ANNUAL REPORT 2018

HALKBANK
Skopje

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Halkbank HQ
Skopje

> CORPORATE PROFILE

Halkbank AD Skopje in 2018

26 years as a financial institution on the Macedonian market.

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

With 26 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 768.2 million.
- We are present all over the country, offering services to our clients through our wide branch network that includes 41 branches.
- We have over 520 employees.
- Our ATMs network includes 131 ATMs.
- We have widely distributed POS terminals used by our trade partners, counting 6,385 in total.
- We serve thousands of retail clients, small, medium-sized and corporate businesses and public institutions.
- We are a leader in offering tailored banking services.
- Introducing new technologies on the financial market.
- Providing fast service through the highly developed and modern alternative channel platform.

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

Halkbank was founded in 1938 to support craftsmen and tradesmen

> CORPORATE PROFILE

Halkbank Turkey in brief

With its global vision, Halkbank serves customers with 988 domestic branch locations, 6 overseas branches, 3 overseas representative offices, 4,023 ATMs, telephone and internet banking channels, mobile banking applications, innovative products and services.

> "Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate the country's economic development. The Bank's core business strategy has not changed during its 80-year history."

Halkbank sees every craftsman, farmer and small, medium-sized or large enterprise owner that creates value and generates employment as a business partner. The Bank firmly believes that it has the responsibility to support these economic producers with its entire financing capability, both in good days and in bad.

Allocating 39.4% of the Bank's total loan portfolio to SMEs, Halkbank continues to be their primary supporter in Turkey. As of the end of 2018, Halkbank operates with a global approach, through 988 domestic and 6 overseas branches, 3 overseas representative offices, 4,023 ATMs, telephone and internet banking platforms and mobile banking applications.

The Bank's innovative products and services provide customers with an unparalleled banking experience. Halkbank ranks among the sector's most efficient banks in terms of return on equity. Around 24.98% of Halkbank's outstanding shares are publicly held. Halkbank is a steadily growing institution that ranks among the longest established, pioneering and most respected brands in progressing Turkey.

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 5,181,300,000, divided into 518,130 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 513,785 ordinary shares i.e. 99.16% 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.	513,785	5,137,850,000	99.16
Other Shareholders	4,345	43,450,000	0.84
Total	518,130	5,181,300,000	100

Key financial indicators

By the end of 2018, Halkbank's total assets increased from EUR 686.6 million to EUR 767.2 million.

in 000 EUR	2017	2018
Total Assets	686,631	767,150
Liquid Assets	96,327	87,427
Net-loans	454,986	544,035
Securities	110,233	103,418
Total Deposits	492,421	551,554
Shareholders' Equity	85,033	105,115
Net Interest Income	22,292	24,125
Net Fee and Commission Income	3,993	5,237
Net Profit	8,770	10,685

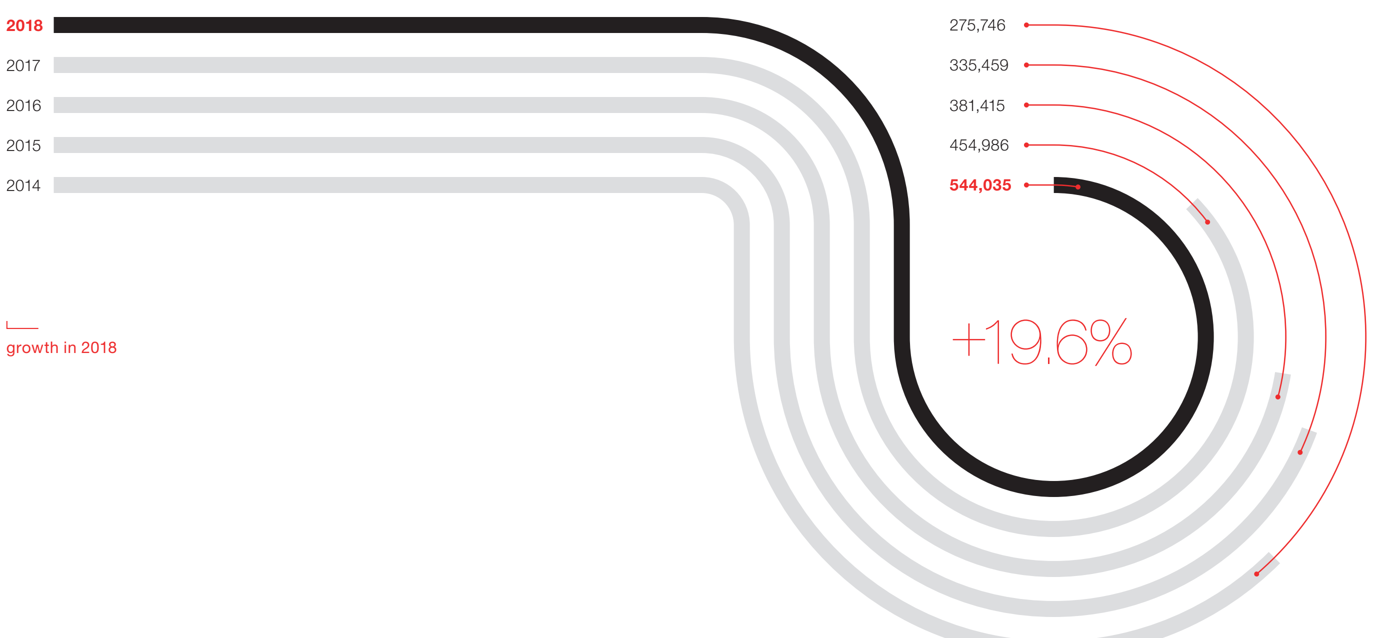
Key Ratios (%)		
Net Interest Margin	3.8	3.6
Cost/Income Ratio	57.8	56.8
Net Fee Income/Operating Expenses	24.6	28.9
NPL Ratio	0.7	0.7
Loans/Assets	66.3	70.9
Net Loans/Deposits	92.4	98.6
Securities /Assets	16.1	13.5
RoE	10.9	11.2
RoA	1.4	1.5
Capital Adequacy Ratio (CAR)	14.09	14.93

Total Assets

growth in 2018

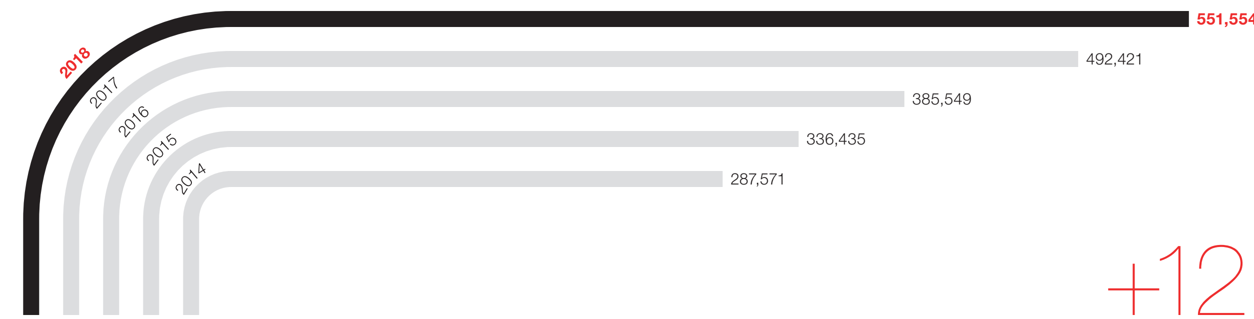
+11.7%

Net Loans



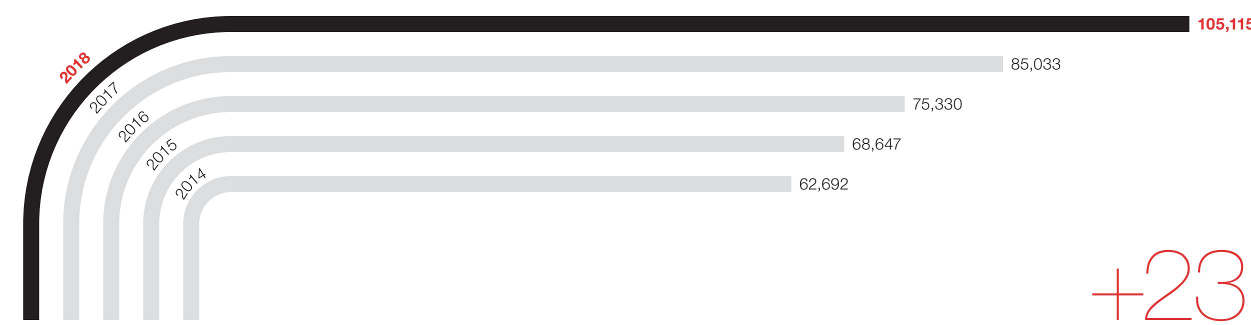
growth in 2018

Deposits



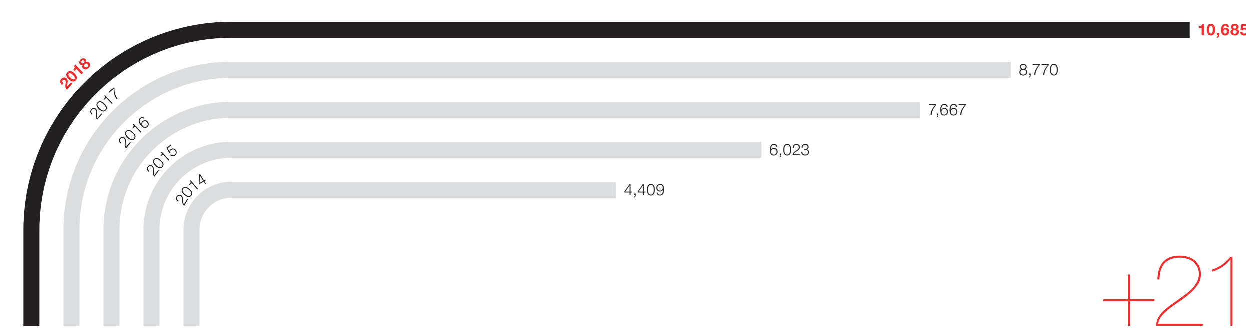
+12.0%

Shareholders' Equity



+23.6%

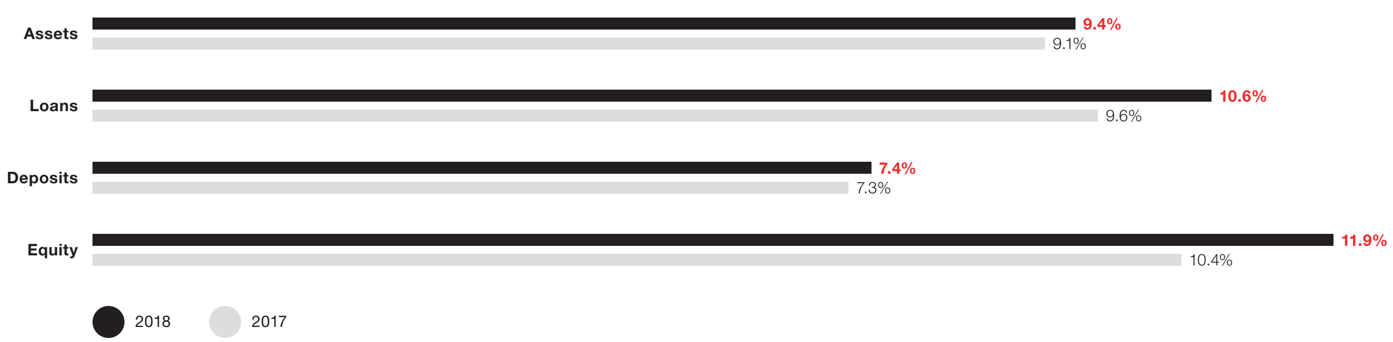
Net Income



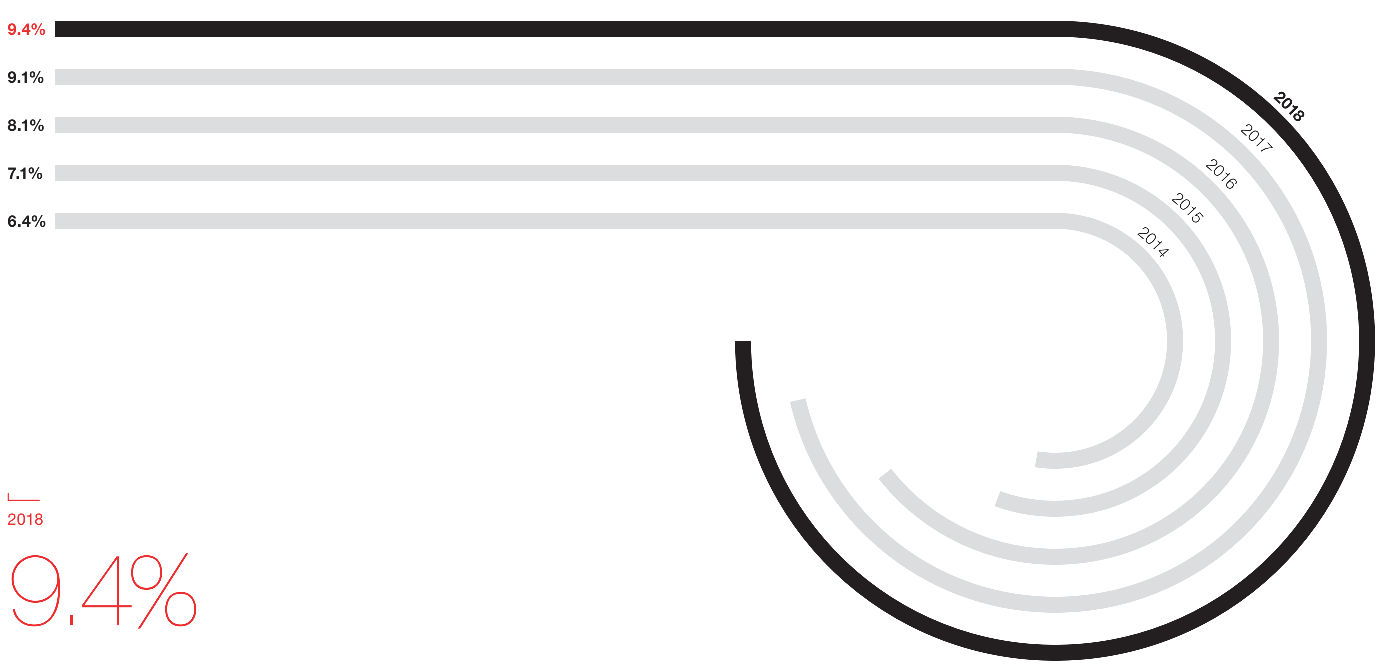
+21.8%

Halkbank's position in the sector

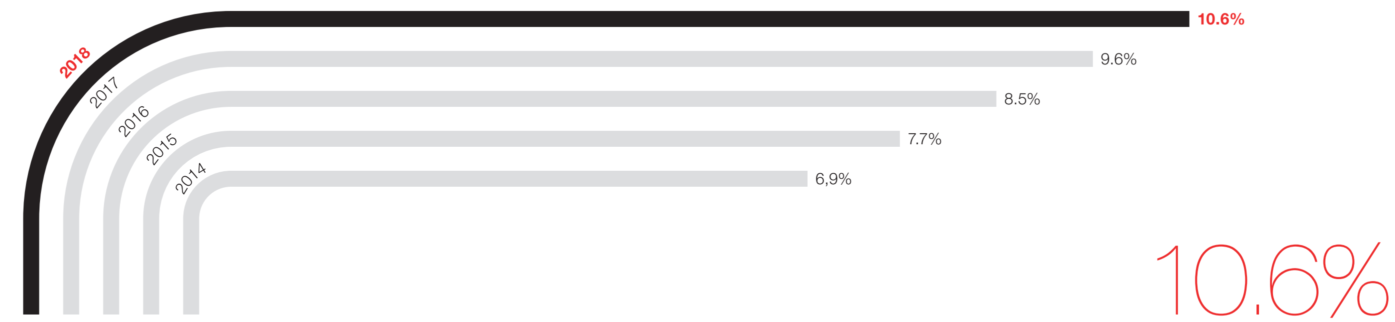
Market Share %



Total Assets %



Loans %



Deposits from Customers %

Equity %

Halkbank's Milestones

1993
HALKBANK AD Skopje was established as a joint stock company.

1998
Became the first Western Union authorized agent in Macedonia.

2002
Halkbank AD Skopje became **partner** with KfW/IPC in financing micro, small and medium enterprises.

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 with MKD 1,465,450,000.00.**

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. Halkbank became market maker on the domestic Fx Market.

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 "Supebrands".

2018
- **New corporate slogan**
- **Official sponsor of National Handball Federation**
- **Bought an Insurance company – Halk Insurance Skopje**

Halkbank Skopje Vision, Mission, Targets & Corporate values

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

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

Our slogan: People matter

Our main principles:
- Offering excellent service to our client by providing them with the best solution to meet their needs.
- Creating and practicing a winning corporate culture, by praising each member of the great team that all of us in the Bank make.

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

HALKBANK - meaning of the name: People's Bank.

Halkbank's strategies

1. Expanding the scope of innovative products and services in order to ensurecustomer satisfaction.
2. Offering superior products and services to the real sector.
3. Embracing a high-quality, customer-oriented service approach using direct marketing and continuously taking care of our clients.
4. 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.
5. Ensuring continuous development and motivation of employees via carrier route system through investment in education, training and further development.
6. Keeping up with the global banking trends and be the first bank to implement global trends in the Macedonian market.

Management Assessment

Message from the Chairman

Dear Halkbank Family,

I am honored to share with you the final achievements for 2018 of our Subsidiary Halkbank A.D. Skopje.
Halkbank A.D. Skopje maintained its stability throughout 2018 and made significant progress in the sector. Our Bank maintained its position among the top 4 banks in the sector and continued its development in both total assets and loan and deposit areas. Within the framework of the Bank's main mission, continuous support to the real sector and especially SMEs as well as added value to the national economy have been ensured.

From a financial perspective, the Bank's Total Assets increased by 12% and reached EUR 767.2 million at the end of 2018. The Bank's net profit increased by 22% and reached EUR 10.7 million by the end of 2018 and the Return on Equity (ROE) was 11.2%. Net Interest Income increased by 8% reaching EUR 24 million, Net loans increased by 19.6% reaching EUR 544 million and Customer Deposits increased by 12% to approximately EUR 452 million. While obtaining all these results, the asset quality was maintained and we ended the year 2018 with a rate of 0.7% which can be considered as a record in the sector.

Another important development for the Bank in 2018 took place in the field of corporate communication and channel management. Our Bank organized a very successful and nationwide advertising campaign with the slogan “People Matter”. In addition, in the retail segment we introduced our innovative tailor-made products and we have modernized the digital platform.

In the past year, the Bank's distribution network has been expanded with two new branches, reaching a total of 41 branches and 532 employees across the country. Being aware that the biggest resource is the human resources, in 2018, Halkbank A.D. Skopje has continued to invest in its employees with different training programs.

In the area of social responsibility, our Bank has been involved in many projects and continued to support different projects. In this context, our Bank was one of the general sponsors of Halkbank Macedonia Handball National Team as part of the sponsorship agreement signed with the Handball National Team last year.

Over the next year, our Bank will continue its proactive marketing activities and will continue to serve as a locomotive of the national economy and banking sector. The missing points in the branch and distribution network will be closed and we will continue to be the first preferred bank of the customers in the banking sector in Macedonia.

On behalf of the Supervisory Board of the Bank, I would like to extend my gratitude to our customers, partners and all other stakeholders who have contributed to this success and have trusted us. I would like to thank to the top management and all the employees of Halkbank A.D Skopje for their utmost effort.

Sincerely,
İlhan BÖLÜKBAŞ
Chairman of Supervisory Board
of Halkbank A.D. Skopje

Message from the CED

Dear stakeholders, dear friends,

Once again, I am starting this letter with intense sense of pride of our Bank.
Looking back to the year we have just left behind, it is outstanding how well our company has performed. When I am stating this, I am not only talking about our financial performance — but also about how much and how good we have done to provide a great service to our clients, customers and the community we belong to in general.

2018 was a year in which we have emphasized our motto and the meaning of our bank's name by defining it as our new slogan – People matter. The pivot around which we operate are the people.

Starting from the inside, people are the ones who make everything, realize every process in the Bank with a focus to satisfy the need of the people, which come to the bank as clients. Human capital is the most responsible and instrumental for the success we accomplish each day.

Dedication, hard work and the creation of a great corporate culture have made our team one of the best teams in delivering a satisfying service on the market. I am tremendously proud that this year we have received a report from an official research conducted on the financial market where clients rated our Bank as the one with the best service quality - creating biggest customer satisfaction. Our commitment towards reaching this result will carry on in the future as well.

On the other hand, we continue to make excellent progress in terms of technology, innovation, diversity and reduced bureaucracy. We have helped the economy consisting of large and small businesses — by doing what we do best - lending, investing and serving our clients.

We have provided to the community by practicing our Corporate Responsibility programs. Once again, we have confirmed that our Bank is one of the greatest supporters of sport and culture in the country. 2018 was yet another record year across many measures for our company. Halkbank AD Skopje continues with its organic growth and the numbers are here to affirm that. Bank's strength and its power were elevated by added capital of EUR 10 million, making our total capital equal to EUR 105 million.

Our branch network now includes 41 branches. In 2018, we have opened two new branches and have enlarged several of the existing branches. Our staff reached 532 employees. The alternative channels were expanded by 8 ATMs, and 570 POS terminals. The number of ATMs reached 131 and the number of POS terminals reached 6,385. The assets of the Bank increased by 11.9% (from EUR 686.6 million to EUR 768.2 million).

With regard to the retail lending segment, as a bank offering credit products at the best possible rates on the home loans market, our Bank increased the amount of housing loans to EUR 63.3 million, achieving a net growth of 39.4%.

Moreover, when it comes to the profitability, 2018 ended with a profit increase by 20.5%, reaching EUR 10.6 million.

Being delighted with all that we have delivered and accomplished at the end of the year, I will finish this letter by extending my honest gratitude to each and every member of our Halkbank family and to every one of you whom we are more than happy to serve, cooperate and work with.

Wishing you a lot of health, success and joy in 2019!

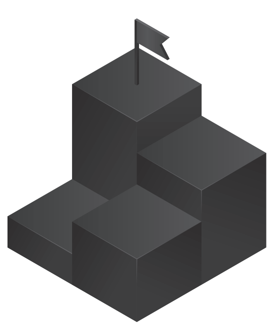
Yours sincerely,
Bilal Sucubasi, PhD
CEO of Halkbank AD Skopje

Activities in 2018

Pioneering products

More transactions, more points!
Campaign for promoting the usage of Halkbank's credit cards in order to collect bonus points and use them afterwards in the Halkbank POS terminal network.

Euro deposit!
Favorable fixed interest rate for saving in EUR during the promotional period.

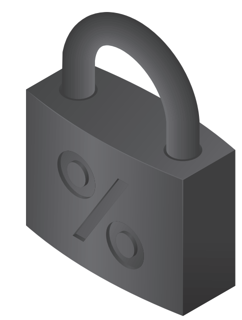


Reach your savings goal!
"Evolve" deposit with an interest rate that grows every 6 months and possibility for additional payments during the tenor period of 24 months.

Life should be enjoyed!
"Relax" consumer loan with life insurance, 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.

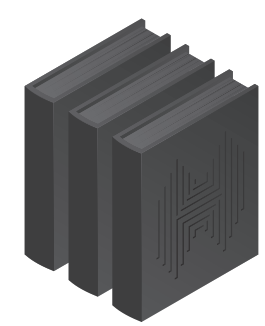
When the salary lasts longer than the month!
Overdraft of a transaction account with maximum amount of up to 3 monthly salaries.

Explore the world, travel safely!
Travel insurance package issued by Halkbank for worry-free traveling.

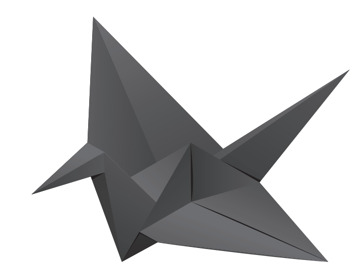


Start the week with saving!
Deposit with fixed interest rate and tenor of 13 months offered every Monday for a great start of the week.

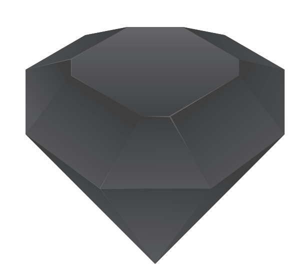
It's possible! Withdrawing cash from ATM without using a card!
A service that provides withdrawing cash from Halkbank's ATM without the use of a card. Funds can be withdrawn by using a separately generated code for one-time use, generated through the e-banking application (WEB or mobile).



Pure A+! – Student's package from Halkbank
Special package of Halkbank's products, designed for students offering many benefits, such as Visa Pay Wave debit card allowing cash withdrawal from all ATMs in the country without fee, and e-banking and mobile application, free of charge.



Pay as you go!
New Visa debit card with possibility for contactless payments -Visa Electron Pay Wave.



Always ahead!
New type of debit payWave card for individuals offering new privileges for cardholders.

Halki saves with you, all your wishes to come true!
Halkbank introduced its new mascot for Children's Savings – the elephant Halki. The children's saving of Halkbank offers possibility for saving in MKD and in EUR, and opportunity for additional payments on the deposit.

Corporate and SMEs Banking

Progressive and successful marketing strategy of the Bank influenced the growth of SMEs and Corporate Loan Portfolio in 2018.

Halkbank AD Skopje, as a bank of the group of large and structurally significant banks for the financial sector in the Republic of Macedonia, is obliged to provide its customers the easiest and fastest way to meet all types of needs that would appear in any domain.

The Bank is among the leading banks in developing new products and services with special emphasis put on legal entities, with the ultimate goal to support their needs and to be significant part of business environment and economy in the country. The process of creating new products and improving existing ones is based on thorough market research, in-depth analysis of competition and recognizing clients' needs.

The concept of functioning that we practice has proved as successful so far, as our branches are present in all cities and larger municipalities, the head office provides extensive support the branches by organizing continuous visits of the branches and assisting them in the process of resolving and finding solutions about ongoing issues and specific cases. Direct promotion to new and existing clients is the most important approach that we develop continuously.

The strategy for the future is to increase the number of satisfied clients that will use the multiple products and services of the bank. In an organized environment with strong management system in the Bank, we continue to expand relationships with SMEs and corporate clients, as we have developed new opportunities together.

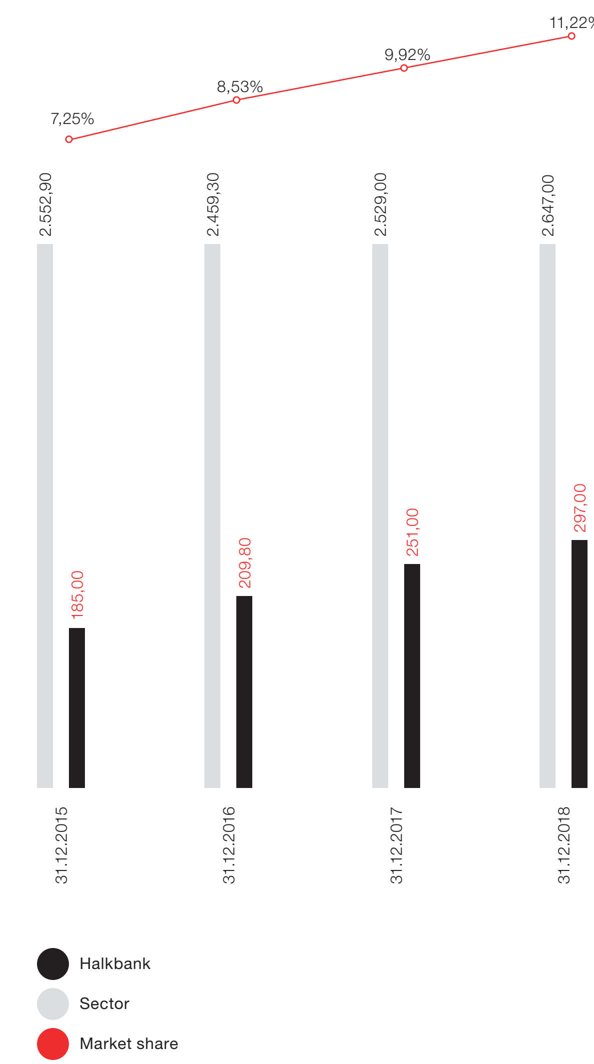
In 2018, the total corporate loan market has net growth of EUR 118 million compared to 2017, from which Halkbank AD Skopje has noted a net growth of EUR 45.81 million (38.82% from total corporate loan growth in the sector), a respectable number that puts the bank in the forefront in terms of growth of corporate loans on the banking market for 2018. With corporate loans portfolio amounting EUR 297 million. Halkbank AD Skopje is ranked as a fourth bank by corporate loans size, coming from the sixth place in 2017.

Halkbank AD Skopje support Corporate and SMEs with credit lines from other institutions.

During 2018, Halkbank AD Skopje continued to use credit lines from other financial institutions, as follows:

- EIB credit line, realized through MBDP for financing of micro, small and medium-sized enterprises and priority projects of the legal entities from Republic of Macedonia;
- Green for Growth Fund Southeast Europe (GGF) for financing of projects in the area of energy efficiency, thereby helping the enterprises in Macedonia to reduce energy consumption and expenses for energy;
- EFSE credit line – The European Fund for Southeast Europe S.A., to provide loans to SMEs companies;
- Credit line from MBDP for financing projects – investment of micro and SMEs clients;
- Project through Employment Service Agency of Republic of Macedonia realize through MBDP; the project is active measure of the Government. The project is implemented as project for self-employment, training for unemployed people and entrepreneurship as well as unemployed people to register a business in different sectors: agribusiness, crafts, personal services, trade, manufacturing, tourism, etc. and project lending to legal entities (MSEs) for opening new jobs for unemployed people through lending.
- Credit line from MBDP on behalf of the Ministry of Finance, for financing projects – for utilization of the Renewable Credit Fund from ACDF (Agricultural Credit Discount Fund).

Market share of corporate portfolio in Halkbank vs total corporate portfolio in sector ('000 EUR)



Retail Marketing Department

HALKBANK is among the three fastest-growing banks in retail segment which is facilitated by a broad range of retail loan products and banking services to private individuals and growing branch network with 41 branches all around the country. These include products and services for everyday finances as loans, overdrafts, credit cards, e-banking, and ATM network with witch HALKBANK AD Skopje continued increasing its retail banking business line in 2018.

By using creative marketing approaches for diversified customer segments, the number of loyal customers increases constantly. The main focus of retail customer representatives in branch network of HALKBANK Skopje was customer care and consistency in support of the clients' needs.

Efficient, direct and connected

In 2018, the Retail Marketing Team operating in the head office and in our branches was oriented especially to direct marketing activities in public companies and institutions and corporate and small and medium-sized enterprises, creating close connections with their employees 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.
- 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 2018, gross retail loan portfolio reached EUR235 million, which is an increase of EUR 34 million compared to previous year. Successful outcome during 2018 in retail segment has led to increased market share of HALKBANK, to almost 10% 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 2018, 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 2018, HALKBANK AD Skopje managed to offer wide range of products in several campaigns with attractive interest rates and 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 2018. The market in housing loans segment during 2018 was enlarged by additional EUR 98 million in which HALKBANK was included with almost 20% of the growth. The main advantages are the fixed interest rates for the first 5 years and favorable interest rate for residual period up to 30 years of repayment and no fee for approval of the loan and costs for estimation of real estate, simple application procedure and high level of service and financial guiding. In 2018, housing loan with life insurance that contributed to increase was launched for the first time.

HALKBANK maintains close connection to its clients by visiting all major events in the area of real estate trade, such as the International construction Fair in Skopje- Realexpo 2018, which takes place in October. This fair is one of the most popular and most visited fairs in Macedonia with more than 20,000 visitors. In addition, the bank was in close connection with the biggest construction companies in Macedonia, offering best products to retail clients.

Mentioning HALKBANK's participations in fairs, the bank also attended the 44th Furniture Fair. This fair is one of the biggest fairs in Macedonia with more than 40,000 visitors, as very good opportunity for offering variety of retail products.

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 2018, the Mortgage Portfolio reached EUR 51.5 million and just like in the sector of housing loan, mortgage loans with life insurance was launched for the first time in our product portfolio.

3. ECO loans for energy efficiency

ECO loans help private households to reduce their energy costs and consumption, implement cleaner production projects and reduce gas emissions. HALKBANK has significant experience and expertise in providing energy efficiency-related finances and it is one of the first banks in Macedonia to provide energy efficiency loans. In 2018, it has financed more than 1,000 new projects for retail clients totaling in almost EUR 16 million portfolio.
The Bank intends to raise public awareness regarding the need for more rational energy use and increased use of renewable energy sources to reduce energy costs and generate savings, yet without hampering quality of life and economic activity.

During 2018, Halkbank AD Skopje has offered strong promotional activities to the largest trade unions, financially liquid companies, connecting with partners for ECO loans, connecting with merchants for consumer loans etc.
The Bank has signed protocols for joint marketing with companies that are directly involved in working with eco-friendly materials, products and solutions, and the results were more than satisfactory. Clients got the full service and exercised their right to information on the market at the same moment when decisions for home investment were made.

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

2018 has been very successful for Halkbank AD Skopje, operating in constantly increasing competitive banking market. During 2018, with its 41 branches, Halkbank AD Skopje has managed to meet all clients' needs very efficiently and due to its high-quality service, the Bank managed to climb into the third place in terms of net growth and third in outstanding of total retail loan portfolio among another banks in Macedonia for 2018.

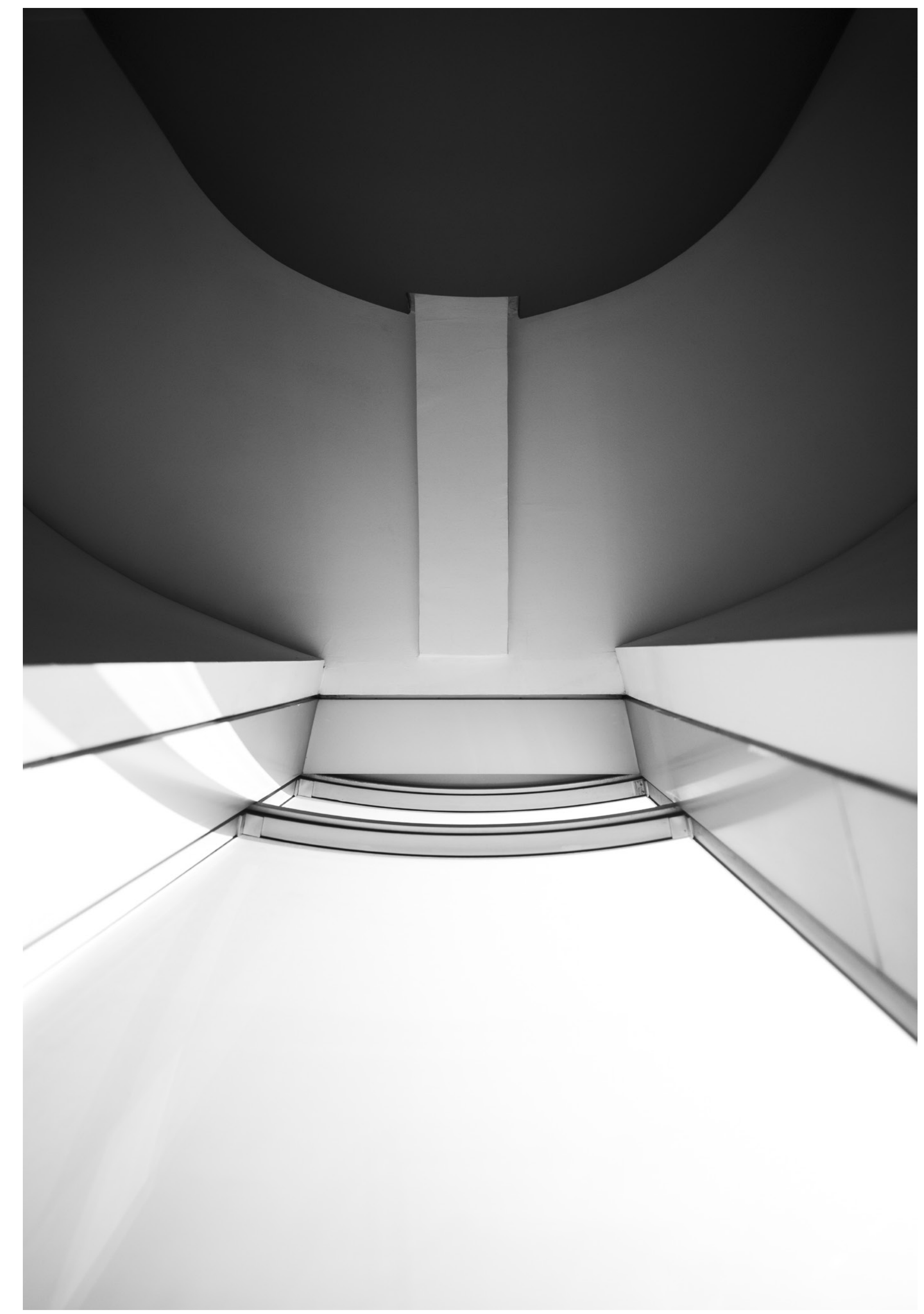
On the retail side, HALKBANK AD Skopje performed in line with the market trend and managed to achieve increased market position with net increase of retail portfolio of EUR 34 million which is a growth of almost 20% compared to the beginning of 2018. HALKBANK retail net increase accounts for 15% out of the total retail growth in the banking sector level.

In 2018, the structure of the lending portfolio continued to favor the balanced approach, maintaining and improving the ratio of secured lending versus unsecured loans. In numbers: loan disbursement of total disbursed retail loans during 2018 totals EUR 86.8 million or 9,910 loan agreements.

Clients with salaries and overdrafts

The number of clients who get their incomes in HALKBANK AD Skopje increased in 2018 and reached 65,000. Starting with around 50,000 clients in December 2016, up to 56,000 at the end of 2017 and 65,000 at the end 2018. 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 increased from 24,553 at the end of 2017 up to 28,551 at the end of 2018, which was an increase of additional 16%. Market share in this product is more than 11% compared with banking sector.

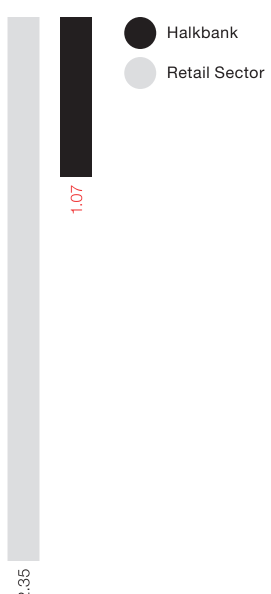


Halkbank AD Skopje – Interior

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 2018 to 1.07 % at the end of the year.

NPL Ratio - 31.12.2018



Licensed by the Agency for Insurance Supervision for sale of insurance policies

In 2018 we became the fourth bank licensed by the Agency for Insurance Supervision for sale of insurance policies. This allow to our bank to offer retail loan product connected with insurance policies in all types of insurance both life and non-life insurance.

For the first time, we launched consumer loan, as well as housing and mortgage loans with life insurance. With this activity we met customer requirements and at the same time we disburse loans with significantly lower risk.

Furthermore, this activity increased revenue from fees and lower credit risk as a result of non-payment due to death and disability. These products were well recognized and used by the retail clients.

In order to promote new products, we have many PR activities like announcements, interview and TV presentations and the biggest event was held in city park in September with the name of campaign "It is safe to be insured".

Deposit and Cash Management

Halkbank total deposits from customers in 2018 have increased by EUR 48.46 million and reached EUR 451.8 million.

Market share in 2018

In 2018, Halkbank AD Skopje has continued its growth in deposit and increased its market share. By the end of 2018, the market share in total deposit has reached 7.41%. In retail deposit, we have managed to increase the deposit portfolio by EUR 37.98 million and reached EUR 236.17 million, while in corporate deposits we have managed to reach EUR 215.63 million and to increase the portfolio by EUR 10.48 million. Deposits from financial institutions reached EUR 49.93 million. The Bank's deposit management strategy, which is critically important to maintaining Halkbank's solid funding structure, is based on the key principles of cost, market share and liquidity. 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 of the total deposit from customers has decreased to 0.88% compared to the end of 2017 when the average interest rate of deposit base was 1.05%.

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 significantly reduced interest rate costs and increased market share. 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 product for individuals, developing products for deposits through alternative channels of distribution: on-line deposits 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 transaction accounts – 23,900 newly opened accounts

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 client accounts (retail and corporate clients) increased to 23,900 accounts, reaching 206,671active transaction accounts in total. In addition, significant fact at the end of 2018 was the increasing of the number of salary and pension recipients through Halkbank AD Skopje, which has increased by 13% in 2018 year.

> ACTIVITIES IN 2018

Alternative Distribution Channels Department - Marketing

Digital way of thinking

In 2018 Mobile transactions grew by 117%

People love new things, exploring new adventures, following new trends. People inspire innovations, changes, movements and they want to move ahead especially when it comes to technology. In general, digital era attracts that kind of people and they contribute to better experience and spreading digital knowledge to the mass population. Halkbank is a partner bank to all clients and aims to continue with the market trends of creativity and to offer great customer experience to all type of customers through new functionalities of mobile and electronic banking, new products and the best service.

During 2018, customers continue to prefer the alternative distribution channels for payments instead of traditional way of payments into the branches where 59.3% refers to alternative channels and 40.6% to branch payments. Alternative Distribution Channels department at the begging of 2018 had introduced to the market innovative service for withdrawing money at Halkbank ATMs without a card. Service is called “Smart Cash” and it means generating code for particular amount through the e-banking applications and possibility for sending it. The code is entered at Halkbank ATMs and customers can withdrawal money without using their card. Great opportunity if you tend to forget your card.

The Department will continue investing in new services that will directly lead to decreasing the number of Branch operations and will offer time saving options for payments and spending more quality time for the clients. In 2018, number of e-banking users grew by 25.5% and transactions through this channel have increased by 16.6%. Mobile transactions grew by 117% compared to 2017.

Halkbank AD Skopje – Interior

Aims to attracting cardholders

Even though the market exposure was decreased compared to December 2017, Halkbank's credit card exposure experienced growth.

Number of debit cards achieves 123,630 plastic cards and number of credit cards is 38,426. During 2018, Alternative Distribution Channels Department had introduced 2 new types of debit cards. The Visa payWave is contactless debit card which aims to promote contactless payment awareness with the slogan "Pay as you go" that eventually will contribute for time saving. The Visa payWave card was included in a Student package that was offered to students with extra opportunities like no ATM withdrawal fee and free e-banking/m-banking.

Halkbank developed and launched the first Platinum card in Macedonia – Visa brand with extra elegant event dedicated to VIP clients. The exclusive Visa Platinum card was promoted with unique market features as no ATM fee withdrawing abroad is charged, available lounge key airports bars together with e-banking, m-banking and SMS info service for free.

Mastercard Debit was promoting its great feature of withdrawal money from all ATMs in the county for salary receivers in Halkbank AD Skopje.

Along with the increased number of debit cards, Halkbank noticed significant growth by 37.99% in the number of debit transactions. During 2018, over 5.4 million debit transactions were done. The realized turnover of 190.6 million had growth by 27.13% compared to the previous year.

In order to stimulate issuing of credit cards and to motivate spending of their limit, Alternative Distribution Channel Department during 2018 started with incentives for credit card usage. Bonus campaign at petrol stations where Halkbank POS terminal was installed was organized for credit cardholders. Clients were earning 5% bonus points from the transaction amount performed during the weekends. The campaign was accepted amazingly and even became recognizable for the clients when they were making petrol transactions. In the last quarter of 2018, the campaign was extended for pharmacies and ecommerce merchants. ATM promotion for withdrawing money without fee for the credit cardholders was active during the whole year in the last week of each month. The exposure was increased by EUR 444,000 compared to December 2017 and the turnover with credit cards for 2018 was EUR 21.8 million. Even though the market exposure was decreased compared to December 2017, Halkbank's credit card exposure experienced growth.

As an additional value for all Halkbank card, our cooperation with Booking.com was extended during 2018 and cardholders were able to make reservation at Booking.com in partnership with Halkbank link and to get 4% cashback.

In 2018 the POS network had significant growth of 33.82%

Growth as a key point

In 2018 Halkbank maintained the position as a part of top 3 acquirers. Regarding the number of POS terminals, we have finished the year with 6,385 POS terminals and gained market share of around 20%. The POS network had significant growth of 33.82% regarding the number of transactions and around 30% of market share. In 2018 Halkbank processed over 17.8 million POS transactions and had POS turnover of over EUR 210 million. Regarding the turnover, the growth was 29%. Number of ATMs reached 131.

Last year, in cooperation with Mastercard, new prize winning game was organized. It was called "Jump into Halkadventure" and each customer needed to make 10 transactions and needed to use 2 services offered by Halkbank. The main prize was the attractive Jeep Compass. There were over 8,000 registered and interested eligible clients. The lucky winner was from Struga. The results were satisfactory, Mastercard number of transactions with the cards that were included in the game had growth of 216% and the turnover was 198% higher as compared to compared to 2017. Average product per client was 2.11% calculated based on the matrix of all products and services that were included in the prize winning game.

Be innovative and follow market trends

Halkbank will aim to be a front-runner regarding the market innovations and privileges created for the clients. The people and their needs are crucial for designing new products or functionalities that will make their life easier and more practical regarding the banking activities.

Mobile payments will be offered during 2019 as top digital trend and our customers will be able to tokenize their cards into the phone and to make easy and fast payments.

New credit card Visa payWave that will divide the payments automatically into installments will be launch in the first half of 2019. The attractively designed card will offer new features and will also promote the contactless awareness and payments.

Modern and advanced call center will be established. It will cover also marketing activities and it will contribute to offering unique campaigns in the field of card usage and acquisition. Next year the Department will also focus on improvement of the usage of alternative distribution channels for payments. More digital transactions and usage of digital products will make us game changer in the banking sector.

International Banking & Financial Institutions

In 2018 Halkbank AD Skopje, as a leading bank in Macedonia, continued the successful cooperation with international and domestic financial institutions, as well as expanding the correspondent banking network.

International Banking
HALKBANK AD Skopje successfully manages a broad correspondence network of more than 400 banks in 50 countries, 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 closely follows country risks and financial indicators by assigning limits to domestic and foreign banks and other Financial Institutions based on review of the credit worthiness on a regular basis due to correspondent bank's relations.

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 2018 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), the Green for Growth Fund, Southeast Europe S.A., SICAV-SIF (GGF).

The successful ongoing cooperation with the Macedonian Bank for Development & Promotion (MBDP) continued with disbursing funds from the European Investment Bank (EIB) and funds from the KfW (Kreditanstalt für Wiederaufbau), satisfying clients' needs for fixed assets, working capital and suitable housing loans for individuals.

In 2018, Halkbank continued providing support to households for the housing projects and energy efficiency projects. Besides supporting the retail segment, Halkbank provided low-cost, long-term financing and new banking products and services for its customers designed to boost the competitiveness of SMEs and support their sustainable growth.

Halkbank will continue to work on increasing its market share to secure low-cost and long-term funding facilities from the international markets to provide alternative financing by offering new banking products and services to its customers.

The Halkbank's dedication 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.

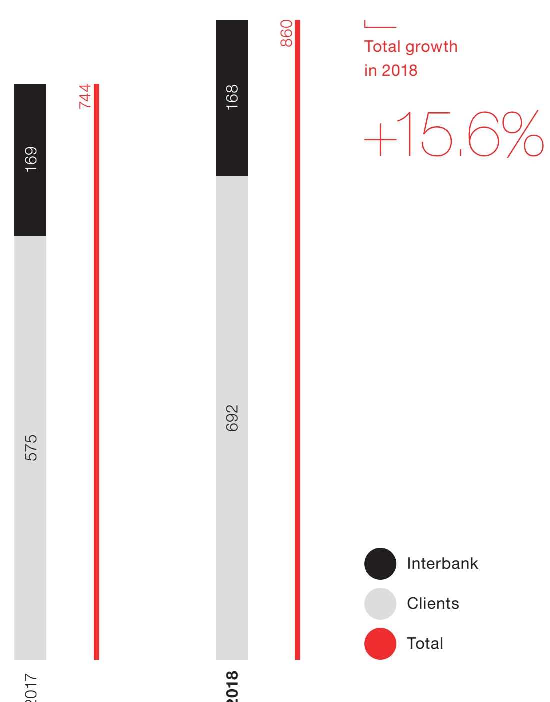
Treasury Management

During 2018 treasury activities were on optimal level, in correlation with continuous growth of the bank within the sector in general, with secure of adequate treasury management with appropriate level of liquidity coverage and treasury income accordingly.

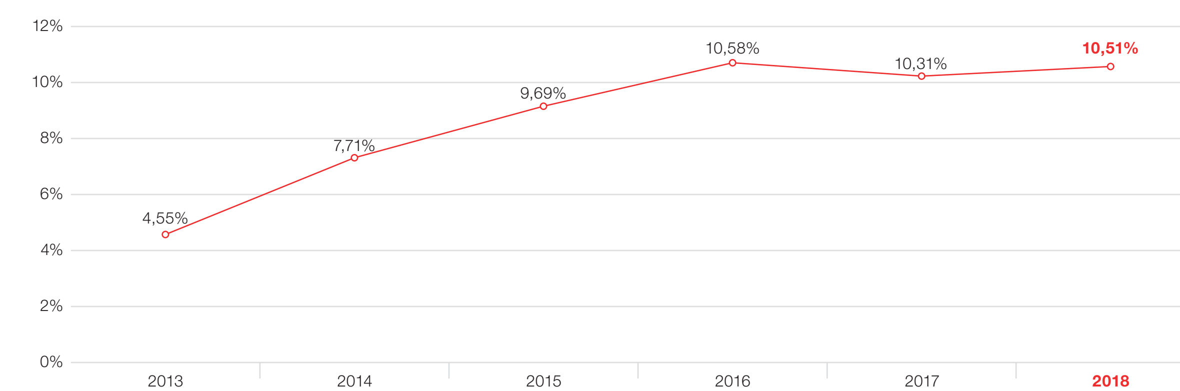
Overview of treasury activities during 2018 is integrally specified as follows:
- Sales activities (Fx spot and derivatives market with clients);
- Domestic interbank Fx spot, derivatives and MM;
- International interbank Fx spot, derivatives and MM (including banknotes trading);
- Securities trading (only domestic market: primary, OTC and repo market).

Sales & Fx trading

Fx market volume (EUR mil)



Fx market share



Securities Trading

Total securities portfolio (T-bills, T-notes and T-bonds) in 2018 compared to 2017 decreased by 6.64%, or EUR 7.17 million.

(in EUR mil)	**2017**	**2018**
T-bills	35.19	34.20
T-notes	9.35	0.67
T-bonds	63.53	66.03
Total	108.07	100.90

Participation in the securities portfolio

Participation of Halkbank on the market

***Rationale market note as general effect on bank`s portfolio and fixed income:**

Basic interest rate (T bills rate) was cut 3 times in 2018 or 75 b.p. (from 3.25% to 2.5%).

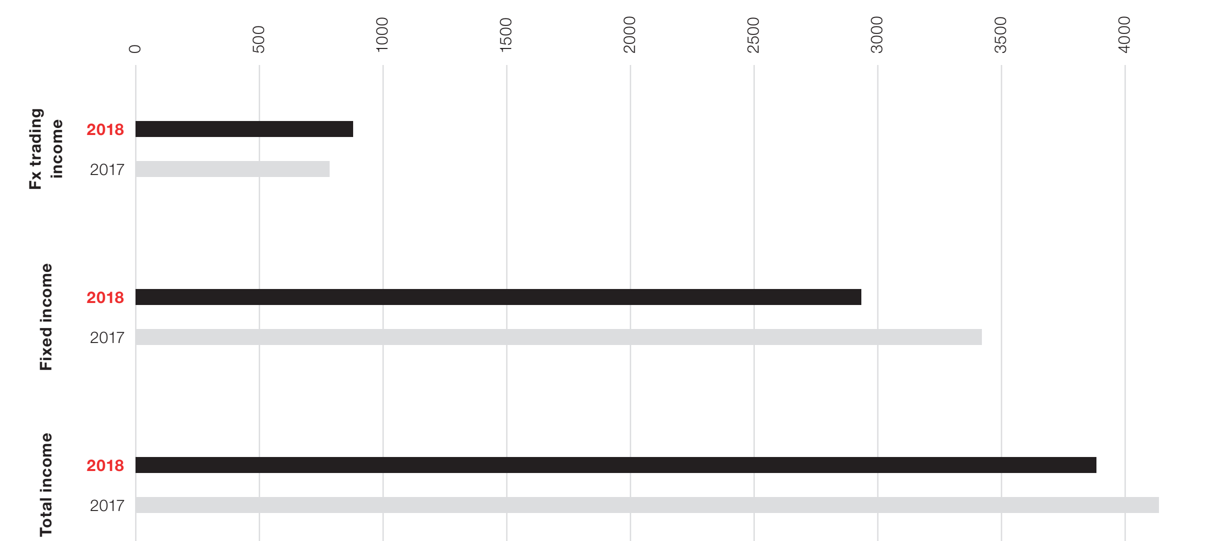
In addition, securities interest rates during 2018 registered rapid downward trend, and compared to 2017 fall by more than 20% on average on various tenors, and with insignificant minor volume of OTC market.

Treasury P & L

in 000 EUR

Period	Fx trading income	Fixed income* (MM & Securities trading)	Total Income
2017	790	3.387	**4.176**
2018	879	2.895	**3.774**

Fx market share



Perspectives

- Increase the sector market share of the bank on Fx market (target range 12%-15%)
- More intensive participation and market share on domestic OTC and repo market, targeting primary dealer status of the bank (MARKET MAKER ON DOMESTIC SECURITIES MARKET);
- Investment/trading on international capital markets, and on behalf of clients.
- More intensive offering advanced financial instruments-derivatives (hedging & investment) for clients as additional products/service (forwards, options, gold trading etc.);
- New services in scope of: investment banking / Custodian services; Brokerage services.

Halkbank AD Skopje - Interior

Domestic Payment and Cash Center

In 2018, the Bank maintained its activities and focused on further improvement of the customer service

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 2018, 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

The number of active transactional account in HALKBANK AD Skopje at the end of the year 2018 was 206,691 from which, citizens have 189,404 accounts and corporate clients have 17,287 accounts. Compared to the end of the year 2017, the number of active accounts has reached growth of 9.1%.

In 2018, 23,836 new transaction accounts were opened, from which 21,432 accounts for citizens and 2,404 for corporate clients.

E-banking transactions in 2018 have increased by 21.8% and reach the number of 1,582,322 transactions, while domestic payments transactions executed through branches have been increased by 5.8% and reach the number of 2,190,400 transactions.

In 2018, 29,505 Decisions for blocking / unblocking the clients were executed by the Domestic payment unit, which is an increase of 40.1% compared to 20,930 in 2017.

Cash Center

The Cash Center of HALKBANK, for the clients performs: transport of cash, taking cash from client's premises with special transport company and depositing to the client accounts and delivering coins to clients for daily usage.

Cash Center is responsible for processing, buying and selling of domestic and foreign currencies, transfer of foreign currencies abroad in correspondent banks, filling of ATM with cash, organization of transporting cash to and from branches, central bank and other commercial banks.

The total volume in the Cash Center in 2018 increased by 21% compared to 2017.

Regarding the operations with Bank's branches, a total growth of 19% and in operations with other banks growth of 25% was achieved compared to 2017.

Cash activities in 2018 were successfully performed under the NBRM Decision on the authenticity and fitness checking and recirculation of banknotes and coins.

Foreign Operations

Foreign Operations

Halkbank offers 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 and most convenient way.

	2018
Number of transactions	74,481
Total turnover in EUR	1,771.322,365

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 will assist you in reducing your expenses on conducting international documentary operations through its product range of L/Cs, Guarantees and Documentary Collections.

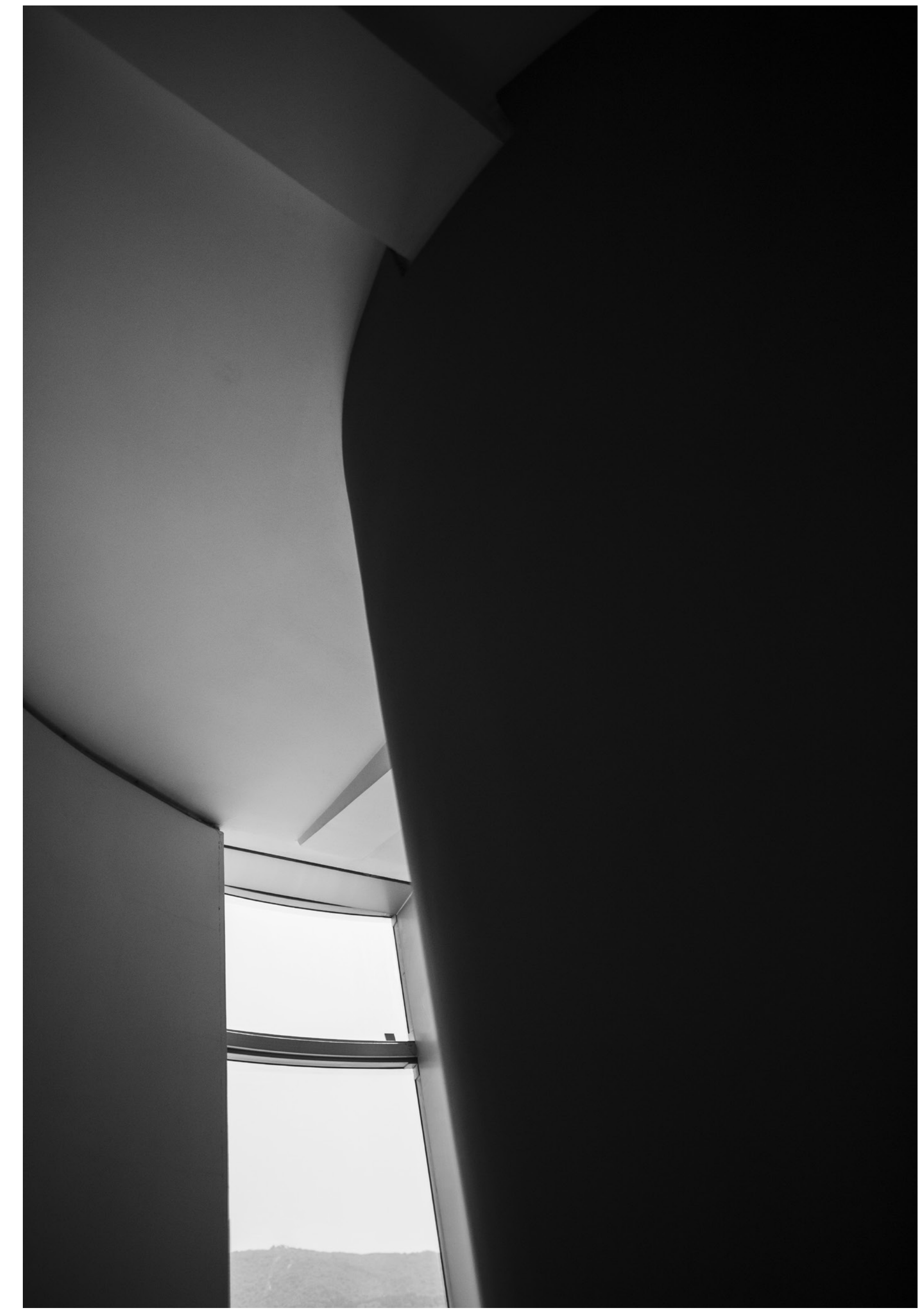
Western Union

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

Any of our 41 branches will serve you timely and efficiently in your fast money transfers.

WU Transactions	2018
Number of WU transactions	13,916
Total number of clients	7,426
Total turnover in EUR	4,000,000

“ Halkbank is ranked on the second place of all WU agents and is ranked fourth in all agents offering fast transfer service by number of transactions made in 2018. ”



Halkbank AD Skopje - Main stairwell

IT and Technical Support

Continuous Growth Support

In 2018, HALKBANK introduced several innovative products to address the needs of our clients. Upgrade of the WEB and Mobile Banking System for both Corporate and Retail clients brought the most advanced technology to the banking market, while providing exceptional user experience and ease of use.

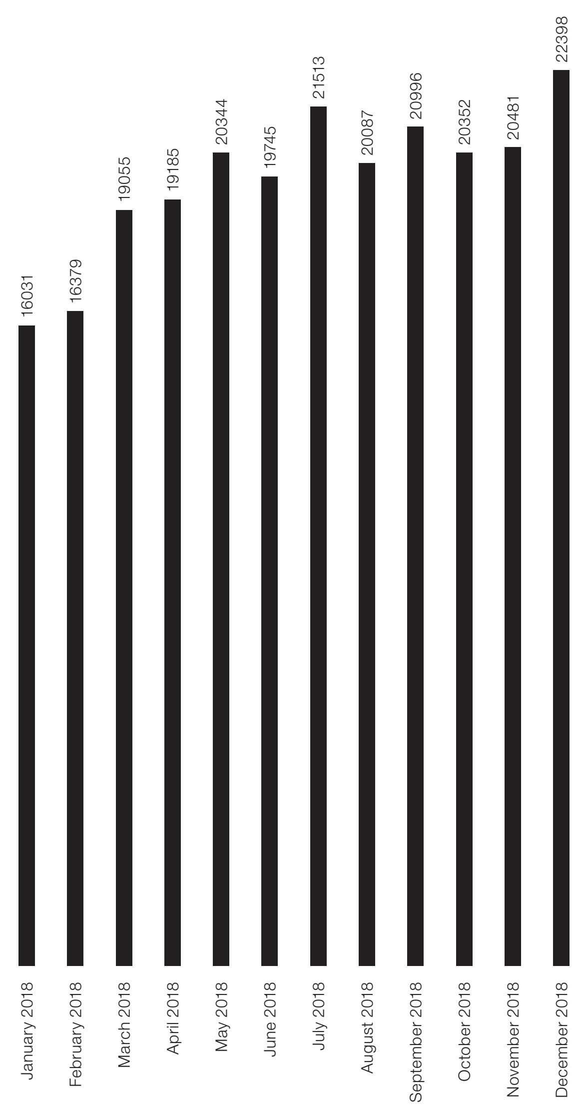
The newly implemented Contact Center will further improve the speed and agility of the Bank towards the clients and will bring greater customer satisfaction.

Other new implemented system is VoIP Telephony system which will further improve the speed and efficiency of the Bank.

Replacement of the Core Banking Servers of the Bank will further improve the speed and agility of the Bank towards the new challenges and will bring greater customer satisfaction.

Payment card products were enriched by the introduction of the Visa Platinum® Debit Contactless card in 2018.

Transactions per month (in '000)



Continuous improvement of controls and systems to decrease operating risk

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

Branch network

Extensive Branch Network
In 2018, 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 2018, HALKBANK's branch network reached 41 branches in Macedonia located in 20 cities. Out of the total number of branches, 22 are located in the capital city of Skopje and 19 in other cities throughout the country.

Opening New Branches and Continuous Reorganization
The process of opening new branches continued in 2018. Halkbank opened 2 new branches during the year and added Branch Chento and Branch Tetovo-2 to its network.

Moreover, reorganization and renovation of some of the branches continued during 2018. 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.

In 2018, 4 branches were renovated in order to improve its interior and efficiency. Branch Strumica was completely renovated on its existing location, branch Tetovo was expanded and the Corporate branch was relocated to a new location providing even better access and service to its clients. Halkbank's Main Branch was reorganized and renovated, in order to provide better and more efficient service 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.

HR department

Empowered workforce – creator of sustainable success

Halkbank aims at creating highly productive and challenging environment for its team members

The Human Resources, Organization and Training Department of Halkbank AD Skopje, has continued to build its organizational strategy, efforts and sights as did before, but now also aligned with the new corporate slogan – "People matter" in all areas of its functioning, such as in the planning, managing and developing the human potential of the Bank. Having in mind the values promoted by the Bank and its corporate campaign itself, the previous, but also the upcoming period is marked by implementation of positive HR practices and activities, while working towards increasing the satisfaction and motivation of its most valuable asset – the employees. Only highly motivated and satisfied employees can deliver customer care experience on another level, which is already recognizable trademark of our Bank on the market.

The past year has been successful in different segments of Halkbank AD Skopje's work, including in our efforts of becoming an employer of choice for the local highly educated and skillful professionals, but also in building employer brand and positive image of the Bank. With all recruitment and selection activities delivering low fluctuation level and high retention of the key individuals in the Bank, we are ready and awaiting for the upcoming challenges that will arise in front of us as part of the dynamic banking sector.

Another important accent our Department has in its sights is the career advancement and professional development of our team members. The talent management practices in our Bank have identified, brought up and developed competent professionals in the right key roles. Therefore, during the last year multi-dimensional career movements were also characteristic for our Bank, simultaneously supported with on-the-job transfer of knowledge and trainings, for better and more effective response to the ongoing working activities and client needs. Improving the working capabilities as the technical knowledge and soft skills is critical for any level of the hierarchy in the Bank and the HR Department closely follows and resolves all needs in this context.

Additionally, our Bank, as part of the talent management practices, is dedicated as socially responsible employer in our community, since we also encourage and attract young and future potentials through our internship and mentoring programs and by engaging students from all Universities in the country. The HR Department of Halkbank AD Skopje established productive and highly effective cooperation with all the Universities related to our work domain, that also made us part of various presentations, lectures, workshops and fairs, during which our Bank representatives have presented our Bank's brand and career opportunities for the interested candidates. The identification of highly skilled and potential future employees that share the same value set with our Bank, is crucial for ensuring a stable employee core in the future as well.

The internal organizational culture of the Bank has also been promoted and nurtured throughout all employees and structures in the Bank, especially with the new additions to the team of Halkbank AD Skopje.

Ensuring we have an open-door-to-all approach in the Bank, each employee's ideas and opinion are being appreciated and valued at all times. Building high performing relationships among all employees is of critical significance for our organizational environment, through which our mission, vision statements and values are reflected within and outside the company.

All the activities the Management and the HR Department in partnership undertaken in the previous period aimed at creating highly productive and challenging environment for its team members has brought the outstanding results and achievement of the previously determined goals on company level. This was another proof for our company and its stakeholders, but also for the wider business community that the employees drive the success of the company. Equipped with empowered and highly engaged teams and leaders, Halkbank AD Skopje already possesses the formula for becoming one of the largest players among the Banks in North Macedonia.

Training and employee development - the essential part of the HR Department

As in every organization, the success of our Bank in major part depends on its employees and activities they perform and undertake. They are the greatest brand ambassadors and represent the company with all business relationships they establish with the potential, current clients and other parties in the community. Employees ought to be treated with utmost respect by the management. Vice versa, the management also expects the best out of them and the employees need to develop a sense of attachment towards the organization. Continuous training programs and employee development activities play a crucial role in developing employees and preparing them for adverse situations and unforeseen circumstances that may arise in the everyday working challenges. Trainings are essential both for the professional as well as personal growth of employees, but at the same time, for achieving the predetermined business results on organizational level. New skills and learning acquired by employees through trainings would not only help them in their present role, but will also prepare them in timely manner also for any future assignments. It also helps to express their views, opinions, needs and problems for the employers to suggest appropriate solutions and act accordingly. They indeed help employees to think beyond their routine work and defined key responsibility areas.

Having employee development as one of the main goals during 2018, the HR, Organization and Training Department anticipated and identified the organizational needs and thus organized various internal and external trainings. The total number of internal and external trainings for our employees ws 87. 54 employees also participated in 24 external trainings abroad. As for the internal trainings and workshops, total of 933 employees participated in these educational sessions, required for personal and professional growth. As the modern trends dictate and the digitalization is ever present in our working environment, 706 employees went through internal on-line trainings.

In 2018, in order to be up to date with the latest requirements in the working activities, the focus on internal trainings was on the introduction of the new working processes, modules and tools such as Collateral Management and FTP and Profitability (MIS) Modules and new KDR Micro tool. With the start of the process of issuing life insurance and non-life insurance policies, trainings were organized in order all related employees to get accustomed with life-related and non-life related products. As a support in tellers and cash operations for the Banking Services Officers, specific training sessions for the appropriate group of employees were organised, so they can be ready to answer the future related requirements. Selected employees also participated in specific training in mandatory education in the AML and Compliance field. Various on-the-job trainings were also organized with the purpose of transfering knowledge among employees with vast experience and those who are at the beginning of their career track.

For the new employees in the Bank, as an already established practice, Introduction Trainings were also organised. On these trainings, most of the Divisions and Departments in the Bank took part with a presentation of the main working processes, responsibilities and tasks of each organizational part respectively.

Last but not least, as part of the effort to become more accustomed and aligned with the working procedures, practices and culture in general, the HR Department participated in the organization of 2 visits to the specific Departments to premises in Halkbank Turkey during 2018.

Branches in 2017	41
Based in Skopje	21
other cities in Macedonia	20

Number of employess	
31.12.2013	377
31.12.2014	403
31.12.2015	431
31.12.2016	461
31.12.2017	499
31.12.2018	532

Employees per location	2018	%
Head office	209	39%
Braches	323	61%

Educational Structure	2018	%
University education	487	92%
Phd degree	1	
Master's degree	54	
Bachelor's degree	432	
High School	45	8%

PR & Social Responsibility

Public relations & Social Responsibility

Halkbank is recognized as one of the few companies in the region that places the human factor, emotions and the need to contribute for the community in the core of its strategy

For more than two decades on the Macedonian market, Halkbank AD Skopje has been nurturing unique and strong relations with the community, its clients, shareholders and employees. The effort and support that the Bank has offered to the community is in line with the corporate slogan "People matter". It is the "mantra" that places people in the focus, suggesting that they are everything the Bank stands and works for.

Being "a bank of the people" means a complete dedication to its clients by offering a wide assortment of products and services that meet and exceed their needs and expectations; it means building long-term partnerships; establishing emotional relations and mutual trust with all members of the society.

Corporate Social Responsibility is a strategic part of the Bank's corporate strategy and it guides how it operates in a socially, economically, financially and environmentally responsible way.

In this regard, the Bank has invested and given a lot to the community in 2018, realizing more than 30 socially responsible projects , investing over 10 million denars in the Macedonian community, and at the same time, establishing partnership with over 10 government and non-government institutions, associations , educational centers, socially vulnerable groups of citizens...

Among many of the completed projects in the field of advancement and improvement of the conditions for socially vulnerable categories of citizens and their continual inclusion in the society is the partnership with the Orphanage "11 October" with the aim to improve the quality of life for the children that need it the most. Another existing partnership was strengthened with the inclusive dance club "Dancers United" – the first one that encourages people with the Down Syndrome to actively participate in creative and social activities like dancing. The list of projects goes on, including support for the project Down 4U of the association "Master Protection" that stands for employment of people with disabilities, the support for the "Sensory Garden" project for people with visual impairment, only to name a few.

Halkbank AD Skopje continued its commitment in providing better conditions for development of the Macedonian sport and promotion of healthy and active lifestyle. In 2018, the Bank became a proud sponsor of the Macedonian Handball Federation and loyal fan of the Macedonian male and female national team in their sport challenges. Moreover, continuous support is given for sport activities that involve children and young people through various donations and sponsorships, such as the partnership with the Children Handball Camp of Kiril Lazarov. Sports is deeply embedded in the bank's culture and an important part of the CSR strategy, where employees are greatly motivated to actively participate in almost every sport happening and to practice various sports disciplines in their everyday lives.

Another strong pillar of the CSR strategy of the Bank is the field of culture and education. It is regarded as a way of investing in quality of life and in values that should be respected and nurtured.

Halkbank generously offers its support in the field of education and culture, actively participates and initiates activities that are beneficial for the educational and academic community while partnering with primary, secondary and tertiary education institutions in the country.

In terms od culture and efforts to nurture real cultural values, the Bank became the main partner of "Manaki Brothers" International Film Festival, one of the oldest and most renowned cultural events in the country. Moreover, the Bank sponsored the realization of the world dance attraction and brought the distinguished "Fire of Anatolia" show in front of the Macedonian audience for the first time.

The effort and support that the Bank has offered to the community is in line with the corporate slogan "People matter". It is the "mantra" that places people in the focus, suggesting that they are everything the Bank stands and works for.

There is a strong commitment in providing an inclusive workplace where people will feel safe, respected and satisfied, creating opportunities, recognizing and rewarding performance, and supporting the physical, emotional and financial wellness of the people in the Bank. This is done in many different ways and with the purpose to enhance motivation through fair, transparent and equal opportunities for career growth, as well as through opportunities for continual education and additional qualification. The Bank provides benefits, resources and support to its employees so they can make a genuine impact and contribute to the sustainable growth of the business and the communities they serve.

Today, Halkbank is recognized as one of the few companies in the region that places the human factor, emotions and the need to contribute for the community in the core of its strategy. In the past few years, the Bank is witnessing a huge progress in all segments of its business, with the exceptionally high level of satisfaction and loyalty from its clients, employees and stakeholders. These results represent an additional confirmation of the commitment "to be more than just a financial institution"- to be partner of the people, because "People matter".

Management Information & Corporate Governance

Supervisory Board of Halkbank AD Skopje

İlhan Bölükbaş

President 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. From August 2017 he works as Head of Corporate Loans Department in Halkbank A.S.

Mustafa Cenk Uludağ

Member of Supervisory Board

Mr. Mustafa Cenk Uludag was born on 14.06.1970 in Bursa, Turkey. He graduated from the Faculty of Economy at the Middle East Technical University. Mr. Mustafa began his professional career in Pamukbank as a deputy inspector, inspector and service manager. He later worked as a branch manager of Gayrettepe branch, Persembe Pazari branch and Mecidiyekoy branch in Halkbankasi AS Istanbul. Currently, he is Head of Department of Retail Products Marketing at the same bank.

Yalçın Kaya

Member of Supervisory Board

Mr. Yalcin Kaya was born on 08.11.1969 in Erzincan, Turkey. He graduated from the Faculty of Economic and Administrative Science at Middle East Technical University. He began his professional career at Turkiye Is Bankasi AS as Organization and Method Expert. He later worked at Rubin and Rudman LLP, Boston, as Document manager. In 2001 he continued his career as Director and Department Head in Halkbankasi AS Istanbul. Mr. Kaya has also been Audit Committee member in Halk Hayat ve Emeklilik AS (08.2011 – 05.2012) and Halk Finansal Kiralama AS (05.2012 – 04.2013) and Supervisory Board member in Halk Finansal Kiralama AS (04.2013 - 04.2016). From August 2017 he works as Head of Corporate Communication Department in Halkbank A.S.

Olcay Atlıoğlu

President of Supervisory Board

Mr. Olcay Atlıoğlu was born on 02.01.1974 in Istanbul, Turkey. He graduated from the Faculty of Computer Engineer at Istanbul Technical University. He began his professional career at Yashar Holding Bilgi Islem A.S. as a Programmer. He later worked at Bima A.S. after that at Belbim A.S. as Programmer. He continued his career as a coordinator at Turk Ekonomi Bankasi after that at Disbank A.S. and Turkcell Technology A.S. In 2016 he continued his career as Director of Development Solutions at Etiya A.S.. From 2017 he works as Director of the Technological Architectural Management Department in Halkbank A.S Istanbul.

Boris Petrovski

Independent Member of Supervisory Board

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

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. In 2016 she was appointed as Independent Member of Supervisory Board.

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.

Dr. Bilal Sucubaşı

Chief Executive Director

Turhan Ademi

EXECUTIVE DIRECTOR

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

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

Turhan Ademi

Executive Director

Buket Gereçci

EXECUTIVE DIRECTOR

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

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

Buket Gereçci

Executive Director

Tomche Tasevski

EXECUTIVE DIRECTOR

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

As Executive Director, Mr. Tasevski is responsible for the Division of Risk Collection Liquidation, Legal and Information Security, Division of Financial Management and Planning and according to Supervisory Board Decision adopted on 28.11.2018, starting from 01.01.2019 Mr. Tasevski is responsible for the Internal Control Department, Risk Management Department and Compliance & AML Department.

Tomche Tasevski

Executive Director

Senior Management

Kiri Buhov

HEAD OF DIVISION OF OPERATIONS AND INFORMATION SYSTEM

Bojan Stojanoski

HEAD OF DIVISION OF CREDITS

Muhammed Hadzipazi

HEAD OF DIVISION OF HR AND ORGANIZATION

Derja Hamza Seferi

HEAD OF DIVISION OF RISK COLLECTION LIQUIDATION, LEGAL AND INFORMATION SECURITY

Aleksandar Iljov

HEAD OF DIVISION OF MARKETING

Berkan Imeri

HEAD OF DIVISION OF FINANCIAL MANAGEMENT AND PLANNING

Levent Ajrula

HEAD OF DIVISION OF TREASURY AND INTERNATIONAL BANKING

Organizational Structure

Supervisory board

- **Risk Management Department**
- **Legal Affairs Department**
- **Internal Audit Department**
- **Internal Control Department**

Dr. Bilal Sucubaşı
Chief Executive Director

- **Public Relations**

Executive Director
Tomce Tasevski

- Division of risk collection and liquidation, compliance and information security → Risk collection and liquidation → Compliance and AML → Information Security
- Division of Financial Management and Planning → Financial Management and Planning

Executive Director
Turhan Ademi

- Division of Credits → Corporate and SME Credit → Retail Credit → Credit Analysis → Loan Policies and practices
- Division of Treasury and International Banking → International Banking and Financial Instructions → Treasury management, money and capital markets
- Division of HR and organization → HR, Organization and Training → Administrative services → Quality and Compliant Management

Executive Director
Buket Gerecci

- Division of Marketing → Corporate Marketing → SME Marketing 1 and 2 → Retail Marketing → Payment card systems and Alternative Distribution Channels - **Marketing** → Payment card systems and Alternative Distribution Channels - **Operations** → Deposit and Cash Management
- Division of operations and information system → Information Systems and technical support → Operations → Foreign Operations

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 2018.

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

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

All Supervisory Board Members hold university degrees with management capacities. Moreover, the Supervisory Board Members are very active in the economic and legal life of Macedonia and Turkey. The table no. 1 shows the list of the Supervisory Board Members of Halkbank A.D Skopje for 2018 (SBM).

Table no.1

	Licensed on	Member till	Title
1. Levend Torusdag	03.11.2017	26.10.2018	PSB
2. Yalcin Kaya	03.11.2017	31.10.2021	SBM
3. Ilhan Bolukbas	03.11.2017	31.10.2021	SBM
4. Mustafa Cenk Uludag	13.09.2017	11.09.2021	SBM
5. Boris Petrovski	07.09.2015	26.08.2019	ISBM (Independent)
6. Biljana Angelova	12.09.2016	24.08.2020	ISBM (Independent)

With the changes in the structure of 02.05.2018, the Supervisory Board continued to work with the following structure showed in the table no.2.

Table no.2

	Licensed on	Member till	Title
1. Levend Torusdag	03.11.2017	26.10.2018	PSB
2. Yalcin Kaya	03.11.2017	31.10.2021	SBM
3. Ilhan Bolukbas	03.11.2017	31.10.2021	SBM
4. Mustafa Cenk Uludag	13.09.2017	11.09.2021	SBM
5. Olcay Atlıoğlu	02.05.2018	24.04.2022	SBM
6. Boris Petrovski	07.09.2015	26.08.2019	ISBM (Independent)
7. Biljana Angelova	12.09.2016	24.08.2020	ISBM (Independent)

With the changes in the structure of 26.10.2018, the Supervisory Board continued to work with the following structure showed in the table no.3

Table no.3

	Licensed on	Member till	Title
1. Ilhan Bolukbas	03.11.2017	31.10.2021	PSB
2. Yalcin Kaya	03.11.2017	31.10.2021	SBM
3. Mustafa Cenk Uludag	13.09.2017	11.09.2021	SBM
4. Olcay Atlıoğlu	02.05.2018	24.04.2022	SBM
5. Boris Petrovski	07.09.2015	26.08.2019	ISBM (Independent)
6. Biljana Angelova	12.09.2016	24.08.2020	ISBM (Independent)

According to Supervisory Board decision dated 29.10.2018, Mr. Ilhan Bolukbas was appointed as Acting President of Supervisory Board and according to SB Board Decision dated 24.01.2019 Mr. Ilhan Bolukbas was appointed as President of the Supervisory Board.

Executive Management Board

In 2018, the Executive Management Board was in permanent coordination with the Supervisory Board of the Bank in a very comprehensive manner that made all operational processes of the Bank transparent.

In compliance with the adopted organizational scheme, the rights and responsibilities were distributed to every single Executive Management Board member who monitored daily activities of particular divisions, departments and branches of the Bank. In general, on daily basis, they were monitoring the activities and operational results of the organizational units of the Bank and on quarterly basis, they measured performances of branches and sub-branches of the Bank. The Executive Management Board of HALKBANK AD Skopje is composed of four members who represent the Bank and manage its regular activities. The following table shows the list of the Executive Management Board Members for 2018 (EMBM).

	Licensed on	Member till	Title
1. Bilal Sucubasi	26.12.2017	Ongoing	CEO
2. Turhan Ademi	29.01.2013 / 01.02.2017 / 29.01.2019	Ongoing	EO
3. Buket Gerecci	10.03.2015 / 06.05.2017	Ongoing	EO
4. Tomce Tasevski	06.07.2009 / 06.08.2013 / 21.08.2015 / 30.08.2017	Ongoing	EO

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

The Executive Management Board in 2018 focused its work towards stable, compliant and effective operation of the Bank by rising the position of the Bank in the banking sector in Macedonia, through planning new products and services, as well as through development of the existing ones through its own business units, by increasing the network of branches, increasing the volume of the card operations and E-Banking, reducing the operational costs, while constantly taking care of the compliance of the work of the Bank through harmonization of its regulations and operations with the laws and bylaws.

Corporate Governance

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

In the course of 2018, the Shareholders Assembly held 1 (one) General Shareholders' Assembly and 2 (two) Extraordinary Shareholders Assemblies.

At the Extraordinary Shareholders Assembly held on 23.02.2018, the following were adopted: Decision to increase the nominal capital of Halk Banka AD Skopje by issuing shares through a private offer with the 13th issue of shares to an institutional investor, with Draft Decision; Decision on adoption of amendments to the Statute of Halk Banka AD Skopje, with Draft Decision and Decision on appointment of member of the Supervisory Board.

At the General Shareholders Assembly held on 10.05.2018, it was decided on the adoption of the Annual Report for 2017 and the written opinion of the Supervisory Board; the Annual Account of the Bank for 2017; the Financial Statements of the Bank for 2017, prepared in compliance with the accounting regulations of Republic of Macedonia, the International Financial Reporting Standards and the International Accounting Standards, audited by the audit company; the Report of the Audit Company for 2017 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 2017; review of the Annual Report on the operation of the Supervisory Board in 2017 by individual members and collectively; adoption of a Decision on selection of an audit company; and Decision on adoption of the Rulebook of Shareholders Assembly.

At the Extraordinary Shareholders Assembly held on 02.07.2018, Decision on the use and distribution of transmitted and accumulated profit from previous years, with Draft Decision; Decision on increase of the nominal capital of Halk Banka AD Skopje of the Bank`a assets by issuing shares through a private offer with the 14th issue of shares, with Draft Decision and Decision on adoption of amendments to the Statute of Halk Banka AD Skopje were adopted.

Halkbank AD Skopje - Interior

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