank (Nederland) N.V.	292.934	0	-100,00%
- Revolving kredit FRK- EAR	1.000.354	624.160	-37,61%
- GGF	275.704	206.498	-25,10%
- Erste bank	19.178	0	-100,00%
Total	4.765.760	3.542.051	-25,68%

During 2024, the bank repaid the principal of long-term loans from international financial institutions in the amount of EUR 11.386 thousand. In the same period, the Bank withdrew funds from international financial institutions in the amount of EUR 983 thousand.

3.2.3 Equity

The equity of the Bank as of December 31, 2023 is amounted to RSD 27.746.325 thousand and comprised of the following :

Equity	31.12.2023.	(in RSD thousand)	
		31.12.2024.	% of change
Share capital – ordinary shares	9.887.600	9.887.600	0,00%
Share capital – preference cumulative shares	1.340	1.340	0,00%
Share capital – preference non-cumulative shares	600.000	600.000	0,00%
Share premium	7.873.729	7.873.729	0,00%
Revaluation reserves	-1.078.630	-216.099	-79,97%
Reserves from profit	5.113.022	7.241.613	41,63%
Undistributed profit from previous years	0	6.952	-
Profit of the current year	2.128.591	2.351.217	10,46%
Total	24.525.652	27.746.352	13,13%

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

Information on shares	31.12.2023.	31.12.2024.
Number of shareholders	1	1
Number of shares	1.048.894	1.048.894
Nominal value per share in RSD	10.000	10.000
Net book value per share in RSD	23.382,39	26.497,99

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

The decision foresees a temporary measure related to the calculation of the bank's capital, in accordance with which the bank can exclude from the calculation of the basic share capital the amount of the temporary regulatory adjustment, i.e. the amount of unrealized losses/gains based on the change in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9 to which a reduction factor of 0,25 was applied.

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

4. OFF-BALANCE SHEET ITEMS

The bank realizes a continuous growth of the portfolio of guarantees and letters of credit. In 2024 this position (which also includes assumed irrevocable obligations) recorded a growth rate of 7,51% compared to the end of 2023. Structure of off-balance sheet positions as of December 31, 2023 and December 31, 2024 is given in the following table:

(in RSD thousand)			
Off-balance sheet items	31.12.2023.	31.12.2024.	% of change
Contingent liabilities (guarantees, avals, acceptances and irrevocable liabilities)	31.082.766	30.801.181	-0,91%
Operations for and on behalf of third parties	225.797	201.793	-10,63%
Derivatives (SWAP)	2.940.683	2.595.742	-11,73%
Derivatives (SPOT)	0	3.153.841	-
Other off-balance sheet items	127.897.768	137.743.086	7,70%
Total	162.147.014	174.495.643	7,62%

The following table compares the structure of the item guarantees, avals, acceptances and irrevocable liabilities as of December 31, 2023 and December 31, 2024:

(in RSD thousand)			
Contingent liabilities (guarantees, avals, acceptances and irrevocable liabilities)	31.12.2023.	31.12.2024.	% of change
Performance guarantees	19.135.073	19.718.888	3,05%
Payment guarantees	7.151.927	8.973.020	25,46%
Unused limits which cannot be revoked	3.670.831	1.461.104	-60,20%
Issued foreign currency letters of credit with Banks' confirmation	673.749	321.791	-52,24%
Issued uncovered letters of credit	451.186	326.378	-27,66%
Total	31.082.766	30.801.181	-0,91%

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

(in RSD thousand)			
Other off-balance sheet items	31.12.2022.	31.12.2023.	% of change
Received fixed assets (buildings, cars, land etc.) as collateral in favor of the Bank	79.962.715	77.780.496	-2,73%
Commitments for framework loans and facilities	21.099.135	24.369.469	15,50%
Calculated suspended interest	5.315.478	5.468.092	2,87%
Financial assets pledged as collateral	0	0	-
Securities received as a collateral	0	3.872.700	-
Other off-balance sheet items	21.520.440	26.252.329	21,99%
Total	127.897.768	137.743.086	7,70%

5. INCOME STATEMENT FOR THE PERIOD

The Income Statement for the period from January 1st to December 31, 2024 is presented in compliance with the Law on Accounting, IFRS and NBS regulations.

The Bank realized a profit of RSD 2.398.443 thousand at the end of the 2024.

Income Statement	31.12.2023.	31.12.2024.	Plan 2024	(in RSD thousand)	
				Absolute change	% of change
Interest income	6.388.000	7.668.372	8.182.141	1.280.372	20,04%
Interest expense	-1.732.441	-2.341.967	-1.999.228	629.526	36,34%
Net interest income	4.655.559	5.306.405	6.182.913	650.846	13,98%
Fee and commission income	2.622.764	2.940.397	3.605.519	317.633	12,11%
Fee and commission expense	-742.780	-944.909	-1.015.128	202.129	27,21%
Net fee and commission income	1.879.984	1.995.488	2.590.391	115.504	6,14%
Net trading income	19.949	348.255	14.050	328.306	1645,73%
Other operating income	100.586	124.665	85.472	24.079	23,94%
Net income/(losses) on impairment of financial assets	-521.767	-728.540	-421.506	-206.773	39,63%
Total net operating income	6.134.311	7.046.273	8.451.320	911.962	14,87%
Salaries, salary compensation and other personal expenses	-1.849.014	-2.356.833	-2.609.007	507.819	27,46%
Depreciation costs	-631.000	-747.182	-919.469	116.182	18,41%
Other expenses	-1.276.923	-1.385.691	-1.522.057	108.768	8,52%
Total operating expenses	-3.756.937	-4.489.706	-5.050.533	732.769	19,50%
NET PROFIT BEFORE TAX	2.377.374	2.556.567	3.400.787	179.193	7,54%
PROFIT TAX	-251.109	-204.767	-356.173	46.342	-18,45%
PROFIT FROM DEFERRED TAXES	2.326	-583	0	-2.909	-125,06%
NET PROFIT BEFORE TAX	2.128.591	2.351.217	3.044.614	222.626	10,46%

In 2024, the bank increased its net interest income by 13,98%, or 650.846 thousand RSD, compared to the result from 2023, thanks to the growth of the loan portfolio. Interest rates on the interbank market followed a declining trend throughout 2024, which is expected to continue into the next year. At the end of the year, the 6M Euribor stood at 2,57%, while the 6M Belibor was 4,74%. The bank earned significant interest income by placing funds in reverse repo transactions with the NBS (326.755 thousand RSD in 2024 compared to 249.738 thousand RSD last year). The net interest margin slightly increased from 5,43% as of December 31, 2023, to 5,51% as of December 31, 2024.

Net income from fees and commissions increased by 6,14%, or 115.504 thousand RSD. The largest contribution to this increase came from the growth in income from payment cards (an increase of 195.389 thousand RSD, or 30,07%), as well as the growth in income from payment transaction fees (an increase of 83.476 thousand RSD, or 6,87%) and from guarantees (an increase of 98.980 thousand RSD).

The bank recorded a loss from modification in the amount of 45.485 thousand RSD in December 2024.

Total operating expenses increased by 19,5%, or 732.679 thousand RSD compared to the previous year. The largest share of total operating costs is accounted for by employee salaries at 52,49%, followed by depreciation at 10,47%, depreciation related to IFRS 16 at 18%, and the premium paid to the Deposit Insurance Agency at 5,74%.

The increase in operating expenses this year compared to the previous year is mainly influenced by the rise in salaries, wage allowances, and other personal expenses by 507.818 thousand RSD (27,46%), as a result of an increase in the number of employees, a lower amount of salary cost capitalization, and wage adjustments with inflation. Depreciation costs increased by 116.182 thousand RSD (18,41%), primarily due to the activation and commencement of depreciation of investments in the new banking system. Among other operating costs, the largest increase is recorded in hardware and software rental costs, which rose by 110.544 thousand RSD (109,24%), mostly due to the maintenance of the new core banking system. Costs for developing alternative distribution channels increased by 31.860 thousand RSD (41,42%) compared to the end of the previous year.

The largest savings were achieved in the costs of provisions for legal disputes and PR expenses.

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

			(in RSD thousand)
Interest income	31.12.2023.	31.12.2024.	% of change
Corporate clients	3.715.539	4.253.906	14,49%
Retail clients	1.687.874	1.957.636	15,98%
Securities	523.594	806.783	54,09%
Other	460.993	650.047	41,01%
Total	6.388.000	7.668.372	20,04%

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

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

Fee and commission income	31.12.2023.	31.12.2024.	% of change
Fees from payment operations	1.240.180	1.323.656	6,73%
- <i>Corporate Segment</i>	889.359	978.314	10,00%
- <i>Banking Segment</i>	86.110	64.756	-24,80%
- <i>Retail Segment</i>	56.615	52.648	-7,01%
- <i>Packages maintenance fees</i>	208.096	227.938	9,54%
Fees from guarantees	344.762	443.742	28,71%
Fees from FX changes	247.095	259.438	5,00%
Fees from payment cards	649.884	845.273	30,07%
- <i>Merchant service charges</i>	399.378	528.015	32,21%
- <i>Interchange fees</i>	146.953	188.180	28,05%
- <i>Payment cards and other</i>	103.553	129.078	24,65%
Other fees	140.843	68.288	-51,51%
Total	2.622.764	2.940.397	12,11%

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

Interest expense	31.12.2023.	31.12.2024.	% of change
Deposits – corporate	684.688	864.175	26,21%
Deposits – retail	586.141	973.132	66,02%
Banks deposits	222.154	296.779	33,59%
Borrowings IFI's	219.755	197.410	-10,17%
IFRS 16	19.703	30.471	54,65%
Total	1.732.441	2.361.967	36,34%

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

Fee and commission expenses	31.12.2023.	31.12.2024.	% of change
Payment operations	236.479	254.393	7,58%
Fees from payment cards	472.412	663.402	40,43%
Credit bureau	17.985	18.238	1,41%
Other fees	15.904	8.876	-44,19%
Total	742.780	944.909	27,21%

6. CASH FLOWS

Cash flows from operating activities during the 2023 and 2024 are presented in the table below:

	(in RSD thousand)		
Cash inflows from operating activities	I – XII 2023	I – XII 2024	Change
Interest	6.351.345	7.756.460	1.405.115
Fees	2.633.664	2.953.634	319.970
Other operating income	14.207	37.434	23.227
Dividend and share in profit	1.169	767	-402
Total cash inflows	9.000.385	10.748.295	1.747.910
Cash outflows from operating activities			
Interest	1.467.825	2.244.809	776.984
Fees	740.451	945.565	205.114
Salaries	1.780.684	2.461.221	680.537
Tax and contribution	74.008	91.455	17.447
Other operating expenses	1.221.552	1.341.356	119.804
Total cash outflows	5.284.520	7.084.406	1.799.886
Net cash inflows from operating activities before increase/decrease in financial assets or financial liabilities	3.715.865	3.663.889	-51.976

Cash inflows from business activities (before the increase or decrease of financial assets or financial liabilities) in 2024 are higher by RSD 1.747.910 thousand compared to 2023.

Cash outflows from business activities (before increase or decrease of financial assets or financial liabilities) in 2024 increased by RSD 1.799.886 thousand compared to 2023.

The net inflow of cash from business activities before the increase or decrease of financial assets or financial liabilities in 2024 amounts to RSD 3.663.889 thousand, which is an decrease of RSD 51.976 thousand compared to the same period in 2023.

7. INVESTMENT PLAN

During 2023, total investments in fixed assets (including the right of use in accordance with IFRS 16 to which the amount of RSD 168.494 thousand), investment real estate and intangible assets refers to RSD 1,024,546 thousand.

Changes at these balance sheet items are presented in the following table:

(in RSD thousand)						
Investments*	Buildings	Equipment	Investment property	Intangible investments	Rents in IFRS 16 scope	Total
Balance 31.12.2023.	187.084	846.691	121.201	1.619.806	1.032.419	3.807.201
Estimated balance on 31.12.2023. (budget)	187.164	804.998	121.182	1.588.608	989.144	3.691.096
Total increase:	52.397	202.745	0	600.785	168.494	1.024.420
IT	0	5.905	0	589.854	0	595.759
Adaption of business premises	7.190	61.585	0	0	0	68.775
Other	0	135.255	0	10.931	0	146.186
IFRS 16 – rents (building and cars)	0	0	0	0	0	106.601
Revaluation	45.206	0	0	0	168.494	168.494
Reclassification	0	0	0	0	0	45.206
Total decrease:	29.035	235.450	7.263	221.838	277.332	770.918
Depreciation	8.938	235.237	3.778	221.838	0	469.826
Depreciation – IFRS 16	0	0	0	0	277.332	277.332
Sell	20.097	38	3.485	0	0	23.620
Disposal and retirement	0	175	0	0	0	175
FX effects	0	0	0	0	0	0
Balance 31.12.2024.	210.445	813.986	113.938	1.998.753	923.581	4.060.703
						2.555
						8.657.946

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

The bank's investments in 2024 were focused on the procurement of software and equipment for the new Core project, as well as the capitalization of wages for this project, the purchase of cash deposit machines, POS terminals, and ATMs to expand their network. The bank also invested in the development of projects related to payment card operations, aimed at digitization and improving the quality of services provided to clients. The bank invested in IT equipment, including the renewal of existing outdated equipment, as well as the purchase of equipment for new employees, investments in security equipment, and other necessary equipment for the smooth operation of branches, along with investments in the development of existing and the procurement of new software solutions and licenses for them. Part of the funds was allocated for the renovation and adaptation of office space, including work on the leased space of the headquarters, relocation of the branch in Ivanjica, and maintenance of other branches and office spaces. In December 2024, the bank sold its office building in Čačak, on Nemanjina Street, and realized a profit of 73.581 thousand RSD from the sale.

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

Business compliance with NBS regulations

As of December 31, 2024, all the operating ratios of the Bank were within the limits prescribed by the Law on Banks and NBS regulations.

Ratio	The values prescribed by the NBS regulations	Values at December 31, 2024
Regulatory Capital – NBS temporary measure*	Min 10.000.000 €	199.673.167 €
Regulatory Capital – regular calculation	Min 10.000.000 €	198.994.223 €
Capital adequacy ratio – NBS temporary measure*	Min 8% (SREP 15,40%)	25,47%
Capital adequacy ratio – regular calculation	Min 8% (SREP 15,40%)	25,38%
Foreign exchange risk ratio	Max 20%	0,41%
Liquidity ratio	Min 1	2,10
Narrow liquidity ratio	Min 0,7	1,74
Liquidity coverage ratio	Min 100%	138,99%
Exposure to one person or group of related persons	Max 25%	12,25%
Sum of large exposures	Max 400%	34,22%
Investment in non-financial sector	Max 10%	0,02%
Bank's investments into non-financial sector, fixed assets and investment property	Max 60%	8,84%

** The National Bank of Serbia on June 29, 2022, adopted the Decision on a temporary measure related to the calculation of the bank's capital, in accordance with which the bank can exclude from the calculation of the core capital the amount of the temporary regulatory adjustment, i.e. the amount of unrealized losses/gains based on changes in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9 to which a reduction factor of 0,25 was applied.*

Respecting the above mentioned, on December 31, 2024 the Bank achieved a capital adequacy ratio of 25,47% (26,98% on December 31, 2023), which is significantly higher than the regulatory limits.

By the Decision on the Minimum Requirement for Capital and Eligible Liabilities of a Bank, National Bank of Serbia (IO NBS no. 31, July 11 2024) defines ratio of Capital and Eligible Liabilities to total liabilities for the Bank equal to 7,16%, which was previously at level of 7,30%. As per the last available calculation from December 31, 2024, the ratio of the Capital and Eligible Liabilities to total liabilities of the Bank was 19,30%, which is significantly above the defined limit.

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

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

III RISK MANAGEMENT ADEQUACY

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

Credit Risk

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

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

Classification category	Classified amount as of 31.12.23	% of the share in gross classified assets		Classified amount as at 31.12.24	(in RSD thousand) % of the share in gross classified assets	
A	58.576.569	42,38%	75,77%	56.569.284	37,86%	71,16%
B	46.153.468	33,39%		49.745.587	33,29%	
V	25.138.769	18,19%	18,19%	28.572.636	19,12%	19,12%
G	4.907.639	3,55%	6,04%	8.534.408	5,71%	9,72%
D	3.435.574	2,49%		5.989.474	4,01%	
Total	138.212.019	100,00%		149.411.389		100%

The total assets that are classified increased as of December 31, 2024 compared to the December 31, 2023 by 8,25%.

The structure of the Bank's portfolio changed in terms of an decrease in the share of placements classified in categories A and B by 4,62 p.p, while the share of placements classified in category V and in categories G and D increased by 0,93 p.p. and 3,68 p.p, respectively.

Portfolio quality as of December 31, 2024 is at medium risk level.

Collection and coverage of NPLs

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

	31.12.2023.	31.12.2024.	(in RSD thousand) Change
NPL portfolio	1.160.764	1.838.907	678.143

NPL as of December 31, 2024 increased by RSD 678.143 thousand compared to December 31, 2023.

The increase in NPL was mostly the result of entering into default client **TERRA OPTIMA d.o.o. Topola** in the amount of RSD 530.101 thousand, but also clients **VISA-PROM DOO SUBOTICA** (RSD 52.957 thousand), **M-TEHNIX TEAM DOO BEOGRAD** (RSD 41.005 thousand), **DORADO DOO KRAGUJEVAC** (RSD 36.903 thousand) i **KARDESLER CONSTRUCTION DOO BEOGRAD-NOVI BEOGRAD** (RSD 33.205 thousand)

New exposures that became the NPL during the 2024, amounts to RSD 1.011.265 thousand, out of which 85% (RSD 862.590 thousand) relates to Corporate and SME clients, and 9% (RSD 95.636 thousand) to retail customers, 3% (RSD 32.367 thousand) to entrepreneurs and 2% (RSD 20.672 thousand) to agricultural clients.

From the beginning of 2024, the Bank collected RSD 414.379 thousand on the basis of NPLs.

Share of gross NPLs in total gross Bank's loans

Ratio	31.12.2023.	31.12.2024.	Change
Share of NPLs in total loans	1,46%	2,04%	0,58p.p.

NPL coverage		
Pokazatelj	31.12.2023.	31.12.2024.
Ratio of NPL coverage with Impairment provisions for loans	89,94%	81,46%
Ratio of NPL coverage with NPL Impairment provisions	63,58%	61,48%

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

On December 31, 2024, the Bank complies with the defined limits of these indicators.

Liquidity ratio

The realized value of the Liquidity coverage ratio (LCR) on 31.12.2024. is 138,99%, which is in line with the defined limits established by the Bank's internal acts.

The risk appetite framework defines the optimally acceptable value of the mentioned ratio as a minimum of 120%, and the defined exposure limit is as a minimum of 105%. In accordance with the Liquidity Risk Management Procedure, the determined value is in the low risk zone ($p > 120\%$).

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

During 2024, the value of the indicator was in the range of 138,99% to 272,10%, which is significantly above the coefficient prescribed by the regulator's decision, but below the average of the banking sector 195,20% (latest available data).

In 2024, with the revised Liquidity Risk Management Procedure, the Bank introduced a new regulatory liquidity indicator, the Net Stable Funding Ratio (NSFR), which as of December 31, 2024. amounted to 165,92%, which is within the regulatory limit (minimum 100%).

Liquidity Ratio and Narrow Liquidity Ratio prescribed by NBS in the period from January 1st to December 31, of 2024

	Liquidity Ratio	Narrow Liquidity Ratio
Value as of December 29, 2023	2,10	1,74
Average	2,39	1,70
Maximum	3,09	2,29
Minimum	1,98	1,26
Daily NBS limit	Minimum 0.8	Minimum 0.5
NBS limit on monthly level	Minimum 1	Minimum 0.7

Liquidity ratios of the Bank during 2024 were in accordance with the prescribed limits by the Decision on liquidity risk management by banks.

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

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

Additional liquidity ratios in the period from 01.01.–31.12.2024 – internally established

	Min.	Max.	Average	Limit
Liquid assets ratio	31,14%	39,19%	34,83%	Min 25,00%
Net loans to total deposits ratio	75,91%	84,30%	80,27%	Max 200,00%
Customers' deposits to total deposits ratio	92,13%	94,08%	93,20%	Min 75,00%
Deposit concentration ratio	12,96%	14,57%	13,66%	Max 30,00%

The Bank was within internally prescribed liquidity limits during 2024.

Foreign exchange risk

FX Risk ratio in the period from 01.01. – 31.12.2024.

Value as of December 31 st , 2024	0,17%
Average	1,45%
Maximum	6,79%
Minimum	0,17%
Limit NBS	Max. 20%

Foreign currency risk measured by FX Risk ratio was located 250 days in the low risk category and 3 days in medium risk during 2024.

Interest rate risk

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

Total net weighted position of the Bank as of December 31, 2024

	(in RSD thousand)
Total net weighted position	1.896.256
Equity	23.364.736
Total net weighted position and equity ratio	8,12%
Internally prescribed maximum	+/-10%

Operational risk

Exposure to operational risk is measured by monitoring the number of events of the same type during the calendar year and the amount of financial impact of an individual event.

	2024.	2023.
Number of events	144	139
Gross loss (000 RSD)	190,511	305,748
Net loss (000 RSD)	19,352	27,901

During 2024, 144 operational risk events were recorded to the operational risk database, i.e. 5 events more than in 2023. Out of a total of 144 operational risk events, a large number of operational risk events related to cash shortage or surpluses and were successfully resolved (73 related to cash shortage, 46 to cash surplus). The remaining 25 operational risk events were related to technical problems, non-compliance with contractual obligations during the realization of the placement and the procedure when sending the bill for collection, errors in the drafting of contracts and contract annexes, incomplete documentation, operational errors, 1 external fraud and 1 internal fraud.

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

In relation to the business line in this period, out of a total of 144 reported events, 121 related to Payment and Settlement, 8 to Commercial Banking and 15 to Retail Banking. In relation to the event type, 142 reported events related to Execution, Delivery and Process management, 1 to External Fraud and 1 to Internal Fraud.

Number of events	144
Cash shortage	73
Cash surplus	46
External frauds	1
Internal frauds	1
Other	23
Net loss in 000 RSD	19.352

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

Exposure risk

The Bank's exposure* to persons related to the Bank and its large exposures as of December 31, 2024

	(in 000 RSD)	% of equity	Limit NBS
Persons related to the Bank	2.220.007	9,50%	-
Large exposures	8.051.327	34,44%	Max 400%

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

Concentration risk

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

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

	31.12.2022.	31.12.2023.	Preference (target) value
Concentration ratio of 20 largest clients/groups of related parties	106,72%	115,19%	Max 250% of regulatory capital

As of December 31, 2024, the concentration ratio is within an internally defined limit.

Additionally, in order to manage the concentration risk, by the Procedure for the Credit Risk Management at the portfolio level, exposure limits (balance sheet assets and off-balance sheet items) have been established to specific geographical areas and to a specific sector / business activity, which provide diversification of the portfolio. As of December 31, 2024, in the mining and processing industry, the largest exposure of the Bank is 19,75% and in retail 19,30%, which is significantly below the internally defined limit of 60% and 25% respectively. The exposure of the Bank in relation to geographical areas is monitored through the participation of exposures to clients from individual geographical areas in the total classified gross balance sheet assets and off-balance items. The Bank's largest exposure is to clients belonging to the region of Belgrade 43,27% and region of Central and Western Serbia and amounts to 30,92%, which is significantly below the internally defined limit of 50% and 70% respectively.

The Bank's exposure to certain types of products is monitored in accordance with the NBS Decision on concentration risk management, based on the Bank's exposure to certain types of products. Exposures of the Bank to retail loans with a contractual maturity of more than 2.920 days may not exceed 30% of the Bank's capital determined in accordance with the decision regulating the bank's capital adequacy increased by the amount of all bank liabilities in dinars with a remaining maturity of more than 1.825 days. The calculation of the capital amount referred to in the preceding paragraph shall not be subject to the regulatory adjustments and deductions from capital prescribed by the NBS decision regulating the bank's capital adequacy, except for deductions for the loss of the current year and earlier years and for unrealized losses. As of December 31, 2024, concentration risk ratio in retail segment calculated as previously described is 1,39%, which is significantly below the defined limit.

Investment Risk

The Bank did not have investments in non-financial sector as of December 31, 2024. Total investments in entities that are not in financial sector and in fixed assets and investment property were in the category of low risk (below 45% of capital).

Bank's investments into non-financial sector, fixed assets and investment property as of December 31, 2024

	Investments into non-financial sectors	Investments into fixed assets and investment property	Total
Amount (000 RSD)	4.521	2.061.949	2.066.470
Share in equity	0,02%	8,82%	8,84%
Limit NBS	Max 10%	-	Max 60%

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

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

During 2024, the Bank had exposures to clients, which operate in countries that are classified as low-risk and medium-risk countries, according to the Classification of official international credit rating agencies and the Bank Procedure.

Bank's exposure towards countries, which are in the category of low risk, is without limits. The country from this category as of December 31, 2024 were Germany, Austria, USA, Netherlands and Switzerland. Countries in the category of medium risk were Macedonia, Türkiye, Croatia and Greece. Exposure to countries in the category of medium risk was significantly below adopted internal limits during observed period.

**Review of countries of clients whose exposure is involved in country risk
as of December 31, 2024**

Country	Risk category	Limit	Share in Bank's capital
Germany	low	without limit	6,87%
Austria	low	without limit	3,63%
USA	low	without limit	0,53%
Netherlands	low	without limit	0,27%
Switzerland	low	without limit	0,04%
Czech Republic	low	without limit	0,00%
Belgium	low	without limit	0,00%
Croatia	low	without limit	0,01%
Macedonia	medium	100% regulatory capital	7,67%
Türkiye	medium	100% regulatory capital	26,99%
Romania	medium	20% regulatory capital	0,00%
Bosnia	medium	40% regulatory capital	0,00%
Greece	medium	10% regulatory capital	0,04%
Montenegro	medium	40% regulatory capital	0,00%
Albania	medium	25% regulatory capital	0,00%
Italy	medium	10% regulatory capital	0,00%

IV SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the end of the business year, there were no events that have a material impact on the financial statements for the period ending December 31, 2024.

V PROJECTED FUTURE DEVELOPMENT

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

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

VI RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

VII INFORMATION ON REDEMPTION OF SHARES

There was no redemption of own shares during 2024.

VIII EXISTENCE OF AFFILIATES

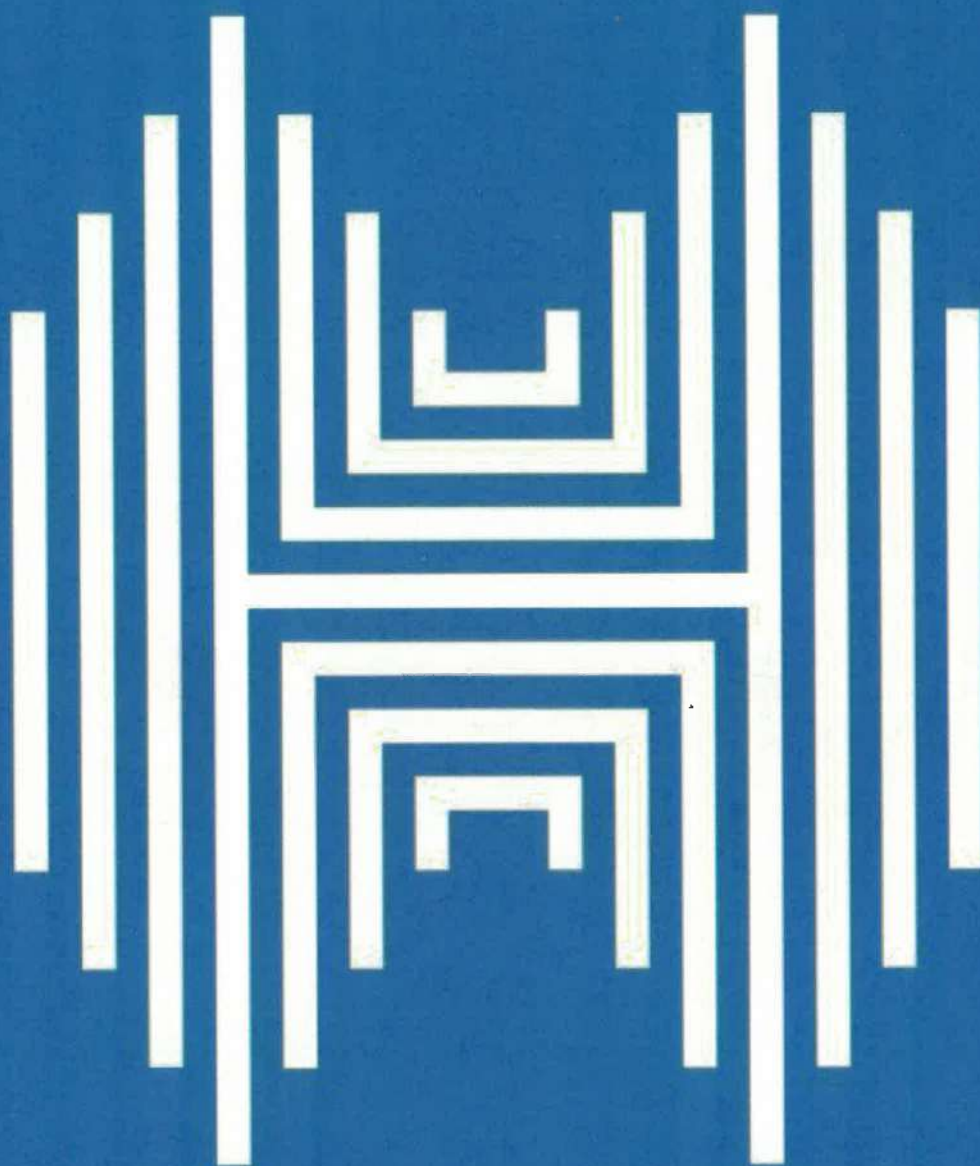
HALKBANK is successfully expanding its business network and client base. Today, the Bank's products and services are provided through a business network of 39 branches, 5 sub-branches and 1 counter. As of December 31, 2023, the Bank has 10 branches in Belgrade, 3 branches in Čačak, branches in Ivanjica, Gornji Milanovac, Valjevo, Kraljevo, Novi Pazar, Arandelovac, Užice, Požega, Prijepolje, Kragujevac, Smederevo, Mladenovac, Kruševac, Šabac, Pančevo, Sremska Mitrovica, Novi Sad, Stara Pazova, Zrenjanin, Subotica, Niš, Leskovac, Vranje, Pirot, Jagodina, Paraćin as well as 5 sub-branches – in Topola, Vrnjačka Banja, Tutin, Sjenica and Preševo. In 2023, the bank opened three new branches in Prijepolje, the Vojvode Stepe street in Belgrade and Stara Pazova, as well as one sub-branch in Sjenica.

IX CORPORATE GOVERNANCE RULES

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

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





NON-FINANCIAL REPORT
2024

I. PROFILE OF THE BANK

1. Vision and Mission Statement

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

Our mission is to be a bank that:

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

2. Corporate values

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

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

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

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

Simplicity – Our procedures are affordable and simple.

Speed – The processing of your requests is done in the shortest possible time.

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

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

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

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

3. Membership

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

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

4. Prizes and awards

HALKBANK a.d. Belgrade won the title of ECO WINNER at the Ecocourt Business Basketball Tournament, the only ecological basketball tournament in Serbia.

5. Communication strategy

The communication strategy in 2024 was largely focused on communication oriented towards individuals, aimed at promoting the bank's product and service packages, as well as innovations in the field of digital services (digital wallets). In line with its mission and vision, HALKBANK ensures daily attention to how it

communicates with service users, as well as with the wider public. For advertising purposes, various communication channels were used: continuous social media and the bank's website, Google and YouTube advertising, periodic printed and digital media, advertising on national TV stations, advertising through national radio stations, as well as outdoor advertising – such as printed billboards, bigboards, megaboards, and facade advertisements in Belgrade, as well as printed billboards in cities across Serbia.

The bank attended various events where communication with potential and existing clients was established – the Belgrade International Motor Show, the International Fair of Medicinal, Aromatic, Ornamental Plants, Beekeeping Products, and Mushrooms "Bałkan Eco Fair" in Vranje, participation at the "Belgrade Youth Fair" in Belgrade, and others.

In 2024, the bank sponsored the conference – the Serbia-Turkey Roundtable, held in June 2024 in Belgrade, organized by the Foreign Economic Relations Board (DEIK). The bank was also one of the sponsors of the "Serbian Insurance Days" conference and the celebration of Turkey's Republic Day, which is traditionally celebrated every October 29. In addition to sponsorships, in November 2024, the bank donated money to the "Vuk Karadžić" Primary School in Čačak for the preparation and publication of the school's **Monograph**. A sports challenge was also organized in collaboration with NonStop Fitness centers, focusing on the promotion of HALKBANK Mastercard card payments and digital wallet payments through Zepp Pay on the Amazfit Balance smartwatch, which our bank was the first to implement for Mastercard® cardholders in 2023.

In 2024, the cooperation with the Serbian Entrepreneurship Foundation (SEF) continued on the liquidity maintenance and working capital loan project. The focus is on young enterprises and agricultural households.

The cooperation with the Ministry of Agriculture, Forestry, and Water Management continued, with the bank joining the Serbia Competitive Agriculture Project (SCAP), launched in cooperation with the World Bank in 2020, which will continue until December 31, 2024.

II KEY EVENTS IN THE PREVIOUS YEAR

JANUARY

In January, the campaign from 2023 continued – the HALK PACKAGE tailored to your needs "4 in 1," which offers clients the possibility of taking a cash loan/refinancing loan with a fixed interest rate, along with a current account package, no monthly maintenance fees, and up to 6 months of overdraft on the current account and a credit card for up to 6 months with no annual fee.

The campaign from 2023 also continued for all users of HALKBANK Mastercard World credit cards, which included a digital voucher that provides a discount on products from the assortment available in Gigatron stores when paying with the HALKBANK Mastercard World credit card.

FEBRUARY

In February, the bank launched a new core information system into production, all aimed at providing an even better experience and a higher-quality response to customer needs

MARCH

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

APRIL

In April, HALKBANK participated in the "Belgrade Youth Fair".

MAY

In May, HALKBANK a.d. Belgrade won the title of ECO WINNER at the Ecocourt Business Basketball Tournament, the only ecological basketball tournament in Serbia.

During May, a sports challenge – Non Stop Fitness CHALLENGE powered by HALKBANK & Amazfit was organized, aimed at promoting the contactless payment service via HALKBANK Mastercard cards and the Zepp Pay digital wallet, compatible with the Amazfit Balance smartwatch.

In the same month, HALKBANK a.d. Belgrade and UnionPay International signed an agreement for the issuance of Dina-UnionPay co-brand cards in Serbia.

JUNE

HALKBANK supported the organization of this year's 5th International Fair of Medicinal, Aromatic, Ornamental Plants, Beekeeping Products, and Mushrooms 'Balcan Eco Fair' in Vranje.

The bank was a sponsor of the Serbia-Turkey Roundtable conference, held in June 2024 in Belgrade, organized by the Foreign Economic Relations Board – DEIK. In the same month, HALKBANK continued its trend of participation in charitable sports events, participating in charity small football and basketball tournaments organized by BELhospice – an organization that provides free palliative care services for oncology patients and children with incurable diseases in Belgrade.

AUGUST

In August, HALKBANK was once again selected as a trusted partner for participation in the Small Business Support Program for equipment procurement, through which, in cooperation with the Ministry of Economy and the Development Agency of Serbia, the development of the domestic economy is supported by financing micro and small legal entities, entrepreneurs, and cooperatives.

In August, the 'Transfer' service was made available to clients, allowing them to easily and quickly make instant money transfers at any time by simply knowing the recipient's mobile phone number registered for the service.

SEPTEMBER

In September, the bank registered a football team and started competing in the 6+1 Business Football League.

OCTOBER

In October, the bank sponsored the celebration of Turkey's Republic Day, which is traditionally celebrated every October 29.

NOVEMBER

In November, the bank sponsored the 'Serbian Insurance Days' conference.

During November, the bank donated money to the 'Vuk Karadžić' Primary School in Čačak for the preparation and publication of the school's Monograph.

Special benefits were offered to all users who paid with one of the HALKBANK payment cards for purchasing products from the Capriolo assortment at their retail locations.

In November, the bank, in cooperation with the card company Mastercard, created a campaign promoting payments with the HALKBANK Mastercard Gold debit card or World credit card. When added to a digital wallet supported by HALKBANK, payments made with a smart device and registered on the bank's website allow the opportunity to win a Tapster bracelet, which also offers contactless payment options.

During November, the HALKBANK basketball team started competing in the Company Basketball League.

DECEMBER

In December, the new HALKBANK branch in Belgrade started operations at Krunska 6.

HALKBANK employees participated in the charity basketball tournament 'Aj ti za 3' organized by the 'SOS Children's Villages Serbia' Foundation and Comtrade, showing

their humanity and contributing to the organization, which used the entire amount from participation fees for programs supporting children and vulnerable families.

Throughout December, the promotion of ongoing campaigns related to the bank's products and services continued – cash loans, mortgage loans, and time deposits.

III KEY STAKEHOLDERS AND MATERIAL TOPICS

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

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

Material topics

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

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

IV CORPORATE MANAGEMENT

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

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

The Supervisory Board of the Bank has adopted a Corporate Governance Code whose main goal is to present in a

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

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

Management structure, mandate and composition of management bodies

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

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

investments of capital in other bank or other legal entity, decides the amount on investment in fixed assets, adopts the Statute and amendments and supplements to the Foundation Decision and the Statute of the Bank and decides on other issues in accordance with the law and Statute. One of the important issues within the scope of the Bank's Assembly is the appointment and dismissal of the President and members of the Supervisory Board in accordance with regulations.

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

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

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

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

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

Supervisory board

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

The term of office of the members of the Supervisory Board is four years with the possibility of re-election. At the end of 2024, the Supervisory Board of the Bank consisted of 6 (six) members, including the President, of which two were independent members with active knowledge of the Serbian language and residing in the territory of the Republic of Serbia.

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

During 2024, 15 sessions of the Supervisory Board were held. The subject of consideration and decision-making at these sessions, in the context of strategic and business decisions, were: regular monitoring of financial and business performance of the Bank, risk management, internal system control, business compliance and internal audit, reviewing and/or adopting a strategy and policy for risk management, giving prior approval for the Bank's exposure to any individual or group of related parties that exceeds 10% of the Bank's capital, i.e. for increasing this exposure to more than 20% of the Bank's capital, deciding on placements, reviewing decisions on approved exposures, as well as other important issues within the competence of the Supervisory Board.

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

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

Executive Board

The members of the Executive Board of the Bank are dismissed and appointed by the Supervisory Board for a period of 2 years with the possibility of re-election in accordance with the adopted amendments to the Statute, from June 14th, 2023. At the end of 2024 the Executive Board consists of 4 members, including the President.

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

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

During 2024, the Executive Board of the Bank held a total of 52 sessions.

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

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

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

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

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

The Credit Committee of the Bank performs the following activities: makes decisions on approving all types of dinar and foreign currency loans, guarantees, bill guarantees, letters of credit and other warranties, as well as other placement of the Bank, and performs other activities in accordance with the Bank's acts, law and regulations and performs other activities by order of the Supervisory Board.

The Assets and Liabilities Management Committee monitors the Bank's exposure to risks resulting from the structure of its balance sheet obligations and receivables and off-balance sheet items, on the basis of the received information proposes measures at its meetings for managing interest rate risk and liquidity risk in the

manner that it makes concrete conclusions and/or decisions, or clear guidelines to organisational units of the Bank and its employees that should ensure appropriate management of the above mentioned risks and perform other activities established by the Bank's acts.

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

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

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

SUPERVISORY BOARD

1. Osman ARSLAN, President
2. Süleyman BULUT, Member
3. Hamdi COŞGUN, Member
4. Caner GÖKBULUT, Member
5. Dr Jasmina BOGIĆEVIĆ, Independent Member
6. Vesna VUKOVIĆ, Independent Member

EXECUTIVE BOARD

1. Aziz Arslan, President
2. Hasan Cömert, Member
3. Mesut Pamuk, Member
4. Đorđe Zelenović, Member

CREDIT COMMITTEE

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

AUDIT COMMITTEE

1. Hamdi COŞGUN, President
2. Caner GÖKBULUT, Member
3. Dr Jasmina BOGIĆEVIĆ, Member

ASSETS AND LIABILITY MANAGEMENT COMMITTEE

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

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

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

Code of Business Conduct

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

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

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

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

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

V ALTERNATIVE DISTRIBUTION CHANNELS

Throughout 2024, HALKBANK continued implementing new technologies, enhancing the customer experience, and expanding its offering, with a particular focus on digital banking and innovations in the payments sector. This year was crucial for the further development of digital wallets, contactless payments, as well as the improvement of applications and services for clients. Through numerous initiatives, the bank successfully expanded its services, enhanced security, and increased customer satisfaction.

At the beginning of the year, the bank organized a campaign in collaboration with Gigatron and Mastercard, where users of Mastercard World credit cards received vouchers worth 3,000 RSD. These vouchers were used in Gigatron stores to purchase products, including already discounted items, allowing customers to save more money. The campaign ran until the end of January and was successful in attracting customers' attention and promoting the use of Mastercard cards.

In March, a series of contactless transaction tests were conducted with Visa and Mastercard cards on Android POS terminals and new ATMs, enabling the bank to prepare these new technologies for broad implementation in the production environment. The successful completion of these tests marked the end of preparatory activities, and the results allowed the next steps in implementing solutions that will improve transactions for users.

One of the key projects in 2024 was the Fusion project, which focused on migrating to the bank's new core system. This step marked significant progress in modernizing the bank's infrastructure, enabling faster, safer, and more efficient solutions for both individual and corporate clients. The migration to the new system was completed in February, and the benefits of this change will be felt through

faster services and greater system stability.

Throughout the year, the bank continued developing digital wallets, enabling clients to add their Visa payment cards to digital wallets such as SwatchPAY!, Fidesmo, and Fitbit. This functionality allowed Visa cardholders to make contactless payments through smartwatches and other devices, significantly facilitating everyday transactions. The continued work on implementing Xiaomi Pay and Amazfit (Zepp) digital wallets indicates that the bank will remain a leader in innovations related to contactless payments through digital devices and accessories.

In the second half of the year, HALKBANK organized promotional activities for its clients, including a campaign for Mastercard cardholders. The campaign allowed customers to win a Tapster bracelet, which enables contactless payments via the Fidesmo digital wallet. This promotional event was an opportunity to promote another way to make fast and secure payments, with prizes further encouraging users to embrace new technologies.

Additionally, during 2024, HALKBANK implemented new functionalities in its mobile applications. An initiative was launched to renew the mBank and eBank apps, providing clients with a better user experience, access to additional services and features, as well as a more intuitive and modern interface. These changes allowed users easier access to services and more options for managing their finances through mobile devices.

User and card data security was one of the priorities throughout 2024, and the bank successfully completed the PCI DSS annual certification, confirming the application of the highest security standards in payment card management. This certification allowed the bank's customers to be confident that their data is protected and that all transaction processes are conducted in compliance

with international security standards. Along with all these innovations, HALKBANK continued to expand its services for legal entities and entrepreneurs by installing self-standing cash deposit machines. These machines allowed businesses and entrepreneurs to conduct financial transactions faster and more efficiently, while also relieving bank staff, enabling quicker service for all customers.

Through all these activities, HALKBANK laid the foundation for further development in the coming years, providing its customers with top-notch services that align with modern technologies and market trends. This year was crucial for the further growth of the bank and improvement of its operations, and investments in new technologies will certainly contribute to further strengthening of the bank's position on the market.

VI COMPLIANCE AND AML DEPARTMENT

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

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

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

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

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

The scope of work of the Department is as follows:

- Controls the compliance of operations with relevant legal and other regulations and takes care of the application of binding provisions on the prevention of money laundering and terrorism financing;
- Monitors regulations, informs the competent organizational units of the Bank on innovations and changes in regulations and controls their implementation in procedures, instructions and other acts of the Bank;
- Controls the compliance of procedures and instructions with laws and other regulations, business standards, procedures on prevention of money laundering and terrorism financing, as well as with other acts regulating the Bank's operations;

- Prepares, updates and harmonizes internal acts of the Department;
- Prepares the Operational Annual Plan for Monitoring the Compliance of the Bank's Operations;
- Prepares regular reports on performed controls of compliance with operations;
- Prepares annual reports on performed controls of compliance with identified and assessed main compliance risks and risk management plan;
- Reports to the Executive Board and the Audit Committee on the determined results of compliance control in accordance with the Compliance Monitoring Program and the Procedure, and reports on deficiencies related to the identified compliance with legal regulations and internal acts regularly to the Executive Board and the Audit Committee at least once a year Supervisory Board of the Bank;
- Prepares annual reports on the performed internal control and measures taken in connection with the implementation of the Law on Prevention of Money Laundering and Terrorism Financing;
- Prepares an annual assessment of the bank's exposure to the risk of money laundering and terrorism financing in accordance with the Decision on Guidelines for the Application of the Law on Prevention of Money Laundering and Terrorist Financing for Obligor's overseen by the National Bank of Serbia;
- Prepares an annual risk analysis of money laundering and terrorism financing;
- Preparation of six-monthly reports for the National Bank of Serbia on the activities undertaken by the Bank in the field of prevention of money laundering and terrorism financing;
- Ensures proper and timely submission of data to the Anti-Money Laundering Administration in accordance with legal regulations;
- Obtains, controls, analyzes and forms reports to Anti-Money Laundering Administration on cash transactions in the amount of EUR 15,000 and more in dinar equivalent at the middle exchange rate of the NBS in accordance with regulatory regulations;
- Analyzes clients and transactions on their accounts, makes official notes and reports suspicious clients and transactions to the Anti-Money Laundering Administration;
- Forms and submits data upon requests of the Anti-Money Laundering Administration, the Financial Investigation Unit and the Anti-Corruption Agency;
- Acts on the orders of the competent authority to suspend transactions or monitor the financial operations of the party;
- Develops the annual Plan and training program for employees in order to implement regulations in the field of prevention of money laundering and terrorism financing and implements its implementation;
- Manages risks arising from omissions or non-compliance with laws, business standards, anti-money laundering and anti-terrorism financing procedures, as well as non-compliance with other acts, which ensure the Bank's operations;

- Actively cooperates with all organizational units of the Bank as well as the National Bank of Serbia, the Anti-Money Laundering Administration and the Association of Serbian Banks in obtaining views and opinions for the application of certain regulations and resolving disputes in their application;
- Monitors the implementation of the provisions of the Law governing the protection of personal data, other laws and internal regulations relating to the protection of personal data, including issues of division of responsibilities, awareness raising and training of employees in processing operations, as well as control;
- Takes all other measures for the protection of personal data in accordance with the Law, especially taking into account the legality, expediency and proportionality of the processing of personal data;
- Cooperates with the Commissioner for Information of Public Importance and Personal Data Protection, is a contact point for cooperation with the Commissioner and consults with him on issues related to processing, including informing and obtaining opinions on the obligation to assess the impact on protection of personal data;
- Performs other tasks ordered by the Bank's management.

In addition to the above activities, in the field of compliance risk management, the Bank pays special attention to the fight

against corruption, according to which it applies the principle of zero tolerance.

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

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

The Bank's internal acts regulating the area of anti-corruption are available to all employees through the Bank's internal portal, and it is the obligation of all employees to be regularly informed about newly adopted documents.

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

Training in the field of business compliance "Code of Conduct and Ethical Principles" was organized by the Department in November 2024, in the form of a presentation that was delivered to all employees of the Bank via e-mail. The training covered general topics related to this area. The result of the training is to familiarise employees with all the principles of the Bank's corporate values, in internal relations, relations with clients and third parties, to responsibly guard the Bank's property, protect the confidentiality of data, avoid conflicts of interest, apply personal finance standards.

VII HUMAN RESOURCES

In 2024, the Bank did not face major obstacles in attracting new and retaining existing employees. Employee turnover was at a lower level compared to previous years. At the end of 2024, the bank had 744 employees compared to the end of 2023, when the number of employees was 721 employees, which represents a growth of 3.09%. The following table provides an overview of the structure of new employees in 2024, as well as the total number of employees in the Head Office and the business network.

Number of employees	31.12.2023.	new employees	31.12.2024.
Headquarter	326	-6	320
Branches	395	29	424
Total	721	23	744

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

The following chart shows the qualification structure of colleagues:



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

Stručna sprema (Qualification) \ Godine starosti (Age)	Do 30 godina (Up to 30 years)	31-40 godina (31-40 years)	41-50 godina (41-50 years)	51-60 godina (51-60 years)	Preko 60 godina (Above 60 years)	Ukupno (Total)	
I-NK (Elementary School)				1		1	0,13%
II-PK						0	0,00%
III-KV, SSS						0	0,00%
IV-SSS (High School)	38	35	54	26	7	160	21,51%
V-VKV						0	0,00%
VI/1-VŠS (College degree)	13	35	49	16	2	115	15,46%
VII/1-VS (University degree)	71	171	186	28	6	462	62,10%
VII/2 - Magistar, spec (Master)		1	2	2		5	0,67%
VIII - Doktor nauka (PhD)			1			1	0,13%
Ukupno (Total)	122 (15,26%)	242 (32,18%)	292 (40,36%)	73 (9,85%)	15 (2,36%)	744 (100,00%)	100%

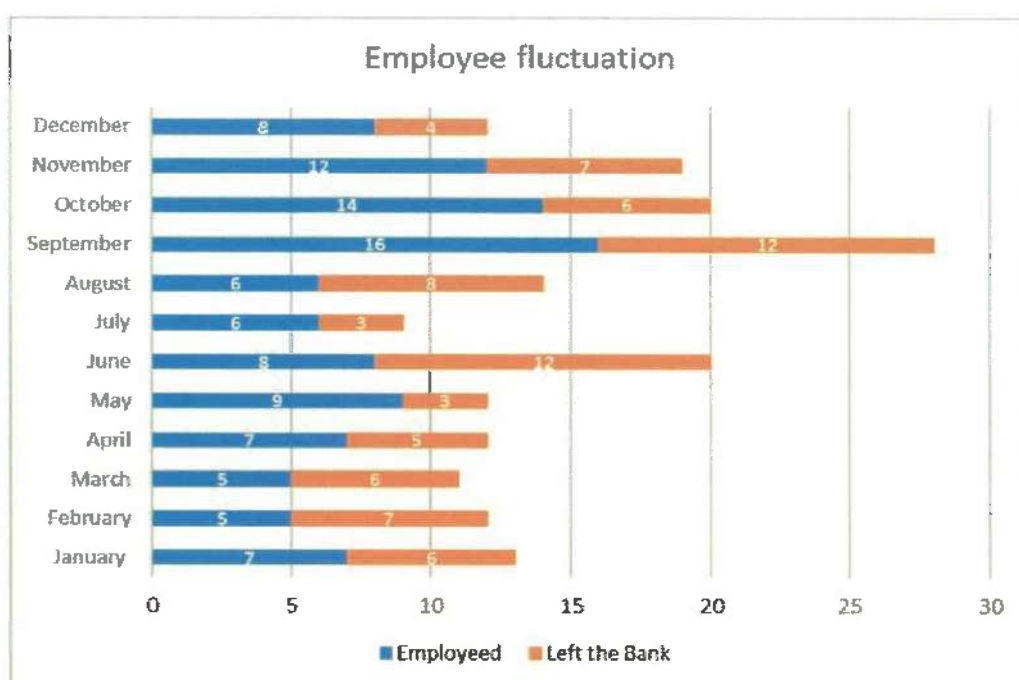
In the qualification structure of employees at the end of 2024, the participation of employees with higher education was 62,1%, while the participation of those under 30 was 16,4% and those over 50 was 9,81%.

In 2024, employee salary costs amounted to 17,868 euros, while in 2023, employee salary costs amounted to 13,518 thousand euros, which is adequate for the growth in the number of employees as well as the increase in salaries for existing employees.

Work in the Bank

During 2024, the Bank had a stable period in terms of employee turnover, with employees in key positions not leaving the Bank. The trend of departures from the IT sector, which is still the fastest-growing industry in the labor market, has ceased.

In line with business plans, the number of employees in 2024 was 3,09% higher compared to 2023 (744 employees in 2024 compared to 721 employees in 2023). The business plan for 2025 predicts 765 employees, representing a 3% increase, which is a similar growth trend. The employee retention rate for 2024 is 10,78%.



The average age of HALKBANK employees in 2024 was 42 years, of which 122 employees are under 30 years old, 656 are under 50 years old, while 88 are over 50 years old. Compared to the previous year, the differences are significant in the group up to 30 years of age in 2023, there were 89 employees, as well as in the group up to 50 years of age 481 employees, and over 50 there were 87 of them.

In accordance with modern trends in the field of providing financial services, in the total number of employees, women predominate in relation to the number of men employed in the Bank – 68,28% of women and 31,72% of men.

The tables and graphs below represent the structure of employees at the end of 2024 by various categories:

Age structure		
Year	2023	2024
Up to 30 years old	110 (15,26%)	122 (16,40%)
31 – 50 years old	523 (72,54%)	534 (71,77%)
Above 50 years old	88 (12,21%)	88 (11,83%)

Gender/type of position structure				
Type of position	Male 2023	Female 2023	Male 2024	Female 2024
Total	237 (32,87%)	484(67,13%)	236 (31,72%)	508 (68,28%)
Managerial position	53(47,75%)	58(52,25%)	56(49,56%)	57(50,44%)
Operational position	184(30,16%)	426 (69,84%)	180(28,53%)	451 (71,47%)

Age / type of position structure			
Type of position	Up to 30 years	31-50 years	over 50 years
Total	122 (16,40%)	534 (71,77%)	88 (11,83%)
Managerial position	1 (0,13%)	86 (11,56%)	25 (3,36%)
Operational position	89 (11,96%)	456 (61,29%)	87 (11,69%)

Total number and turnover rate of employees:

- › Retirement: 2024 – 2, compared to 2023 – 6
- › Hired: 2024 – 101 compared to 2023 – 132; 2022–152
- › Termination of employment: 2024 – 78, compared to 2023 – 63; 2022 - 82;

Staff selection

During 2024, the Bank expanded its network of branches and branches by 1 branch, which is the total number of 44 branches/branches/counters in several cities throughout Serbia. A new branch was opened in Krunska street in Belgrade, with a total of 6 employees.

HALKBANK took part in the state program "My First Salary" for the fourth time. In 2024, 8 young candidates gained their work experience in the Bank through the mentioned program, of which 3 candidates continued to work in the Bank by establishing an employment relationship. Considering the good experience in the Program, the Bank has applied for participation in the mentioned program and success is expected as in previous years.

Training and development of employees

Internal trainings

During 2024, HALKBANK continued with continuous training of its employees. Internal trainings are organized throughout the year and cover the areas of Money Laundering Prevention, Code of Business Conduct, Compliance of the Bank's Operations, Cashier Operations.

A large number of internal trainings were held on the topic of introducing the new Core system in the Bank, where all employees participated. Trainings were also organized for the position of Operations Manager, considering that it is a new position that was introduced at the level of the entire network.

External, in-house trainings, specialist seminars and certifications

The Bank enables its employees to take professional certificates, which are important both for the employee and for the Bank itself. In 2024, the Bank provided its employees with ACCA (Association of Chartered Certified Accountants), CIA (Certified Internal Auditor) and certificates that are necessary for colleagues from the IT sector.

What is new compared to the previous year is the increased number of Turkish language classes held in cooperation with the Turkish Cultural Center. About 40 employees who completed the basic and advanced courses passed the initial level. The plan for 2025 is to continue with the Turkish language course at both levels and to increase the number of participants.

Employee rights

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

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

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

In the course of 2024, there were no deaths related to accidents at work, nor occupational diseases that would result in a longer absence from work.

Compensations (monetary compensations) and other benefits

Within the framework of employee benefits, during 2024, cooperation with Wiener Stadtische osiguranje continued in the area of mandatory insurance coverage, as well as cooperation with Mitenijum osiguranje in the domain of additional health insurance. All employees are covered by additional health insurance policies.

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

During the year 2024, the Bank had certain funds which it used for the preventive health protection of its employees. A workshop entitled: "How to increase focus and concentration" was held.

Complaints mechanisms

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

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

During the year 2024, one complaint related to mobbing at the workplace was filed through the aforementioned procedures, which was terminated.

Achieved in 2024:

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

Goals for 2025:

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

VIII RESPONSIBILITY TOWARDS CLIENTS

Customer support

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

In the course of 2024, the bank continued cooperation with SEF through the Start-up guarantee line, which provides support to SME clients, entrepreneurs and AGRO clients who are beginners in business and for whom access to financial resources on the market is very difficult. An additional incentive for the development of female entrepreneurship is the extended period in which the newly founded company is treated as a Start-Up in the case when the founders or directors are female. In this way, the Bank, in cooperation with the SEF partner foundation, provides genuine support for the development of entrepreneurship, self-employment, innovative solutions in business, technological progress and overall economic growth.

Customer care

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

The quality management system is incorporated into the Service Quality Management and Client Objections procedures.

Adhering to the Service Quality Management Procedure, we strive for client satisfaction, trust and loyalty. One of our main goals is consistency of performance, therefore we are focused on consistency in service delivery, which means that every employee, regardless of the branch, must provide service in the same way. With regular branch visits, we want to ensure the speed of service delivery, the efficiency of the process, as well as the courtesy of

employees and a friendly attitude towards clients. In order to provide the best possible services to clients, we strive to make our branches accessible and in accordance with the most modern market standards. In the previous year, we opened a new branch and relocated an existing one. Through continuous research and monitoring, we strive to achieve better, faster and simpler processes without unnecessary steps.

By listening to clients' needs through suggestions, requests, compliments, questions, but also objections, the Bank is always available to clients with maximum engagement. Quick and efficient resolution of complaints, as well as prevention in the occurrence of complaints, are aimed at raising the quality of services provided by the Bank to clients. The complaint resolution process includes a series of activities, including cooperation with managers in the relevant organizational parts of the Bank, depending on the nature of the complaint, in order to assess the complaint, analyze it, collect the necessary information and evidence, and find a solution. The Bank's answer is always clear, complete and understandable for the client. The Department for Public Relations and Quality Management also cooperates with the National Bank of Serbia in order to provide transparent and timely information for clients. In the total number of complaints that the Bank received during the previous year, there were no complaints related to non-compliance with regulations in the field of marketing communications, as well as complaints that have a systemically significant risk for the Bank's operations. Through regular reporting and monitoring of complaints through the application for monitoring operational risk and customer complaints, the Bank aims to constantly improve and improve its products and services, as well as quality.

IX LOCAL COMMUNITY

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

The goal of HALKBANK is to positively influence the community that surrounds it, so the bank constantly contributes to the local community, through the implementation of socially responsible projects. The bank strives to actively participate and contribute to culture, education and environmental protection, as well as to provide daily assistance to those who need it the most. For the success of the bank as a stable and safe institution, in addition to quality operations, it is equally important to take care of the community, without which no venture would be possible.

Care and attitude towards the environment

HALKBANK, as a socially responsible company, continued to implement established practices and measures in the field of environmental protection in 2024 and thus mitigated the negative effects on the environment.

The execution of the set goals resulted in the Bank not having any fines for non-compliance with laws and regulations related to the environment.

In May, HALKBANK won the title of "ECO WINNER" at the Ecocourt Business Basketball Tournament, the only ecological basketball tournament in Serbia, collecting the largest amount of recyclable waste, 136,34 kg.

Contribution to culture

The bank made a donation to the Turkish cultural center, the Yunus Emre Institute, with the aim of contributing to better familiarization with the Turkish culture and language in Serbia. HALKBANK donated computer equipment to the Turkish-Serbian Business Association.

Celebrating the day of the Republic of Turkey

Sponsorship in the celebration of the Republic of Türkiye Day held on October 29, 2024.

Conference "Round Table of Serbia and Turkey"

In June 2024, the bank was a sponsor of the conference – Round Table of Serbia and Turkey, held in Belgrade, organized by the Committee for Economic Relations with Foreign Countries – DEIK.

Serbian Insurance Days

Sponsorship in the organization of the conference "Serbian Insurance Days 2024", which took place from November 26th to November 29th, 2024.

Support for education

HALKBANK made a donation of funds to Elementary School "Vuk Karadžić" from Čačak, for the preparation and publication of the School's Monograph.

The bank donated computer equipment to Dimitrije Davidović Primary School in Smederevo in April 2024, and in December 2024 it donated computer equipment to Đura Jakšić Secondary School in Rača.

Procurement and supplier relationship

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

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

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

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

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

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

Environmental management system

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

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

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

Conservation of natural resources

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

In 2024, electricity consumption was 1.185 MWh.

Energy management

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

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

- Installation of heating and cooling systems that use renewable energy sources and significantly reduce carbon dioxide (CO₂) emissions.
- Installation of energy-efficient lamps and light bulbs (LED lamps and bulbs) in all new and renovated business premises.
- Installation of MOBOTIX cameras, alarm systems, and improvement of access control systems, leading to energy savings and IT resource optimization over many years.
- Replacement of existing equipment with newer, energy-efficient equipment.
- Installation of energy-efficient air conditioners in all new and renovated business premises.
- Gradual replacement of external advertisements with new types of advertisements that use LED lighting.

- Leasing of environmentally-friendly vehicles with the latest generation engines.
- Use of video and telephone conferences to reduce business travel and fuel consumption.
- Leasing of printers with improved printing systems to reduce energy, paper, and toner consumption.
- Implementation of an application solution for invoice management in accordance with the Electronic Invoicing Law, significantly reducing paper consumption.
- Implementation of an application solution for document management aimed at creating electronic and digitized documents.

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

Waste management

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

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

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

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

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

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

Waste recycling

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

In 2023, the Bank handed over 1.810 kg of hazardous electronic and electrical waste for destruction and recycling and 120 kg of paper.

GOALS FOR 2025:

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

- further improvement of documentation management solutions in order to gradually switch to electronic business;
- installation and replacement of existing equipment with energy-efficient equipment
- implementation of employee training in order to inform about legal regulations related to environmental protection;
- support to institutions and bodies of local self-governments in creating and implementing environmental policy, improving energy efficiency, preserving natural resources and improving environmental financing.

X RISK MANAGEMENT

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

Environmental risk management

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

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

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

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

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

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

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

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

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

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

There are the following E&S risk categories:

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

Environmental risk

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

Risk category	Number of clients		Amount of placements (balance and off-balance)		Increase/ decrease
	31.12.2023.	31.12.2024.	31.12.2023.	31.12.2024.	
High – Exclusion List	-	-	-	-	-
High – Category A	13	16	3.395.532	3.366.728	28.804
High	516	604	31.497.028	25.590.609	5.906.419
Medium	1.607	1.590	32.201.066	30.973.967	1.227.099
Low	2.907	2.960	45.700.378	45.500.620	199.758
Total	5.043	5.170	112.794.004	105.431.924	7.362.080

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

In the structure of exposures (balance sheet and off-balance sheet exposures) to clients, legal entities and entrepreneurs, as of December 31, 2024, the largest share was held by clients with activities with low environmental and social impact 40,52%, then exposures to clients with activities with medium impact participate with 27,92% activities with high impact participate 28,55% and activities with high risk category A participate with 3,01%.

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

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

Current policies, procedures and instructions are:

Code of Business Conduct and Ethical Principles

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

Anti-Corruption policy

The Bank is obliged not to show tolerance for corruption in all its operations and to operate in accordance with laws and regulations, international laws, ethical and business principles for the prevention of corruption. The policy applies to all employees, as well as to the Board of Directors. The policy also defines the way of its implementation, procedures in case of bribery and corruption, obligations of training and informing all employees, clearly defines possible risks so that this policy could not be violated or disregarded in any case (gifts, donations).

Whistleblowing rulebook

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

Decision on the prevention of harassment at work

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

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

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

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

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

HALKBANK A.D. BEOGRAD


Head of Financial Management and Budgeting Department
Ana Milanović


Member of Executive Board
Đorđe Zelenović


President of Executive Board
Aziz Arslan

