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Halkbank AD Skopje in 2023

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 fourth largest bank on the market, amounting EUR 1.596 million.

We have 773 employees.

We have widely distributed POS terminals used by our trade partners, counting 8.392 active terminals in total.

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 are present all over the country, offering services to our clients through our wide branch network that includes 45 branches.

Our ATMs network includes 146 ATMs

We serve thousands of retail clients, small, medium-sized and corporate businesses and public institutions.

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 12.846.910.000 divided into 1.284.691 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 1.279.905 ordinary shares i.e. 99,63% 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.	1.279.905	12.799.050.000	99.63
Other Shareholders	4,786	47,860,000	0.37
Total	**1.284.691**	**12.846.910.000**	**100**

Key financial indicators

By the end of 2023, HALKBANK's total assets increased from EUR 1.365 million to EUR 1.596 million.

in 000 EUR	2018	2019	2020	2021	2022	2023
Total Assets	767.150	933.740	1.085.929	1.181.698	1.365.292	1.596.046
Liquid Assets	93.371	149.649	171.993	162.885	219.955	325.196
Gross Loans	549.599	616.479	717.710	800.984	922.367	1.017.466
Securities	103.418	122.577	136.517	147.318	149.229	177.651
Total Deposits	551.554	675.663	830.452	910.460	1.046.470	1.224.112
Shareholders' Equity	105.115	131.364	149.012	179.475	217.202	270.840
Net Interest Income	24.125	25.954	26.110	29.835	34.713	57.760
Net Fee and Commission Income	5.237	5.467	5.528	7.659	10.672	12.722
Net Profit	10.685	11.417	9.019	10.626	12.077	20.327

Key Ratios (%)	2018	2019	2020	2021	2022	2023
Net Interest Margin	3,15	3,06	2,58	2,63	2,72	3,9
Cost/Income Ratio	56,96	59,18	64,54	65,43	59,49	47,3
Net Fee Income/Operating Expenses	28,84	27,44	24,63	28,73	36,24	34,95
NPL Ratio	0,78	0,78	1,02	1,74	1,47	2,22
Loans/Assets	71,64	66,02	66,09	67,78	67,56	63,75
Loans/Deposits	99,65	91,24	86,42	87,98	88,14	83,12
Securities/Assets	13,48	13,13	12,57	12,47	10,93	11,13
RoA	1,41	1,34	0,9	0,94	0,96	1,39
RoE	12,52	10,68	6,93	6,88	6,45	8,92
Capital Adequacy Ratio (CAR)	14,93	15,33	15,01	16,49	16,91	17,93

Halkbank's Position in the Sector

Three-year summary financial information

in 000 EUR	2019	2020	2021	2022	2023	Growth in 2023 (%)
Total Assets	933.740	1.085.929	1.181.698	1.365.292	1.596.046	16,9%
Brut Loans	616.479	717.710	800.984	922.367	1.017.466	10,3%
Total Deposits	675.663	830.452	910.460	1.046.470	1.224.112	17,0%
Shareholders' Equity	131.364	149.012	179.475	217.202	270.840	24,7%
Net Profit	11.417	9.019	10.626	12.077	20.327	68,3%

Market Share percentage (in %)

in %	2017	2018	2019	2020	2021	2022	2023
Assets	9,1	9,4	10,4	11,4	11,4	12,3	13,1
Loans	9,6	10,6	11,2	12,5	13,0	13,6	14,4
Customer Deposits	7,3	7,4	8,6	10,0	10,2	10,5	11,6
Equity	10,4	11,9	13,3	13,5	15,0	15,8	17,9
Net Profit	8,2	7,9	10,0	7,7	7,2	7,7	8,7

Halkbank's Milestones

1993

HALKBANK AD Skopje was established as a joint stock company.

1998

Became the first Western Union authorized agent in Macedonia.

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.

2005

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

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.

2007

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

2008

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

2009

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

2010

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

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.

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.

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.

2014

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

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.

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".

2018

↘ New corporate slogan.

↘ Official sponsor of National Handball Federation

↘ Bought an Insurance company – Halk Insurance Skopje

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.

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.

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 moby 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".

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.

2023

In 2023 Halkbank received an award for the Conference “Guardians of Wisdom” in the category Best Summit, Congress or Conference at BEAM Festival. The conference is part of the campaign for elderly people “Let’s hear them and hug them”.

Donation of new school, donated by the Macedonian-Turkish Chamber of Commerce and its members for the students from the Turkish city of Malatya, hit by the devastating earthquake.

15.000 plants planted in Berovsko as part of the HalkEco socially responsible practices.

Corporate branding with contemporary design inspired by Macedonian rich cultural history, for affirmation of lasting cultural values.

Organization of “Dresses with pockets”, the first fashion show dedicated to women's financial freedom where the package for female entrepreneurs was promoted.

Creation of financial literacy book for children and young people as part of a campaign for supporting young people gaining basic financial knowledge and celebration of the month of saving – October.

Vision, Mission, Targets & Corporate values

Name of the Bank: **HALKBANK**

Meaning of the name: **People's Bank**

Our slogan: **People matter**

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

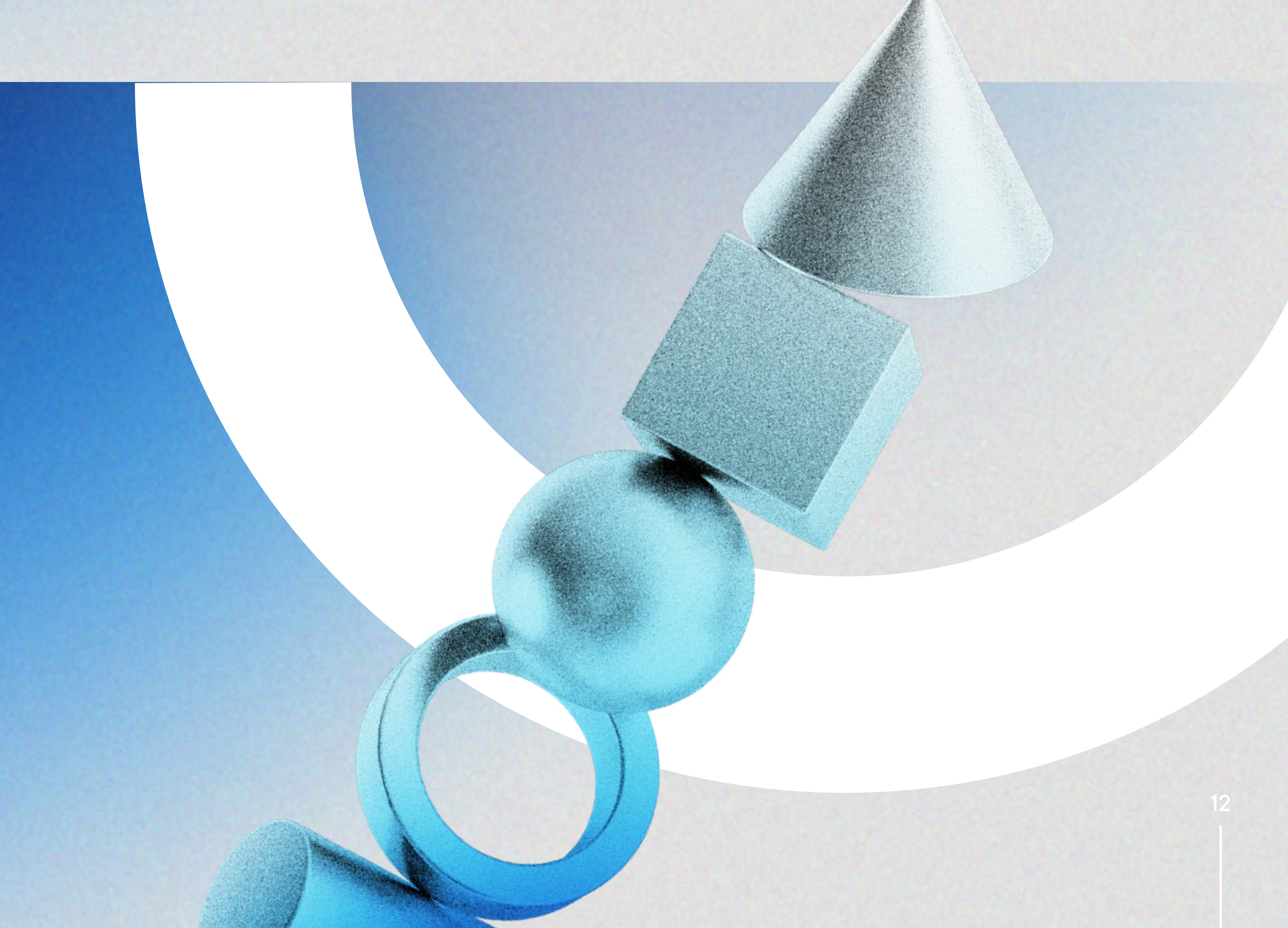
- Customer focus
- Reliability
- Integrity and respect
- Fairness, trust and transparency
- Operational excellence
- Innovation
- Value creation
- Productivity
- Openness to change
- Sharing knowledge and experience
- Social responsibility awareness

Our main principles:

- Offering excellent service to our clients 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

2023

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

Osman Arslan

Chairman of the Supervisory Board

Dear,

In 2023, Halkbank AD Skopje once again confirmed its position as one of the largest and strongest brands on the Macedonian financial market. Even in the conditions of a tight monetary policy, the Bank managed to offer the most competitive products on the market, which resulted in growth both in lending and in the deposit base, growth in assets and of course a respectable profit was achieved.

Each crisis is an opportunity. Analyzing the responses, plans and procedures, tools and assets allows to identify lessons and make recommendations for improvements. Since the economic crisis continued in the past year, with a weaker intensity, of course, it allowed us to learn to work in the conditions of a changed monetary policy, with an increase in interest rates, something completely different from the previous years. The achieved results are certainly proof that we were on the right track.

We are extremely grateful to our dedicated employees, team members, and of course to the customers and shareholders who have placed their trust in us. Thanks to them, Halkbank AD Skopje is the fastest growing bank with 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.

In 2024, we will continue to respect the principles that have served us well over the years, so our position as a bank will continue to be strong. We will continue to follow banking trends and expand the range of innovative products and services in order to be the first bank to implement and bring them closer to the Macedonian market. We will continue to pay special attention to micro, small and medium-sized enterprises, which are very important for the economy and who are able to find a reliable partner in us; but also every medium and large company that we are ready to support in their growth efforts.

Social responsibility will continue to be one of our priorities by supporting culture, sports, education, inclusiveness, older generations, vulnerable categories and of course ecology. We, as an eco-oriented company, through various campaigns and a large number of implemented actions and initiatives, make really great efforts to make a visible contribution to a better, cleaner and healthier environment for everyone, but also towards encouraging greater responsibility among every actor in society and raising awareness that we all have the same home - planet Earth, which we should take care for. Preserving forests, but also the overall well-being of our planet, is something that concerns us all and an obligation that we must not allow ourselves to stop, especially when it comes to our local community.

The bank's strategic goals in the coming period will be maintaining the position of one of the leading banks in the sector, achieving stable growth and a sustainable level of profitability on the path to sustainable banking and socially responsible action to achieving a greener world and a sustainable future.

This year, at the same pace, we continue to create value for our employees, for our shareholders and for North Macedonia with all our activities in the light of our multidimensional sustainability strategy.

With respect,
Osman Arslan, Chairman of the Supervisory Board

MESSAGE FROM THE CEO

Bilal Sucubaşı

Chief Executive Officer

Dear shareholders, customers, dear colleagues, friends,

The past year 2023, although again filled with a series of uncertainties at the global level, compared to 2022, the economic flows began to stabilize slowly.

Although the monetary policy of the central banks continued to be tightened in order to reduce inflation, and the National Bank of RNM followed the same steps, however, the banking sector even in times of crisis confirmed its stability and reliability and continued to be a support for the country's economy.

Halkbank delivered positive results in every domain even in these conditions, with interest growth and tight operating conditions. Our strategy to constantly offer a variety of products and services on the market according to the demands and needs of customers with the best terms and accomplishing positive socially responsible practices is proving to be the best way to create value for everyone - for the state, shareholders, employees and customers.

At the end of December, we noticed a significant result in terms of the deposit base, which exceeded one billion euros, of which 1,020 million euros are deposits of clients - legal and retail clients, which increased compared to the same period last year by 171 million euros. At the same time, the deposits of the corporate sector have increased by 80 million euros, and those of the population - by as much as 90 million euros. The reason for this growth in the corporate sector is probably the "retention" of the bigger costs due to the crisis that brings uncertainty, while in the segment of the retail clients is the attractive deposit products, with attractive interest rates, that we offered to the market.

In terms of lending, and in conditions of a tight monetary policy, we have an increase of over 95 million euros. This is mostly due to the corporate sector, where we had an increase in lending amounting to almost 90 million euros. When we talk about legal entities, there is a growth in lending for all sizes of companies. The biggest growth, of course, is in the segment of large companies, but there is also an increase in medium, small and micro companies. Our assets with the calculated increase now already amount to 1.6 billion euros. Our net profit, as of December 2023, amounts to 20.3 million euros. All this confirms the fact that Halkbank is a strong brand and a reliable and stable bank.

Our business imperative in the past year has been paying particular attention to corporate social responsibility as a way to help individuals and the community as a whole. From there, we supported a variety of social activities in the field of sports, culture, education, support for the youngest in the field of education and training, paying attention to the older generation towards sharing their wisdom and more. We are especially proud of our "green agenda" and recognition of Halkbank as an eco-oriented bank that helps increase the forest fund in North Macedonia, encourage healthy lifestyles and protect nature.

And in 2023, we 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. That's why we continued to introduce new products and services that bring new user experience and satisfaction to our current and future customers. This principle guides all our activities and is applied in our daily engagements.

In the coming period, we will continue to build our brand and achieve the goal of being one of the largest banks in the country and the first choice of customers. We will achieve this by offering new, innovative services with the best conditions on the market and by monitoring and implementing new technologies that develop at an unstoppable pace and open many new opportunities. We will continue to be an example of socially responsible actor with our support for social activities. Here, of course, a special place will be occupied by our eco activities, whose main goal is to make a direct contribution towards increasing greenery and protecting nature, but also raising awareness of the need for all individuals and concerned parties to take care of the natural environment. Within those frameworks, as we have already announced, we will realize a large five-year donation of 1,000,000 seedlings for afforestation of the country in regions where it is needed. We will achieve all that with our employees who are the basis of our success.

With respect,
Bilal Sucubasi, Chief Executive Officer in Halkbank AD Skopje

Activities in 2023

2023

Product highlights

Your salary is worth more!

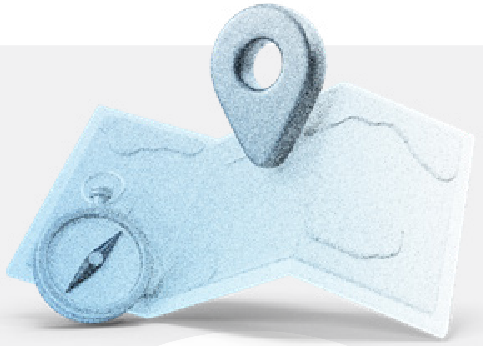
Benefits package for salary receivers.

Promo deposit!

Deposit with promotional interest rate of up to 3,8% for savings in mkd and 3,0% for savings in eur.

The world is sparkling at you!

Possibility of winning travel vouchers for a trip of the client's choice while paying with Mastercard debit and credit cards on POS or virtual POS.



Update data quickly and simply!

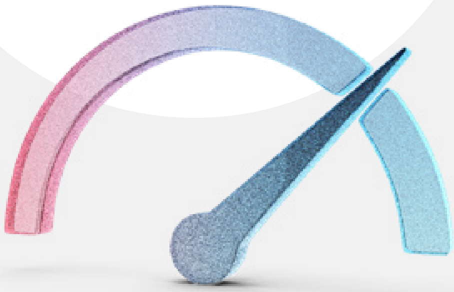
Possibility for personal data online update.

Click and save with online deposit!

Product is intended for individuals - users of Halkbank electronic banking with fixed interest rate up to 36 months tenor.

Pay & Get

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.



Dream interest rate!

Consumer loan with the lowest fixed interest rate on the market through the whole loan repayment term.

For a clean 10!

Student package with many benefits and products intended for students at 16 to 24 years.

Next destination!

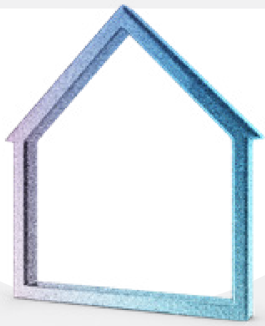
Travelling safely with Visa Travel credit card featuring roadside assistance and travel insurance.

Ideal!

Consumer loan with a fixed interest rate of 5,7% in the first two years and amount of up to 1.500.000 mkd with life insurance policy and accident insurance policy.

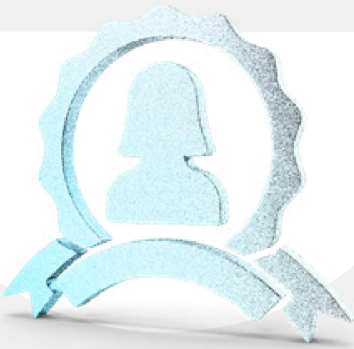
Luck^2 – Own apartment is double happiness!

Housing loan with fixed interest rate of 3,5% for 5 years or fixed interest rate of 3,85% for 10 years.



Truly free!

Halkbank's promotional package for women entrepreneurs.



Corporate and SMEs Banking

Continuous growth of SME and corporate loan portfolio in 2023

Customer-centricity remains pivotal for Halkbank AD Skopje. As one of the largest and systematically important banks in North Macedonia's financial sector, the Bank reaffirmed its commitment to understanding and addressing clients' needs throughout the year. Despite significant challenges and a slow economic recovery, Halkbank AD Skopje provided steadfast support to corporate clients, aiding them in navigating operational and liquidity impacts.

SMEs continue to be a cornerstone of Halkbank's operations, recognized as drivers of the domestic economy. We prioritize maximizing SME satisfaction through innovative products, services, and solutions. Our efforts have been well-received, fostering confidence and strengthening our relationships with SMEs.

As a leading player in the domestic corporate loans market, Halkbank AD Skopje offers syndicated financing and project finance solutions to corporate investors. Throughout 2023, we supported companies in realizing new projects, providing extensive financing opportunities and comprehensive support across the financing lifecycle. Our dedicated team played a pivotal role in guiding and executing several project financings and acquisitions, including syndicated arrangements where Halkbank AD Skopje led in structuring and negotiating financing.

In 2023, the total corporate loans market had a net growth by EUR 107 million compared to 2022. Halkbank AD Skopje's share of this growth amounted to EUR 97.16 million (19.1% increase compared to Halkbank's corporate and SME loan portfolio as of 2022), solidifying our position among the leaders in corporate loan expansion for the year. Our corporate loans portfolio reached EUR 607 million, representing 17.6% of the market share, underscoring our commitment to sustained portfolio growth while maintaining stability.

Credit line utilization remained a crucial driver of our growth strategy in 2023.

Throughout the year, Halkbank AD Skopje effectively utilized credit lines from various financial institutions, including:

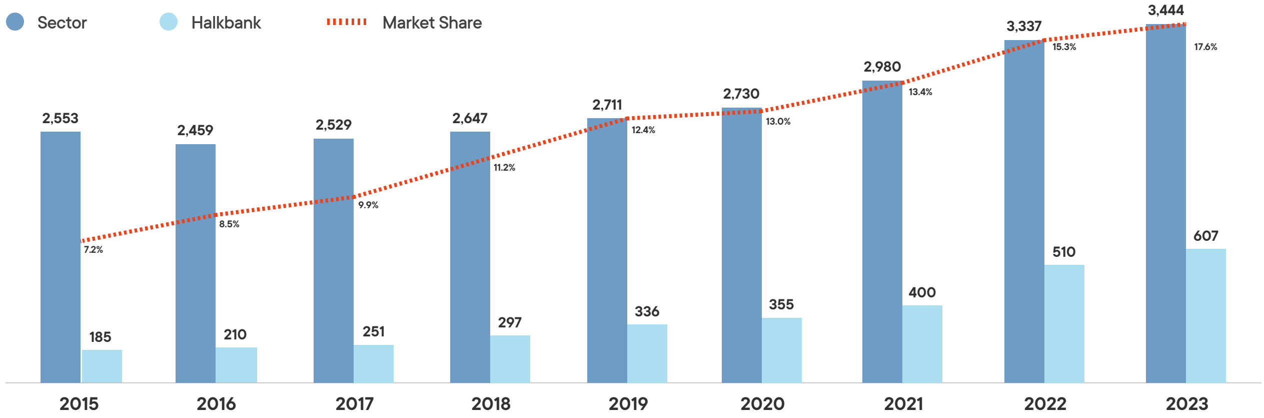
EIB credit line -facilitated through the Development Bank of North Macedonia, supporting micro, small, and medium-sized enterprises (MSMEs) and priority projects within North Macedonia.

Employment Service Agency of North Macedonia project, also managed through the Development Bank of North Macedonia - aimed at promoting self-employment, training for unemployed individuals, and fostering entrepreneurship across various sectors.

KFW credit line - providing support to companies in manufacturing, agriculture, services, and trade sectors.

GGF credit line - financing, focusing on energy efficiency projects to help Macedonian businesses reduce energy consumption and carbon emissions.

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 which HALKBANK AD Skopje continued increasing its retail banking business line in 2023.

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.

Halk Bank AD Skopje continued to grow its retail banking business in 2023 by using creative marketing approaches for diversified customer segments.

2023 was successful year in part of retail activities and loans disbursements.

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 2023 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.

Efficient, direct and connected

In 2023, 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.

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 their members.
- ↘ 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 2023, gross retail loan portfolio reached EUR 425.859 million.

In 2023 retail segment market share of HALKBANK is 11,59% 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 2023, 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 2023, 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 2023. The market in housing loans segment during 2023 was enlarged up to almost EUR 156 million in which HALKBANK was included with almost 11,43% of the market share in the country.

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 2023, the Mortgage Portfolio reached almost EUR 60 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.

3. Consumer Loans

In part of consumer loans, in 2023 we succeed to disburse over 10.378 loans and in amount 108 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.

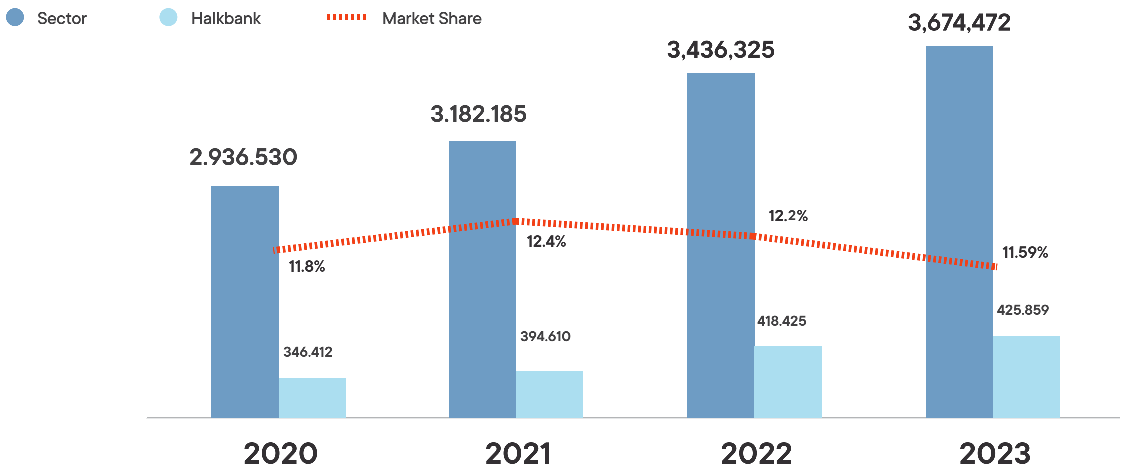
Significant bank in the banking sector in terms of outstanding and net increase of Total Retail Portfolio

2023 has been successful for Halkbank AD Skopje, operating in constantly increasing competitive banking market. During 2023, 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 2023, 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.

1.2 Market share of Total Portfolio in 000 EUR



Clients with salaries and overdrafts

The number of clients who get their incomes in HALKBANK AD Skopje increased in 2023 and reached 89.010. 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 30.849 at the end of 2023.

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 2023 to 1.53 % at the end of the year.

NPL Ratio	31.12.2023
HALKBANK	1.61 %
Retail Sector	1.87 %

Activities in 2023

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.

We improved the 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
January – December 2023	1.734	2.864.244	17%

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 July 2023 we had Presentation of the Bank for Police Academy (more than 450 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.

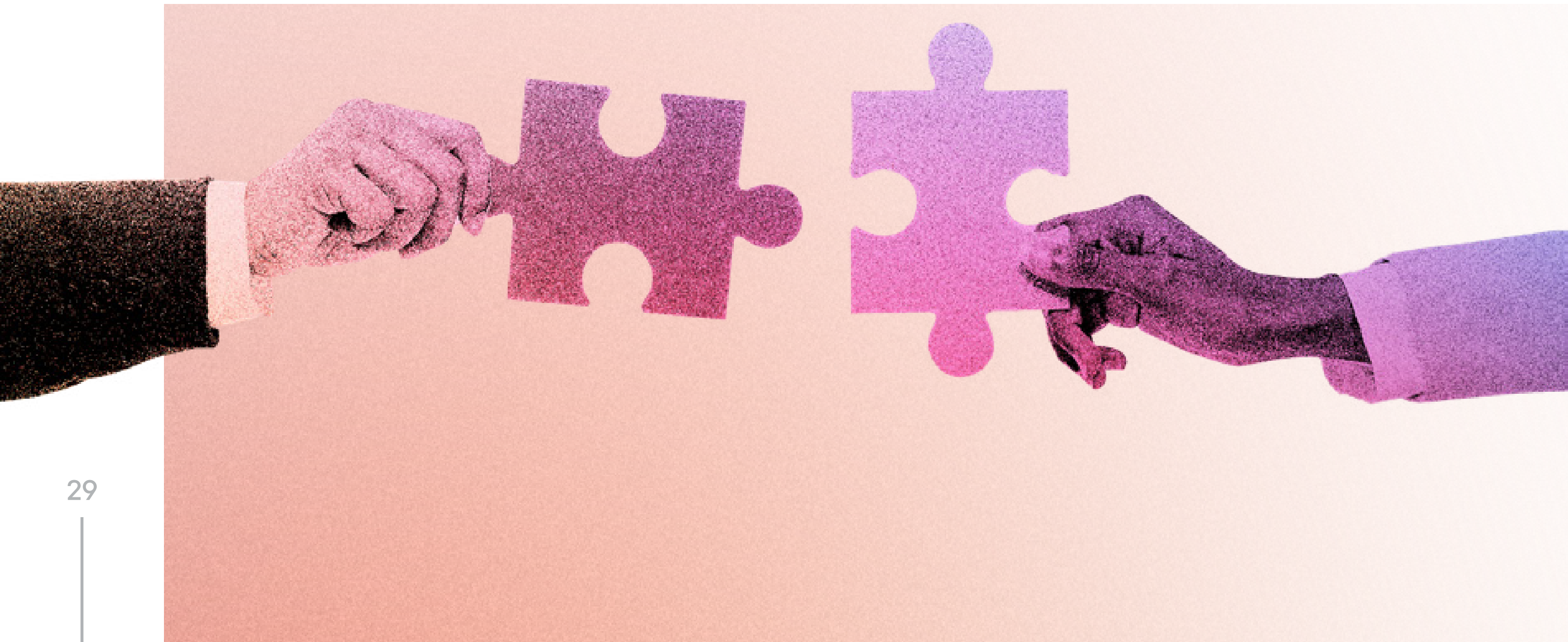
Throughout the year were visited most of the organizations that are part of the syndicates.

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.**

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

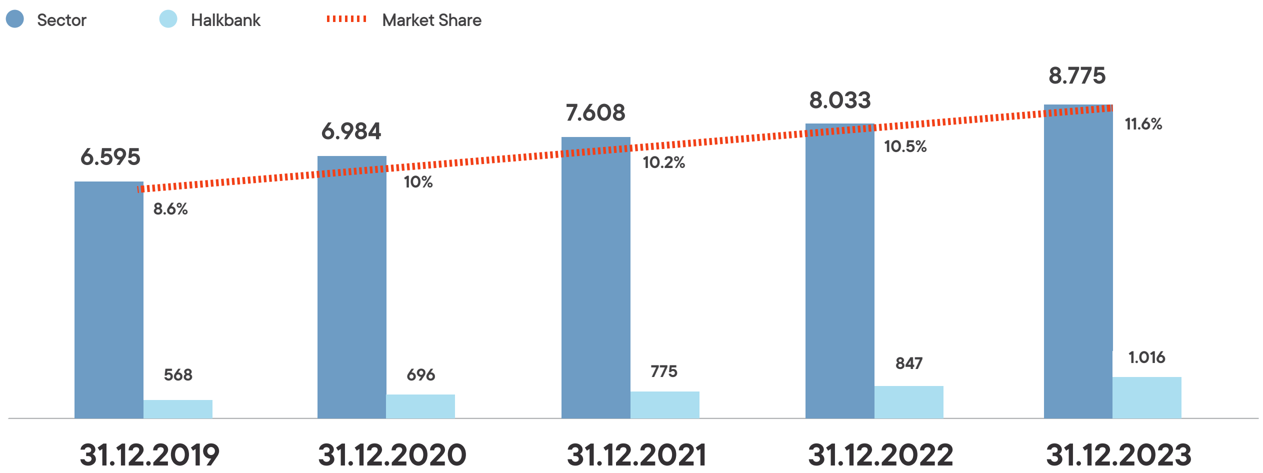
Halkbank total deposits in 2023 have increased by EUR 177,6 million and reached EUR 1.224,11 million

Market share in 2023

In 2023, Halkbank AD Skopje has continued its growth in deposit and increased its market share. By the end of 2023, the market share in total deposits has reached 11.6%. **In retail deposits**, we have managed to increase the deposit portfolio by EUR 90.4 million and reached EUR 534,83 million, while in **corporate deposits** we have managed to reach EUR 485.16 and we have managed to increase the corporate deposit portfolio by EUR 80.1 million. Deposits from financial institutions reached 64.26 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 2.17% as of end 2023.

1.3 Total Customer Deposits in Banking Sector - DFC (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 239.846 (retail 222.260 and corporate 17.586 clients) and increased for 20.745 deposits clients on yearly base. In addition, number of newly opened accounts increased for 28.070, reaching 323.026 active transaction accounts in total.

Alternative Distribution Channels

A digital future

The digital era that has started in the past years, continued in 2023 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 2022 is 13.642 new users or 20%. Mobile transactions for retail and corporate clients as well grew by 41% comparing to 2022.

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

We introduce digital way of updating personal data for the clients. Through the mobile application OneID, our clients can update their personal data using their phones or PCs, without going in Halkbank`s branches.

Individual and Corporate E-banking platform was improved by adding additional functionalities for our clients. We implemented Corporate Push Notifications such as info for outflows, inflows and promotions, SMS info and card blockade for the individual users. The Digital Banking department – Marketing will keep looking for digital opportunities that will contribute to facilitate clients' everyday life.

Leader in innovative features

In 2023, the total number of debit and credit cards reached 201.218 plastic cards (Debit 167.264 + Credit 33.954). Considering this, the total transactions with debit cards achieved growth of 20% with a total number of over 17 million transactions and realized turnover of 528 million EUR. Over 1,4 million credit card transactions were made, amounting to over 37 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 cards 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 card payments at Booking.com. Total number of reservations made throughout the link were 225.

Digital Banking – Marketing department organized a staff incentive campaign for Visa cards in duration of 5 months in 2023 with a total number of 6.754 activated cards.

Growth as a key point

The number of POS terminal kept growing so by the end of 2023, it reached 8.392. In this segment, the bank gained market share of over 26%.

Over 43 million POS transactions were processed which lead to over 566 million EUR turnover. In these terms, the POS transaction growth was 13% 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 2023 is 146 and 44 of those are cash in.

New digital steps

In the following year, 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, digitalization is one of the key points of banks actions. Onboarding, (online opening payment account and applying for E-banking), online applying for debit and credit card), SoftPos, RingPay, Google and Apple Pay are planned for the upcoming period.

The focus of the digital banking department will be growth of digital payments and transactions throughout different digital channels.

Activities in 2023

- Bonus campaigns for clients
- ATM withdrawal without commission every last week of the month
- Ecommerce merchant activity
- Visa Student Package Promotions
- Branch Cross selling
- Visa Staff Incentive Challenge
- Visa Travel – new credit card
- Visa activation campaign
- Mastercard Pay & Get – cashback campaigns
- Mastercard Woman Package where business cards are included
- Mastercard prize winning game – The world is sparkling
- New ATM's (cash in)


HALKBANK

International Banking & Financial Institutions

International Banking & Financial Institutions

Halkbank AD Skopje in 2023 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 170 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 2023 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 2023 with support to domestic economy using funds from the European Investment Bank (EIB) and funds from the KfW (Kreditanstalt für Wiederaufbau) In 2023, 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 and 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 2023 scope of treasury activities were adequate performed in correlation with continuous growth of the bank and moderate growth of market share in general, securing optimal treasury management with appropriate level of liquidity coverage within appropriate liquidity risk management frame, optimal support of clients and treasury income performance accordingly.

Treasury performance during 2023 integrally is specified via following segments:

- **Fx trading with clients and interbank Fx trading**
- **Securities investment**
- **Treasury P&L**

Fx trading with clients and interbank Fx trading

Increase of trading volume of 19% in 2023 compared to 2022, is primary related to increase of Fx trading with clients or by 40.5% in correlation with growth of the bank overall.

(in mil EUR)

Year	Clients	Interbank	Derivatives	TOTAL
2022	1.494	527	465	2.752
2023	2.100	686	731	3.275

Sector share of the bank as Market Maker on Domestic market is 14% in 2023, or increase for 4% compared to 2022.

Securities investment

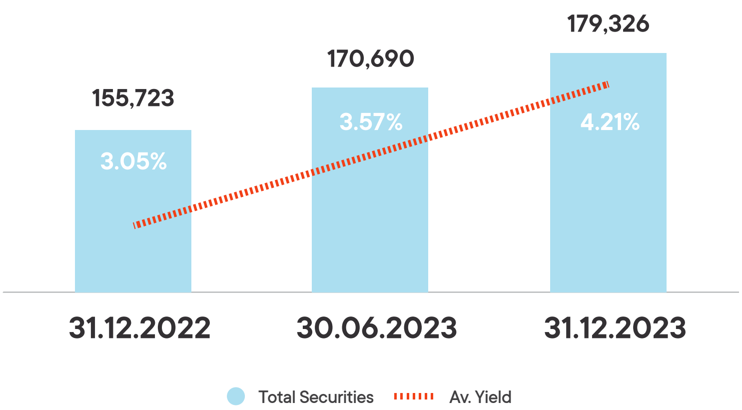
Total securities portfolio in 2023 compared to 2022 rose by 15.15% or EUR 23.6 mil.

Growth of securities portfolio is primary related to rise of deposit base of the bank in correlation and following of continuous rise of interest rates as investment strategy during 2023.

Structural share by type of security with end of 2023 compared to 2022 is as follows:

Description	2022 (in mil EUR)	Structural share	2023 (in mil EUR)	Structural share
T-bills	19.7	12.7%	20.6	11.5%
T-notes	39	25%	36.6	20.4%
T-bonds	63.5	40.8%	83	46.3%
Eurobonds	33.5	21.5%	39.1	21.8%
Total	155.7		179.3	

Trend movement of securities portfolio and average interest rate during 2023 compared to end of 2022 is as follows:

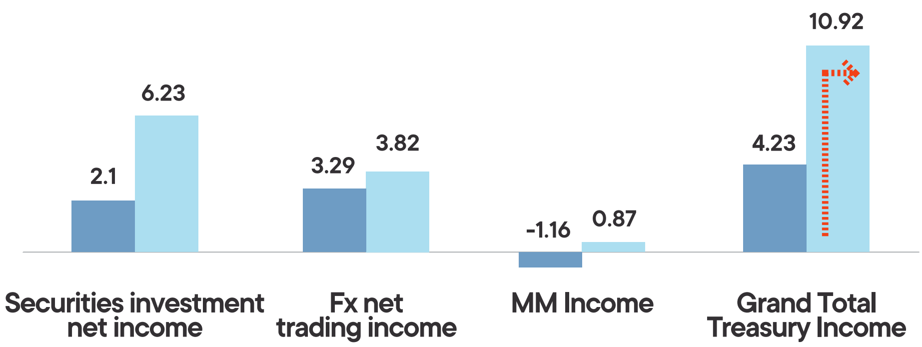


Treasury P & L

Grand total treasury trading income in 2023 registered growth by 151.7% compared to 2022, mainly related to following instruments:

- growth of fx net trading income by 16% and securities investment income rise by 197% (cummulative rise of interest rates in average for 3%–4% of Central bank T- bills, Government T- notes/bonds)
- growth of MM income by 242% due to placements to foreign/domestic banks and deposit facility placements with Central bank, followed by cummulative rise of interest rates for 3%–4% in average, and additionally in correlation with significant rise od deposit base of the bank.

Treasury trading income	2022 (in mil EUR)	2023 (in mil EUR)	% change
Securities investment net income	2,1	6,23	197
Fx net trading income	3,29	3,82	16
MM income	-1,16	0,87	242
GRAND TOTAL INCOME	4,23	10,92	151.7



Perspectives

- Increase the sector market share with attracting new clients and strengthen of MARKET MAKER role of the bank on domestic interbank Fx market;
- Increase of market share in the sector on domestic securities market and more intensive securities investment on international capital markets;
- Implementation of Brokerage & custodian services;
- Focus on new financial instruments/products (derivatives - hedging & investment) in behalf of the bank and as matrix approach for global support of clients.

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 2023, 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 2023 was 350.124 from which, citizens have 323.233 accounts and corporate clients have 26.891 accounts. Compared to the end of the year 2022 (327.640), the number of accounts has reached growth of 6.86 %.

In 2023, 27.767 new transaction accounts were opened, from which 24.022 accounts for citizens and 3.745 for corporate clients.

E-banking transactions in 2023 have increased by 10.59 % and reach the number of 3.413.123 transactions, while domestic payments transactions executed through branches have been increased by 1.33% and reach the number of 2.539.110 transactions.

In 2023, 28.768 decisions for blocking /unblocking the clients were executed by the Domestic payment unit, which is increased by 10.56 % compared to 26.019 in 2022.

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 2023, 5.236.457 transactions were executed through Post Office.

Cash Center

In 2023, 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 to Branches.**
- **Cash services with Central bank,**
- **Export of foreign currency to foreign banks,**
- **Cooperation's with Post office,**
- **Cash collection,**
- **Cooperation/ Cash services with other commercial banks.**

The total cash turnover in Cash Center of the Bank in 2021–2022–2023, is as follows:

Type of service	2021 (in eur)	2022 (in eur)	% Increase	2023 (in eur)	% Increase
Cash services with Central bank	100.126.000	144.324.000	44%	131.015.846	-10%
Export of foreign currency to foreign banks	99.059.000	180.189.000	82%	240.635.683	34%
Cooperation's with Post office	100.939.000	165.144.000	64%	175.928.678	7%
Cash Collection	167.107.101	211.306.052	26%	255.376.152	21%
Cooperation with other commercial banks	407.748.000	439.740.000	8%	478.400.507	9%
	874.979.101	**1.140.703.052**	**30%**	**1.281.356.866**	**12%**

The Cash center of the Bank serves 44 ATM's with physical cache in the area of Skopje, out of total 146 ATM's of the Bank.

Also, the Cash Centre organize transport of valuable shipments between 48 branches, 37 Post Office and 14 pay tools.

Foreign Operations

Halkbank, as one of the main players on the local market, became 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	102.869
Total turnover in EUR	2.130.353.589

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	100.681.462

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	14.103
Total number of clients	7.529
Total turnover in EUR	6.438.826

IT and Technical Support

We have implemented System for Digital Signing of documents including Online Updating client's data using OneID app, according the Bank strategy for Digitalization of the Bank.

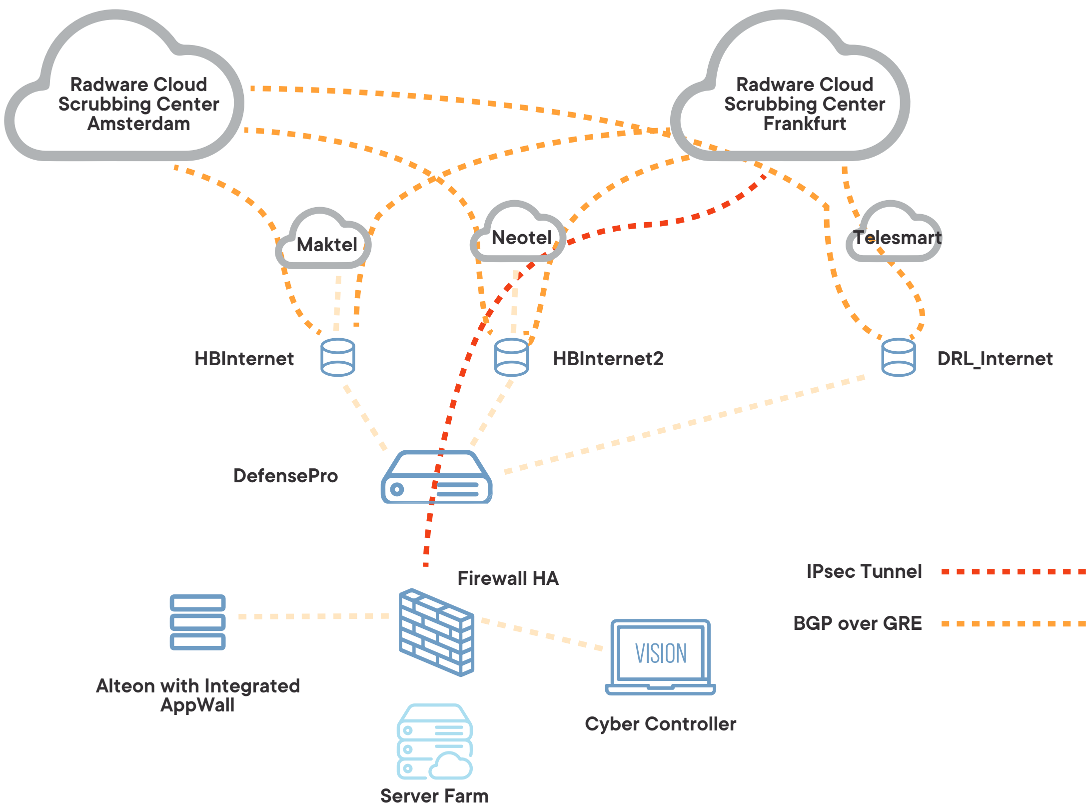
We have implemented new Online processes in our Digital Banking platform:

- **Online application and approval for Overdraft**
- **Online application and approval for Credit Card**
- **Online application and approval for Debit Card**
- **Online activation of SMS info functionality**

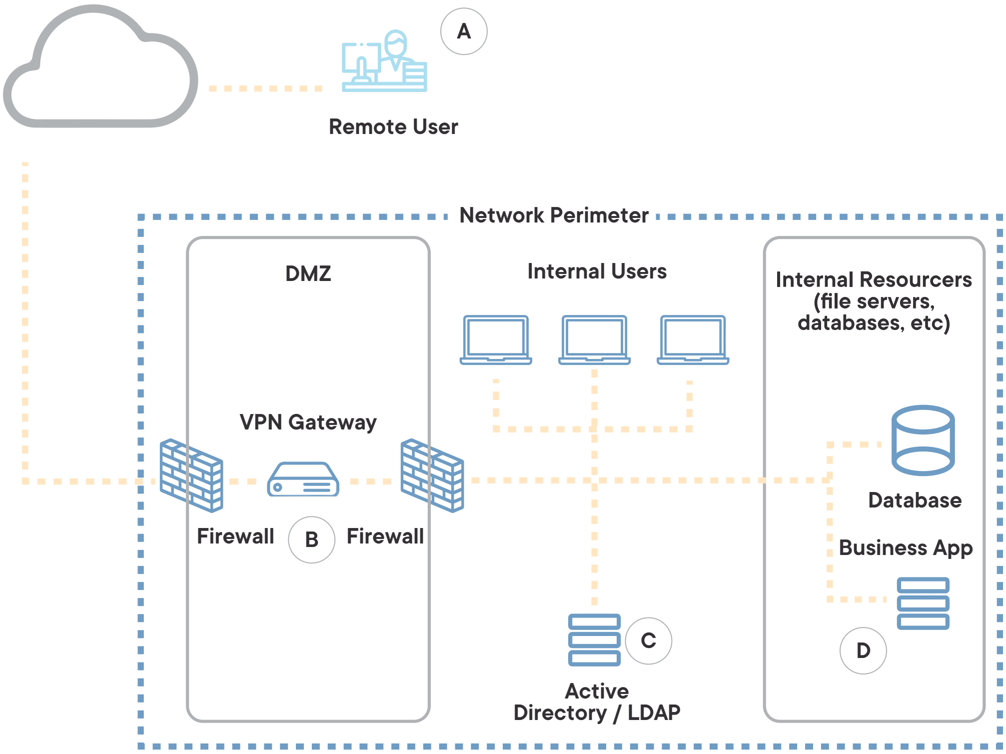
We've implemented new regulatory requirements for Open Banking – PSD2 regulative.

Also, in line with the improvement and optimization of the processes we've implemented new EWS system (Early warning system) for following clients with risk loan portfolios.

We have implemented Anti DDoS System. This Hybrid DDoS protection combines both premise-based and cloud-based components. It provides both low latency and uninterrupted protection in addition to the high capacity required to mitigate large-scale volumetric DDoS attacks. This is best for customers seeking data center protection as well as customers running mission-critical and latency-sensitive applications.

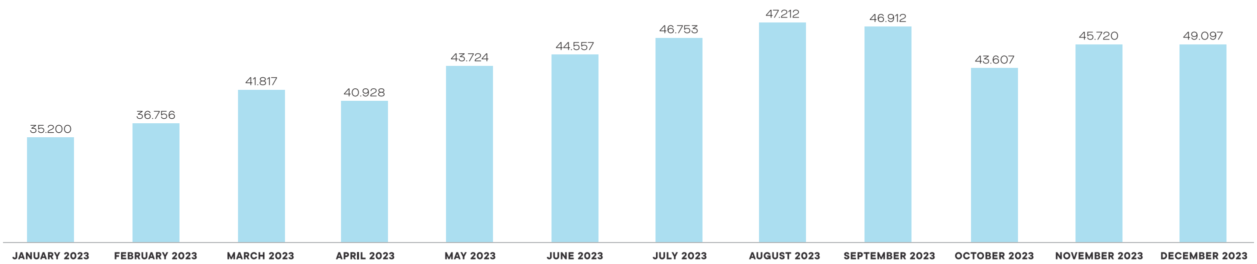


We have implemented Multi-Factor Authentication System. This solution will meet requirements and standards such as PCI DSS, ISO 27001, SWIFT Customer Security Program (CSP) and with this system and way of working the information security in our bank is increased.



Continuous Growth Support

The annual growth of 40% of transactions processed per month in the period from January 2023 to December 2023 was supported by the upgrade of the core banking IT infrastructure.



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 2023, 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 2023, 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 2023. 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

Record year of the Bank as a desired employer

2023 represents a year all about records.

The continuous building a successful business is all about having a people who are motivated and directed to the company. More specifically, HR remains to be an integral part of the Bank's business growth strategy. We have navigated challenges, embraced opportunities, and celebrated successes—none of which would have been possible without our unwavering commitment and hard work. In this sense, the HR department continues with innovative ideas, tireless efforts, and collaborative spirit who have been the driving force behind our achievements which is crucial to sustaining and advancing the Bank activities.

In whole 2023, 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.

Although the labor market has been facing great challenges over the years, we as a team have managed to use our knowledge and capabilities in attracting high quality staff with which we have succeeded in achieving the highest employment record since the beginning of the bank. The number of hires for 2023 was **102 new employees,** which we are very proud of.

HR Department also organized to numerous trainings, conferences and team buildings activities, all with the sole purpose of enabling our employees to upgrade and improve.The main goal was to ensure that the employees feel that they belong to this big family and will contribute devotedly to its exceptional success.

Maintaining the motivation of our employees is always a huge challenge that we deal with, but we also prove that only a valued employee can achieve excellent results. Every business in order to get the most out of its employees must primarily dedicate itself to them, provide them with an environment in which they will feel good, but also a team of people with whom they can cooperate and complement each other. We strive to maximize the potential of our human capital resources by creating a respectful, rewarding, and inclusive work environment.

Employees growth matters to us and because we offer various opportunities for learning and development for their bright career. Employee engagement is always one of the most important priorities for us. Detecting and attracting highly capable staff, finding innovative ways to solve challenges and activities for the well-being of our employees are just some of our activities this successful year.

Bank Internship Program

In 2023, a paid Bank Internship Program was very popular program.

Bank internship program requires careful planning and execution, but it can be incredibly rewarding for both the interns and for organization. It helps build a talent pipeline and contributes to the development of future banking professionals.

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. This program is designed for those students who can give their best, who are team players, who are ready to accept different challenges and climb to a higher professional level. We are in cooperation with many Universities and organizations from different cities throughout N. Macedonia and through which we draw our ideal leaders.

Participation in Job Fairs and Careers Days

During 2023, our team was part of many events, conferences and training that contributed daily to our upgrading. The most prominent are Careers Days organized by local Universities and Student organization's who represent our bank as a desirable business organization among students. At these events, the Bank presented the Internship Program “Otskochna Praksa“ which is most important for every student who wants to belong in business world. This program helps us 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 as desired employee and its activities, building a great talent pool of potential candidates and networking with other business professionals.

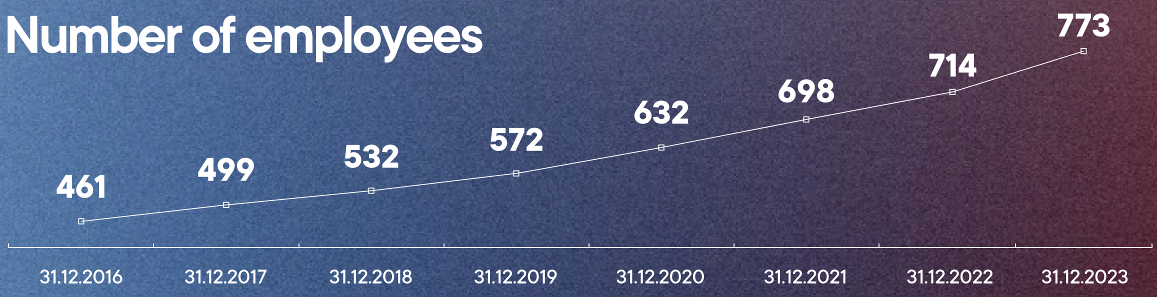
Our Key Figures for 2023

Branches in 2023

25 Based in Skopje

20 other cities in Macedonia

Number of employees



Employees per location

Head Office	353	45%
Branches	420	55%

Educational Structure

University education 712 — **92%**

Phd. Degree 3

Master's Degree 119

Bachelor's Degree 590

High School 61 — **8%**

Training and development - Scaling internal knowledge becomes vital when relying on internal skills

The focus for training and development in 2023 was sharing knowledge within and across the organization. This involved tools such as knowledge of the management systems, various internal training and mentorship programs.

Sharing knowledge not only improves training and development outcomes but it also fosters a culture of continuous learning and collaboration.

Challenging times require companies to stay agile and innovative. It has never been more important to crowdsource learning resources and scale internal knowledge. Encouraging employees to share knowledge and learn from each other is a cradle for the bank's organizational upskilling. It also makes the organization less independent of individual employees, who may come and go.

Learning from each other and succeeding as a team are of essential importance. In addition, they have an enabling infrastructure and tools that enable the entire bank's organization to contribute to training. The purpose is to remove time-consuming administrative tasks, streamline processes and make learning more personalized.

During 2023 refresher and updates in the legislation and internal procedures, motivation and dealing with inconvenient clients, internal operations and instruments, operations and foreign operations, banking products, credit risk management, information security and other various internal training were on the training agenda for the employees.

PR & Social Responsibility

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PR & Social Responsibility

Halkbank, with its long-standing practice of supporting various cultural, educational, sports, and other events and projects, as well as those aimed at environmental protection, has built a reputation as a company with a high level of corporate concern for social issues. Every year, much enthusiasm and love are put towards creating campaigns dedicated to all citizens. In 2023, the bank carried out multiple activities with different goals, such as: educating children, supporting older generations, small businesses, and of course, the hallmark of the bank - eco-actions aimed at promoting healthy living habits and nature protection. Many of these activities are realized through the well-known corporate platforms: HalkEco, Halki, and Guardians of Wisdom.

As part of its **"green agenda",** Halkbank organized eco-actions and initiatives in 2023 aiming to make a visible impact on a better, cleaner, and healthier environment, while also encouraging greater responsibility among all societal actors.

Halkbank celebrated **April 22nd,** Earth Day, by planting seedlings around the bank's branches in Gevgelija, Strumica, Kumanovo, Tetovo, Resen, and Veles. In this way, the spaces around the branches were transformed into verdant and lush spaces, contributing to a more beautiful and greener environment in these towns.

In 2023, Skopje received **a new eco-bus stop** with a green and sustainable roof, carried out through the HalkEco platform. The bus stop was also covered with packages of seeds from various plants which were free for taking by the citizens. Halkbank placed the first eco bus stop in the Municipality of Aerodrom (in front of the “Biser” shopping center), counting for the first and only of its kind in the country.

The bank continued to support sporting events and was once again the main partner of the **HalkEco Skopje Run 10km race,** the second race in Macedonia to receive international certification from AIMS and World Athletics, with the results recognized by these international institutions.

At the same time, Halkbank is considered as one of the largest supporters of the Macedonian Handball Federation. By investing in it, Halkbank highlights the support as an important asset towards demonstrating faith and providing additional motivation for athletes to achieve results.

On September 8th, 2023, Halkbank organized another successful **HalkVeloGreen time-table cycling race** for the fourth time, where over 200 cycling enthusiasts socialized, had fun, and competed, with the fastest in various categories winning valuable prizes.

As it is the case every year, the funds collected from registration fees, along with additional bank funds, were used to purchase new trees. This time, 15,000 new seedlings were planted in the vicinity of Berovo, with reforestation carried out by employees from various bank departments and branches.

In 2023, numerous activities for the youngest were organized within the Halki platform. During the summer break, Halkbank ensured children had interesting activities to develop their creative skills and knowledge. Under the slogan **"Colorful Halki Summer",** six themed workshops for children were held at the Museum of the City of Skopje, where experienced artists taught children the basics of their crafts, giving them the chance to dance, play music, and actively participate in creating art.

In October, the “The happiness is in the small steps” campaign was organized as part of the World Savings Month, aiming to help the youngest members of our society gain basic knowledge of important financial concepts and understand the positive aspects of children's savings. The campaign featured the release of **"Halki's Alphabet"** – the ABC of children's financial literacy, along with educational financial videos, and a mobile classroom. The celebration culminated in the City Park in Skopje with a day fulfilled with educational and entertaining workshops for children, promotions, and video screenings.

Aiming towards providing equal opportunities for all children, Halkbank ensured that children with cerebral palsy, along with their parents, part of the "Golden Angels" Parent Council for Children and Persons with Cerebral Palsy, experienced the magic and joy of the New Year's holidays, cheering them with a pleasant atmosphere and gifts, and showing them that they are as important as every other child in our society. The children had the chance to see and feel the magical atmosphere of one of the most beautiful Christmas markets in Europe, receive New Year's gifts, and spend a pleasant afternoon with Halki - the famous elephant mascot.

Halkbank appeared as a partner at the 40th anniversary of the International Film Camera Festival "Manaki Brothers", reiterating its commitment to supporting film art and Macedonian culture in general, as an essential part of every society. During the renowned film festival, attractive for both film professionals and enthusiasts worldwide, the public was guided through the history, beginnings, and significant moments with 40 facts about the festival.

Continuing the project **"Permanent cultural values"** in 2023, this brand story was inspired by "Mariovo Bride", Islamic ornaments "Diatret Glass", details from carpet patterns, belt buckles, embroidery, and many other elements less known to the general public. The project culminated in a transformative multimedia experience organized at the Archaeological Museum, offering guests an exclusive opportunity to familiarize themselves with these permanent cultural values.

As part of Halkbank's ongoing activities dedicated to supporting and motivating female entrepreneurs who have founded or are in the process of founding their own businesses, Halkbank organized the first business conference for women entrepreneurs, titled **"HalkTalk 2023".** Under the motto **"Inspiring and encouraging one another",** many successful (women) entrepreneurs and business owners from our country spoke on stage.

This conference was part of an integrated platform to support women entrepreneurs in the country, that is - part of a larger campaign promoting women's financial freedom, financial independence, and financial courage.

Reflecting on the older population, Halkbank continued its "Guardians of Wisdom" campaign in 2023, organizing the **"Guardians of Wisdom"** conference, where experienced and respected professionals from various fields spoke to young people about the importance of professional development and career growth.

As part of this campaign, a "Guardians of Wisdom" magazine was produced and distributed to all citizens using Halkbank's "Pension to Home" service through AD Post, as well as in the bank's branches.

Finally, following its long-standing commitments and current needs, last year the bank joined a larger effort to help those affected by the devastating earthquake that hit the central region of Kahramanmaraş-Pazarcık in Turkey. With a donation of EUR 500,000 added to the contributions from the Macedonian-Turkish Chamber of Commerce (MATTO), supported by the Ministry of Education and Science and the Red Cross of the Republic of North Macedonia; with the support of the Union of Turkish Non-Governmental Organizations in Macedonia (MATÜSİTEB) and the ESNAF Association, a high school named "North Macedonia" was built in the Turkish city of Malatya.

Management Information & Corporate Governance

2023

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.

Recep Süleyman Özdil
Member of Supervisory Board

Recep Suleyman Ozdil was born in Istanbul in 1961. He graduated from Ankara University Faculty of Political Science, Department of Economics. After beginning his professional career as an Auditor at a private company in 1984, Ozdil served as a Specialist, Assistant Manager and Branch Manager at Albaraka Turk Ozel Finans Kurumu A.S. in the years from 1986 to 1993. He worked as a Finance Coordinator at a private company between 1993 and 1995 before performing his duties as Assistant General Manager at İhlas Finans Kurumu A.S. from 1995 to 2001 and at Family Finans Kurumu A.S. from 2001 to 2005. Ozdil served as board member and General Manager at Birlesik Fon Bankasi A.S. from 2005 till 2011, and as a board member of the Savings Deposit Insurance Fund between 2011 and 2014. He has been serving as Chairman of T. Halk Bankasi A.S. since August 28, 2015. On October 13, 2023, Mr. Recep Süleyman Özdil was appointed as a member of the Supervisory Board by the Shareholders Assembly and the consent was issued by the National Bank of RSM on March 11, 2024.

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.

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 Engineering 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 a 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.

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, İst.anbul 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.

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 Economics. He began his professional career at Ziraat Bank A.S 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 the Internal Control Department. In the period 2016-2018, he worked at the 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.

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 has been 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 the Supervisory Board. Ms. Biljana Angelova in September 2023 was appointed as Rector at Ss. Cyril and Methodius University.

Sejdefa Djafche

Independent Member of Supervisory Board

Ms. Sejdefa Djafche was born in Brod, Repubic of Kosovo in 1982. She graduated from the Ss. Cyril and Methodius University, Faculty of Law in Skopje. She holds a Master's Degree and a Doctorate Degree from the Faculty of Law. She continued her career as assistant Head of Department for business law and Acting Dean at FON University - Faculty of Law. Ms. Sejdefa Cafce on June 2021 is appointed as Dean at FON University - Faculty of Law And Political Sciences. On October 13, 2023, Ms. Sejdefa Djafche was appointed as a member of the Supervisory Board by the Shareholders Assembly and the consent was issued by the National Bank of RSM on March 11, 2024.

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 Credits, Division of Operations and Division of Information Systems.

Dr. Berkan İmeri

Executive Director

Mr. Berkan İmeri was born in 1980, in Gostivar. He graduated from Ss. Cyril and Methodius University, Faculty of Economics in Skopje. He completed his master's studies at the Economic Institute in Skopje. He obtained the title Ph.D. in Economic Sciences in 2023, at the University American College Skopje, Faculty of Business Economics and Organizational Sciences. Mr. Berkan İmeri started his career in June 2010 in Halk Banka AD Skopje Gostivar Branch as a Retail Sales Officer. During his career, he has worked in the Retail Department, in the Branches and Sub-Branches Network Department, in the Corporate Marketing and Sales Department, worked as Deputy Head of the Financial Management, Planning and Reporting Department, Head of Financial Management, Planning and Reporting Department and based on the many years of experience and knowledge acquired in the Bank, in 2017 he was appointed as Head of Division of Financial Management, Planning and Reporting, a position which, among other responsibilities, includes membership in the Risk Management Committee and Assets and Liabilities Committee. Mr. Berkan Imeri was appointed as a Non-Executive Director, i.e. a member of the Supervisory Board of Halk Insurance AD Skopje from 30.01.2019 to 02.10.2023, during which he held the position of Chairman of the Supervisory Board for certain period. The next professional challenge and responsibility of Mr. İmeri is the position of Executive Director of Halk Banka AD Skopje, which he began to perform on 08.02.2024, after the adoption of the decision on appointment as Executive Director by the Supervisory Board of Halk Banka AD Skopje and obtaining the previous consent from the National Bank.

Mr. İmeri as Executive Director is responsible for the Division of Risk Management and Financial Management, Division of Credit Risk Monitoring, Risk Collection and Legal Affairs and the Division of Human Resources and Organization.

Aleksandar Iljov

Executive Director

Mr. Aleksandar Iljov was born in 1977, in Skopje. After graduating from Ss. Cyril and Methodius University, in the area of Financial management, in October 2000 Mr. Iljov started his career in Halk Banka AD Skopje (former IK Banka) as banking officer in Foreign Operations Department. Mr. Iljov has completed master's studies in Financial Management at Ss. Cyril and Methodius University. Since 2001, Mr. Iljov has been on various positions in the Bank as a banking officer in the Department of Domestic and International Payments, Credit Officer for SME and in April 2005 he was promoted to Head of the Customer Relations Department, then Head of Marketing Department and Head of Corporate Branch. From 2014 to February 2024, Mr. Iljov was on the position Head of Division of Marketing, where, he was responsible for the sales function of all branches through which the Bank sells its products and services. The next professional challenge and responsibility of Mr. Iljov is the position of Executive Director of Halk Banka AD Skopje, which he began to perform on 08.02.2024, after the adoption of the decision on appointment as Executive Director by the Supervisory Board of Halk Bank AD Skopje and obtaining the previous consent from the National Bank.

According to the Bank's organizational chart, Mr. Iljov is responsible for the Division of Marketing and Digital Banking and the Division of International Banking and Treasury.

Senior Management

Derja Hamza Seferi

Head of Division of CRM,
Risk Collection & Liquidation
& Legal Affairs

Cahit Ljushi

Head of Division of
HR & Organization

Muhammed Hadzipazi

Head of Division of
Operations

Can Memed

Head of Division of Marketing
and Digital Banking

Kiril Buhov

Head of Division of
Information Systems

Marija Kiroska Jovcheska

Head of Division
of Credits

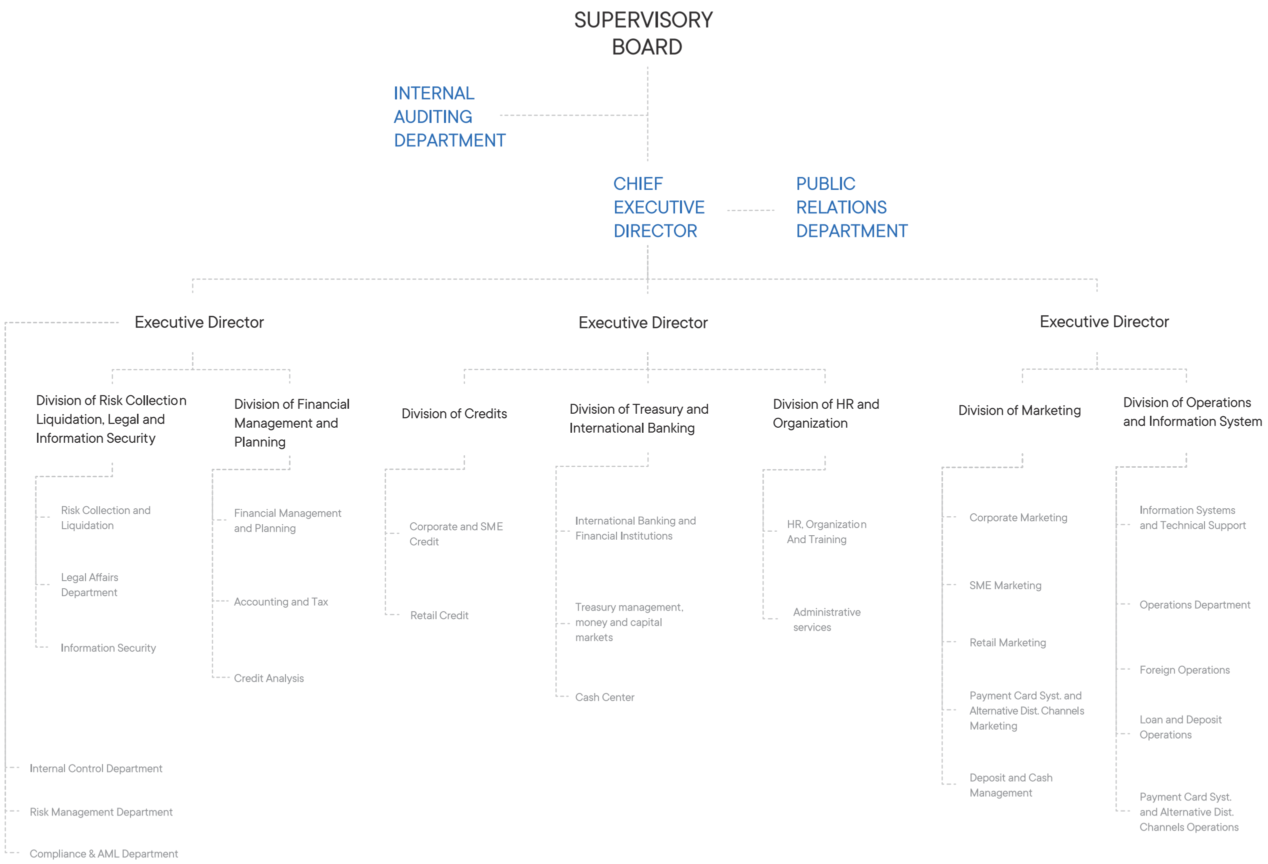
Levent Ajrula

Head of Division of International Banking,
Treasury and Liquidity

Vladimir Davchev

Head of Division of Risk and
Financial Management

Organizational Structure


SUPERVISORY BOARD
INTERNAL AUDITING DEPARTMENT
CHIEF EXECUTIVE DIRECTOR
PUBLIC RELATIONS DEPARTMENT
Executive Director
Executive Director
Executive Director
Division of Risk Collection Liquidation, Legal and Information Security
Risk Collection and Liquidation
Legal Affairs Department
Information Security
Division of Financial Management and Planning
Financial Management and Planning
Accounting and Tax
Credit Analysis
Division of Credits
Corporate and SME Credit
Retail Credit
Division of Treasury and International Banking
International Banking and Financial Institutions
Treasury management, money and capital markets
Cash Center
Division of HR and Organization
HR, Organization And Training
Administrative services
Division of Marketing
Corporate Marketing
SME Marketing
Retail Marketing
Payment Card Syst. and Alternative Dist. Channels Marketing
Deposit and Cash Management
Division of Operations and Information System
Information Systems and Technical Support
Operations Department
Foreign Operations
Loan and Deposit Operations
Payment Card Syst. and Alternative Dist. Channels Operations
Internal Control Department
Risk Management Department
Compliance & AML Department

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 2023.

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 contributions 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 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 2023 (SBM).

Osman Arslan	03.10.2019/ 14.03.2024	11.03.2028	PSB
Ilhan Bolukbas	03.11.2017 / 26.11.2021	23.11.2025	SBM
Olcay Atlioglu	02.05.2018/30.05.2022	23.05.2026	SBM
Fatih Şahbaz	30.07.2020	27.07.2024	SBM
Hasan Gokhan Kilic	13.05.2019/18.05.2023	15.05.2027	SBM
Boris Petrovski	03.10.2019	02.10.2023	ISBM (independent)
Biljana Angelova	12.09.2016 / 22.09.2020	18.09.2024	ISBM (independent)

On February 2, 2023, Mr. Hasan Gokhan Kilic 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 12, 2023 and the entry in the Central Registry of the Republic of North Macedonia was made on May 18, 2023.

On October 13, 2023, Mr. Osman Arslan and Mr. Recep Süleyman Özdil were (re)appointed as a member and Ms. Sejdefa Djafche was appointed as an independent member of the Supervisory Board by the Shareholders Assembly. The consents were issued by the National Bank of RSM on March 11, 2024 and the entry in the Central Registry of the Republic of North Macedonia was made on March 14, 2024.

Executive Management Board

In 2023, 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 a 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 2023 (EMBM).

	Licensed on	Member till	Title
Bilal Sucubasi	26.12.2017 / 14.02.2020 / 11.02.2022 /07.02.2024	Ongoing	CEO
Turhan Ademi	29.01.2013 / 01.02.2017 / 29.01.2019 / 04.02.2021/ 31.01.2023	Ongoing	EO
Buket Gerecci	10.03.2015 / 05.05.2017/01.07.2019 / 12.08.2021/04.08.2023	02.10.2023	EO
Tomce Tasevski	06.07.2009 / 06.08.2013 / 21.08.2015 / 30.08.2017/23.08.2019 / 09.11.2021	02.10.2023	EO
Berkan Imeri	* On September 25, 2023, he was appointed to the Management Board by the Supervisory Board.		
Aleksandar Iljov	* On September 25, 2023, he was appointed to the Management Board by the Supervisory Board.		

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 2023 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 a 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 2023, the Shareholders Assembly held 1 (one) General Shareholders' Assembly and 2 (two) Extraordinary Shareholders Assemblies.

At the Extraordinary Shareholders Assembly held on 24.02.2023, the following were adopted:

Decision on re-appointment of members of the Supervisory Board.

At the General Shareholders Assembly held on 30.06.2023, it was decided on the adoption of the Annual Report for 2022 and the written opinion of the Supervisory Board; the Annual Account of the Bank for 2022; the Financial Statements of the Bank for 2022, 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 2022 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 2022; Decision on increase of the nominal capital of Halk Banka AD Skopje by issuing shares through a private offer with the XX-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 2022 by individual members and collectively.

At the Extraordinary Shareholders Assembly held on 13.10.2023, the following were adopted: Decision on selection of an audit company; Decision on adoption of amendments to the Statute of Halk Banka AD Skopje and Decision on re-appointment of member of the Supervisory Board.

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, the 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.

- **Quantified 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 a monthly basis, the Risk Management Department prepared a Risk appetite dashboard, containing 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 the 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

	31.12.2022	31.12.2023
Capital indicators (%)		
CET1	16.89	17.90
Tier1	16.89	17.90
CAR	16.91	17.93
Leverage ratio	14.62	15.48
ICAAP ratio*	153.66	161.00
Liquidity indicators (%)		
LCR	120.81	169.14
LTDn	99.46	93.49
Assets quility ratio (%)		
NPL share in gross loans	1.43	2.12
NPL coverage	62.81	75.90
NPL growth	0.50	64.88
Industry concentration	15.89	15.32
Individual concentration (1.000 largest exposures)	0.67	0.52
Exposure in stage 2	3.04	6.03
Cost of risk (bps)	81.84	189.70
Share of 10 largest exposure in the regulatory capital	115.61	98.28
Texas rate	-	7.80
Market risk (%)		
Change in NII (300 bps)**	3.91	4.47
EvE (300 bps)**	7.83	6.36
VpV (200 bps)**	7.49	7.14
Currency risk (OCP)**	12.40	23.91
Operational risk		
Net loss from OpR (%)**	0.02	0.04
Net loss from internal fraud (mEUR)	0.00	0.00

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

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

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