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Corporate —— Profile

Halkbank AD Skopje in 2022

HALKBANK is one of the biggest and strongest brands on the Macedonian financial market.

With 30 years of history as a financial institution in Macedonia, here is where Halkbank AD Skopje stands today:

- In terms of the assets, we are the fifth largest bank on the market.
- We are present all over the country, offering services to our clients through our wide branch network that includes 45 branches.
- We have over 700 employees.
- Our ATMs network includes 137 ATMs
- We have widely distributed POS terminals used by our trade partners, counting over 7,800 active terminals in total.
- We serve thousands of retail clients, small, medium-sized and corporate businesses and public institutions.
- We are a leader in offering tailored banking services; introducing new technologies on the financial market; providing fast service through the highly developed and modern alternative channel platform.

We serve the country's nation with a broad range of financial services, including personal banking, credit cards, housing loans, consumer loans, savings and investments, business loans, domestic and foreign payment processing.

Halkbank Türkiye in Brief

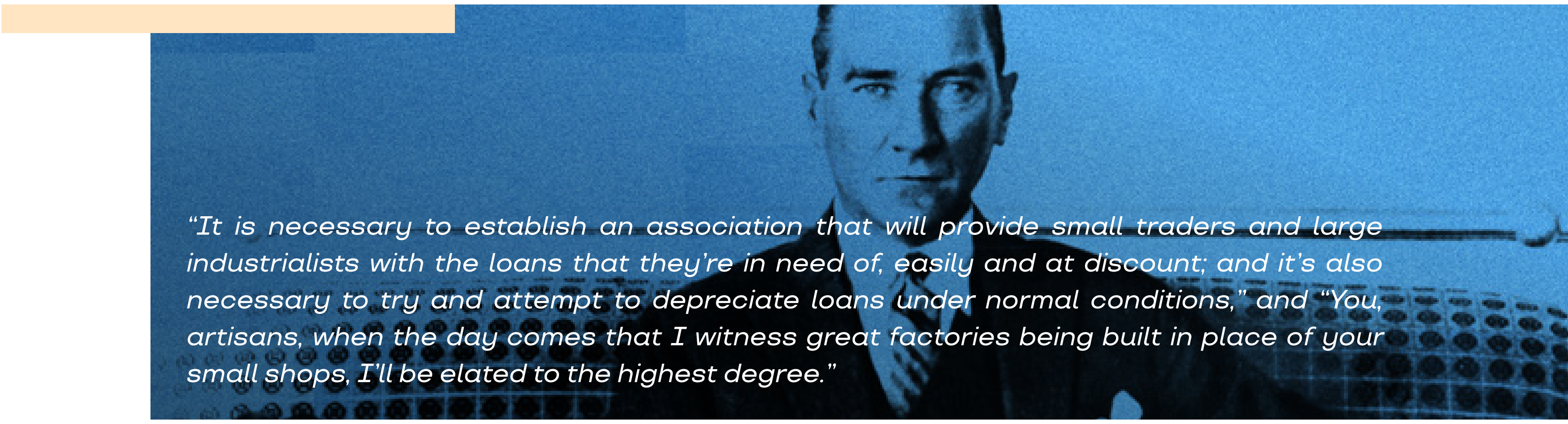
1918 - 1933
The young Turkish Republic was established

The young Turkish Republic was established during a time of war, economic depression, and poverty.

World War I, the Turkish War of Independence, and the Great Depression had pulled Türkiye into a situation of dire economic conditions resulting from the shortage of goods, the high cost of living, and the pressure of high interest rates. Aware of the importance of a balanced social structure, the young Turkish Republic sought to support small traders and artisans to develop public banking. The economic difficulties in the first years of the Republic – the consequences of insufficient capital accumulation, limited fields of production and the inadequacy of the private sector - hindered the formation of loan associations that could nurture tradesmen, artisans and small business owners.

Halkbank was incorporated in 1933 under the Statute 2284 concerning Halkbank and People's Funds, with the intention of transferring resources under favorable conditions to tradesmen, artisans and small business owners and triggering capital accumulation; for both a long-lasting economic development and for preserving social equilibrium. The bank began offering services in 1938.

The following quotes of the great leader, Mustafa Kemal Atatürk, had a guiding role in establishing Halkbank and, as always, directed us in our efforts:



"It is necessary to establish an association that will provide small traders and large industrialists with the loans that they're in need of, easily and at discount; and it's also necessary to try and attempt to depreciate loans under normal conditions," and "You, artisans, when the day comes that I witness great factories being built in place of your small shops, I'll be elated to the highest degree."

1938 - 1950
In line with global developments, public banking services commenced in Türkiye

Evolving along with the cooperative movements that were also developing in different countries throughout the world, public banking started in Türkiye with the establishment of Halkbank. The bank provided loan services via the People's Funds; financed between 1938 and 1950.

1950 - 1992

In the banking industry, Halkbank became the premier bank for tradesmen, artisans, and small businesses

After 1950, Halkbank was authorized to directly open branches and grant loans to customers. By the beginning of 1964, Halkbank had embarked upon an ambitious program where it increased capital and became more active by establishing a nationwide network of branches. The result was a progressive rise in the bank's deposit and lending volumes. In the banking industry, Halkbank became the first bank for the middle class and its representatives in the economy, i.e., tradesmen, artisans, and small businesses. Halkbank's basic loan policy was primarily based on facilitating loans to this demographic and improving the conditions for using them; the Bank added services each year, reaching an important position in the banking industry.

1992 - 2006

Turkish banking industry revamped

Türkiye Öğretmenler Bankası (Töbank) in 1992; Sümerbank in 1993; and Etibank in 1998 were all transferred to Halkbank. In 2000, public banks began the restructuring process necessary to operate in line with the requirements of modern banking and international competition, and to prepare for privatization.

The Public Banks Joint Board of Directors, established in April 2001, changed the organizational structure of Halkbank and acted with the objective of making Halkbank a profitable and efficient institution operating within the framework of modern banking principles and commercial banking rules, and creating added value for the economy. In accordance with this objective, Halkbank completely changed its organizational structure to comply with the requirements of modern banking and international competition. Customer oriented marketing programs were supplemented with a highly operational banking approach.

In 2001, 96 branches of Mülga Türkiye Emlak Bankası were transferred to Halkbank. In the second half of 2004, Pamukbank was transferred to Halkbank. The Halkbank-Pamukbank integration was completed flawlessly, far ahead of schedule – considered exemplary in the banking industry. The new structure addressed customer segmentation, providing advantageous products and services, particularly to SMEs and middle- and upper-income private customers as the adoption of a customer-oriented quality service approach became more prominent. In the meantime, the Turkish banking industry was being reshaped in the 2000s, with acquisitions, mergers, and foreign investors entering the market.

Halkbank, Today..

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

Shareholders Structure

HALKBANK AD Skopje was founded as a joint stock company in March 1993, with a Decision adopted by the Bank's Assembly. The Bank gained the capacity of a legal entity with its registration in the Register of the District Commercial Court, under No. 5877/93 dated 13.04.1993.

Currently, the total nominal capital of HALKBANK A.D. Skopje is MKD 11.001.910.000 divided into 1.100.191 ordinary shares, whose nominal value per share is 10,000.00 denars. The majority shareholder of HALKBANK A.D. Skopje is Turkiye Halk Bankası AŞ Istanbul with 1.095.405 ordinary shares i.e. 99.56% of the total number of shares.

The Bank issues ordinary shares and it may also issue other shares with different rights. The shares providing the same rights make up one type of shares. According to such rights, the shares may be ordinary and preference.

Preference shares may have several classes and they may not be issued with a nominal amount lower than the nominal amount of the ordinary shares. Preference shares of the same class ensure the same rights.

Holders of ordinary shares exercise the following rights:

- **Voting right, where one ordinary share provides one vote in the Bank's Assembly;**

- **dividend right in accordance with the decision of the Bank's Assembly;**

- **right to a payment from the balance of the Bank's liquidation, i.e. bankruptcy estate;**

Shares are not divisible, but they are negotiable. The negotiability of the ownership of the Bank's shares is free and it is carried out in accordance with the terms and conditions defined under the Law.

Shareholders Structure	Number of shares	Amount of the share MKD	Shareholding %
Türkiye Halk Bankası A.Ş.	1.095.405	10.954.050.000	99.56
Other Shareholders	4.786	47.860.000,00	0.44
Total	**1.100.191**	**11.001.910.000**	**100**

Key financial indicators

By the end of 2022, HALKBANK's total assets increased from EUR 1.182 million to EUR 1.365 million.

in 000 EUR	2020	2021	2022
Total Assets	1.085.929	1.181.698	1.365.292
Liquid Assets	171.993	162.885	219.955
Gross Loans	717.710	800.984	922.367
Securities	136.517	147.318	149.229
Total Deposits	830.452	910.460	1.046.470
Shareholders' Equity	149.012	179.475	217.202
Net Interest Income	26.110	29.835	34.713
Net Fee and Commission Income	5.528	7.659	10.672
Net Profit	9.019	10.626	12.077

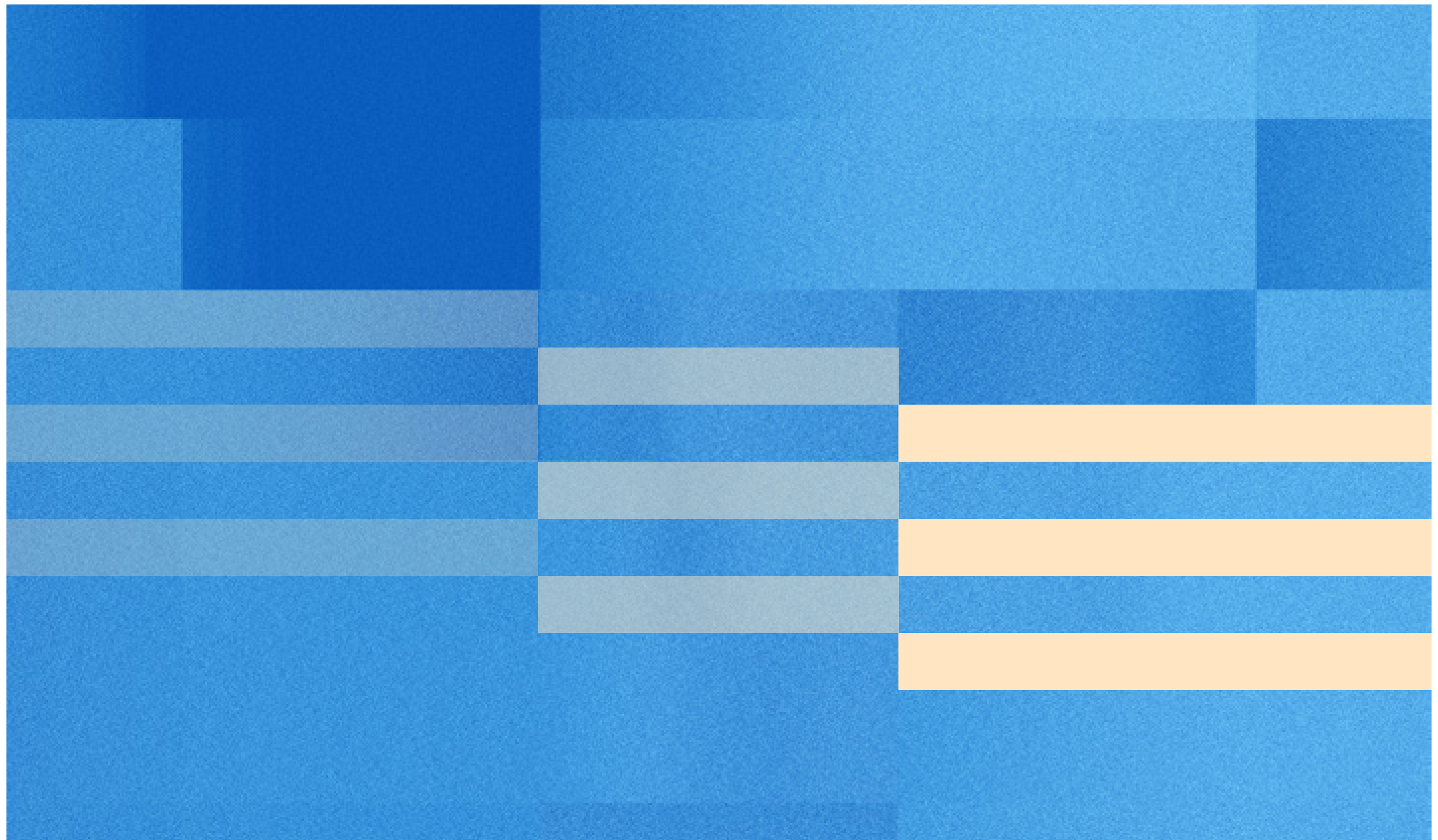
Key Ratios (%)	2020	2021	2022
Net Interest Margin	2,58	2,63	2,72
Cost/Income Ratio	64,54	65,43	59,49
Net Fee Income/Operating Expenses	24,63	28,73	36,24
NPL Ratio	1,02	1,74	1,47
Loans/Assets	66,09	67,78	67,56
Loans/Deposits	86,42	87,98	88,14
Securities/Assets	12,57	12,47	10,93
RoA	0,90	0,94	0,96
RoE	6,93	6,88	6,45
Capital Adequacy Ratio (CAR)	15,01	16,49	16,91

Halkbank's Position in the Sector

Three year summary financial information

in 000 EUR	2020	2021	2022	Growth in 2022 (%)
Total Assets	1.085.929	1.181.698	1.365.292	15,5%
Brut Loans	717.710	800.984	922.367	15,2%
Total Deposits	830.452	910.460	1.046.470	14,9%
Shareholders' Equity	149.012	179.475	217.202	21,0%
Net Profit	9.019	10.626	12.077	13,7%

market share in %	2020	2021	2022
Assets	11,4	11,4	12,3
Loans	12,5	13,0	13,6
Customer Deposits	10,0	10,2	10,5
Equity	13,5	15,0	15,8
Net Profit	7,7	7,2	7,7



Halkbank's Milestones

1993

HALKBANK AD Skopje was established as a joint stock company.

2004

Became the first bank which implemented e-banking on the Macedonian market and was awarded Bank of the Year by the Macedonian Chamber of Commerce.

2006

Introduced the prestigious ISO Standard for Information Security Management, ISO 27001:2005, thus becoming one of the few banks in Southeast Europe having incorporated this certificate.

2008

Established its own POS Terminal Network for VISA Payment Cards and it was the first bank to launch the VISA GOLD Credit Card.

2010

Obtained two new certificates: MASTER CARD certificate for POS payments and e-commerce and ISO 9001:2008 certificate for quality.

2012

HALKBANK AD Skopje established its own card processing system – first on the Macedonian market to offer contactless payment to clients; acquired Ziraat Bank AD Skopje and opened the first VIP Corporate Branch on the Macedonian market.

2014

Halkbank AD Skopje became a proud, general sponsor of the Macedonian Basketball Federation.

1998

Became the first Western Union authorized agent in Macedonia.

2005

Introduced the EN ISO 9001:2000 International Quality Management System, thus becoming the first bank in Macedonia certified with International Quality Management System.

2007

Was awarded Best Bank in Macedonia for 2007 by the Finance Central Europe magazine from London.

2009

Became the first Bank in Macedonia which offers e-commerce services for VISA CARDS holders.

2011

HALKBANK AD Skopje purchased the majority of the shares in IK Banka amounting up to 91.56%; completed the rebranding process and enlarged its principal with MKD 1,465,450,000.00.

2013

Opened the first Macedonian representative banking office in Belgrade, Serbia and was the first Macedonian bank which launched MASTER CARD PayPass contactless payment cards.

2015

Halkbank AD Skopje introduced new platform for e-banking that combines the best from technology and contemporary banking trends and enables its clients to get all banking services with only few clicks

2016

→ Ranked among the top 100 SEE banks by assets.

→ Introduced its mobile applications for e-banking for individuals and legal entities making another step towards improving its customer's experience.

→ Was certified according to the highest-ranking international standard for information security regarding processing payment cards PCI DSS v3.1.

→ In December 2016, Halkbank AD Skopje implemented the highest standards for security and safety in the internet payments in the country and abroad, 3D Secure –Verified by Visa – VbV, and MC Secure Code protocol.

2018

→ New corporate slogan.
→ Official sponsor of National Handball Federation
→ Bought an Insurance company – Halk Insurance Skopje

2020

→ Urgent measures in dealing with covid consequences:
- advance payment of tax profit in the amount of MKD 71.8 million
- abolishment of fees for individuals for payments made through e-banking and mobile banking,
- postponement of all credit exposures
- package of products for legal entities
- vouchers for numerous SME businesses affected by the crisis

→ HalkEco chronometer race

→ Halk Velo Green

→ Planting over 17.000 trees in one year

→ Renovating of all bridges in Central Park Skopje

→ Renovating of a brigde in Krusevo that connects the city with the nature.

→ Setting the first Eco bus stop in the country

→ Mural in the city center sharing a message – "People Matter"

→ Awarded as the "Best Retail Bank in Macedonia in 2020" by the world's leading magazine "Global Banking & Finance Review".

2017

→ Was awarded as the "Best SME Bank in Macedonia for 2017" by the world's leading magazine Global Banking & Finance Review.

→ Halkbank AD Skopje has been selected as Superbrand in Macedonia for 2017/18 by the International Organization "Superbrands".

2019

→ Award for contribution to the development of entrepreneurship in Central and Southeast Europe "Creators of the Century" for 2018.

→ Story Award for socially responsible company.

→ Super Brand for 2019.

→ Launched HalkEco application in order to raise the ECO awareness of the people, motivating people to maintain a healthy life and as a reward, gives them personal gifts. As part of this ECO project, the bank has planted over 6,500 trees throughout the country.

2021

→ Publishing and printing of the first Halkbook

→ Second edition of Halk Velo Green

→ Eco-inclusive playground in elementary school "Istikbal", in Tetovo.

→ Constructing sensory garden playground in elementary school in Ohrid

→ Planting of over 15.000 trees

→ Declared as "The best financial brand for 2021, North Macedonia" by the Global Brands Magazine

→ Creating a conceptual design for the creation of the "Halki Picture Book", whose funds from the sale were intended for a donation to the "SOS Children's Village".

2022

→ In 2022, Halkbank significantly devoted it's attention to the elderly people, applying activities in several stages, in cooperation with several categories of citizens: pensioner associations, homes for the elderly people, schools and kindergartens throughout the country

→ Starting from the idea of making the older generations feel that we need them and showing them that they still have a lot to give, Halkbank sent a strong message – the old age is not an obstacle, but a source of wisdom

→ "Let's hear them and hug them" was aimed at raising awareness of the value of the older generations and the magnitude of their love, due to which we are built today as an empathetic individuals for whom the family is the main priority

→ On September 8, under the umbrella of the HalkEco platform, the third edition of the Halk Velo Green bicycle race was held and collected funds from the participation fees were used for afforestation in Kocani

→ Award for best socially responsible project in the field of environmental protection – HalkEco, was received from the Ministry of Economy

→ Award for best socially responsible project with a significant impact in the field of literature and literature for young people – Halki's picture book, from the Macedonian Publishing Agency.

NAME OF THE BANK: **HALKBANK**

MEANING OF THE NAME: **PEOPLE'S BANK**

OUR SLOGAN: **PEOPLE MATTER**

vision

mission

targets

corporate values

Our Vision

To be one of the leading banks in the region, able to execute all universal banking requirements while asserting a strong presence in retail services.

Our Mission

To continuously create value for customers, shareholders and employees by providing all banking services efficiently with an awareness and understanding of corporate social responsibilities and duties; to contribute to the development of the banking sector and capital markets; to establish a well-respected market position in the region and in the global banking industry.

Our Corporate Values

- ↘Customer focus
- ↘Reliability
- ↘Integrity and respect
- ↘Fairness, trust and transparency
- ↘Operational excellence
- ↘Innovation
- ↘Value creation
- ↘Productivity
- ↘Openness to change
- ↘Sharing knowledge and experience
- ↘Social responsibility awareness

Our main principles

↘Offering excellent service to our client by providing them with the best solution to meet their needs.

↘Creating and practicing a winning corporate culture, by praising each member of the great team that all of us in the Bank make.

Halkbank's strategies

Expanding the scope of innovative products and services in order to ensure customer satisfaction;

Offering superior products and services to the real sector;

Embracing a high-quality, customer-oriented service approach using direct marketing and continuously taking care of our clients;

Effecting a high level of productivity in all business processes in order to achieve a rich product line, transaction and system security, rapid and high-quality transactions, and competitive pricing;

Ensuring continuous development and motivation of employees via carrier route system through investment in education, training and further development;

Keeping up with the global banking trends and be the first bank to implement global trends in the Macedonian market.

Management —— Assessment

Osman Arslan

CHAIRMAN OF THE SUPERVISORY BOARD

Respected,

The turbulent times we are in have brought strong challenges to economies globally. The year behind us was full of challenges in which, due to the new crisis, this time economic, after a long period of loose monetary policy, the central banks started to tighten the monetary policy as a response to deal with inflation and preserve monetary stability.

Of course, it is important to emphasize that despite the extremely complex conditions not only last year, but also the previous two when the world was gripped by the health crisis, the banking sector of North Macedonia showed that it is resistant to crises and that it is a pillar of the economy and the population. During the pandemic, as well as now, in the conditions of the energy crisis and globally high inflation, deposits and lending of both the corporate and household sectors continue to grow. This trend indicates that the trust of citizens and companies in the banking sector is at a high level.

Last year, Halkbank confirmed its position as a strong bank and a strong brand whose mission is to create value for customers, shareholders and employees by efficiently offering all banking services, thereby contributing to the development of the banking sector and the capital market. And in 2022, to the satisfaction of shareholders, Halkbank again delivered excellent financial results. But also, by offering new products and services, it once again showed how important customers and their needs are to us.

As a modern financial institution, Halkbank is also one of the leaders in the acceptance and implementation of new technological and information trends, providing customers with the fastest, most modern and most reliable services. Today, it is a leader in offering personalized banking services, as well as in introducing new technologies and providing fast service through a highly developed, modern platform of alternative channels. At the same time, by supporting investments and helping individuals and businesses realize their ideas and ambitions, it develops together with society, moving together towards sustainable development.

But I am happy to say that in Halkbank there is also a high awareness of corporate social responsibility as an inseparable part of successful operations. Responsibility is one of our strong corporate values and an important principle that encourages environmental, social and economic changes that are the basic postulates of sustainable development. Halkbank is a bank dedicated to people and this is at the core of our ideology, operations and social engagement. I believe that our policy of social responsibility contributed during the years of our presence on the Macedonian market to develop our reputation and therefore today we are recognized not only as a reliable, customer-oriented, innovative, and growing bank, but also as a socially responsible and eco-friendly bank. - friendly bank.

In the year ahead, the Bank's strategic goals continue to be maintaining the position of one of the leading banks in the sector, achieving stable growth and a sustainable level of profitability, while not forgetting social responsibility. Our basic principles by which we are guided in all spheres of banking operations remain development, growth, innovation, progress, a lot of work and dedication to the most important thing for us - people. Thanks to these principles, we managed to make Halkbank a success story that we will continue to build and develop in the coming period.

On behalf of the Supervisory Board, I express my great gratitude to all those who are part of the Halkbank team.

With respect,

Osman Arslan,
Chairman of the supervisory board

Dr. Bilal Sucubaşı

CHIEF EXECUTIVE DIRECTOR

Dear shareholders, customers, dear colleagues, friends,

The year behind us wasn't easy, it was full of challenges. Instead of the world recovering economically from the health crisis, the Russian-Ukrainian conflict took place, leading to an economic crisis with far-reaching consequences. All countries in the world are struggling with the energy crisis and disruptions in supply chains, with high prices and inflation that in many countries is in double digits, inflation that hasn't been seen for decades, since the 90s.

This inevitably caused changes in the monetary policy of the central banks, whose signals are followed by the banking sectors in all countries. In order to maintain medium-term price stability, central banks tried to stabilize inflationary expectations by tightening monetary policy, that is, by raising the base interest rate. From April 2022, when the base interest rate was 1.25% onwards, the Central Bank, in order to maintain the stability of the exchange rate and medium-term price stability, made several corrections and it is currently at the level of 4.75%.

Of course, it is important to emphasize that despite the extremely complex conditions, the domestic banking sector was resilient and represented a pillar of the economy and the population. And confidence in it remained high as deposits and lending to both the corporate and household sectors continued to grow.

Despite the current crisis, Halkbank delivered extremely positive results in every domain in this year. We note a significant result in terms of the deposit base, where we have an increase of 136 million euros, of which 72 million belong to deposits from customers - legal and natural persons. In terms of loans, we have a total increase of over 121 million euros. Our assets with the calculated increase now already amount to 1.36 billion euros. Our net profit for 2022 amounts to 12.077 million euros. While the level of NPL in the bank is once again extremely below the average in the sector and amounts to 1.47%. All this confirms the fact that Halkbank is one of the most reliable and stable banks in the region, ready to deal with all kinds of crises.

Even in this new situation, Halkbank made an effort to deliver products in accordance with the needs of the market, but also innovative products as part of our strategy to be leaders in the introduction of products based on new technologies and digitalization. Our various products and services are always present in the market in order to meet the demands and needs of customers whose satisfaction is our main goal. This principle guides all our activities and is applied in our daily engagements.

Halkbank once again confirmed its position as one of the biggest and strongest brands on the Macedonian financial market.

As the fastest growing bank on the market, Halkbank AD Skopje today also means employment for over 700 employees, a wide network of branches, ATMs and active POS terminals available at numerous trading partners and a bank that serves thousands of citizens, as well as small, medium and corporate enterprises and public institutions.

We are also a socially responsible company that is committed to increase the common good for people, nature, the environment, culture and sports. And last year we had numerous campaigns aimed at children, campaigns to support the older generations, to pregnant women, to support sports events, culture, education for young people, inclusiveness, to use non-cash payment methods based on new technologies...

And of course, what is our hallmark, encouraging green practices, both by supporting companies with environmental projects that contribute to the protection of nature, and directly through our activities that take place through the HalkEco platform. All this is within the framework of our policy to give strong support to the promotion of healthy lifestyles and the protection of nature, which is recognized in society, as evidenced by the award for the best socially responsible practice for HalkEco from the Ministry of Economy.

We start the new year 2023 with strong hope that it will be better. Our goal in the coming period will be to expand the range of innovative products and services in order to ensure customer satisfaction, providing superior products and services to the real sector, adopting a high-quality customer-oriented service approach. Of course, our focus will be ensuring continuous development and motivation of employees and monitoring global banking trends with the aim of Halkbank being the first bank to implement and bring them closer to the Macedonian market. The most important thing, in this mission of ours, is that we donot only follow business interests, but our attention is focused on making the whole society feel our engagement and contribution to its development.

With respect,

Bilal Sucubasi,
Chief Executive Officer in Halkbank AD Skopje

Activities in 2022

Product highlights

Your salary is worth more!

Benefits package for salary receivers.

Ideal!

Consumer loan with a fixed interest rate of 4,7% in the first two years and amount of up to 1.500.000 mkd with life insurance policy and accident insurance policy.

Click and save with online deposit!

The product is intended for individuals - users of Halkbank electronic banking and can only be opened through the electronic banking platform. The interest rate is fixed and the minimum amount for opening the deposit is 3.000 mkd.

Always in plus!

Overdraft of up to 3 monthly salaries and Mastercard Debit Contactless card as a gift for withdrawing money from all ATMs in the country without any provision.

Nice view from the new apartment!

Housing loan with a fixed interest rate of 3,3% in the first 10 years without any upfront fees in the promotional period.

You know what is e - ideal?

E-ideal is to apply for an online loan with 5 clicks and in 5 minutes to receive the funds with fixed interest rate and tenor up to 5 years. In order to apply for this loan and individual must be a user of electronic banking at Halkbank AD Skopje and be a recipient of a salary or pension in the bank.

Paying pays off!

Pay & Get activation in which the first 1.000 users who will make a payment worth 10.000 denars in the promotional period with their Mastercard card will receive a refund of 1.000 denars.

Interest rate that increases every 6 months.

Evolve deposit with interest rate that increases progressively every 6 months.

Time to save!

Summer deposit with a promotional offer of 2% interest rate for 13 months tenor.

Promo deposit

Promo deposit with promotional offer of 2,7% interest rate for 25 months tenor.

A gift with many zeros

Pay & Get activation in which the first 1.000 users who will make payments with their Mastercard credit card in a total value of 10.000 denars in the promotional period will receive a refund of 1.000 denars.

Flexible savings

Flexi deposit that offers an opportunity to save flexibly, and deposit and withdraw at any time from the deposit account and receive interest according to the amount and days on which the funds were termed.

For a clean 10!

Student package with many benefits and products intended for students at 18 to 24 years.

New year deposit

Deposit that offers savings for up to 25 months, with an interest rate of 3% for saving in denars and 1,8% for saving in euros.

Corporate and SMEs Banking

Continuous growth of SME and corporate loan portfolio in 2022

The customers continue to be the focal point of Halkbank AD Skopje. During 2022, as part of the group of large and systematically important banks in the financial sector in the Republic of North Macedonia, the Bank has once again demonstrated its dedication to understanding the clients' needs and acting upon them. In a year with immense challenges, deep and far-reaching impacts, Halkbank AD Skopje provided undisputable support to its clients – legal entities in order to help them to successfully mitigate all impacts on their operations and liquidity despite the general recovery process conveyed was quite slow.

SME's continue to be the important pillar of Halkbank's activities. Often recognized as the driving force of the domestic economy, maximizing SME's satisfaction by providing innovative products, services and solutions is imperative which we intensively pursuit and strive to achieve.

As one of the leaders in the domestic financial market for corporate loans, Halkbank AD Skopje provides syndicated financing facilities and project finance techniques to corporate investors. During 2022, we continued to support the companies in the realization of new projects, by offering vast financing opportunities and support throughout the entire financing flow. Our dedicated and experienced staff has once again played a crucial role in guidance and execution of a several project financings and acquisitions, part of them in syndication with other financial institutions where Halkbank AD Skopje took the role as leading bank in arranging and negotiating the project financing structure.

In terms of numbers, in 2022 the total corporate loans market has a net growth of EUR 358 million compared to 2021, from which Halkbank AD Skopje has noted a net growth of EUR 109,16 million (30,52% from total corporate loan growth in the sector), a respectable number that puts the bank as leader in terms of growth of corporate loans on the banking market for 2022. The corporate loans portfolio amounting EUR 510 million or 15.3% from the corporate loan market share represents a clear indication of Halkbank AD Skopje persistence as a leader for continuous growth of its portfolio, while preserving its stability.

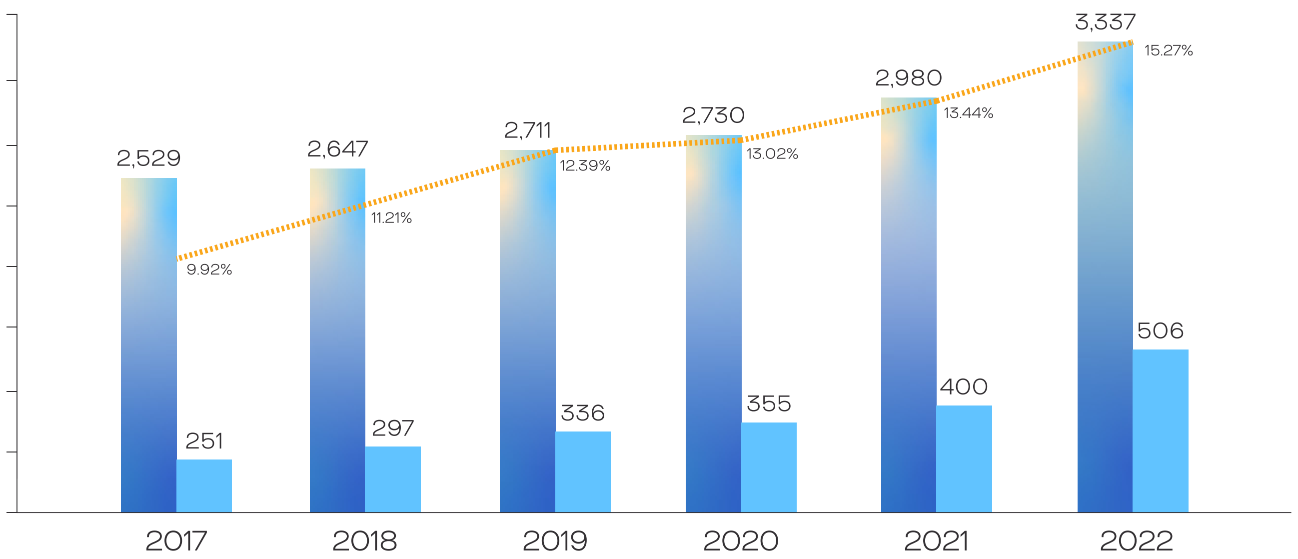
Credit lines utilization continue to be one of the most important pillars for our growth

During 2022, Halkbank AD Skopje continued to utilize credit lines from other financial institutions, as follows:

↘EIB credit line, realized through Development Bank of North Macedonia for financing of micro, small and medium-sized enterprises and priority projects of the legal entities from Republic of North Macedonia;

↘Project through Employment Service Agency of Republic of North Macedonia realized through Development Bank of North Macedonia; the project is active measure of the Government. The project is implemented as project for self-employment, training for unemployed people and entrepreneurship as well as unemployed people to register a business in different sectors: agribusiness, crafts, personal services, trade, manufacturing, tourism, etc. and project lending to legal entities (MSEs) for opening new jobs for unemployed people through lending.

↘- KFW credit line - providing support for companies from manufacturing sector, farmers, processing raw materials, services or trading sector.



1.1 Market share - Corporate loans in mill EUR

Retail Marketing

HALKBANK is among the fastest-growing banks in retail segment. There is a broad range of retail products, and banking services for individuals.

HALKBANK has growing branch network with 45 branches all around the country.

These include products and services for everyday finances as loans, overdrafts, credit cards, e-banking, and ATM network with witch HALKBANK AD Skopje continued increasing its retail banking business line in 2022.

By using creative marketing approaches for diversified customer segments, the number of loyal customers increases constantly.

The main focus of retail customer representatives in branches of HALKBANK Skopje are customer care and consistency in support of the client's needs.

Efficient, direct and connected

In 2022, the Retail Marketing Team operating in the head office and in our branches was oriented to direct marketing activities as well as marketing through social media and alternative ways of information to our client and the potential ones.

With excellent coordination and organization between head office and our branches HALKBANK succeed to insure its client's needs and to achieve best results in retail part.

Halk Bank AD Skopje continued to grow its retail banking business in 2022 by using creative marketing approaches for diversified customer segments.

2022 was successful year in part of retail activities and loans disbursements.

We succeed to fulfil all client's need and achieved results above the settled targets.

Halk Bank increases its ongoing support to the retail clients with variety of new products and creative solutions promoting to the market customer care and consistency before pricing.

Number of clients during 2022 had a positive trend, portfolio was increased, all due to fact that customer's satisfaction was on priority place of the list of working activities for all Branches in network, directly followed by Retail Marketing Department.

With retail offers HALKBANK was constantly present between employees in public companies and institutions and corporate and small and medium-sized enterprises.

Creating close connections with their employees was one of our goals in order to create higher market awareness, which had successful outcome and resulted into net increase of the retail portfolio.

Retail lending was oriented towards several basic objectives:

↘ Fulfilling the mission of providing financial services to clients with regular and secure income

↘ Developing a retail client base for future sale activities

↘ Strengthening the links with SME and corporate clients by providing financing to their customers and employees

↘ Strengthening the links with 3 biggest syndicates in the country (Police union, Syndicates for education workers and syndicate for administrative employees) and spreading retail products customized especially to theirs member.

↘ Increasing collateralized portfolio with supporting construction companies and individuals with housing loans

↘ Early warning signals for clients with financial difficulties and their on-time support

↘ Investing in digital solutions in order to save clients' time for their banking needs

In 2022, gross retail loan portfolio reached EUR 418.425 million.

In 2022 retail segment market share of HALKBANK is 12,18% in total retail portfolio in the country.

This was managed by maintaining good discipline of collection and healthy portfolio. The Bank is committed to developing its retail lending responsibly to ensure that clients are not overburdened with debt.

In this direction, in 2022, few changes were made to decisions and a few products in the area of client creditworthiness were modified in order to adjust client incomes with installments on a monthly level.

Products targeting variety of client profile

During 2022, HALKBANK AD Skopje managed to offer wide range of products in several campaigns with different product solutions for consumer, housing and mortgage loans;

1. Housing loans

The product was designed for supporting increased needs of the customers for purchasing real estate during 2022. The market in housing loans segment during 2022 was enlarged up to EUR 152 million in which HALKBANK was included with almost 12.26% of the market share in the country.

3. Consumer Loans

In part of consumer loans, in 2022 we succeed to disburse over 9.216 loans and in amount 68 million EUR. Targeting different clients, regarding companies and institutions that are employed in, we intercepted client's needs and insured financial support to overcome all difficulties that came from this hard year in every segments.

2. Multipurpose Mortgage Loan

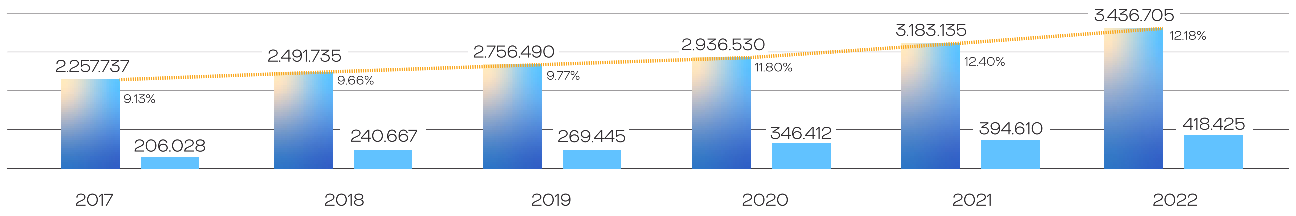
The intention of the Bank was to grow in this market segment, which also enabled increase of the collateralized portfolio. The main objective for the Mortgage Loan product is fulfilling HALKBANK mission of providing access to essential financial services for refinancing all credit exposures of clients in other banks by offering attractive interest rates. In 2022, the Mortgage Portfolio reached almost EUR 62 million that is in line with our long distance politics to maintain the collateralized portfolio and to make connections with our clients on long terms.

Significant bank in the banking sector in terms of outstanding and net increase of Total Retail Portfolio

2022 has been successful for Halkbank AD Skopje, operating in constantly increasing competitive banking market. During 2022, with its 45 branches, Halkbank AD Skopje has managed to meet all clients' needs very efficiently and due to its high-quality service, the Bank managed to stay in four biggest banks in the country.

In 2022, the Bank had a collaboration with Halk Insurance Skopje in the loan insurance part. We created retail products that make loans and client more secure by including policies that cover many types of risks including not being able to repay the loan due to illness, accident etc.

Also, Halkbank managed new collaborations and straight the existing ones with few of the significant syndicates. These collaborations have brought many new clients, who work in some of the biggest state institutions such as ministries, schools, preschools, police etc.



Market Share of Total Retail Portfolio in 000 eur

Clients with salaries and overdrafts

The number of clients who get their incomes in HALKBANK AD Skopje increased in 2022 and reached 103.680. This was surely the result of constant visits and promotional activities to employees in public companies and institutions on one hand, and of our reputable and stabile corporate and SME clients, on the other.

Along with the new salary clients in Halkbank AD Skopje, we actively promoted profitable products to our clients with salaries. Number of overdrafts was 32.024 at the end of 2022.

Close relations with clients to achieve steady NPL ratio of Halkbank

In addition to providing excellent customer care and intelligent solution for every retail customer, Halkbank AD Skopje also managed to maintain its NPL ratio during 2022 to 1.16 % at the end of the year.

NPL Ratio	31.12.2022
HALKBANK	1.16 %
Retail Sector	1.93 %

Activities in 2022

Loans secured with accident insurance policy issued by Halk Insurance and life insurance policy from Triglav Life.

Clients had the opportunity to use loans with attractive interest rates, minimum guarantors in part of collateral and insurance policies with fully covered risks from dead and accident.

With this we continued our successful cooperation with Halk Insurance AD and started a new relations with Triglav Life AD.

In may 2022 we launched ON LINE Loan. Functionality that client can apply for a loan through mobile or e-banking, to have their application approved, to sign the documents and to have the funds from the consumer loan available on the bank account, without coming to the branches of the Bank. The target are salary receivers in Halkbank.

OnLine Loan	No.of disbursed on line loans	Amount in EUR	Percentage of total number of disbursed loans
May – December 2022	1.191	2.154.341	12%

Long term collaboration with syndicates - MPS-Macedonian police syndicate, SONK- Independent syndicate for science, education, culture, and UPOZ/ SADU- Syndicate for judicial authorities and administration.

The Bank offered Consumer loan for member of police union, members of SONK and member of UPOZ/SADU offering fixed interest rate for the first 2 years and a repayment period of up to 120 months, without costs for approval and without costs for early liquidation of the loan during the promotional period.

Each product was followed by PR campaigns, TV commercials and presence on other social Medias with tagline- Ideal.

In April 2022 we had Presentation of the Bank for Police Academy (more than 600 allegeable young people who are about to choose the Bank that are going to cooperate in the future with) The syndicate Macedonia police union counts over 8.000 members. The Bank had great response from the authorities and members of the syndicates, which contribute for deepening the already successful cooperation.

Throughout the year were visited most of the organizations that are part of the syndicates.

Having in mind that we have great potential for increasing the retail portfolio with successful cooperation with their members, we try to meet their needs and listen to their suggestions for reaching our final goal.

We have concluded agreement for collaboration between HalkBank AD Skopje and Macedonian Post office on 30.12.2020. Signed Methodology and Protocol for performance of services in Post of North Macedonia on behalf of and at the expense of the HalkBank AD Skopje. We offer available services through Post's branches:

↘ Clients are able to open their transaction account without coming to the Branches of the Bank.

↘ Clients are able to submit their documents to apply for credit card, any type of loan, to submit a request for receiving their pension or social aim in HalkBank etc.

In September 2022 there were organized training meetings all around the country for employees of Post for better understanding the process and the importance of good service and responsibly collecting the documentation for the clients.

Having in mind that Post has its branches in small places around the country it is more convenient for the residents to be able to satisfy their needs without any need to travel to the closest city.

Deposit and Cash Management

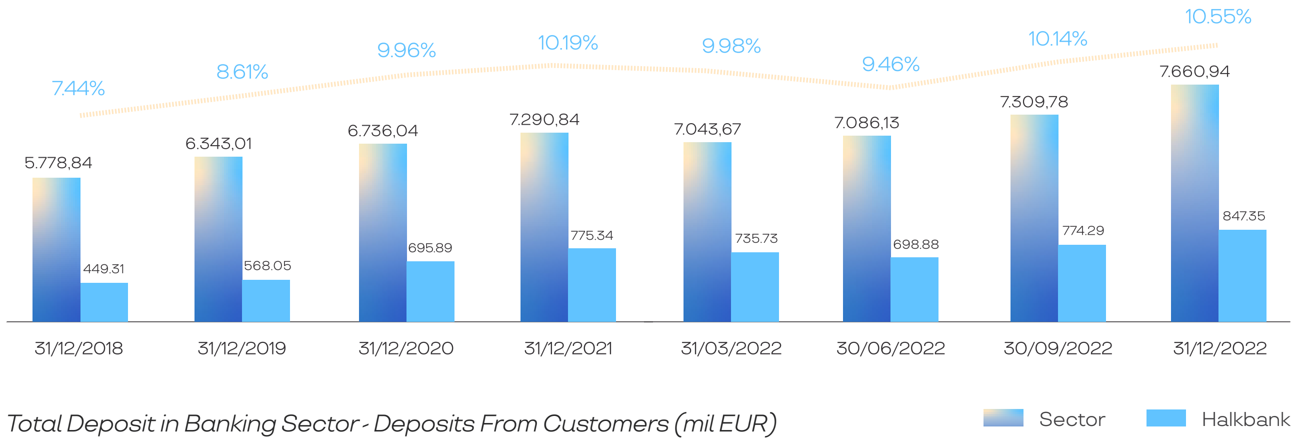
Halkbank total deposits in 2022 have increased by EUR 136 million and reached EUR 1.046,47 million

Market share in 2022

In 2022, Halkbank AD Skopje has continued its growth in deposit and increased its market share. By the end of 2022, the market share in total deposits has reached 11,09%. In retail deposits, we have managed to increase the deposit portfolio by EUR 78 million and reached EUR 444,41 million, while in corporate deposits we have managed to reach EUR 405.04 million. Deposits from financial institutions reached 78,39 million EUR. The Bank's deposit management strategy, which is critically important to maintaining Halkbank's solid funding structure, is based on the key principles of market share, liquidity and cost.

As the Bank expects deposits to remain a very important source of funding in the coming year, Halkbank plans to continue maintaining a client-oriented, stable, and broad based deposit structure.

Halkbank follows a dynamic deposit management strategy based upon optimization of cost and increasing the participation in market share. Average interest rate for total term deposits from customers is 1,56% as of end 2022.



Total Deposit in Banking Sector - Deposits From Customers (mil EUR)

Continued growth of deposit base

Halkbank AD Skopje has continued with a very clear and strong development strategy with the aim of increasing its deposit portfolio with increased market share, especially in retail deposits. The policy of the Bank is focused on client demands by offering various and flexible deposit products, adapted to the market conditions, while maintaining high standards of customer service.

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions.

Halkbank AD Skopje sustained its strong and widespread deposit volume. The focus remains on improving the quality of products, introducing promotional products and campaigns for individuals, developing products for deposits through alternative channels of distribution such as implemented on-line deposit for individuals and in near future on-line deposit for legal entities in order to be closer to the clients and satisfying their needs and requirements. Halkbank's clearly defined deposit strategy helps the Bank achieve and sustain a strong deposit base.

Increased number of customer deposits clients

Halkbank AD Skopje continued to grow on the Macedonian market through the attractive packages of products and services that we offer to our clients, so the number of customer deposits clients reaching 219.101 (retail 203.255 and corporate 15.846 clients) and increased for 17.232 deposits clients on yearly base. In addition, number of newly opened accounts increased for 29.070, reaching 327.639 active transaction accounts in total.

Alternative Distribution Channels

A digital future

The digital era that has started in the past years, continued in 2022 as well. The digitalization trends were followed by the clients causing challenging opportunities for the Bank.

The number of E-banking users increased so the growth comparing to 2021 is 13.275 new users or 20%. Mobile transactions as well grew by 53% comparing to 2021.

While planning the next steps towards new, the Bank was constantly working on improving the existing products and services in the past year.

New login type enabled with username and OTP password was provided for the legal entities both for Web and Mobile banking.

Digitalization of Visa card was enabled for HalkPay and GarminPay and promoted through different activities such as Vodno-Matka Trail. The Alternative distribution channels department – Marketing will keep looking for digital opportunities that will contribute to facilitate clients' everyday life.

Golden opportunities

In 2022 the total number of debit and credit cards reached 221.368 plastic cards. Considering this, the total transactions with debit cards achieved growth of 21% with total number of over 14,4 million transactions and realized turnover of 440 million EUR. Over 1,3 million credit card transactions were made, amounting to over 36 million EUR.

The bonus campaign for our clients- credit card users kept being active throughout the year, by awarding an appropriate number of bonus points where Halkbank POS terminals are installed. For each transaction made with credit card on gas stations during the weekend- 3%, everyday transactions made in pharmacies – 3%, as well as all web shops that use Halkbank virtual POS with 3%. The bank concluded contracts for Bonus campaigns with different merchants in different periods. In order to grow and stimulate credit card payments, the Bank continued to conclude interest-free installment payment agreements.

The Bank continued the cooperation with Booking.com where customers received 4% cashback for Halkbank cards payments at Booking.com. Total number of reservations made throughout the link were 150.

Alternative distribution channels – Marketing department organized staff incentive campaign for Visa cards in duration of 5 months in 2022 with total number of 5.864 activated cards.

Growth as a key point

The number of POS terminal kept growing so by the end of 2022, it reached 7.811. In this segment, the bank gained market share of over 26%.

Over 37 million POS transactions were processed which lead to over 483 million EUR turnover. In this terms, the POS transaction growth was 17% compared to previous year.

In the previous period, the Bank kept changing the existing ATMs with new, modern, contactless ATMs. The total number of ATMs by the end of 2022 is 137. 35 of those are cash in.

Being the market leader

As in the past, in the following year as well, we will keep investing in modern solutions that will meet our clients' needs. New products with different benefits are planned in the following period.

This year again, the digitalization is one of the key points of banks actions. Digital identity, online application for more products, replacement & new features on ATMs are planned for the upcoming period. The bank will continue to upgrade the e-banking and m-banking applications with new features and options.

The main focus of alternative distribution channels department will be growth of digital payments and transactions throughout different digital channels.

Activities in 2022

- Bonus campaigns for clients
- ATM withdrawal without commission every last week of the month
- E-Commerce merchant activity
- Visa Gold Insurance card + social media campaign
- Branch Cross selling
- Visa Staff Incentive Challenge
- Visa activation campaign
- Mastercard Pay& Get
- Post Office project (marketing activity)
- New ATM's
- Preparation for new web site - Halk Digital

International Banking & Financial Institutions

International Banking & Financial Institutions

Halkbank AD Skopje in 2022 has continued with its successful cooperation with international and domestic financial institution. As one of a leading bank in Macedonian market, we have established wide correspondent banking network offering to our clients high quality service.

International Banking

HALKBANK AD Skopje has continued to expand and diversify its correspondence network to more than 200 banks in 36 countries. Thanks to its strong and extensive network, Halkbank is offering its customers a quality service through wide branch network and client oriented employees.

Halkbank continued to improve Bank's position in foreign trade operations and funding sourced from international markets as a part of its sustainable international borrowing strategy.

The Bank performs its activities with the goal of maintaining its efficient and respected position enjoyed in the international banking arena by offering new banking products and services for its customers through wide-spread correspondent network. Halkbank continued to deliver high-quality banking products and services in international banking business providing long-term funding solutions to meet the growing funding needs of its clients.
Halkbank continuously monitor and assess the risk of all domestic and international banks following the financial indicators and country risks, allocating limits within the Bank's credit and risk policies.

Taking into account its widespread correspondent network, Halkbank AD Skopje is empowered to perform the needed foreign trade finance and other interbank credit transactions providing the suitable support to its customers via superior finance products and traditional foreign trade instruments.

Bank delivers commercial banking products and services to its clients including domestic and cross-border payments, financing of international trade. Distinguishing itself with its expert staff and innovative approach, HALKBANK AD Skopje acts as a solution partner by developing customized products.

Financial institutions

In 2022 Halkbank AD Skopje has continued the partnership with the most reputable international financial institutions, such as the European Fund for Southeast Europe S.A., SICAV-SIF (EFSE) and Green for Growth Fund, Southeast Europe S.A., SICAV-SIF (GGF).

The successful ongoing cooperation with the Development Bank of North Macedonia continued in 2022 with support to domestic economy using funds from the European Investment Bank (EIB) and funds from the KfW (Kreditanstalt für Wiederaufbau). In 2022, Halkbank continued with financing of energy efficiency projects to its retail clients while measuring the green effect of each project individually. Besides supporting the retail segment, Halkbank has continued to stand side by side with its SME clients, providing appropriate solutions new banking products and services designed to support their competitiveness and support their sustainable growth.

Halkbank with its approach of delivering solution-oriented services will continue to provide extensive support to its clients. The bank is strongly dedicated to continue to be a major solution partner for long term financing of companies, thanks to agreements with international and domestic financial institutions.

Halkbank's determination to be a preferred business partner to SMEs will continue due to its strong relationship management strategies and excellent business potential in order to deliver the best solutions that meet customer financing needs and expectations by offering import and export services and solutions on a global scale.

Treasury Management

During 2022 treasury activities were performed on adequate level in correlation with continuous growth of the bank and stable market share in general, securing optimal treasury management with appropriate level of liquidity coverage in save liquidity risk management frame, optimal support of clients and treasury income performance accordingly.

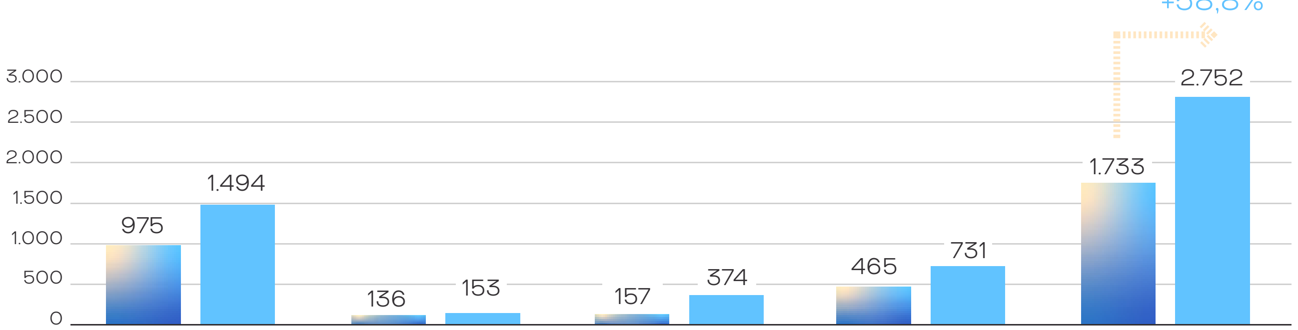
Treasury performance overlook during 2022 integrally is specified as follows:

↘ Sales and interbank Fx trading ↘ Placement in Securities ↘ Treasury P&L

Sales & Interbank Fx trading

Year	Clients sales (against MKD)	Interbank (against MKD)	Interbank FX trading	Derivatives	TOTAL
2021	975	136	157	465	1.733
2022	1.494	153	374	731	2.752

Fx Trading Volume - In million EUR



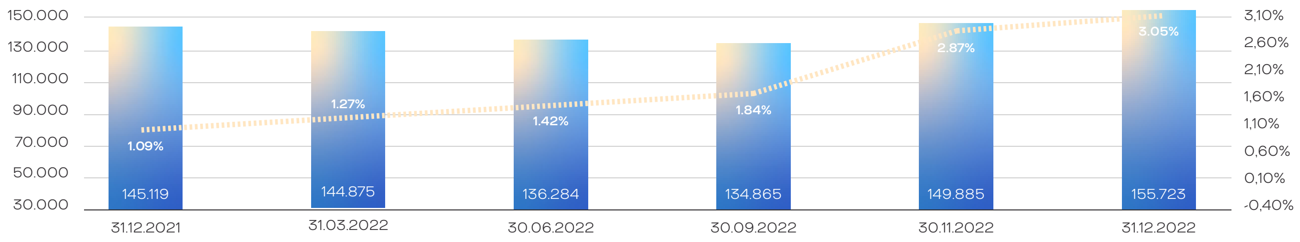
FX Trading Volume

Note: *Sector market share of the bank as Market Maker on Domestic Fx market is 10%-12%.*

Placement in Securities

Total securities portfolio in 2022 compared to 2021 rise by 7.4% or EUR 10.7 million.

Description	2021	Structural share	2022	Structural share
T-bills	17	11.7%	19.7	12.7%
T-notes	59	40.7%	39	25%
T-bonds	69	47.6%	63.5	40.8%
Eurobonds	-	-	33.5	21.5%
Total	145		155.7	

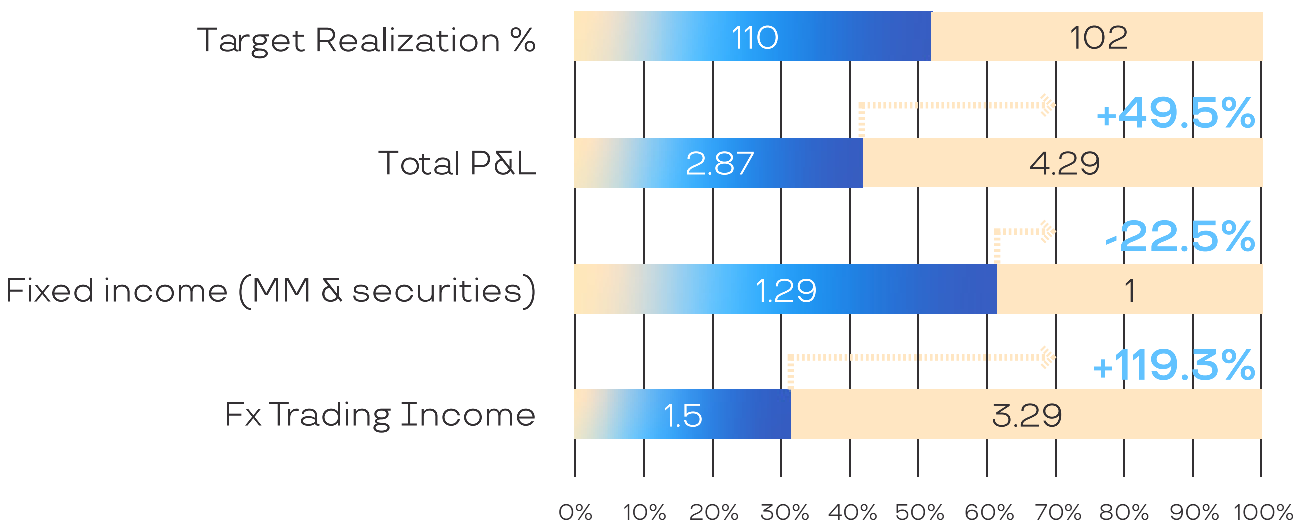


Portfolio of securities in 000 EUR

Treasury P & L

Year	Fx trading income	NET Fixed Income (MM & Securities)	TOTAL INCOME	Target realization
2021	1.50	1.29	2.87	110%
2022	3.29	1	4.29	102%

In million EUR



Treasury P&L Performance - in million EUR

Note: *Fixed income (MM & securities) is shown on net basis.*

Perspectives

- ↘ Increase the sector market share with attracting new clients and strengthen of MARKET MAKER role of the bank on domestic interbank Fx market;
- ↘ Further intensive participation and increase of market share in the sector on domestic securities market (targeting PRIMARY DEALER status);
- ↘ More intensive offer of advanced financial instruments-derivatives (hedging & investment) as matrix approach for global support of clients;
- ↘ Implementation of new products/services (domestic & international capital markets)
- ↘ Brokerage & custodian services, portfolio management, investment consulting, etc.

Domestic Payment Operations

In the area of domestic payment operations, HALKBANK is pleased to report another successful year, as a reliable partner, in line with modern banking activities offering full package of banking services.

In 2022, the Bank maintained its activities and focused on further improvement of the customer service.

HALKBANK as a payment operations carrier has developed a fast, efficient and quality system for performance of payment operations, as one of the basic functions in banking operations, which offers its clients a service according to their needs.

The Bank has wide variety of products and services for opening and administrating clients' accounts in order successful performance of transactions in domestic payment operations.

By opening an account, Halkbank provides clients to make payments by the following:

- ↘ Internal payment operations for payments between Halkbank clients.
- ↘ External or inter-banking payment operations (payments between clients from two different banks) executed through systems of settling.
- ↘ Execution of non-cash and cash transactions
- ↘ Payment operations executed through Post Office

The number of transaction accounts in HALKBANK AD Skopje at the end of the year 2022 was 327.640 from which, citizens have 303.407 accounts and corporate clients have 24.233 accounts. Compared to the end of the year 2021 (307.689), the number of accounts has reached growth of 6.48 %.

In 2022, 28.668 new transaction accounts were opened, from which 25.167 accounts for citizens and 3.501 for corporate clients.

E-banking transactions in 2022 have increased by 12.16 % and reach the number of 3.086.339 transactions, while domestic payments transactions executed through branches have been increased by 1.5% and reach the number of 2.505.872 transactions.

In 2022, 26.019 Decisions for blocking /unblocking the clients were executed by the Domestic payment unit, which is increased by 8.81 % compared to 23.912 in 2021.

Starting from March 2021, the Bank implemented payment operations in Post Office and provide excellent service to the clients.

Being the only way to pay bills, liabilities and funds for some citizens, the payment operations in the Post Office are extremely important and with favorable commissions.

At the Post Office counters, also Halkbank customers can make direct payments from their transaction accounts, as well as conduct other banking services.

During 2022, 5.185.281 transactions were executed through Post Office.

Cash Center

In 2022, the Bank maintained its activities and focused on further improvement of the customer services.

In the field of physical cache operations, cash center offers a high quality, fast and efficient services, such as:

- ↘ Charging and discharging of ATM's ,
- ↘ Transport of valuable shipments,
- ↘ Cash services with Central bank,
- ↘ Export of foreign currency to foreign banks,
- ↘ Cooperation's with Post office,
- ↘ Cash collection,
- ↘ Cooperation with other commercial banks.

The total cash turnover in Cash Center of the Bank in 2021-2022, is as follows:

Type of service	2021 (in eur)	2022 (in eur)	% Increase
Cash services with Central bank	100.126.000	144.324.000	44%
Export of foreign currency to foreign banks	99.059.000	180.189.000	82%
Cooperation's with Post office	100.939.000	165.144.000	64%
Cash Collection	167.107.101	211.306.052	26%
Cooperation with other commercial banks	407.748.000	439.740.000	8%
	874.979.101	1.140.703.052	30%

The Cash center of the Bank serves 40 ATM's with physical cache in the area of Skopje, out of total 137 ATM's of the Bank.

Also, the Cash Centre organize transport of valuable shipments between 45 branches, 37 Post Office and 14 pay tools.

Foreign Operations

Halkbank, as one of the main players on the local market become a hub for international trade for export and import oriented companies in North Macedonia in the last decade.

Foreign Operations

Halkbank offers a high quality, fast and efficient operations in the field of International payments.

By using our extensive correspondent network, clients of Halkbank are enabled to perform international payments in the simplest, fastest and most convenient way.

Number of transactions 94.360

Total turnover in EUR 1.676.960.000

Documentary Business

Halkbank has a team of qualified and professional specialists offering its customers high-quality service in compliance with International standards and fast document processing.

Halkbank assists in reducing expenses with the continuous improvement approach on conducting international documentary operations through its product range of L/C's, Guarantees and Documentary Collections.

Total turnover in EUR 146.818.042

Western Union

We offer the opportunity of fast money transfer through our branch network together with Western Union.

Any of our 45 branches will serve you timely and efficiently performing your fast money transfers.

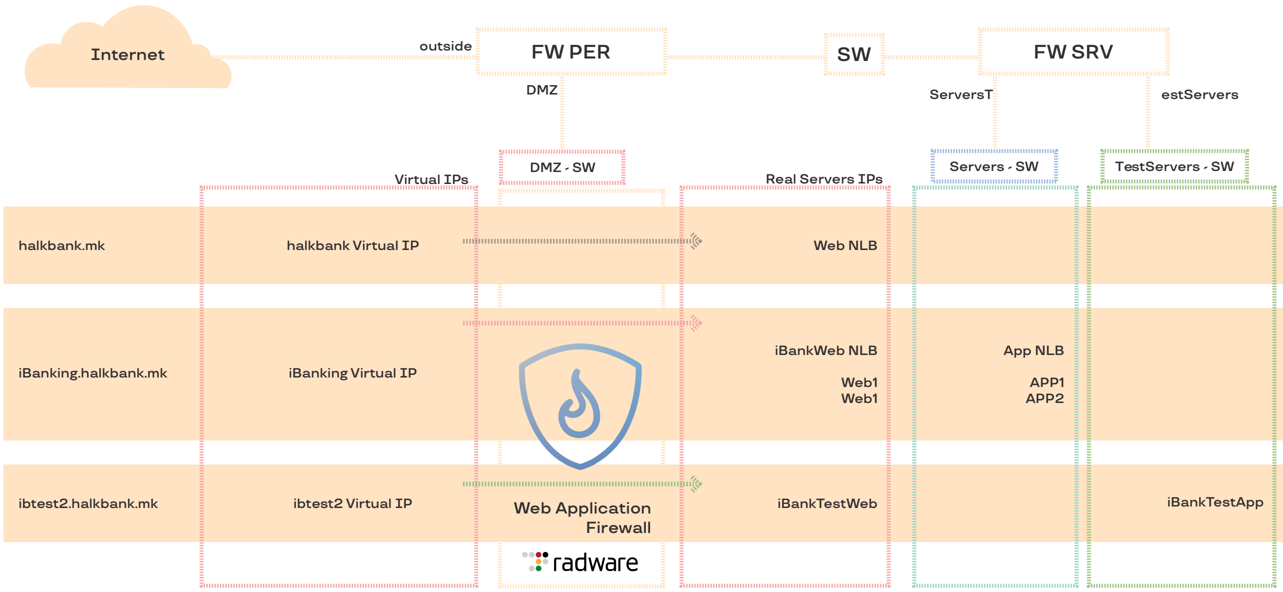
Number of WU transactions 14.043

Total number of clients 7.135

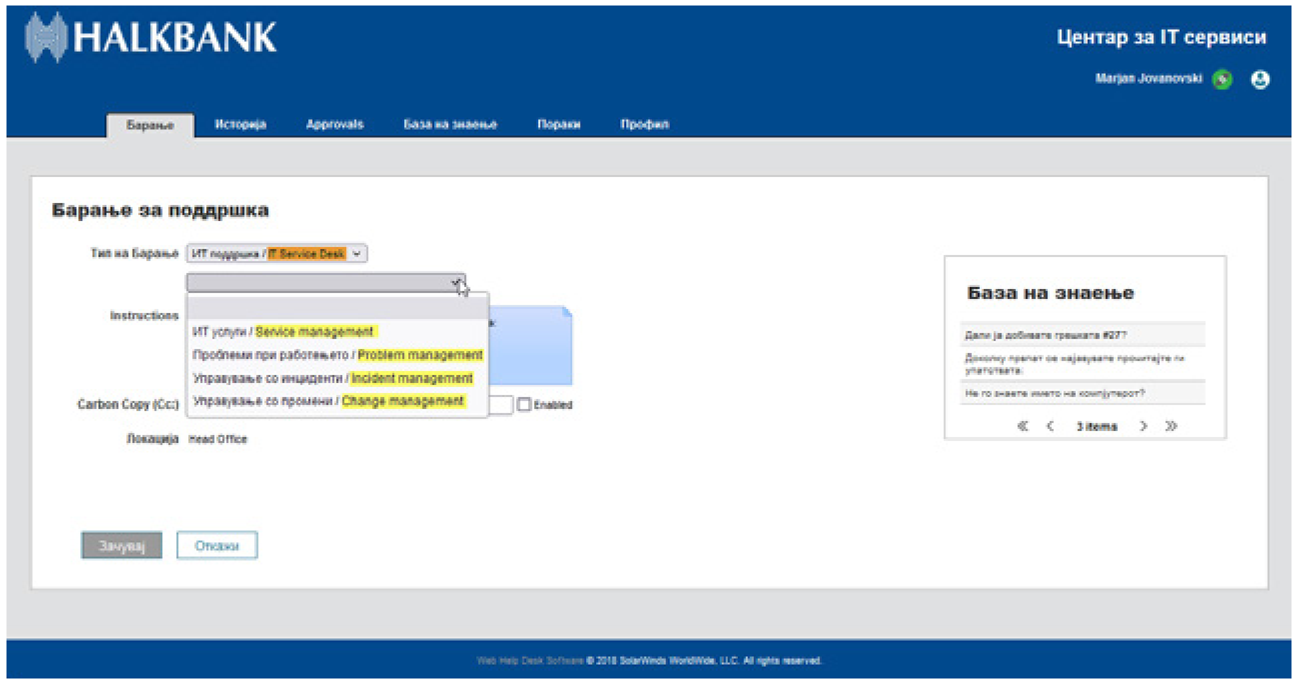
Total turnover in EUR 5.700.000

Domestic Payment Operations

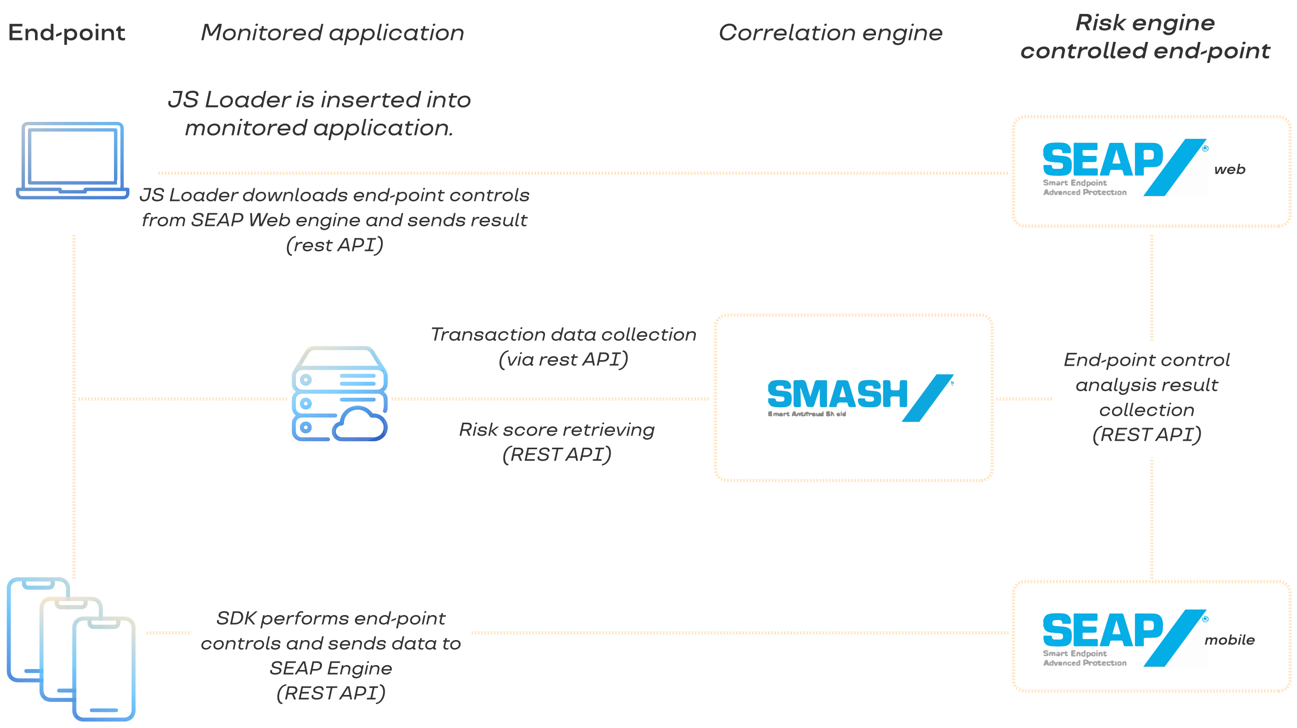
We have implemented Web Application Firewall (WAF) system for application security coverage of our iBanking system and Web page.



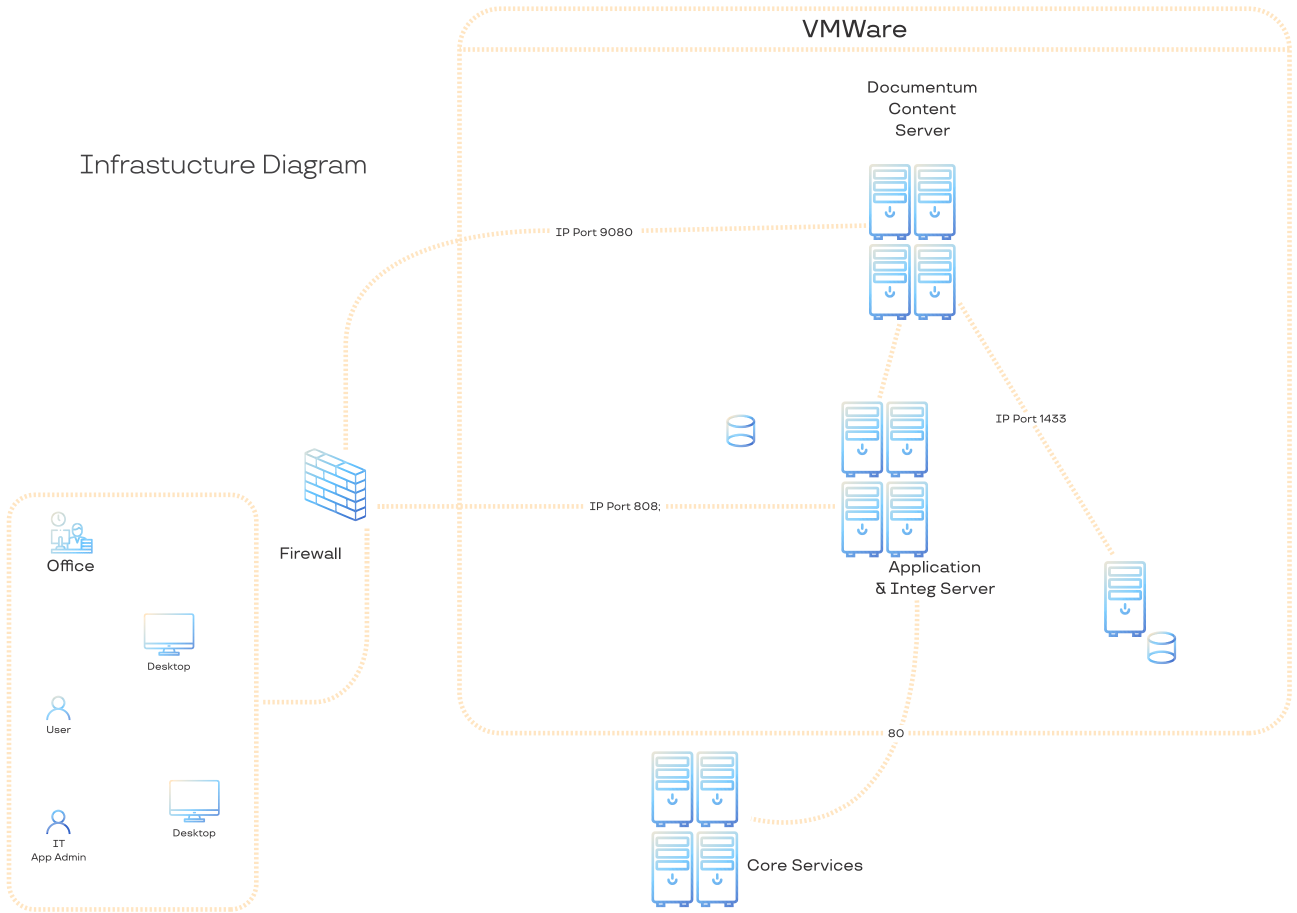
We have implemented Solarwinds WEB Help Desk system as IT Service Desk as a ticketing system according to the ITIL standard. With this system we will provide guidance and management of all requests for changes, problems arising from solutions and systems in the bank, incidents or unavailability of services and the services themselves that are implemented in the IT department.



We have implemented XTN Fraud SMASH system to identify threats impossible for a human detect for the web and mobile banking. SMASH (Smart Anti-fraud Shield) is the Cognitive Security Platform's fraud protection functionality that recognize online banking and payment services users from their usual behavior. As an omnichannel, multi-layered anti-fraud solution, it uses machine-learning techniques and proprietary AI Algorithms to analyze and correlate in real-time hundreds of parameters determining a risk score for each critic phase of a digitals service.

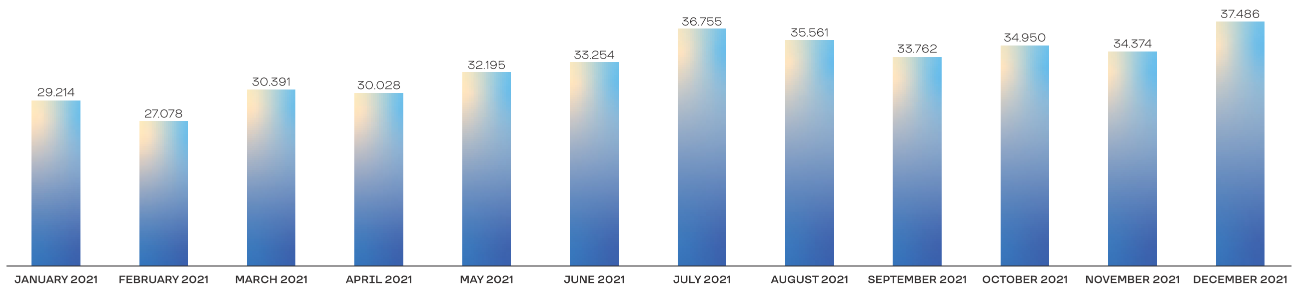


We have implemented Document Management System (DMS). With this system we can digitally administrating all documents required for banking operations.



Continuous Growth Support

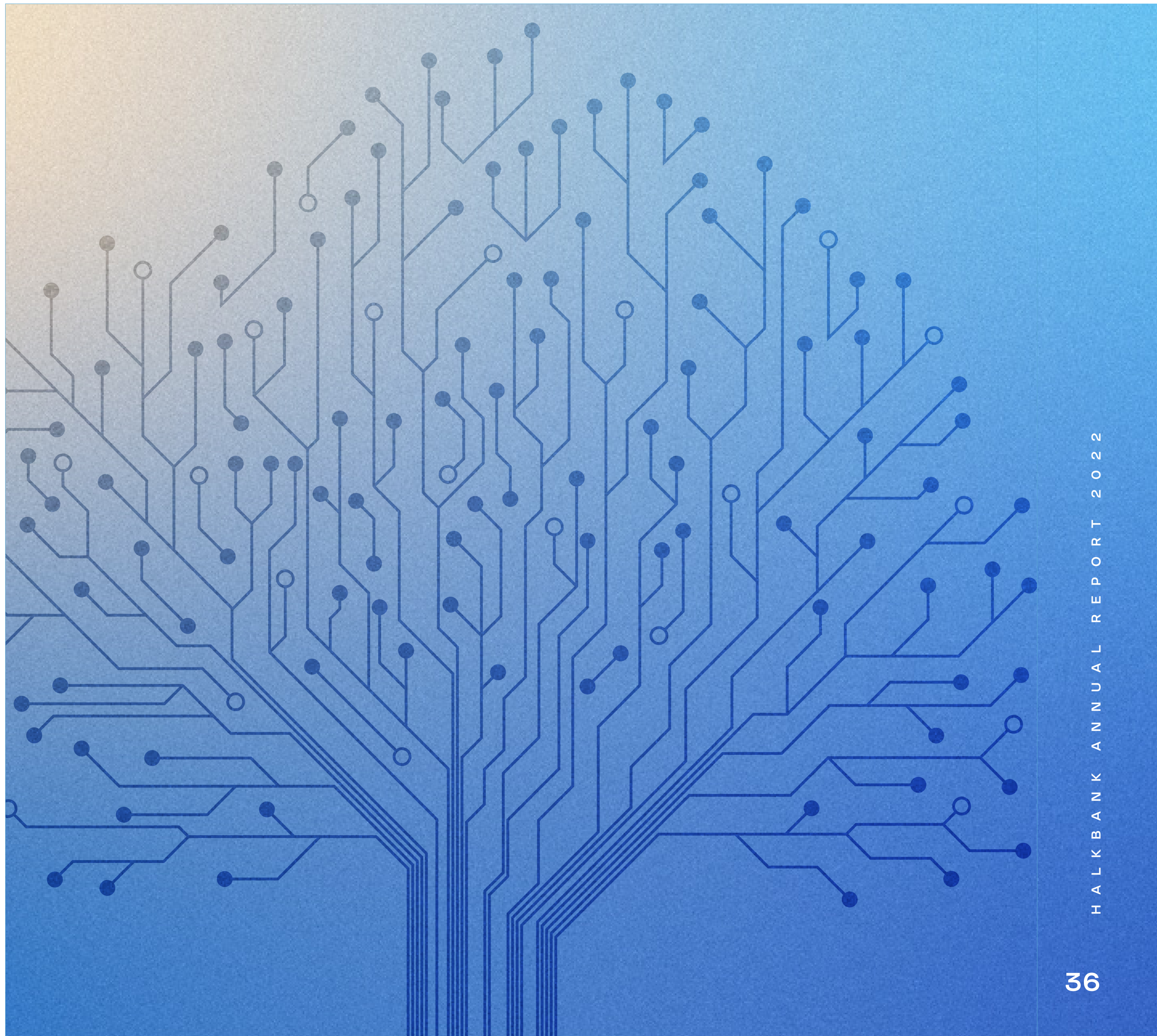
The annual growth of 35% of transactions processed per month in the period from January 2022 to December 2021 was supported by the upgrade of the core banking IT infrastructure.



Transactions per month (in 000)

Continuous improvement of controls and systems to decrease operating risk

As a direct result of the continuous improvement, the Bank has been re-certified with the PCI-DSS standard, which helped strengthen the infrastructure, and has made it safer and more resilient to current cyber risks. Risks are further minimized by the Disaster Recovery location upgrade project, which will include all systems of the Bank.



Branch network

Extensive Branch Network

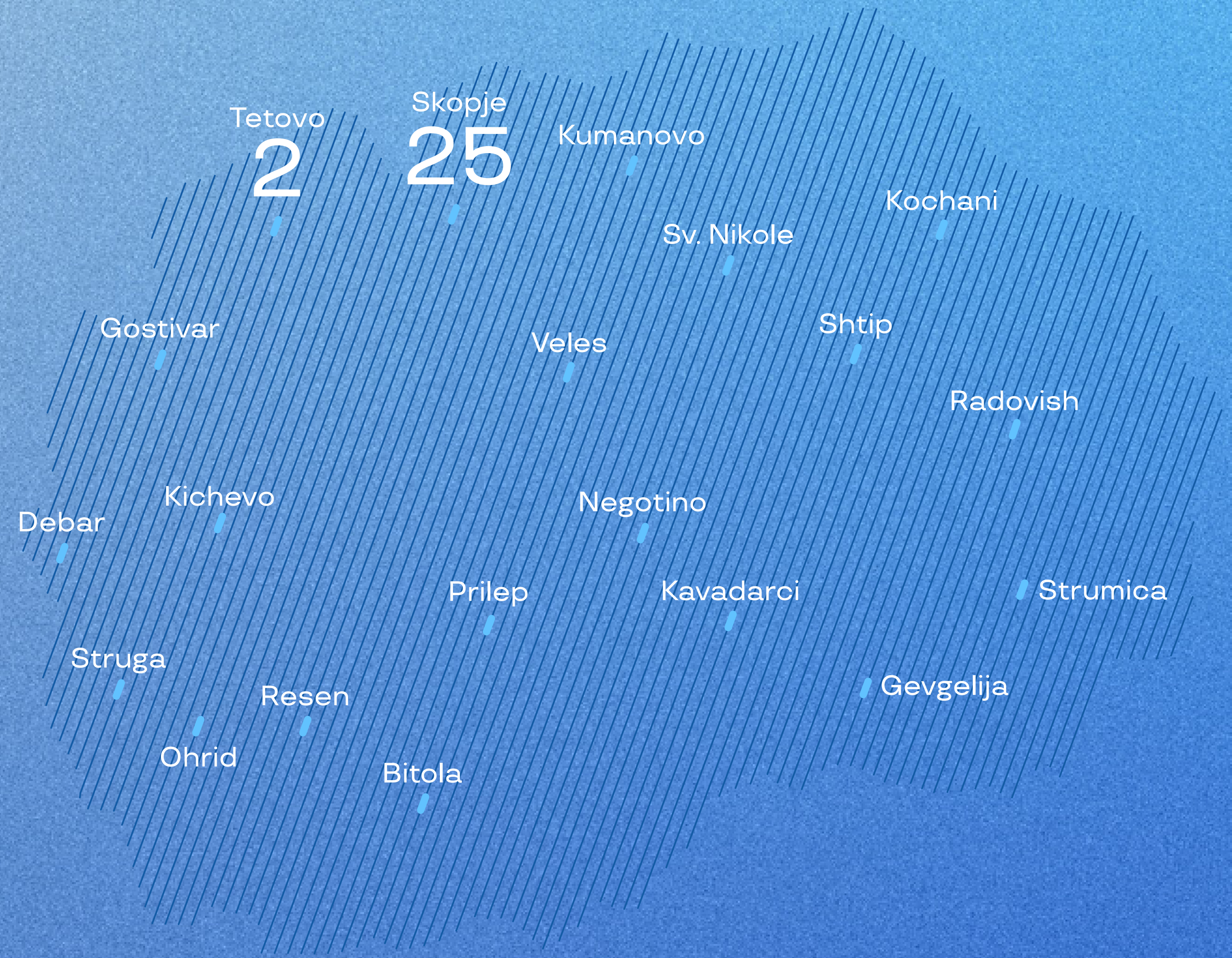
In 2022, HALKBANK AD Skopje continued increasing its branch network and focused on high-quality and fast service and products to meet the needs of its clients.

By the end of 2022, HALKBANK's branch network reached 45 branches in Macedonia located in 20 cities. Out of the total number of branches, 25 are located in the capital city of Skopje and 20 in other cities throughout the country.

Opening New Branches and Continuous Reorganization

Reorganization and renovation of some of the branches continued during 2022. With reorganization and renovation of current branches, Halkbank continues implementing its strategy aimed at maximizing customer satisfaction. By opening new and modern branches and improving the ambience in the current branches, Halkbank is getting closer to its clients.

The strategy of continuously changing and investing in the interior and exterior of our branches and equipping them with the newest technology proves one of the main goals of Halkbank – our customer orientation and constant care for their satisfaction.



45
BRANCHES

20
CITIES

HR Department

Adding quality to further growth

2022 represents a year full of innovation and greater inclusion. In this year, again Halkbank focused on one thing... people.

Building a successful business is all about having a team of committed employees. More specifically, HR remains to be an integral part of the Bank's business growth strategy. HR Team is constantly facing new challenges when it comes to growth. In this sense, the HR department continues to provide the knowledge, tools, quality control, training, performance management, administration and talent management, which is crucial to sustaining and advancing the Bank activities.

In the second quarter of 2022, HR maintained its core function as strategic support in the businesses of the Bank with an aggressive approach to the labour market securing competitive, adaptive and quality new workforce to support new projects such as digitalization and Business Process Automation.

Regarding the recruitment process, the number of hires for 2022 was 69 new employees, which is in the line with progress and development plan of the Bank.

The regular processes of employee branding, corporate culture and internal development of employees, career path, bonding and social networking of the employees continued with activities in the whole 2022. The main goal was to ensure that the employees feel the Bank was their second home and its colleagues as a part of one big family in joining efforts of achieving excellence in a team of highly motivated and skilful professionals in the world of banking.

Keeping employees engaged is equally important to (and in) our bank industry. It is because the employees' engagement ensures that they work to the best of their abilities. To foster their and our success, we seek to create an environment where people can thrive, where they can do their best work, where they can proudly be their authentic selves, guided by our values, and where they know their needs can be met. We strive to maximize the potential of our human capital resources by creating a respectful, rewarding, and inclusive work environment that enables our global employees to create products and services that further our mission to empower every person and every organization in our market to achieve more.

Employee engagement has become one of the most important priorities for us. In 2022, attracting and retaining talents, developing the talents and managing performance, were the key points that HR Department put its attention on its.

By implementing this above, HR Department continue to create a healthy work-life balance, encourage innovation, increase productivity and focus on performance management.

Launching Bank Internship Program

As of June 2022, a paid Bank Internship Program was launched.

Realizing the needs and trends of attracting candidates for future open job positions, the Bank realized the need to adopt an Internship Program.

The purpose of this Program is to ensure the development of the professional skills of young professionals, especially in the field of banking and finance, through direct work engagement in HALK BANK, during the period of their studies and to provide them with work experience and opportunity for their future employment. The target of this Program is students, seniors from the final third and/or fourth year of undergraduate studies and students of postgraduate/master's studies mainly from UKIM, but also from other Economics faculties.

Participation in Job Fairs and Career Days

During 2022, our HR team was part of several Job Fairs and Careers Days organized by local Universities and Student organizations, representing our Bank, current hiring needs and work and career possibilities. At these events, the Bank presented the Internship Program as well we used the opportunity to find a capable workforce by talking face-to-face with candidates and getting to know each candidate more thoroughly than a job posting site.

Common benefits of taking part in these job fairs include building awareness of Halk Bank and its activities, building a great talent pool of potential candidates and networking with other business professionals.

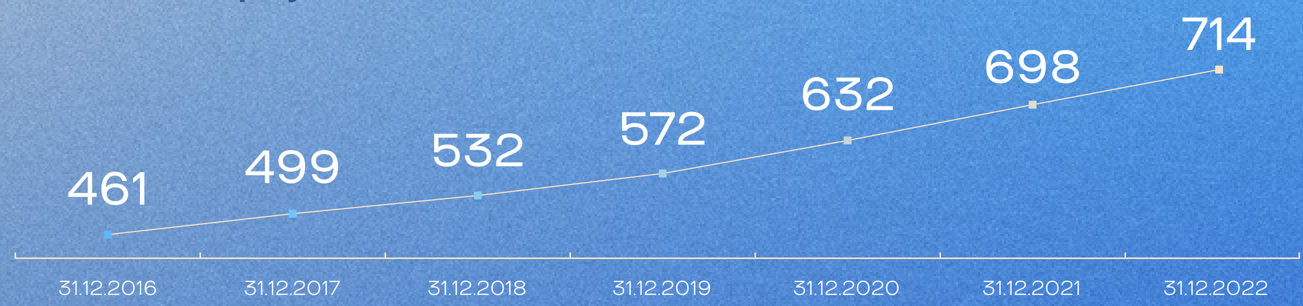
Our Key Figures for 2022

Branches in 2022

25 Based in Skopje

20 Other cities in Macedonia

Number of employees



Employees per location

300 HEAD OFFICE 42%

414 BRANCHES 58%

Educational Structure

UNIVERSITY EDUCATION 671 — 94%

HIGH SCHOOL 43 — 6%

PHD DEGREE 1 — 0.15%

MASTER'S DEGREE 105 — 15.74%

BACHELOR'S DEGREE 608 — 84.09%

Training and development proving the importance of being a learning organization

The rapid digitalization in the past couple of years has transformed the workplace. Many of the skills that were familiar in the past years were no longer applicable in 2022.

The growth mindset and knowledge sharing culture promoted the employees' attitude and ability to adopt new skills. When learning and development is vital part of the company, it is also a part of the daily work and gives a competitive advantage.

“Power skills” previously known as “Soft skills” were the most important. These skills include collaboration, communication, empathy and humility, etc. The pandemic has triggered a demand for these softer, human-centered skills.

Having employee training and development as one of the main goals during 2022, HR, Organization and Training Department anticipated and identified the organizational needs and thus organized various internal and external trainings.

The focus for the external training was mainly on straightening the power skills. Increasing certain regulatory and ethical practices has been crucial for the employees to understand what those rules, regulations, and ethical standards are. Investing in a comprehensive learning and development program around ethics and regulatory issues (as well as rules, regulations, and ethical standards for specific job roles,) can help to ensure that staff are equipped with the tools to be successful and keep the company and themselves out of legal trouble. Employees also deal with a lot of sensitive financial information, and it's imperative that they know how to keep that information safe. Internal learning and development programs around cybersecurity were also active due to empowering the employees with the knowledge, information, and tools they need for better navigation of the digital space and keeping company's information safe while doing so. During 2022 the updates in the legislation and internal procedures were as well on the training agenda for the employees.

PR & Social Responsibility

PR & Social Responsibility

Numerous activities aimed for supporting the community, supporting sports, culture, education, environmental protection, but also for raising awareness of certain topics were in the focus of the socially responsible practices of Halkbank AD Skopje in 2022.

Most of the activities were within the framework of the existing platforms: **HalkEco**, which is tied to the bank's green agenda, i.e. encouraging healthy lifestyle habits and protecting nature, then **Halki**, which is aimed at supporting the youngest in the field of education, inclusiveness and the latest platform - **Guardians of wisdom** whose focus is the older generation, the one from which we can learn a lot. In addition, Halkbank organized and supported a series of other events and projects aimed at promoting and raising awareness in society and the community about certain lasting values.

The Bank's socially responsible activities are widely recognized, which is why in 2022 Halkbank received the award for the best socially responsible practice from the **Ministry of Economy** for the HalkEco platform, while the "Picture Book of Halki" received recognition from the **Macedonian Association of Publishers** for encouraging social responsibility.

Halkbank in the Republic of North Macedonia is recognized as an eco-oriented company, which throughout the years of its activity provides strong support to everything that is in the direction of nurturing a healthy lifestyle, real life values and environmental protection. The **HalkEco app**, which started with encouraging a healthy lifestyle and raising awareness about these topics, soon grew into **HalkEco** platform through which a series of sports events and eco actions were supported or organized.

Based on the strong conviction that sports create lasting benefits for all generations, Halkbank is one of the biggest supporters of sports, thereby influencing the spread of healthy lifestyle habits that bring good to each individual and to the community. So, in 2022, Halkbank supported the mountain running race **Vodno-Matka Trails,** the traditional race through the streets of the capital - **HalkEko** Skopje runs 10KM, but also the children's tennis tournament - **Cherry Cup**, as well as the project **"Handball for every child"** which aims to create conditions for every child to show their affinities and develop their talent towards handball, but also to enable socialization of boys and girls aged 6-12 years. The bank also supported the **IT4Charity** humanitarian race organized by SOS Children's Village, in which IT sector employees participated, and within which more than 25,000 euros were collected as help for the work of SOS Children's Village. Also, for the third year in a row, the bank organized the **HalkVeloGreen** time trial bicycle race, which gathered a huge number of professionals and cycling enthusiasts in Mavrovo. With the funds collected from the registrations of the participants in the race, saplings were provided, and this time in Kočani, an action was organized to plant new saplings throughout the schools, kindergartens, city hall and separate greenery in the city. Within the framework of the HalkEco platform, as a donation from Halkbank, on the occasion of April 22, Earth Day, a huge mural painted by the famous artist "Pianista" was installed in Mavrovo, which aims to convey a powerful message about the importance of taking care for our planet and the need to protect it from all negative impacts and global warming.

Same as every year, during 2022 gifts were continuously provided to the loyal users of HalkEco application, and last year the list of gifts was enriched with unique ecological **HalkEco bags and T-shirts** exclusively designed and made by the famous fashion designer **Jovana Filipovikj**. This cooperation was also in line with the attention that the bank pays to deepening cooperation with its business clients.

In 2022, numerous activities were realized within the framework of the **Halki** platform. As a great friend of the Skopje ZOO, in October, the month of savings, Halkbank presented a colorful mural and an outdoor Halki-classroom in the Zoo yard, giving this favorite Skopje destination a completely new look.

Appreciating the importance of quality education, creativity and dedication as permanent values, Halkbank AD Skopje also launched the "Idols of Halki" project, where the stories of 12 talented, successful and inspiring children who should be true idols of their peers, but also to adults, were told through videos. This series "traveled" throughout Macedonia, within which meetings were organized with children who have gifts, talents and hobbies to which they are fully devoted.

Celebrating creativity among young people was also the goal of the project **Stories from my neighborhood** - 12 multimedia and educational events for the youngest, organized in different cities across the country together with Halki the elephant.

Halki the elephant was also present within the project **"Culture under the sky"** to improve the physical and mental development of children and young people and to encourage education in the cultural sphere, organized by the Bullfrogs Ballet School, as well as on the day of World Art Day – April 15, when **Bohemian Street in Debar Maalo** was turned into an open-air art gallery through an exhibition of children's drawings.

With a package of school supplies and Etiquette for children, Halki the elephant gave a warm welcome to more than 3,000 first-graders in 50 schools across the country who sat in the school desks for the first time in September.

Paying attention to the importance of inclusiveness, and as part of the project **"Be IN, be INCLUSIVE, be INCLUDED"**, which is financed by the European Union and managed by the "Step by Step" Foundation, in the Primary School "Grigor Prlichev" in Ohrid, a **Mural with a curious girl**, was painted on an area of 21 m2 at the school, which sent a message of inclusivity, acceptance of diversity and empathy with those who live with various challenges.

During October, the month of savings, gifts were again presented in several maternity hospitals in the country, this time with **Radosnici** - books with unique content and illustrations, specially created to capture the first significant moments of a child's life.

Last year, the campaign "**Let's hear them and hug them**" meant for the elderly, started with the purpose to raise awareness of the value and experience of the older generations and to encourage their dissemination and sharing with the younger generations in order to nurture the true values.

At the end of the year, the project "**Enduring Cultural Values**" started, with which the bank refers to the rich cultural heritage of Macedonia. Within the framework of the project, creative graphic designs, videos and messages inspired by specific parts of the Macedonian cultural heritage were created, with the aim of its preservation, promotion and affirmation. For this purpose, a corporate branding was created with motifs from folk costumes from different parts of the country, from rare archaeological objects that are centuries old, from "Teshkoto", churches and mosques that have been declared cultural monuments, and one of the main inspirations were the works of the doyens of Macedonian fine art - Nikola Martinoski, Borko Lazeski, Jordan Grabuloski-Grabul and Dimitar Kondovski. VIP customers of Halkbank AD Skopje received such creative graphic designs as a gift.

The bank continuously demonstrates its commitment to the community through its carefully selected initiatives. With a strong focus on social responsibility, Halkbank strives diligently to make a positive impact by extending its assistance to individuals of all ages, starting from the youngest to the oldest. The bank's commitment to the betterment of society is evident in its continuous efforts to provide education and support across multiple segments. Whether it's sponsoring educational programs for children or organizing financial literacy workshops for senior citizens, Halkbank ensures that all generations receive the attention and knowledge they need to thrive. Through these efforts, the bank continues to uplift the community, making a significant difference in the lives of countless individuals.

Management Information —— & — Corporate Governance

Supervisory Board of Halkbank AD Skopje

Osman Arslan
President of Supervisory Board

Mr.Osman Arslan was born on 17.09.1971 in Ankara, Turkey. He graduated from the Faculty of Science and Literature, Department of Statistics at Middle East Technical University. He holds MBA from the same institution. Mr.Arslan began his professional career in 1995 at Ziraat Bank. From 1998 to 2004 he served in managerial positions at various private banks. Between 2004 and 2012, Mr.Arslan served as Division Manager, Head of Deparment, and Deputy General Manager at Türkiye Halk Bankası A.Ş., and as General Manager of Arap TürHk Bankası (now A&T Bank). He began serving as the Deputy General Manager of Financial Affairs at Ziraat Bank, in March 2012. He was appointed as Executive Vice President for International Banking and Partnerships and in August 2014, as Executive Vice President for Information Technology Management. He served as Founding General Manager at Ziraat Participation Bank from February 2015 to June 2017. Mr. Arslan has been serving as member of the Board of Directors and General Manager at Halkbank since June 8, 2017.

Olcay Atlioglu
Member of Supervisory Board

Mr. Olcay Atlioglu was born on 02.01.1974 in Istanbul, Turkey. He graduated from the Faculty of Computer Engineer at Istanbul Technical University. He began his professional career at Yashar Holding Bilgi Islem A.S. as a Programmer. He later worked at Bima A.S. after that at Belbim A.S. as Programmer. He continued his career as a coordinator at Turk Ekonomi Bankasi after that at Disbank A.S. and Turkcell Technology A.S. In 2016 he continued his career as Director of Development Solutions at Etiya A.S.. Having worked as the Head of Department and Group Head at Halkbank Information Technologies, Olcay Atlıoğlu has been serving as the Deputy General Manager responsible for Information Technologies at Türkiye Halk Bankası AŞ as of July 28, 2021.

İlhan Bölükbaş
Member of Supervisory Board

Mr. Ilhan Bolukbas was born on 13.10.1971 in Samsun, Turkey. He graduated from the Faculty of Political science at Ankara University. He began his professional career at Vakiflar Bankasi TAO as Financial Analyst. He later worked at ING Bank-OYAK Bank as Auditor, Director and Head of group and as Head of Department in ICBC Bank Turkey. In 2014 he continued his career as Deputy General Manager in Ziraat Leasing and Head of Department in Ziraat Katilim Bankasi. As of 2017, İlhan Bölükbaş has been working as the Department Head at Türkiye Halk Bankası AŞ and as of June 11, 2019, he has been the Deputy General Manager in charge of Credit Allocation and Management.

Fatih Şahbaz
Member of Supervisory Board

Mr. Fatih Şahbaz was born on 01.08.1981 in Sorgun, Turkey. He graduated from the Faculty of Economics and Administrative Sciences at Selçuk University and afterwards he graduated from the Faculty of Law at Doğuş University. Mr. Fatih Şahbaz having successfully completed all requirements of "Economics History" Master of Arts Programme has been awarded the degree of Master of Arts (M.A.) in Ecomonics. He began his professional career at Ziraat Bank AS as an Officer. He continued his career as Financial Analyst at Halk Bankasi AS Turkey at Credit Processes and Company Analysis Department and in 2012 he served as Internal controller in tne Internal Controlor Department. In the period 2016-2018, he works at Department for Tax Management and Payments. From 2018-2019 he served as Branch Manager. As of 2019 he works as Head of Support and Purchasing Services Department, Group Manager of Human Resources and since November 2022 has been serving as Deputy General Manager in charge of Human Resources and Support Management.

Hasan Gökhan Kılıç
Member of Supervisory Board

Mr. Hasan Gökhan Kılıç was born on 04.02.1976 in Ankara, Turkey. He graduated from the Faculty of Engineering at Middle East Technical University. He began his professional career at Halkbank as a Programmer. He continued his career as Expert at Risk Management Department and In 2005 he served as Manager in the same Department. In the period 2007-2018, he was Unit Manager in Kocaeli Regional Coordinatorship, İstanbul Anadolu 2. Regional Coordinatorship and Ankara 3. Regional Coordinatorship. In the period 2018—2022, he works as Head of Performance Management Deparment and Human resources Department. As of April 2022 he works as Head of Cash Management Department.

Biljana Angelova
Independent Member of Supervisory Board

Ms. Biljana Angelova was born in Skopje in 1965. She graduated from the Ss. Cyril and Methodius University, Faculty of Economics in Skopje. She holds a Master's Degree and a Doctorate Degree from the Faculty of Economics. She started her career in 1992 as an assistant in the Institute of Economics, Department of Business Finance, and then became assistant researcher in 1993, assistant professor/ scientific researcher in 1999 and scientific advisor, full-time professor in 2004, which is still ongoing. In the period 2006-2008, she was appointed as Head of Department for International Management at University Ss. Cyril and Methodius in Skopje - Institute of Economics. From 2008 onwards, she has worked as Head of Department for Financial Management and from 2009 onwards, she has been Director of the Institute of Economics, University Ss. Cyril and Methodius in Skopje. Since September 2016 Ms. Biljana Angelova is appointed as Vice Rector for finance, investment and development at Ss. Cyril and Methodius University in Skopje. In 2016 she was appointed as Independent Member of Supervisory Board.

Boris Petrovski
Independent Member of Supervisory Board

Boris Petrovski was born in 1950 in Bitola. He graduated from the Ss. Cyril and Methodius University, Faculty of Law in Skopje. He began his career as Junior Legal advisor in LVK Lozar in 1975. He became Branch Manager in 1992 at IK Banka Bitola Branch. Between 2001 and 2011, he was Deputy General Manager and General Manager at IK Banka AD Skopje. In May 2011, he was appointed as Supervisory Board Member of HALKBANK AD Skopje.

Management Board

Dr. Bilal Sucubaşı

Chief Executive Director

Dr. Bilal Sucubaşı was born in Darende, Malatya in 1972. He graduated from the Faculty of Economics and Administrative Sciences at the University of Erciyes. Sucubaşı continued his education at the Department of Business, Management, Organization Department, Malatya at the University of İnönü. He holds a Master's Degree and a Doctorate Degree. He began his professional career as a teacher in Darende and used to be an intern at Counseling Finance, Malatya. He later worked as a clerk at Darende Branch, Deputy Head of the Directorate for Organization, Branch Manager in Aksaray / Ortaköy, Director of the Marketing Department of the individuals in the Regional Coordination Centre Diyarbakır, Manager of Corporate Marketing, Director of the Commercial Branch in Mersin, Director of the Department of Corporate Marketing at Halkbank, Turkey. From 26.12.2017, Dr.Sucubaşı is a President of Managing Board of Halkbank AD Skopje.

Turhan Ademi

Executive Director

After graduation from the Financial Accounting and Banking Department at the Faculty of Economics in Skopje, Mr. Ademi starts his career in JIK Banka at the credits and liquidity division of Skopje Branch. His professional career starts ascending in 1994, when he is active in IK Bank. In 1995, gains various positions as a Manager of Credit, Treasury and Liquidity Division, Manager of the Brokerage Department; as well as Acting Manager of IK Banka Branch Office Bitola. Important highlight in this period from 1995 to 1996 is the position of the Acting General Manager of IK Bank. Further milestone in Mr. Ademi's rising career is the position of Senior Vice President at Ziraat Banka AD Skopje from 1999-2001. Shortly after, in March 2001 he is being promoted as a General Manager which among other responsibilities includes membership of the Risk Management Board. After the successful acquisition of Ziraat Bank AD Skopje by HALKBANK AD Skopje, Mr. Ademi's next professional challenge and responsibility is the position of Executive Director and a member of Executive Board of HALKBANK AD Skopje. From June 2016 until December 2017 Mr. Turhan Ademi served as Acting Chief Executive Director.

Mr. Ademi as an Executive Director is responsible for the Division of HR and organization, Division of Credits and Division of Treasury and International Banking.

Buket Gereçci

Executive Director

The professional career of Mrs. Buket Gerecci begins with an employment in Garanti Bankasi A.S. Turkey in 1990, right after finishing the formal education and obtaining a Bachelor's Degree from the University of Ankara – Political Science Faculty, at the International Relations Department in 1989. After 5 years in service in Garanti Bankasi, Mrs. Gerecci in 1995 has the opportunity to work and develop professionally in another financial institution in Turkey – Toprakbank A.S. This working engagement lasts until 1997, when she is appointed as Head of the Gaziantep Branch, within the Finansbank A.S. In 2002, a new challenge arises in her career, when she is appointed in Asya Katilim Bankasi A.S, and in 2008 she is promoted as Deputy General Manager and Chief Operations Officer (COO). From 2011, she continued as a Chief Financial Officer as part of another company, in the oil industry in Turkey. Mrs. Buket Gerecci becomes part of the Halkbank family on 15.09.2014, hired as a consultant in the Bank. On 04.03.2015 upon the official approval from the National Bank of Republic of Macedonia, Mrs. Buket continues her engagement in Halkbank A.D Skopje as Member of the Managing Board of the Bank and Executive Director.

As an Executive Director, Mrs. Buket Gerecci is responsible for the Marketing Division and the Division of Operations and Information Systems.

Tomche Tasevski

Executive Director

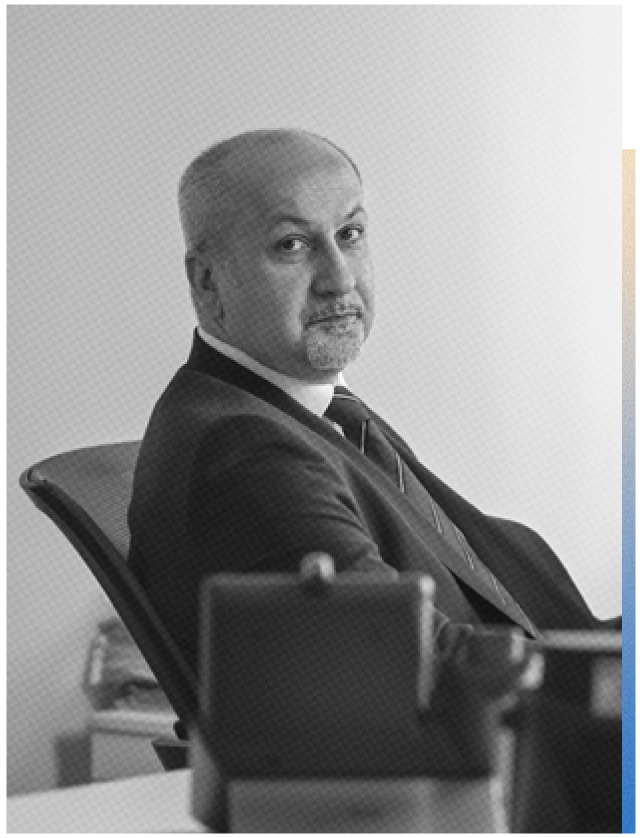
Mr. Tasevski is a graduated economist in bank management from the Faculty of Economics in Skopje. 26 years banking carrier lasting for 26 years started in 1990 in Ljubljanska Banka as a loan officer for SMEs. During his service has worked in three banks in Macedonia and one MFI – Opportunity International, on the positions as a client relationship manager, chief credit officer and deputy general manager, respectively. Since 2002, he has been in Halkbank AD Skopje (formerly known as Izvozna i Kreditna Banka) on the position of Operational Director and Corporate Division Manager. In 2009, Mr. Tasevski is being promoted as an Executive Director and member of Managing Board. Since 2011, he is president of Risk Management Committee. Moreover, he is ALCO and Credit Committee member. Currently, Mr. Tasevski remains on position of Executive Director within the Executive Board of Halkbank Skopje. He manages various projects and achieved targets and plans in the improvement of lending processes, branch network development and risk management. He takes active roles in more than 20 specializations in Germany, Italy, G. Britain and the Far East. He has been awarded Special Certificate by Bankakademie International Frankfurt in the field of steering of on-lending of MSEs. Mr. Tasevski, as an expert, has been panelist and active member on several annual meetings and conferences, such as, the Plenary Session of MFI in Budapest on the topic “Learning Lending Together”, the Annual Conference of EFSE on own topic “Housing Loans” and the Annual Conference of GGF on topic “Green Projects”. In the period 1998-2010 he has been a member of the Board of Trustees in the Macedonian Enterprises Development Foundation achieved positive and successful results supporting start up projects, micro businesses and entrepreneurship in the rural regions.

As Executive Director, Mr. Tasevski is responsible for the Division of Risk Collection Liquidation, Legal and Information Security, Division of Financial Management and Planning, Internal Control Department, Risk Management Department and Compliance & AML Department.

Senior Management

Marija Kiroska Jovcheska

Head of
Credit Division

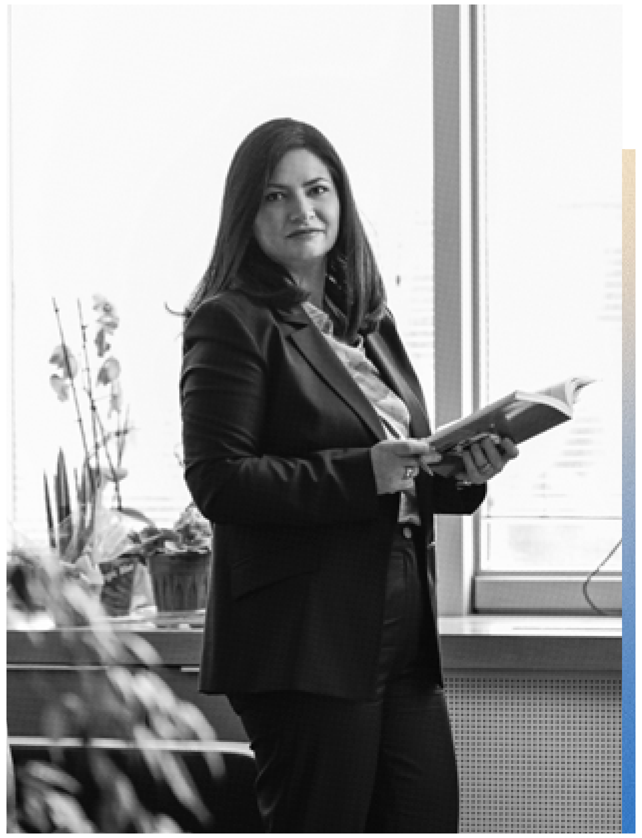


Kiril Buhov

Head of
Division of Operations
and Information System

Muhammed Hadzipazi

Head of
Division of HR
and Organization



Derja Hamza Seferi

Head of Division of Risk Collection Liquidation, Legal and Information Security

Berkan Imeri

Head of Division of Financial Management and Planning

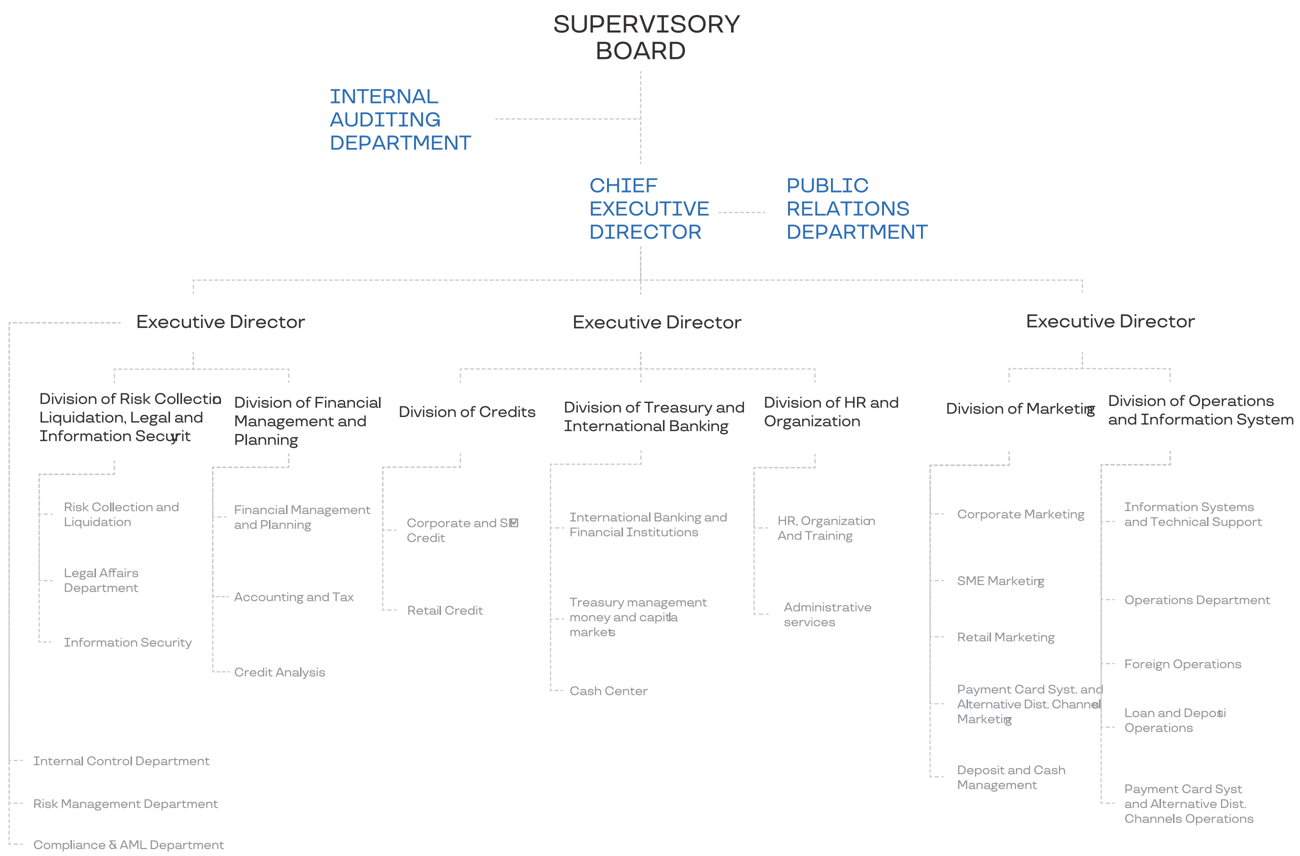
Aleksandar Iljov

Head of Division of Marketing

Levent Ajrula

Head of Division of Treasury and International Banking

Organizational Structure



Supervisory Board's Report

Within the frames of the legally defined competences and main acts which regulate the Business Policy of the Bank and its main objectives, the Supervisory Board performed its duties during 2022.

Its duties were determined in line with Bank's strategy, giving suggestions and directions for undertaking measures and activities for successful maintenance of Bank's position in the banking system, following trends and news, improving receivables collection, harmonization of its performance with the market needs, etc. All members of the Supervisory Board provided active and significant contribution to the functioning of the Board. All decisions of the Supervisory Board were made in a transparent and documented manner, based on a complete and objective assessment. According to the principles of good corporate management, the Supervisory Board had good cooperation with the Management Board, the Risk Management Committee, the Audit Committee and the Internal Audit, without participating in the daily management of the Bank. This manner of operation of the Supervisory Board contributed to stable, safe and efficient management and appropriate supervision over Bank's bodies and their operation. All listed Members of the Supervisory Board have knowledge and qualifications necessary to carry out their tasks and have the substantial and practical knowledge of the Bank activity, taking into account its specificity.

The selection of the Members of the Supervisory Board reflects the care for diversity of their professional experience, knowledge and skills. All Supervisory Board members listed in the table were focused on implementation of internal credit rating, system and the qualitative classification of loan customers, which was an important turning point in managing the quality of credit risk management and served as a basis for advanced corporate governance tools in the coming years as well.

All Supervisory Board Members hold university degrees with management capacities. Moreover, the Supervisory Board Members are very active in the economic and legal life of Macedonia and Turkey. The table no. 1 shows the list of the Supervisory Board Members of Halkbank A.D Skopje for 2021 (SBM).

1. Osman Arslan	03.10.2019	02.10.2023	PSB
2. Ilhan Bolukbas	03.11.2017 / 26.11.2021	23.11.2025	SBM
3. Olcay Atlioglu	02.05.2018/30.05.2022	23.05.2026	SBM
4. Fatih Şahbaz	30.07.2020	27.07.2024	SBM
5. Hasan Gokhan Kilic	13.05.2019	02.05.2023	SBM
6. Boris Petrovski	03.10.2019	02.10.2023	ISBM (independent)
7. Biljana Angelova	12.09.2016 / 22.09.2020	18.09.2024	ISBM (independent)

On March 14, 2022, Mr. Olcay Atlioglu was re-appointed as a member of the Supervisory Board by the Shareholders Assembly, the consent was issued by the National Bank of RSM on May 20, 2022 and the entry in the Central Registry of the Republic of North Macedonia was made on May 30, 2022.

Executive Management Board

In 2022, the Executive Management Board was in permanent coordination with the Supervisory Board of the Bank in a very comprehensive manner that made all operational processes of the Bank transparent.

In compliance with the adopted organizational scheme, the rights and responsibilities were distributed to every single Executive Management Board member who monitored daily activities of particular divisions, departments and branches of the Bank. In general, on daily basis, they were monitoring the activities and operational results of the organizational units of the Bank and on quarterly basis, they measured performances of branches and sub-branches of the Bank. The Executive Management Board of HALKBANK AD Skopje is composed of four members who represent the Bank and manage its regular activities. The following table shows the list of the Executive Management Board Members for 2022 (EMBM).

	Licensed on	Member till	Title
1. Bilal Sucubasi	26.12.2017 / 14.02.2020 / 11.02.2022	Ongoing	CEO
2. Turhan Ademi	29.01.2013 / 01.02.2017 / 29.01.2019 / 04.02.2021/ 31.01.2023	Ongoing	EO
3. Buket Gerecci	10.03.2015 / 05.05.2017/01.07.2019 / 12.08.2021	Ongoing	EO
4. Tomce Tasevski	06.07.2009 / 06.08.2013 / 21.08.2015 / 30.08.2017/23.08.2019 / 09.11.2021	Ongoing	EO

At its regular meetings, the Management Board has taken a number of actions and adopted a number of work instructions, procedures, guidelines, plans, rulebooks and has performed modifications, amendments and corrective measures within the scope of its authorizations.

The Executive Management Board in 2022 focused its work towards stable, compliant and effective operation of the Bank by rising the position of the Bank in the banking sector in North Macedonia, through planning new products and services, as well as through development of the existing ones through its own business units, by increasing the network of branches, increasing the volume of the card operations and E-Banking, reducing the operational costs, while constantly taking care of the compliance of the work of the Bank through harmonization of its regulations and operations with the laws and bylaws.

Corporate Governance

The corporate management of the Bank represents collection of mutual relations between the Board of Directors, other persons with special rights and responsibilities executing managerial function in the Bank, the Supervisory Board, the shareholders of the Bank and other interested parties.

In the course of 2022, the Shareholders Assembly held 1 (one) General Shareholders' Assembly and 2 (two) Extraordinary Shareholders Assemblies.

At the Extraordinary Shareholders Assembly held on 14.03.2022, the following were adopted:
Decision on re-appointment of member of the Supervisory Board.

At the General Shareholders Assembly held on 30.06.2022, it was decided on the adoption of the Annual Report for 2021 and the written opinion of the Supervisory Board; the Annual Account of the Bank for 2021; the Financial Statements of the Bank for 2021, prepared in compliance with the accounting regulations of Republic of North Macedonia, the International Financial Reporting Standards and the International Accounting Standards, audited by the audit company; the Report of the Audit Company for 2021 and the written opinion by the Supervisory Board in the same regard; the enactment of a Decision on distribution of the profit for the year ending on 31 December 2021; Decision on increase of the nominal capital of Halk Banka AD Skopje by issuing shares through a private offer with the XIX-th issue of shares to an institutional investor, and Decision on adoption of amendments to the Statute of Halk Banka AD Skopje; review of the Annual Report on the operation of the Supervisory Board in 2021 by individual members and collectively.adoption of a Decision on selection of an audit company.

At the Extraordinary Shareholders Assembly held on 04.11.2022, the following were adopted: Decision on selection of an audit company.

Risk Management

Risk management is integral to all aspects of the Bank's activities and is the responsibility of all employees. The risk management culture emphasizes careful analysis and management of risk in all business processes. Bank's senior management has a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls.

Risk management framework of Halkbank Skopje is defined as an overall approach which includes policies, processes, controls and systems through which it is established, communicated and follows the risk appetite. Adoption of formal Risk appetite framework systematizes existing culture of risk, principles, objectives and measures. Risk appetite represents aggregate level and types at risk that the Bank as a financial institution is ready to take or avoid within its risk-taking capacity to achieve its strategic objectives defined in the business strategy. In this respect, Risk appetite framework is included in other important risk documents and policies, such as the Bank's business strategy, risk management strategy, risk profile, ICAAP, ILAAP and recovery plan.

The effective risk management framework is a key tool for managing and a key component of healthy risk management throughout the Bank. The Risk appetite aims to align strategic business objectives with the risks and financial objectives defined in the above documents and policies. The Bank is dedicated to developing a culture of focus towards the client, awareness of risk, integrity, effective organization and social responsibility. The trust of the clients, employees, shareholders and society in which the Bank operates considers it a deep responsibility and the Bank tries to respect this trust by working together with the parties concerned to positive change, mutual benefit and growth. The Bank defines its key values such as:

↘Responsibility to clients, employees, shareholders and the social environment;

↘Efforts to achieve promises and goals;

↘Open communication and cooperation;

↘Seeking solutions to improve their activities;

↘Efficiency in fulfilling its commitments.

Halkbank Skopje forms a holistic view of its viability and sustainability. Through a review of its strategy and business model, adequate corporate risk management and analysis conducted as part of ICAAP, ILAAP and the Recovery Plan, the Bank assesses the continued viability and sustainability of its business model. Sustainability is assessed through analysis of profitability, adequacy of capital and liquidity over the multiannual planning horizon. Sustainability is estimated through profitability analysis, forward looking stress test and scenario analyses and stress testing backwards over the planning horizon of 3 years.

Risk appetite covers all relevant activities, operations and systems falling within its risk scope. Risk appetite inserts the framework in the decision-making process within the risk management institution with the intention of communicating and promoting the framework through the bank. The framework also highlights the roles and responsibilities of its implementation and monitoring.

For effective risk management the risk management framework separates identified risks into the following risk categories: credit risk (including credit risk, counterparty risk, country risk and concentration risk), market risk, interest rate risk, liquidity risk, operational risk (including operational risk, legal risk and compliance risk), strategic risk and reputational risk. The methodology for measuring these risks includes quantitative and qualitative measures.

↘Quantitative risk metrics are defined in order to monitor the risk appetite and to report to the relevant decision making bodies within the Bank's hierarchy. On monthly basis, the Risk Management Department prepared Risk appetite dashboard, contain all quantitative risk assessment matrices. By making comparison of the realized balances and ratios with the one from the Risk appetite, development in the context of the risk appetite can be identified. Additionally, appropriate actions are undertaken in order to control the level of risk being taken.

↘Qualitative risk metrics complement quantitative measures. These are presented in Bank's Risk appetite, including the motivation for taking on or avoiding certain types of risks, products, country/regional exposures, or other categories.

Risk indicators

	31.12.2021	31.12.2022
Capital indicators (%)		
CET1	16.45	16.89
Tier1	16.45	16.89
CAR	16.49	16.91
Leverage ratio	13.37	14.62
ICAAP ratio*	146.82	153.66
Liquidity indicators (%)		
LCR	176.38	120.81
LTDn	95.06	99.46
Assets quility ratio (%)		
NPL share in gross loans	1.64	1.43
NPL coverage	60.14	62.81
NPL growth	91.74	0.50
Industry concentration	17.49	15.89
Individual concentration (1.000 largest exposures)	0.52	0.67
Exposure in stage 2	4.64	3.04
Cost of risk (bps)	42.06	81.84
Share of 10 largest exposure in the regulatory capital	98.56	115.61
Market risk (%)		
Change in NII (300 bps)**	4.10	3.91
EvE (300 bps)**	13.02	7.83
VpV (200 bps)**	8.73	7.49
Currency risk (OCP)**	-0.72	12.40
Operational risk		
Net loss from OpR (%)**	0.04	0.02
Net loss from internal fraud (mEUR)	0.00	0.00

** Indicator is calculated yearly, with in the ICAAP proces*

*** Indicators are calculated as a percent of regulatory capital*