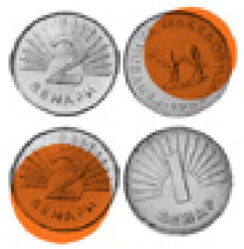
ANNUAL REPORT



HALKBANK AD SKOPJE — ANNUAL REPORT 2021

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Halkbank AD Skopje in 2021

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

With 29 years of history as a financial institution in Macedonia, here is where Halkbank AD Skopje stands today:

→ In terms of the assets, we are the fifth largest bank on the market, amounting EUR 1.181,69 million.

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

→ We have over 690 employees.

→ Our ATMs network includes 136 ATMs

→ We have widely distributed POS terminals used by our trade partners, counting over 8,000 active terminals in total.

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

→ We are a leader in offering tailored banking services; introducing new technologies on the financial market; providing fast service through the highly developed and modern alternative channel platform.

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

HALKBANK TURKEY **IN BRIEF**

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 83-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 41% of the Bank's total loan portfolio to SMEs, Halkbank continues to be their primary supporter in Turkey. As of the end of 2021, Halkbank operates with a global approach, through 1018 domestic and 5 overseas branches, 1 head office, 3 representative offices, 4,082 ATMs, telephone and internet banking platforms and mobile banking applications.

In line with its importance to the brand, it puts people - customers, retailers, farmers, small, medium or large business owners and employees above all, emphasizing that the reason for its existence is to support them with financial opportunities, in good and bad times.

The bank is considered a market leader in support for small and medium enterprises.

Halkbank is also the biggest supporter of the economy of the Republic of Turkey and is considered one of the most successful and strongest brands on the Turkish market.

HALKBANK, **TODAY..**

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

SHAREHOLDERS STRUCTURE

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

Currently, the total nominal capital of HALKBANK A.D. Skopje is MKD 9.156.910.000 divided into 915.691 ordinary shares, whose nominal value per share is 10,000.00 denars. The majority shareholder of HALKBANK A.D. Skopje is Turkiye Halk Bankası AŞ Istanbul with 910.905 ordinary shares i.e. 99.48% 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.	910,905	9.109.050.000	99.48
Other Shareholders	4,786	47,860,000	0.52
Total	915.691	9.156.910.000	100

Key financial indicators

By the end of 2021, HALKBANK's total assets increased from EUR 1.085,9 million to EUR 1.181,7 million.

in 000 EUR	2019	2020	2021
Total Assets	933.740	1.085.929	1.181.698
Liquid Assets	149.649	171.993	162.885
Brut Loans	616.479	717.710	800.984
Securities	122.577	136.517	147.318
Total Deposits	675.663	830.452	910.460
Shareholders' Equity	131.364	149.012	179.475
Net Interest Income	25.954	26.110	29.835
Net Fee and Commission Income	5.467	5.528	7.659
Net Profit	11.417	9.019	10.626

Key Ratios (%)	2019	2020	2021
Net Interest Margin	3,06	2,58	2,63
Cost/Income Ratio	59,18	64,54	65,43
Net Fee Income/Operating Expenses	27,44	24,63	28,73
NPL Ratio	0,78	1,02	1,74
Loans/Assets	66,02	66,09	67,78
Loans/Deposits	91,24	86,42	87,98
Securities/Assets	13,13	12,57	12,47
RoA	1,34	0,90	0,94
RoE	10,68	6,93	6,88
Capital Adequacy Ratio (CAR)	15,33	15,01	16,49

Halkbank's Position in the Sector

Three year summary financial information

in 000 EUR	2019	2020	2021	Growth in 2021 (%)
Total Assets	933.740	1.085.929	1.181.698	8,8%
Brut Loans	616.479	717.710	800.984	11,6%
Total Deposits	675.663	830.452	910.460	9,6%
Shareholders' Equity	131.364	149.012	179.475	20,4%
Net Profit	11.417	9.019	10.626	17,8%

Market position in the Sector %	2019	2020	2021
Assets	10,4	11,4	11,4
Loans	11,2	12,5	13,0
Customer Deposits	8,6	10,0	10,2
Equity	13,3	13,5	15,0
Net Profit	10,0	7,7	7,2

HALKBANK’S MILESTONES

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

1998 Became the first Western Union authorized agent in Macedonia.

2004 Became the first bank which implemented e-banking on the Macedonian market and was awarded Bank of the Year by the Macedonian Chamber of Commerce.

2005 Introduced the EN ISO 9001:2000 International Quality Management System, thus becoming the first bank in Macedonia certified with International Quality Management System.

2006 Introduced the prestigious ISO Standard for Information Security Management, ISO 27001:2005, thus becoming one of the few banks in Southeast Europe having incorporated this certificate.

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

2008 Established its own POS Terminal Network for VISA Payment Cards and it was the first bank to launch the VISA GOLD Credit Card.

2009 Became the first Bank in Macedonia which offers e-commerce services for VISA CARDS holders.

2010 Obtained two new certificates: MASTER CARD certificate for POS payments and e-commerce and ISO 9001:2008 certificate for quality.

2011 HALKBANKAD 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.

2016

→ Ranked among the top 100 SEE banks by assets.
→ Introduced its mobile applications for e-banking for individuals and legal entities making another step towards improving its customer’s experience.
→ Was certified according to the highest-ranking international standard for information security regarding processing payment cards PCI DSS v3.1.
→ In December 2016, Halkbank AD Skopje implemented the highest standards for security and safety in the internet payments in the country and abroad, 3D Secure –Verified by Visa – VbV, and MC Secure Code protocol.

2017

→ Was awarded as the “Best SME Bank in Macedonia for 2017” by the world’s leading magazine Global Banking & Finance Review.
→ Halkbank AD Skopje has been selected as Superbrand in Macedonia for 2017/18 by the International Organization “Superbrands”.

2018

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

2019

→ Award for contribution to the development of entrepreneurship in Central and Southeast Europe “Creators of the Century” for 2018.
→ Story Award for socially responsible company.
→ Super Brand for 2019.
→ Launched HalkEco application in order to raise the ECO awareness of the people, motivating people to maintain a healthy life and as a reward, gives them personal gifts. As part of this ECO project, the bank has planted over 6,500 trees throughout the country.

2020

→ **Urgent measures in dealing with covid consequences:**

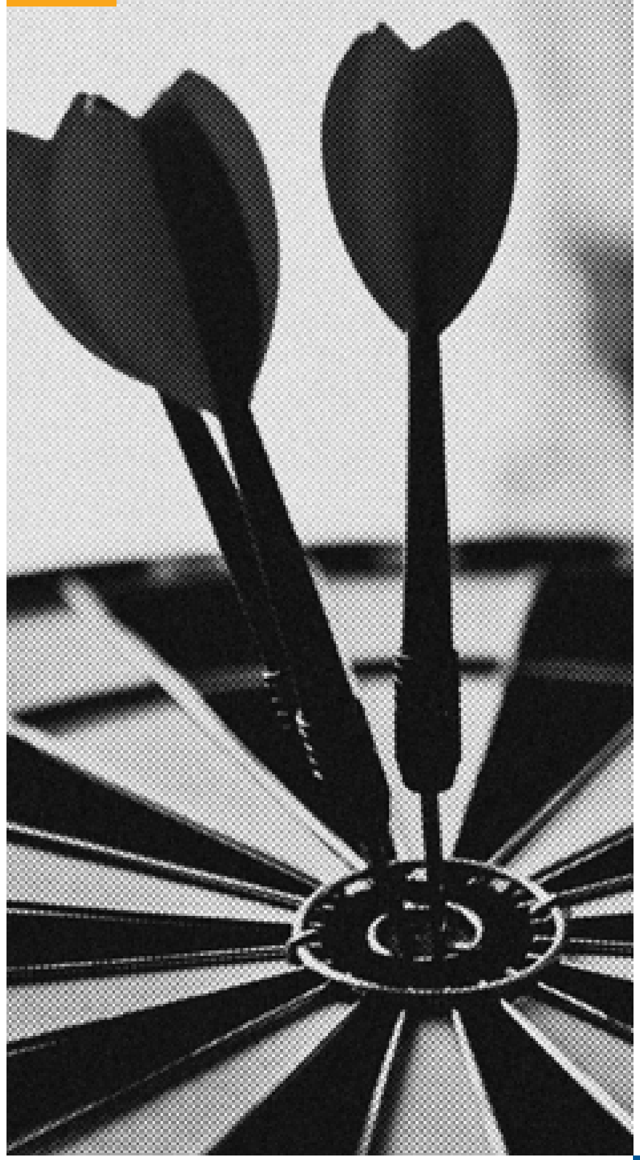
- Advance payment of tax profit in the amount of MKD 71.8 million
- abolishment of fees for individuals for payments made through e-banking and moby banking,
- postponement of all credit exposures
- package of products for legal entities
- vouchers for numerous SME businesses affected by the crisis

→ HalkEco chronometer race
→ Halk Velo Green
→ Planting over 17.000 trees in one year
→ Renovating of all bridges in Central Park Skopje
→ Renovating of a brigde in Krusevo that connects the city with the nature.
→ Setting the first Eco bus stop in the country
→ Mural in the city center sharing a message – “People Matter”
→ Awarded as the “Best Retail Bank in Macedonia in 2020” by the world’s leading magazine “Global Banking & Finance Review”.

2021

→ Publishing and printing of the first Halkbook
→ Second edition of Halk Velo Green
→ Eco-inclusive playground in elementary school “Istikbal”, in Tetovo.
→ Constructing sensory garden playground in elementary school in Ohrid
→ Planting of over 15.000 trees
→ Declared as “The best financial brand for 2021, North Macedonia” by the Global Brands Magazine
→ Creating a conceptual design for the creation of the “Halki Picture Book”, whose funds from the sale were intended for a donation to the “SOS Children’s Village”.

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 Corporate Values

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

Our main principles:

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

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

NAME OF THE BANK: **HALKBANK**
MEANING OF THE NAME: **PEOPLE'S BANK**
OUR SLOGAN: **PEOPLE MATTER**

Halkbank's strategies

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

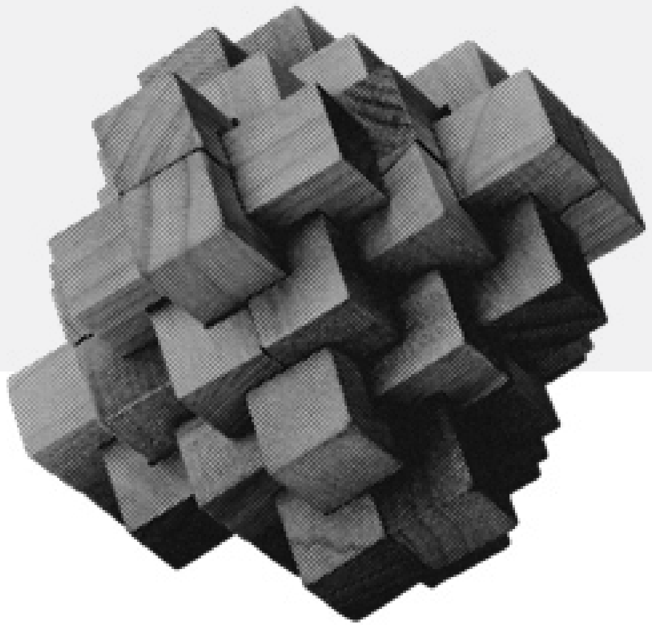
→Offering superior products and services to the real sector;

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

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

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

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



Osman Arslan

PRESIDENT OF SUPERVISORY BOARD OF HALKBANK A.D. SKOPJE

Dear,

Ensuring continuous improvement of the quality of life is a challenge faced by past and present generations, in order to ensure prosperity and sustainable development without compromising the ability of future generations to meet their basic needs.

The progress of the banking sector and all of the activities that we are undertaking today have shown the readiness to respond to the numerous challenges that we will need to address in the future. Hence, in order to be successful, businesses need to create value for all stakeholders and to make an active contribution to the sustainability of society. Delivering value to shareholders is impossible without delivering value to customers and employees. The focus on creating value for all stakeholders and strong growth, as well as the awareness of our corporate responsibility, stimulates our efficient operation and leads Halkbank AD Skopje to achieve a respected position in the market. The investments and support that the Bank provides to small and medium enterprises move individuals and the Bank towards sustainable development.

As a modern financial institution, the Bank is one of the leaders in the acceptance and implementation of new technological and information trends, providing customers with the fastest, most modern and most reliable services. With its ubiquitous presence on the market, Halkbank AD Skopje enables the offering of various products and the performance of numerous banking services almost throughout the country. The extensive network of branches and ATMs serves thousands of citizens, public institutions and small, medium and corporate enterprises.Halkbank is a leader in offering personalized banking services as well as in introducing new technologies, which further contributes to the development and improvement of the banking sector.

Today, the Bank is part of the largest five banks in the market. Having in mind the relatively short period of presence on the Macedonian financial market, Halkbank AD Skopje is the fastest growing bank on the market. As one of the five largest banks in the country, Halkbank is a symbol of trust, loyalty and security.

Besides the wide range of products and services, as well as the excellent results of theoperation, Halkbank AD Skopje is a socially responsible company and dedicated to the common good, protection of nature and environment, people, culture and sports.

Our mission, oriented towards corporate social responsibility, constantly encourages our action in the direction of environmental, social and economic change. The importance of people is at the core of our ideology, hence the persistence to practice a combination of financial success and social responsibility.

On behalf of the Supervisory Board, I express my deep gratitude to all those who are part of the Halkbank team and are continuously committed to a sustainable approach. By acting in a socially responsible way, we contribute to the long-term well-being of each individual and company in our markets.

Sincerely,

Osman ARSLAN

President of Supervisory Board of Halkbank A.D. Skopje

MESSAGE FROM THE CED

Dear shareholders, clients, dear colleagues, friends,

Over the past year, as we have faced numerous challenges due to the negative impact of the pandemic, Halkbank has tirelessly supported the economy and the population, as demonstrated by its excellent performance and offering a wide range of products and services.

The basis of our work is the motto "People matter", so, during 2021 we showed care for our customers, business partners, but also for the community in which we work.

Although the conditions did not allow the realization of some of our ideas, with a joint effort and appropriate adaptation to such a situation, we managed to achieve many of the plans we set at the beginning of the year. Therefore, it is extremely important for us to point out that this year we have seen excellent business results from operations, as well as credit growth of 12% and growth of the deposit base of 10%.
When it comes to credit products for households, there is an increase of 25% compared to 2020, in housing loans.

The credit support that the Bank selflessly provides to businesses in the country is reflected in the 18% increase in loans to legal entities, ie loans to small businesses. The stated results achieved in 2021 brought Halkbank to 10.6 million euros realized profit and contributed to an increase of 18% in the profit of the Bank, whose assets amounted to 1.182 million euros at the end of the year, which is an increase of 9% compared to 2020.

Starting from the essence of our motto, Halkbank sought to raise awareness of the importance of including people with disabilities in the society and improving the conditions in which they are educated. For that purpose, the Bank financially supported the construction of inclusive playgrounds in the primary school in Tetovo and a sensory room in the primary school in Ohrid.

The social responsibility was focused on dealing with the crisis, but we did not neglect our orientation towards the regular social projects that we support through the years of our activity.

At the same time, as a socially responsible company, Halkbank worked hard to find solutions to numerous ECO projects, even in a pandemic. As a project that we believe will continue to contribute to the formation of healthy habits among citizens, the HalkEco application has shown that the population is strongly motivated to reach out to nature and replace their car with a bicycle or electric scooter and perform physical activities, in return for the Hulk Eco gift.

Under the auspices of this application, last year was held the second edition of the Halk Velo Green bicycle race in Mavrovo, which turned it into a traditional race, with which funds collected from registration fees were planted 7,700 new seedlings in the vicinity of St. Nikole.

Considering that the HalkEco application is already a symbol for encouraging healthy habits and protection of the environment, in that direction the race "HalkEco Skopje runs 10KM" was re-organized.
Through the successful operation of HalkEco, it was possible to arrange a green corner in the City Park in the city of Gostivar, as a donation of the Bank to the Municipality of Gostivar.

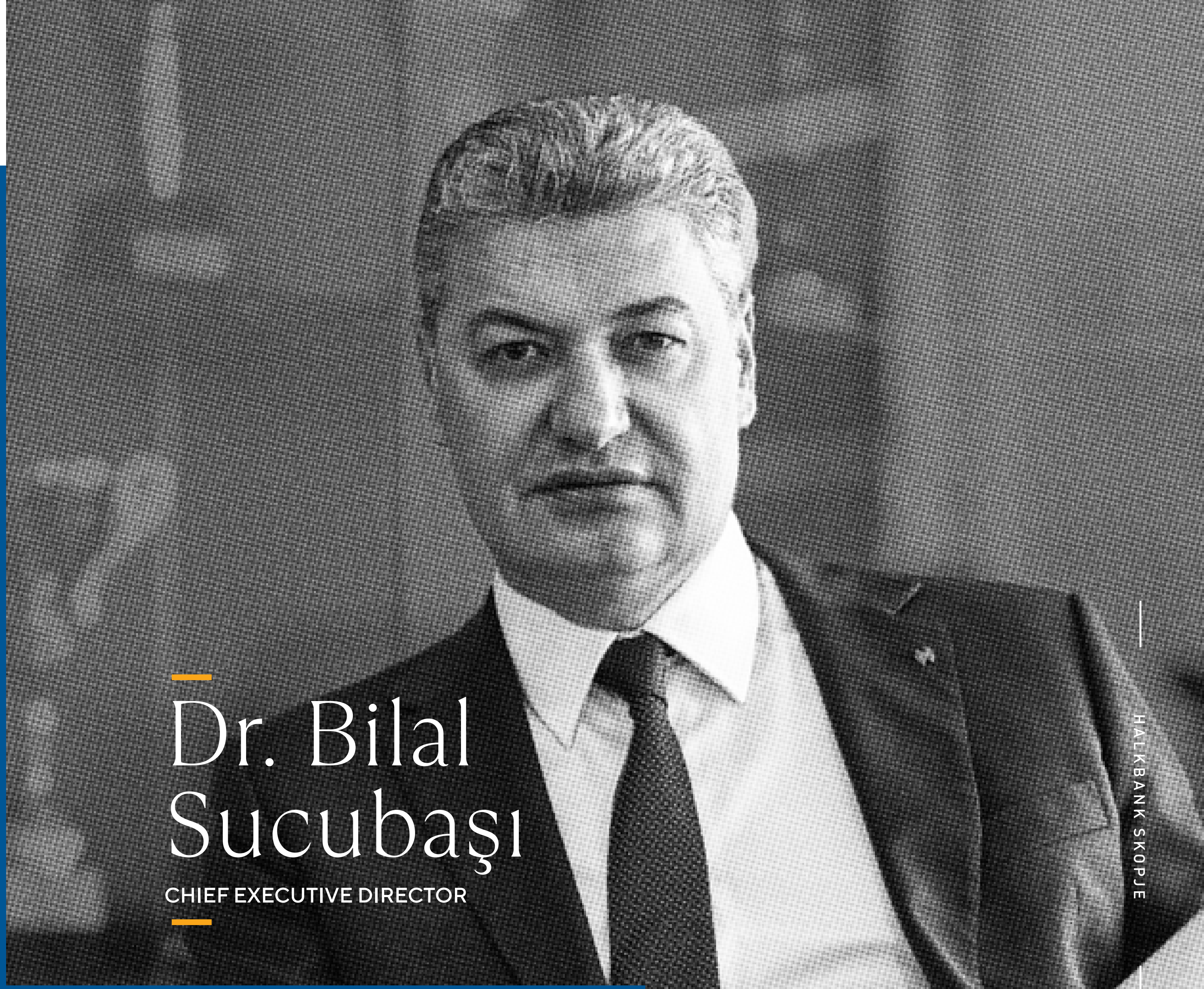
Among the many attractive products of Halkbank, last year, in October - the month of savings, the PROMO deposit was activated, which offered customers the opportunity to term the funds at 13 and 25 months with very attractive interest rates. The EVOLVE deposit was also offered to the depositors, which is characterized by a growing interest rate, which grows every 6 months, so, for 24 months as a minimum period for term deposit, a yield of 2.7% can be achieved for deposits in denars, calculated on the initial investment amount.

In addition to supporting sports, In 2021, we have made a significant contribution to the community by supporting culture, nature conservation and supporting the youngest. The New European Film Festival - Beach Film Festival, which with its concept stands out from other festival standards, received support from the Bank, as well as the festival When in Krusevo, which aims to promote the city of Krushevo, as a famous tourist center within the country.

High on Halkbank's priority list for the past year has been the support of pre-school and school-age children. Such support began with the Bank joining the global initiative to mark April 2 - International Children's Book Day, by creating the illustrated story "Halki Picture Book", which several thousand students received as a gift.

2021 was significant for Halkbank AD Skopje because the payment operations of the state-owned company Makedonska Posta started to take place through it, which has an extremely important place in the total payment operations in the country, because over 25% of the total payment operations take place through the Post Office in North Macedonia. Payment operations now take place through Halkbank AD Skopje, in a total of 324 active post offices of Makedonska Posta AD with 470 counters that are available to citizens to make all cash payments, including payments for utility bills.

Halkbank today is a leader in offering personalized banking services, as well as in introducing new technologies and providing fast service through a highly developed, modern platform of alternative channels.



Dr. Bilal Sucubaşı

CHIEF EXECUTIVE DIRECTOR

It was also recognized by the prestigious Global Brands Magazine, which named Halkbank the "Best Financial Brand, North Macedonia 2021" for its exceptional commitment to innovation, quality, activities for branding, customer service and performance.

Such results of the work are a confirmation that we are a serious, stable and loyal partner of the citizens, the economy, but also of the whole society in our country.

This year, we will make the most of the experience we gained last year and it will serve as a basis for effective action, investing in the common good and providing support where it is most needed.

We will work together to strengthen our brand, in order to realize our vision of a leading bank in the region that is able to fulfill all the requirements of universal banking.

Acting primarily on human and then on business values, we are aware of our corporate and social duty and as before, we continue to continuously contribute to the development of the banking sector.

Activities in 2021

Product highlights

MORE SPACE FOR MORE JOY!

Housing loan with 2.9% fixed interest rate in the first 5 years and 3.3% in the next 5 years, which is secured by a life insurance policy issued by Triglav Osiguruvanje - Zivot AD Skopje and an accident policy issued by Halk Osiguruvanje AD Skopje. It can be used for buying an apartment, a house and business premises as well as for refinancing the exposures in other banks on the basis of a housing loan. The insurance policy provides protection of the property from the consequences of an accident, security in repayment and protection of the whole family.

WISHES DRIVE US!

Consumer loan with extremely favorable conditions - an interest rate of 5% fixed for the first year, 5.5% fixed for the second year, and variable interest rate for the remaining period.

The processing fee is 0%, and no commission is provided for early repayment of the loan. The only cost is 150 denars for an application and 350 denars for a check at the Credit Bureau, which are charged only for an approved loan before the payment of the approved funds.

A GOOD PLAN STARTS IN OCTOBER!

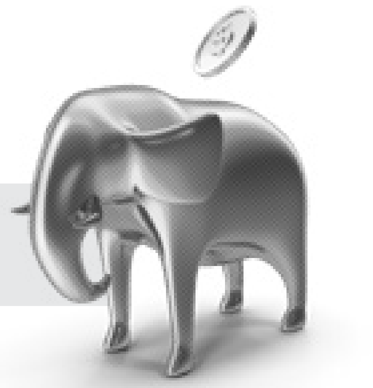
In October, the world savings month, Halkbank AD Skopje activates the PROMO deposit, which offers the opportunity for term deposits of 13 and 25 months with fixed interest rates. The interest rates on the PROMO deposit are quite attractive, given the current offer on the market. Thus, for deposits with a term of 13 months, the interest rate is 1% for savings in denars, ie 0.80% for deposits in euros. For term deposit for a period of 25 months, the interest rate is 1.30% for savings in denars, ie 1% for savings in Euros.

GARMINPAY!

This functionality digitizes payment cards and allows making quick and easy transactions using only a Garmin watch. The Garmin Connect mobile application is available to use on both Android and iOS operative systems. Through the app, the user can digitize Mastercard payment cards issued by Halkbank AD Skopje thus activate GarminPay.

HALKPAY!

HalkPay is Halkbank's new mobile app that allows quick, easy and secure payment via mobile device with an Android operating system. It is available for use to all Halkbank customers who have a Mastercard payment card issued by Halkbank AD Skopje.

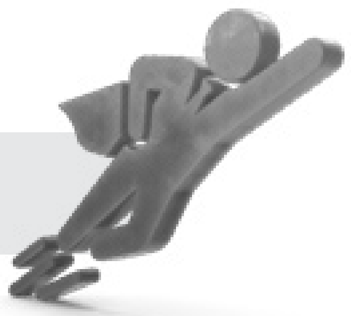


HALKI!

A deposit for children saving with fixed interest rate. Additional investments can also be made through the parent's e-banking. Upon opening the Halki deposit, the young money saver will receive savings book and a Halki gift.

MASTERCARD WORLD CREDIT

A payment card intended for cashless payments in the trade network, and cash withdrawals at the Bank's ATMs and counters. The holder of the Mastercard World card is eligible to the benefits from the LoungeKey Program, simply by presenting the card along to their boarding card, and an ID document (ID card/passport).



ACTIVATE YOUR SUPERPOWER!

A winning award game organized for payment cards issued by Halkbank, HalkPay and GarminPay promotion purposes, where the individuals are participating by simply using their Halkbank payment cards when shopping. However, paying with HalkPay and GarminPay gives the participants three times higher chances for winning a prize thus stimulating the members of the society to active use the payment cards issued by Halkbank AD Skopje as well as the HalkPay and GarminPay functionalities.

HALKECO- BEING A RESPONSIBLE ALLY TO THE NATURE

Following the policies for sustainable development and the goals for a better society for all, which includes the need for all of us to contribute in order to create a better tomorrow, Halkbank applies numerous ECO policies on the Macedonian market. It is a company that permanently invests in environmental protection, both in afforestation of the country with new trees, as well as in organizing and supporting a series of other activities aimed at promoting healthy living habits and nature protection, which is why it is recognized as an ECO oriented Bank.

The HalkEco application, which motivates citizens to walk, run or ride a bicycle with a series of gifts and benefits, has already grown into a platform that provides support for activities that have the same purpose. Thus, the traditional race HalkEco Skopje Run 10KM was held under the auspices of the Bank, had a symbolic meaning because in 2021 Halkbank celebrated its jubilee - 10 years of successful operation on the Macedonian market.

As part of the HalkEco platform in the City Park in the city of Gostivar, a green corner was arranged, equipped with new greenery, urban equipment and lighting, and the fountain was put into use. With this donation of the Bank to the Municipality of Gostivar, the city received a new urban corner which additionally ennobles and beautifies the landscape of the City Park as one of the most visited places.

The Halk Velo Green bicycle race, organized by Halkbank for the second year in a row, again came across with a great response from cycling fans, professionals and amateurs. This race is of a humanitarian character because all participation fees are used for afforestation of certain areas in the country. As a result of the race and with funds from the bank, 7,700 new seedlings were planted. In that way, through the activities of HalkEco, over 15,000 new trees were planted in one year.

Corporate and SMEs Banking

CONTINUOUS GROWTH OF SME AND CORPORATE LOAN PORTFOLIO IN 2021

The customers continue to be the focal point of Halkbank AD Skopje. During 2021, as part of the group of large and systematically important banks in the financial sector in the Republic of North Macedonia, the Bank has once again demonstrated its dedication to understanding the clients' needs and acting upon them. In a year with immense challenges, deep and far-reaching impacts imposed by COVID pandemic, Halkbank AD Skopje provided undisputable support to its clients – legal entities in order to help them to successfully mitigate all impacts on their operations and liquidity despite the general recovery process conveyed was quite slow.

SME's continue to be the important pillar of Halkbank's activities. Often recognized as the driving force of the domestic economy, maximizing SME's satisfaction by providing innovative products, services and solutions is imperative which we intensively pursuit and strive to achieve. The efforts undertaken for mitigating the COVID impacts by the Bank were graciously welcomed by our clients, inspired confidence and strengthen the relationships we seek to continuously develop with the SME's.

As one of the leaders in the domestic financial market for corporate loans, Halkbank AD Skopje provides syndicated financing facilities and project finance techniques to corporate investors. During 2021, we continued to support the companies in the realization of new projects, by offering vast financing opportunities and support throughout the entire financing flow. Our dedicated and experienced staff has once again played a crucial role in guidance and execution of a several project financings and acquisitions, part of them in syndication with other financial institutions where Halkbank AD Skopje took the role as leading bank in arranging and negotiating the project financing structure.

In terms of numbers, in 2021 the total corporate loans market has a net growth of EUR 250 million compared to 2020, from which Halkbank AD Skopje has noted a net growth of EUR 44,96 million (18% from total corporate loan growth in the sector), a respectable number that puts the bank among the leaders in terms of growth of corporate loans on the banking market for 2021. The corporate loans portfolio amounting EUR 400 million or 13.4% from the corporate loan market share represents a clear indication of Halkbank AD Skopje persistence for continuous growth of its portfolio, while preserving its stability.

CREDIT LINES UTILIZATION CONTINUE TO BE ONE OF THE MOST IMPORTANT PILLARS FOR OUR GROWTH

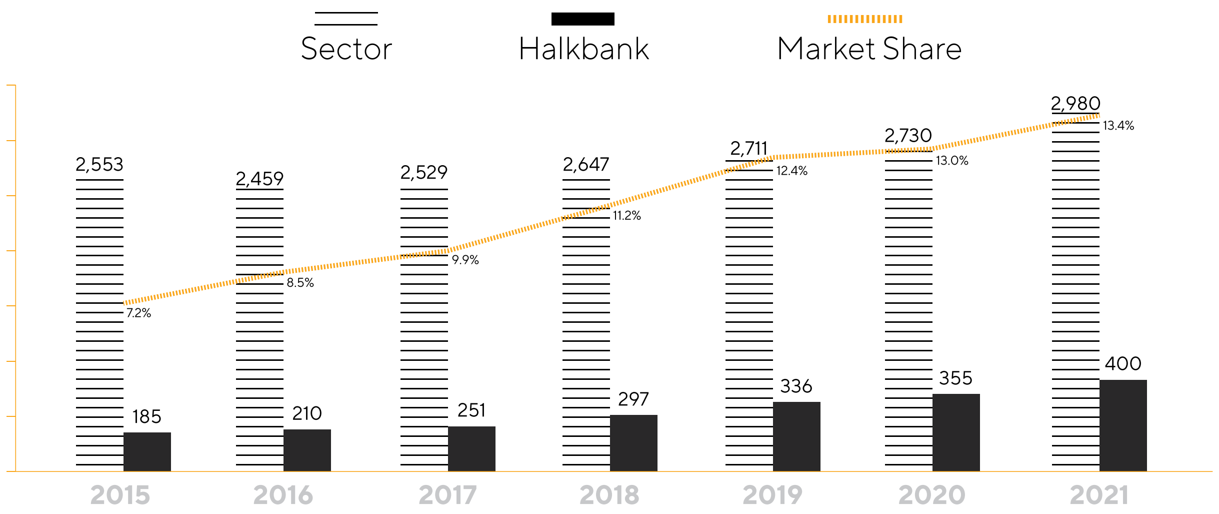
During 2021, Halkbank AD Skopje continued to utilize credit lines from other financial institutions, as follows:

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

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

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

1.1 Market share - Corporate loans in mill EUR



Retail Banking

HALKBANK is among the 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 45 branches all around the country.

These include products and services for everyday finances as loans, overdrafts, credit cards, e-banking, and ATM network with witch HALKBANK AD Skopje continued increasing its retail banking business line in 2021.

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. Halk Bank AD Skopje continued to grow its retail banking business in 2021 by using creative marketing approaches for diversified customer segments.

2021 was successful year in part of retail activities and loans disbursements.

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

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

Number of clients during 2021 has a positive trend, portfolio was increased, all due to fact that customer's satisfaction was on priority place of the list of working activities for all Branches in network, directly followed by Retail Marketing Department.

Efficient, direct and connected

In 2021, the Retail Marketing Team operating in the head office and in our branches was oriented to direct marketing activities as well as aggressive marketing through social media and alternative ways of information to our client and potential ones.

In 2021 years we faced with a challenges to limit our direct communications and to increase the virtual on line communication.

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

With excellent retail offers we were constantly present between employees in public companies and institutions and corporate and small and medium-sized enterprises.

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

Retail lending was oriented towards several basic objectives:

→ Fulfilling the mission of providing financial services to clients with regular and secure income
→ Developing a retail client base for future sale activities
→ Strengthening the links with SME and corporate clients by providing financing to their customers and employees
→ Strengthening the links with 3 biggest syndicates in the country (Police union, Syndicates for education workers and syndicate for administrative employees) and spreading retail products customized especially to theirs member.
→ Increasing collateralized portfolio with supporting construction companies and individuals with housing loans
→ Early warning signals for clients with financial difficulties and their on-time support
→ Investing in digital solutions in order to save clients' time for their banking needs

In 2021, gross retail loan portfolio reached EUR 393 million.

In 2021 retail segment market share of HALKBANK is 12,40% 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 2021, 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 2021, 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 2021. The market in housing loans segment during 2021 was enlarged up to EUR 147 million in which HALKBANK was included with almost 13.5% of the growth.

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 2021, the Mortgage Portfolio reached almost EUR 62 million that is in line with our long distance politics to enlarge collateralized portfolio and to make connections with our clients on a long terms.

3. CONSUMER LOANS

In part of consumer loans, in 2021, beside pandemic conditions and many restriction, we succeed to disburse over 8.010 loans and in amount 56 million EUR. Targeting different clients, regarding companies and institutions that are employed in, we intercepted client's needs and insured financial support to overcome all difficulties that came from this hard year in every segment.

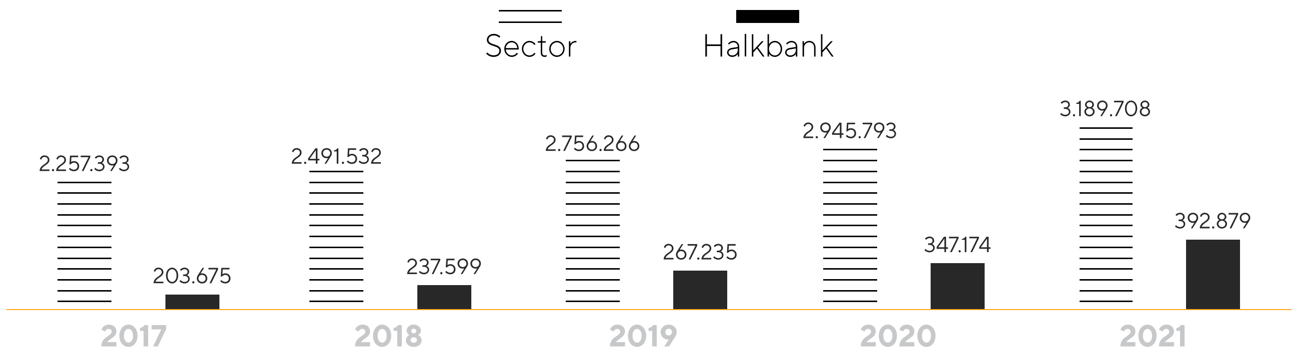
Significant bank in the banking sector in terms of outstanding and net increase of Total Retail Portfolio

2021 has been successful for Halkbank AD Skopje, operating in constantly increasing competitive banking market. During 2021, with its 45 branches, Halkbank AD Skopje has managed to meet all clients' needs very efficiently and due to its high-quality service, the Bank managed to stay in four biggest banks in the country.

In 2021, the Bank had a collaboration with Halk Insurance Skopje in the loan insurance part. We created retail products that make loans and client more secure by including policies that cover many types of risks including not being able to repay the loan due to illness, accident etc.

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

1.2 Retail credit portfolio in 000 EUR



Clients with salaries and overdrafts

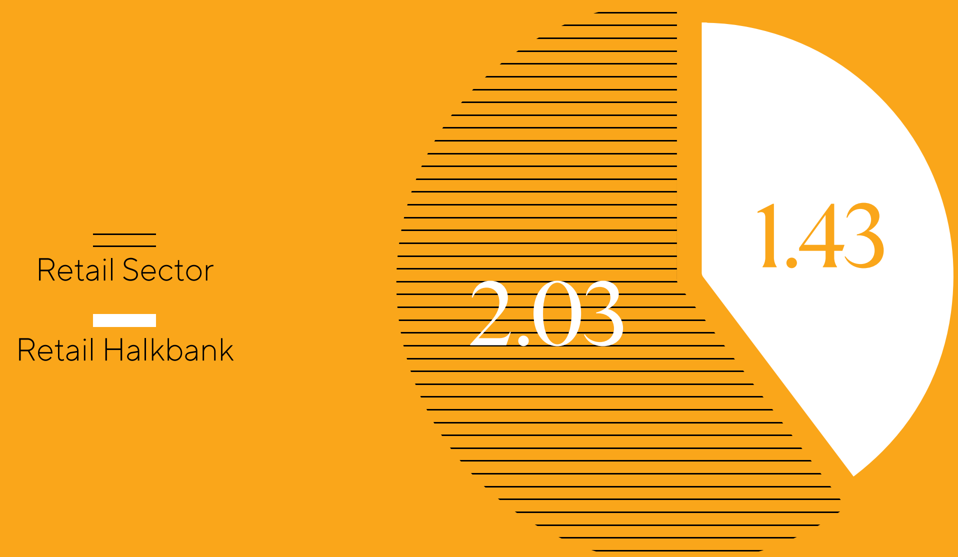
The number of clients who get their incomes in HALKBANK AD Skopje increased in 2021 and reached 89.376 (74.560 salary receivers and 14.816 pension receivers). This was surely the result of constant visits and promotional activities to employees in public companies and institutions on one hand, and of 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 29.683 at the end of 2021.

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 2021 to 1.43 % at the end of the year.

1.3 Retail NPL Ratio - 31.12.2021



ANNUAL REPORT

Activities in 2021

Activities in 2021

Loans secured with accident insurance policy issued by Halk Insurance and life insurance policy from Triglav Life. In 2021 we launched consumer, housing and mortgage loans with accident policy issued by Halk Insurance and life insurance policy from Triglav Life.

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

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

In 2021 were launched housing and mortgage Loans in denars. With this, the Bank provided possibility for stable repayment of the loans for its customers in domestic currency. We were among the very few other Commercial Banks that were offering secured loans in MKD currency.

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

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

Each product was followed by PR campaigns, TV commercials and presence on other social Medias with tagline - The Interest is secured!

The Bank had great response from the authorities and members of the syndicates, which contribute for deepening the already successful cooperation.

In addition, the Bank supported a lot of events that were organized by the syndicates, such as jubilee for 30 years existing of UPOZ, where the Bank received a plaque for special contribution and support of the syndicate and its members.

Halkbank supported the 7th Congress of SONK. The conference was organized for 150 delegates and 50 of them were guests from international syndicates.

Throughout the year were visited most of the organizations that are part of the syndicates.
Having in mind that we have great potential for increasing the retail portfolio with successful cooperation with their members, we try to meet their needs and listen to their suggestions for reaching our final goal.

Collaboration with Union of Pensioner's Associations of Macedonia – SZPM

In 2021 Halkbank continued the collaboration with the Union of Pensioners of the Republic of Macedonia.

Also, among the other related activities with the union, Halkbank was one of the sponsor for the Olympic Games for pensioners organized by the Union of Pensioners of the Republic of Macedonia. Halkbank took part in the congress organized by Union of Pensioners' Associations of Macedonia – SZPM where all delegates from all over the country were present.

Our Bank had presentation, where we showed once again that the conditions for the products and services are carefully created to meet the needs of its elderly clients.

Number of clients who receive their pension in Halkbank is 14.816.

HALKBANK SKOPJE

Deposit and Cash Management

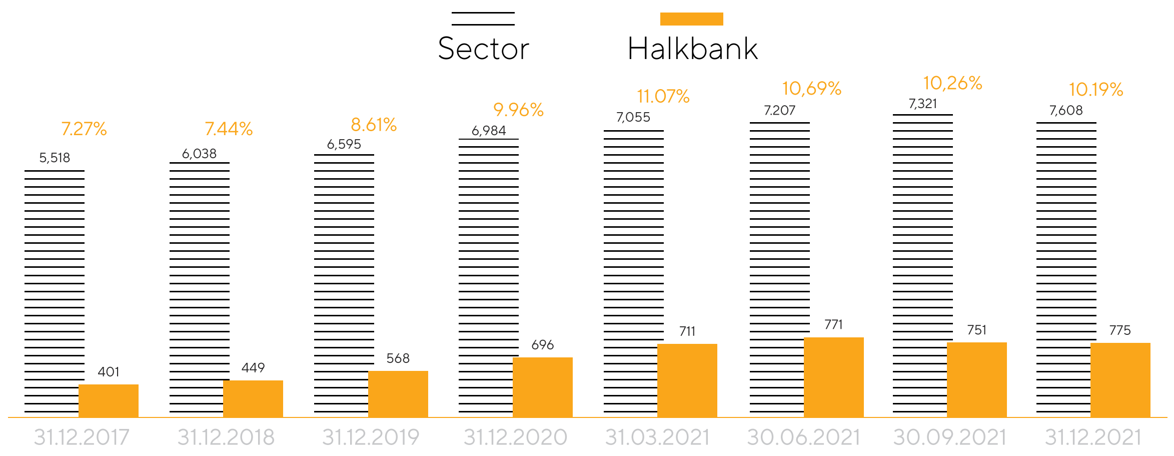
Halkbank total deposits in 2021 have increased by EUR 80 million and reached EUR 910,46 million.

MARKET SHARE IN 2021

In 2021, Halkbank AD Skopje has continued its growth in deposit and increased its market share. By the end of 2021, the market share in total deposits has reached 11,23%. **In retail deposits,** we have managed to increase the deposit portfolio by EUR 46 million and reached EUR 366,37 million, while in **corporate deposits** we have managed to reach EUR 410,87 million and to increase the portfolio by 33,09 million EUR. The deposits from banks and financial institutions reached 133,23 million EUR. The Bank's deposit management strategy, which is critically important to maintaining Halkbank's solid funding structure, is based on the key principles of 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 for total term deposits from customers is 1,14% as of end 2021 i.e. 1,33% in corporate and 0,94% in retail.

1.4 Total Deposit in Banking Sector (mil EUR)



CONTINUED GROWTH OF DEPOSIT BASE

Halkbank AD Skopje has continued with a very clear and strong development strategy with the aim of increasing its deposit portfolio with 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 such as implemented on-line deposit for individuals and in near future on-line deposit for legal entities in order to be closer to the clients and satisfying their needs and requirements. Halkbank's clearly defined deposit strategy helps the Bank achieve and sustain a strong deposit base.

INCREASED NUMBER OF CUSTOMER DEPOSITS CLIENTS

Halkbank AD Skopje continued to grow on the Macedonian market through the attractive packages of products and services that we offer to our clients, so the number of customer deposits clients reaching 202.321 (retail 187.162 and corporate 15.159 clients) and increased for 14.975 deposits clients on yearly base. In addition, number of net increase accounts for 2021 is 23.099, reaching 293.654 active transaction accounts in total (individuals and legal entities).

Alternative Distribution Channels

A DIGITAL FUTURE

The digital era that has started in 2020, continued in 2021 as well. The digitalization trends were followed by the clients causing challenging opportunities for the Bank. This year again, most of the transactions and payments were made through alternative channels - 66,93%, while the traditional way of payments visiting the branches were 33,07%.

The number of E-banking users increased so the growth comparing to 2020 is 13.133 new users or 24%. Mobile transactions as well grew by 90% comparing to 2020. While planning the next steps towards new, the Bank was constantly working on improving the existing products and services in the past year. New functionalities such as: limit change & temporary blockage of cards was enabled for all individuals of e- banking and mobile banking. In this domain, Huawei mobile application was launched which lead to increasing mobile application users.

For promotion of digital payment channels such as HalkPay and Garmin pay as well as increasing the number of credit card, prize winning game was organized with duration of 4 months. The Alternative distribution channels department – Marketing will keep looking for digital opportunities that will contribute to facilitate clients' everyday life.

GOLDEN OPPORTUNITIES

In 2021 the total number of debit and credit cards reached 219.659 plastic cards. Considering this, the total transactions with debit cards achieved growth of 32,94% with total number of over 11,8 million transactions and realized turnover of 357 million EUR. Over 1 million credit card transactions were made, amounting to over 29 million EUR.

In order to offer better product to our clients, we modified the existing Visa Gold credit card and added some benefits such as accident insurance policy ATM withdrawal with no additional fees. The bonus campaign for our clients- credit card users kept being active throughout the year, by awarding an appropriate number of bonus points where Halkbank POS terminals are installed. For each transaction made with credit card on gas stations during the weekend- 5%, everyday transactions made in pharmacies – 5%, as well as all web shops that use Halkbank virtual POS with 5%. This year, for the first time, the bank concluded contracts for Bonus campaigns with different merchants in different periods. In order to grow and stimulate credit card payments, the Bank continued to conclude interest-free installment payment agreements.

The Bank continued the cooperation with Booking.com where customers received 4% cashback for Halkbank cards payments at Booking.com. Total number of reservations made throughout the link were 113.

Alternative distribution channels– marketing department organized staff incentive campaign for Visa cards in duration of 6 months in 2021 with total number of 10.353 activated cards.

GROWTH AS A KEY POINT

The number of POS terminal kept growing so by the end of 2021, it reached 8.064. In this segment, the bank gained market share of almost 23%. Over 32 million POS transactions were processed which lead to over 380 million EUR turnover. In this terms, the POS transaction growth was 24% compared to previous year.

The bank reached 5.875 total number of users of Halk pay application, and 487 of Garmin Pay. Total number of digitalized credit and debit cards is 26.368.

The total number of transactions throughout those channels is 99.812 and it is expected to be higher in the upcoming period.

In the previous period, the Bank kept changing the existing ATMs with new, modern, contactless ATMs. The total number of ATMs by the end of 2021 is 137. 28 of those are cash in.

The total number of active e-shops by the end of 2021 was 330. With this number, the market share in virtual POS is 19%.

BEING THE MARKET LEADER

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

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

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

International Banking & Financial Institutions

INTERNATIONAL BANKING & FINANCIAL INSTITUTIONS

Halkbank AD Skopje in 2021 has continued with its successful cooperation with international and domestic financial institution. As one of a leading bank in Macedonian market, we have established wide correspondent banking network offering to our clients high quality service.

INTERNATIONAL BANKING

Halkbank AD Skopje has continued to expand and diversify its correspondence network to more than 280 banks in 45 countries. Thanks to its strong and extensive network, Halkbank is offering its customers a quality service through wide branch network and client oriented employees.

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

The Bank performs its activities with the goal of maintaining its efficient and respected position enjoyed in the international banking arena by offering new banking products and services for its customers through wide-spread correspondent network. Halkbank continued to deliver high-quality banking products and services in international banking business providing long-term funding solutions to meet the growing funding needs of its clients.

Halkbank continuously monitor and assess the risk of all domestic and international banks following the financial indicators and country risks, allocating limits within the Bank's credit and risk policies. Taking into account its widespread correspondent network, Halkbank AD Skopje is empowered to perform the needed foreign trade finance and other interbank credit transactions providing the suitable support to its customers via superior finance products and traditional foreign trade instruments.

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

FINANCIAL INSTITUTIONS

In 2021 Halkbank AD Skopje has continued the partnership with the most reputable international financial institutions, such as the European Fund for Southeast Europe S.A., SICAV-SIF (EFSE) and Green for Growth Fund, Southeast Europe S.A., SICAV-SIF (GGF).

The successful ongoing cooperation with the Development Bank of North Macedonia continued in 2021 with support to domestic economy using funds from the European Investment Bank (EIB) and funds from the KfW (Kreditanstalt für Wiederaufbau) In 2021, Halkbank continued with financing of energy efficiency projects to its retail clients while measuring the green effect of each project individually. Besides supporting the retail segment, Halkbank has continued to stand side by side with its SME clients, providing appropriate solutions new banking products and services designed to support their competitiveness and support their sustainable growth.

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

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

TREASURY MANAGEMENT

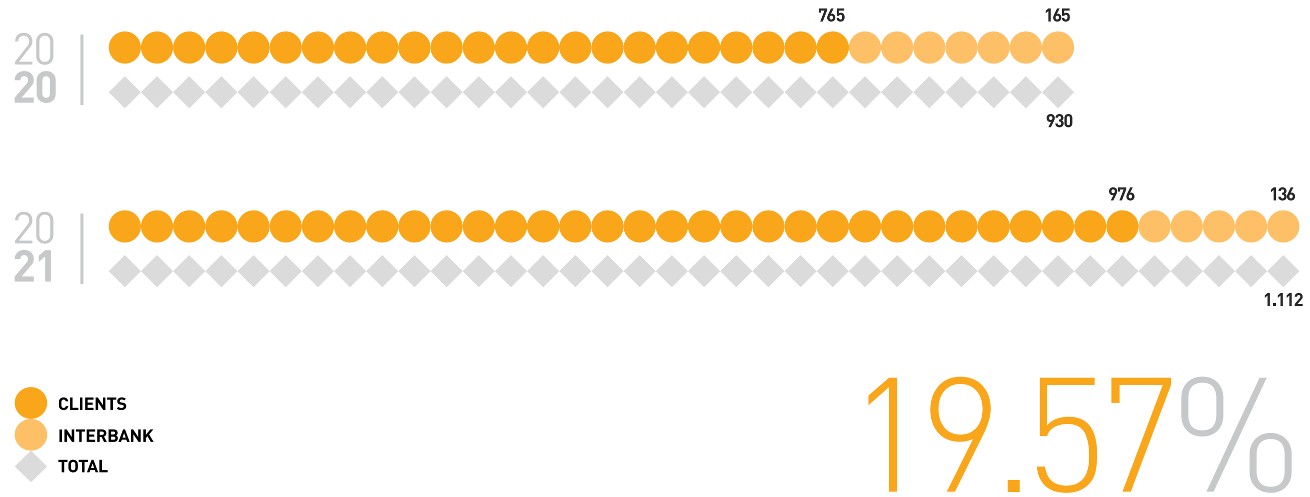
During 2021 treasury activities were performed on adequate level in correlation with continuous growth of the bank and stable market share in general, securing optimal treasury management with appropriate level of liquidity coverage in save liquidity risk management frame, optimal support of clients and treasury income performance accordingly.

Performance overlook of treasury activities and income during 2021 integrally is specified as follows:

- → Sales and Fx trading
- → Sales activities (Fx market with clients),
- → Domestic & international interbank trading (Fx spot, derivatives and MM),
- → Banknotes trading
- → Placement in Securities (Fixed Income)
- → Treasury P&L

Sales & Fx trading

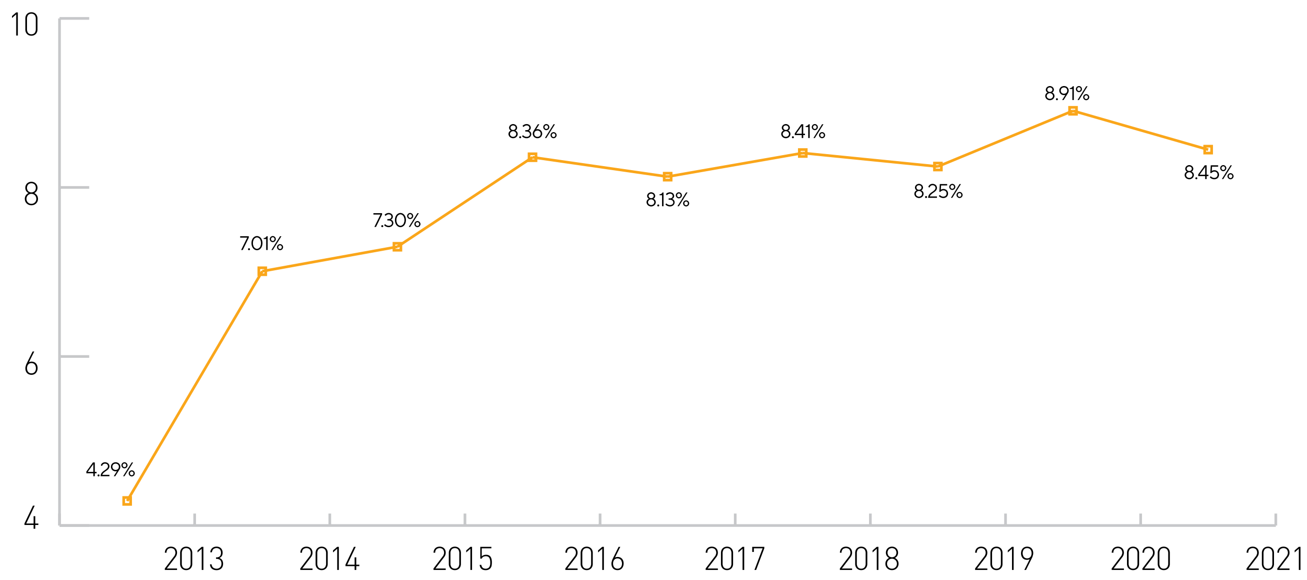
1.5 Fx market volume in million EUR



19.57%

Total growth in 2021

Fx Market Share



*according to Central Bank

Placement in Securities

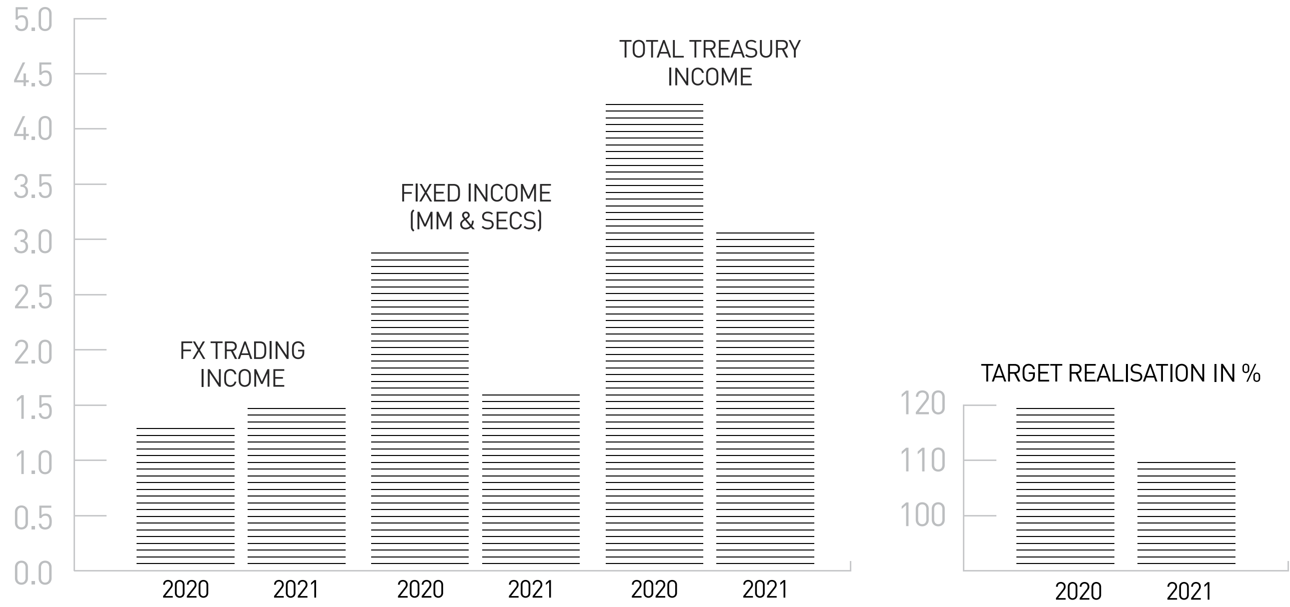
Total securities portfolio in 2021 compared to 2020 rise by **8.96%** or EUR 12 million.

Description	2020	2021
Total	134	146
T-bills	18	17
T-notes	54	59
T-bonds	62	70

Treasury P & L

In million EUR

Year	Fx trading income	Fixed Income (MM & Placement in Securities)	Total Income	Target Realisation (%)
2020	1.32	2.95	4.27	120
2021	1.50	1.58	3.08	110



Note:
Target realization of segmented and total treasury income is outperformed, where difference output for FI performance compared to 2020 is related integrally in correlation with: continuous downtrend of interest rates, inactive domestic OTC market and lack of sizeable investment on international FI market (moderate redirect of placements in credit activity support of clients).

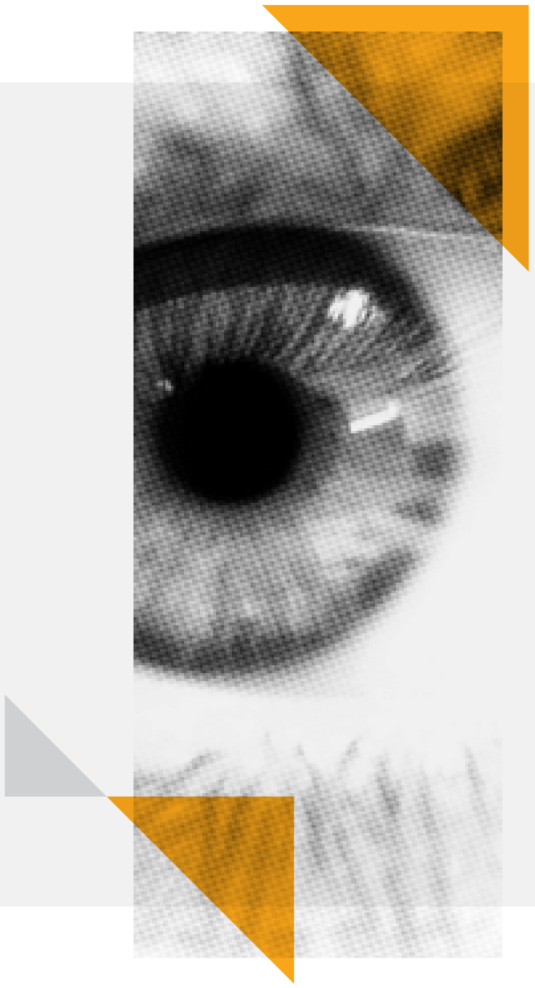
Perspectives

→Increase the sector market share with attracting new clients and strengthen of Market Maker role of the bank on domestic interbank Fx market;

→Further intensive participation and increase of market share in the sector on domestic securities market (targeting PRIMARY DEALER status);

→More intensive offer of advanced financial instruments-derivatives (hedging & investment) as matrix approach for global support of clients;

→Implementation of new products/services Investment banking, custodian services, brokerage services, commodity/securities international trading..



Domestic Payment

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 2021, the Bank maintained its activities and focused on further improvement of the customer service.

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

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

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

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

The number of active transactional account in HALKBANK AD Skopje at the end of the year 2021 was 293.654 from which, citizens have 274.076 accounts and corporate clients have 19.578 accounts. Compared to the end of the year 2020 (283.485), the number of active accounts has reached growth of 3,6%.

In 2021, 10.169 new transaction accounts were opened, from which 10.785 newly opened accounts for citizens and 616 less accounts for corporate clients compared to 2020.

E-banking transactions in 2021 have increased by 27.34% and reach the number of 2.751.665 transactions, while domestic payments transactions executed through branches have been increased by 4.1% and reach the number of 2.469.713 transactions.

In 2021, 23.912 Decisions for blocking /unblocking the clients were executed by the Domestic payment unit, which is increased by 42,60% compared to 16.769 in 2020.

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

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

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

During 2021, 3.665.274 transactions were executed through Post Office.

Foreign Operations

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

NUMBER OF TRANSACTIONS
81.500

FOREIGN OPERATIONS

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

TOTAL TURNOVER IN EUR (2021)
1.230.000

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

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.

TOTAL TURNOVER IN EUR (2021)
54.300.000

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

WESTERN UNION

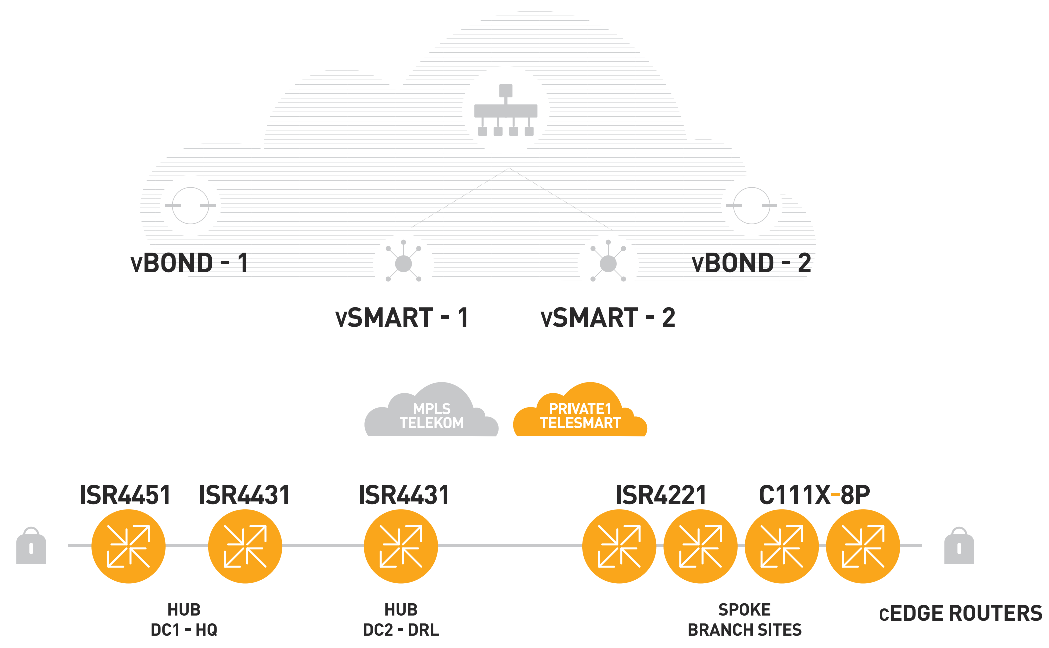
We offer the opportunity of fast money transfer through our branch network together with Western Union.

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

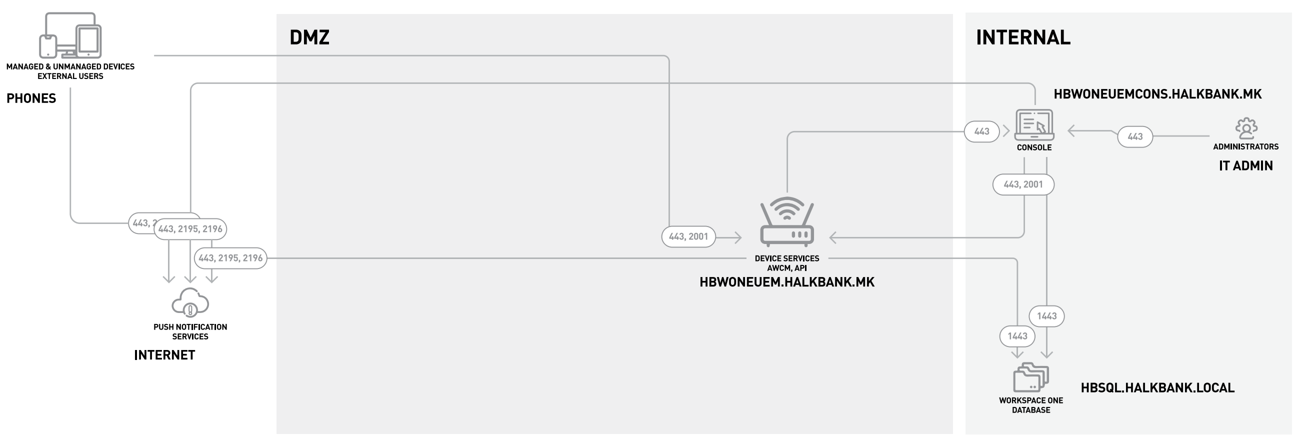
WU TRANSACTIONS	2021
Number of WU transactions	12,700
Total number of clients	6,300
Total turnover in EUR	4,580,000

IT and Technical Support

We have implemented SD-WAN system in our Network Infrastructure. With this centralized system, we can manage the Bank network connection links and bandwidth control of the Branches links.



We have implemented Mobile Device Management and Mobile Device Security systems. With these systems, we can control and manage bank's confidential data as an email structure for all mobile and portable devices.

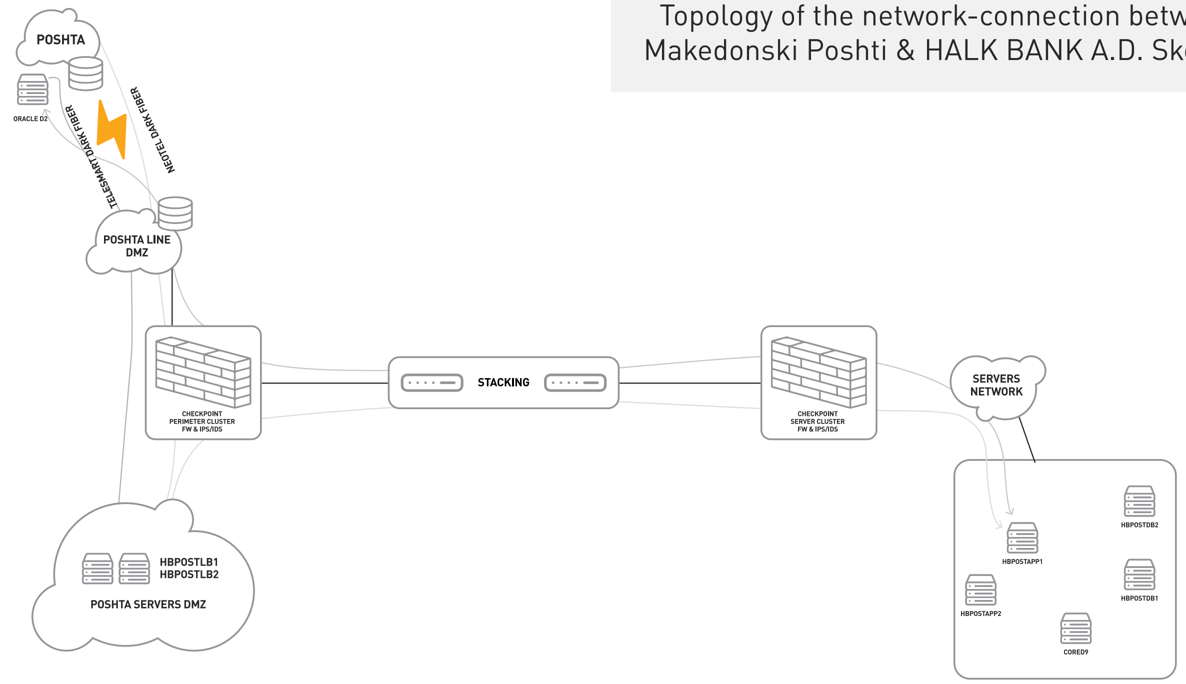


→We have finished Upgrade of the iBanking system (web & mobile) to New server infrastructure with implementation of new features and improvements.

→We have established DRL environment for Cards processing system.

→We have finished Integration with Post Office of North Macedonia for enabling Domestic Payment thought new channel for the clients.

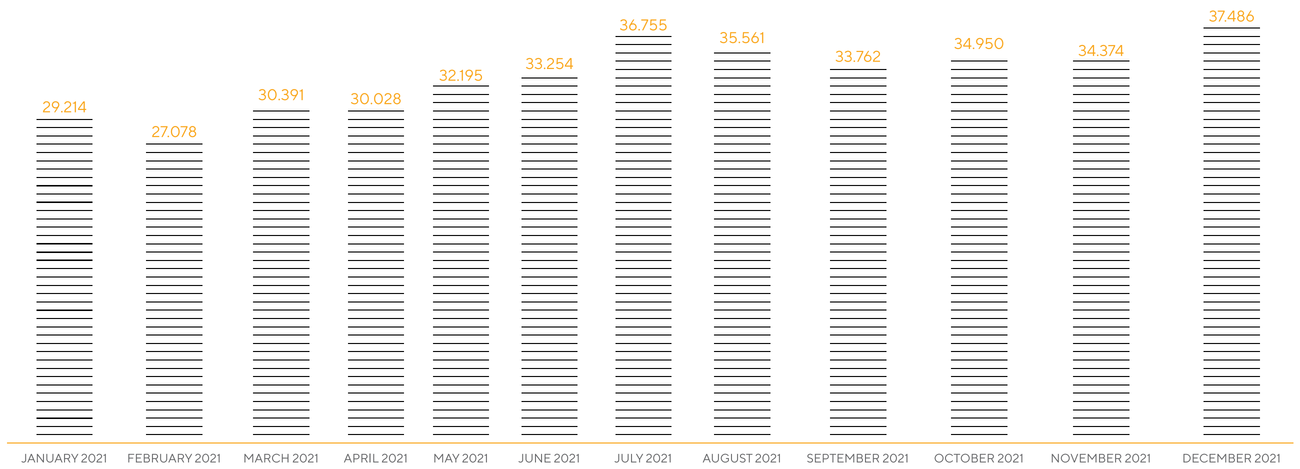
Topology of the network-connection between Makedonski Poshti & HALK BANK A.D. Skopje



→We have replaced outdated client PCs for our colleagues for improvement of their performance.

CONTINUOUS GROWTH SUPPORT

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



CONTINUOUS IMPROVEMENT OF CONTROLS AND SYSTEMS TO DECREASE OPERATING RISK

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

Branch network

EXTENSIVE BRANCH NETWORK

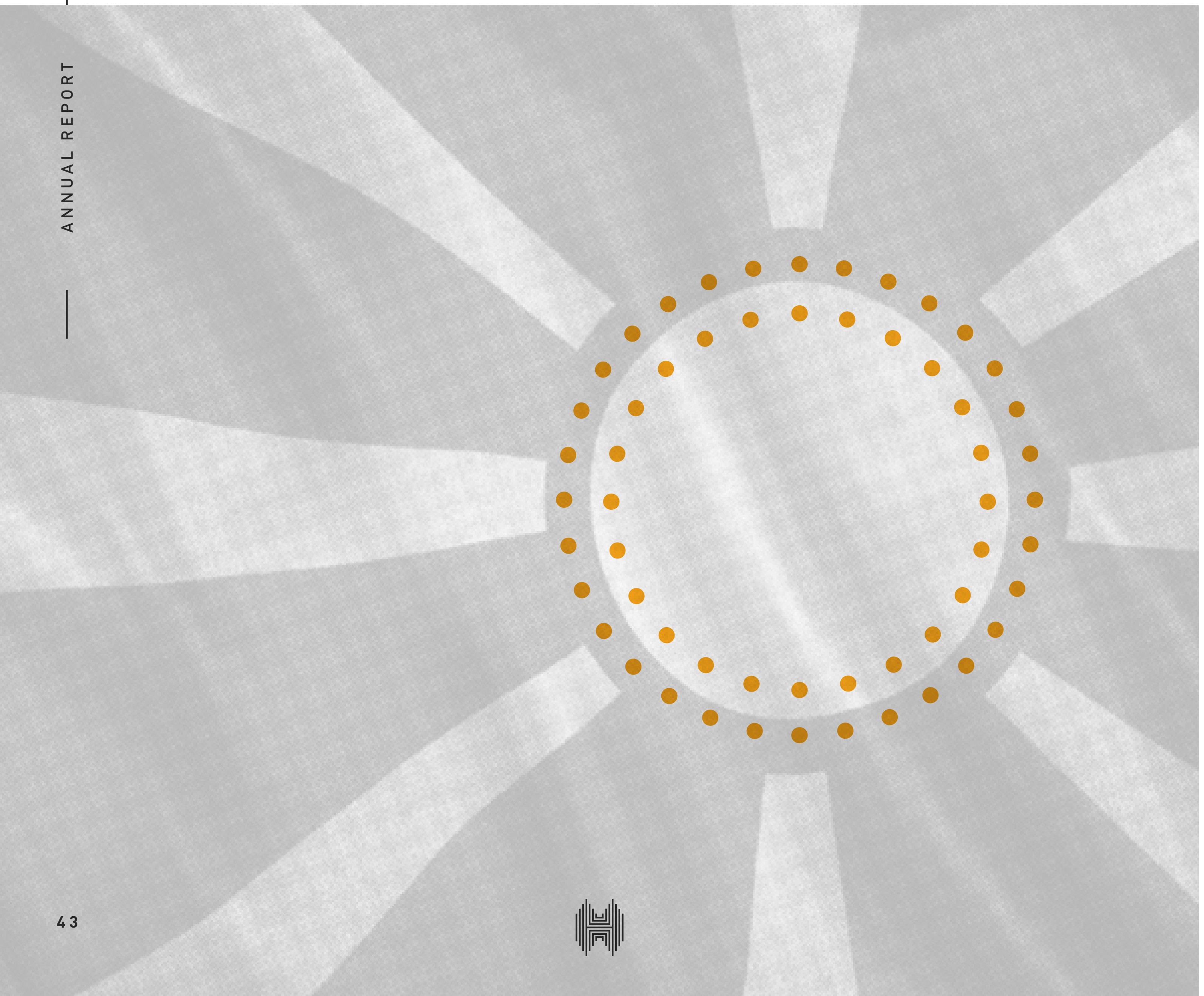
In 2021, HALKBANK AD Skopje continued increasing its branch network and focused on high-quality and fast service and products to meet the needs of its clients.

By the end of 2021, HALKBANK's branch network reached 45 branches in Macedonia located in 20 cities. Out of the total number of branches, 25 are located in the capital city of Skopje and 20 in other cities throughout the country.

OPENING NEW BRANCHES AND CONTINUOUS REORGANIZATION

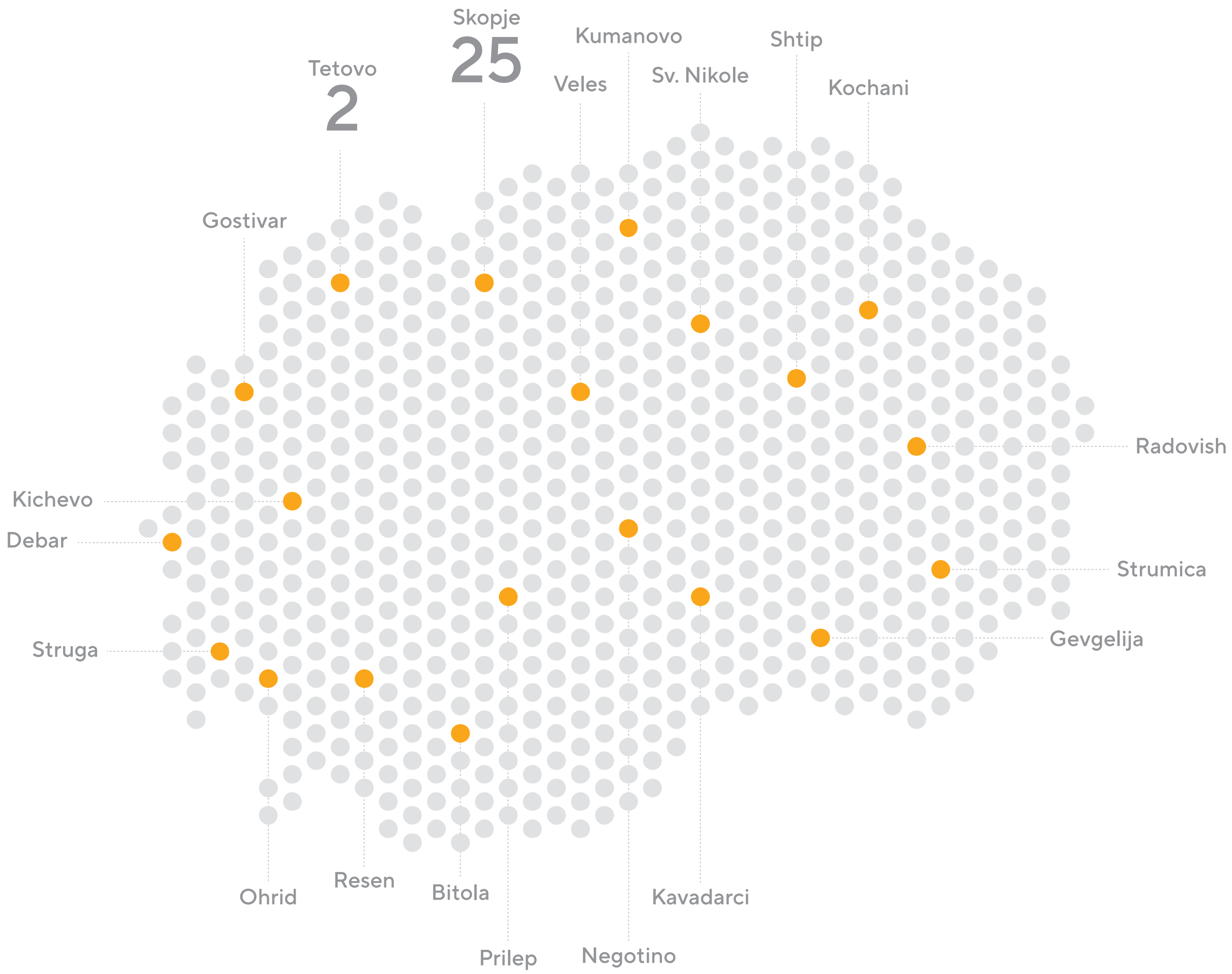
Reorganization and renovation of some of the branches continued during 2021. With reorganization and renovation of current branches, Halkbank continues implementing its strategy aimed at maximizing customer satisfaction. By opening new and modern branches and improving the ambience in the current branches, Halkbank is getting closer to its clients.

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



45 BRANCHES

20 CITIES



Human Resources

DELIVERING EXCELLENCE IN A CHALLENGING COVID WORLD

In the global COVID-19 pandemic world, the challenges for HR Department continued in 2021 as in previous year. The pandemic had even more expanded the role of the HR within the Bank. Ensuring high quality service and general availability of the Branches and employees for the clients, maintaining health and safe working environment and maintaining strategic processes ongoing, keeping premises open were the top priorities for HR Department. Mainly, it was finding the right balance between assessing the risk of the health of the employees, as one of the main responsibilities as an employer and securing the continuity of the processes as a top strategic priority of the Bank.

In order to provide that balance, to cut the risks and to maintain the equilibrium of workforce active in working processes, based on its experience and in consultancy with the health authorities, HR Department developed its own COVID-19 protocols which were based on the official protocols enhanced with the specifics needed for securing the continuity of the Bank. In order to do so HR was a key participant in figuring out how people can function best and still be fully efficient in their new post-pandemic environment, be it onsite, or remotly, depending on the period of the peaks, and according to the needs of the employees, in order to keep their wellbeing. Furthermore, doctors and epidemiologists were directly and regularly engaged in order to ensure that they as doctors are quickly available to provide care, urgent consultancy as well as to advocate for them if they become ill and need to visit a hospital. Also, the Bank through its Insurance company covered testing and treatment costs associated with COVID-19 for employees.

Despite the health challenges, HR maintained its core function as a strategic support in the businesses of the Bank with an aggressive approach on the labor market securing competitive, adaptive and quality new workforce in order to support new projects such as collaboration with Macedonian Post and opening of two new Branches in Skopje: Vlae and Taftalidze.

Regarding the recruitment process, the number of hires for 2021 was 97 new employees, which is the highest annual number in the history of the Bank. To achieve that, HR implemented several new techniques and new digital approach to head hunting, enhancing the talent pool and the effectiveness of the whole acquisition process.

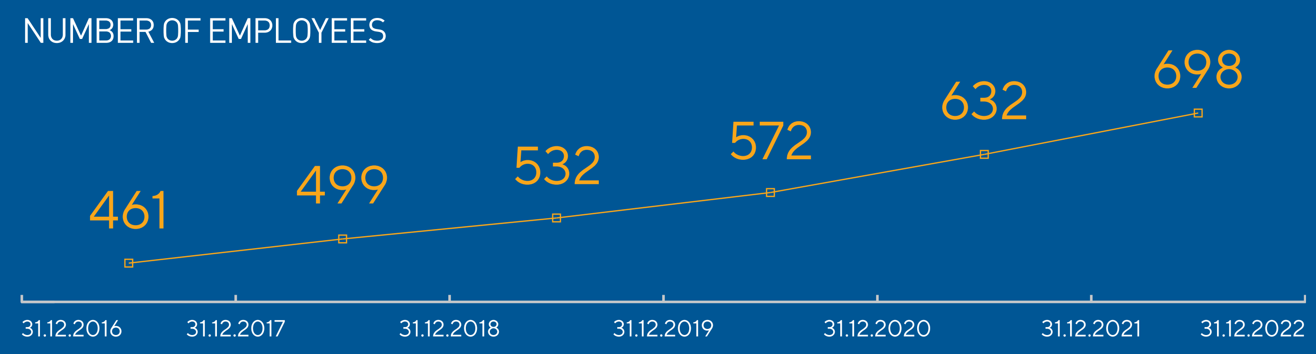
The regular processes of employee branding, corporate culture, internal development of employees, career path, bonding and social networking of the employees continued with activities that were able to be organized in the pandemic. The main goal was to ensure that the employees feel the Bank as its second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

Branches in 2021

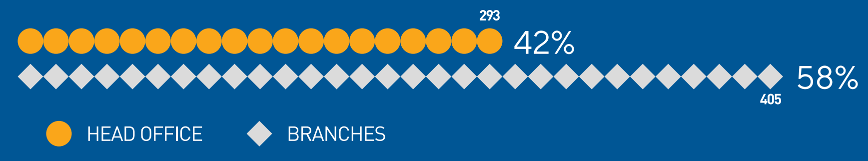
25 BASED IN SKOPJE

20 OTHER CITIES IN MACEDONIA

NUMBER OF EMPLOYEES



EMPLOYEES PER LOCATION



UNIVERSITY EDUCATION 654 — 94%

HIGH SCHOOL 44 — 6%

PHD DEGREE 1 — 0.15%

MASTER'S DEGREE 103 — 15.74%

BACHELOR'S DEGREE 550 — 84.09%

Training and development - vital part of the human resources development even in challenging times

The training and development processes also needed a major reorganization in the approach as the pandemic completely changed the channels of communication of trainings and other forms of enhancing employees' skills and abilities.

Nevertheless banking businesses is not in position to afford putting capability building on hold. Whether the effort is reskilling at the business-unit level or a company-wide aspirational transformation, banks were not able to simply push the pause button on critical workplace learning, even as we moved rapidly to put employee safety first.

Beyond tactical steps, there were strategic measures, such as exploring alternative digital learning strategies that can develop during this time of social distancing. The stronger learning capabilities that emerge could stand as a positive long-term outcome from this challenging period.

Having employee training and development as one of the main goals during 2021, HR, Organization and Training Department anticipated and identified the organizational needs and thus organized various on-line internal trainings and the employees participated on external on-line webinars and trainings as well.

In 2021, in order to be up to date with the latest requirements in the working activities, the focus on internal trainings was more on the sales tactics in the challenging times due to the COVID-19 disease.

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.

PR & Social Responsibility

Halkbank, whose basic motto is “People matter” is recognized in the country as a socially responsible company, committed to increase the common good for people, nature, environment, culture, and sports and in this manner actively supports several socially responsible activities. Thus, the Festival for New European Movie - Beach Film Festival, which with its innovative concept stands out from the current festival standards, received support from Halkbank AD Skopje, and the Bank also supported the When in Krusevo festival, which is aims to promote the city - famous tourist center in the country.

Support for the education of children of school and preschool age is also high on the priority list of the socially responsible orientation of the Bank. That’s why Halkbank joined the global initiative to mark April 2 - International Children’s Book Day, by creating the illustrated story “The Hulk Picture Book” which was donated to thousands of students across the country. With a package of school supplies and “Children’s Etiquette”, the Bank warmly welcomed the 3,000 first-graders who sat in the school desks for the first time. This activity was implemented in 12 municipalities across the country.

In order to raise awareness of the need for inclusion of persons with disabilities to enjoy a dignified and quality life, but also as a direct help for improving the educational opportunities for children with disabilities through infrastructural improvements of school facilities, the Bank was a donor of a construction of inclusive playgrounds in the primary school “Istikbal” in Tetovo. At the same time, the primary school “Grigor Prlichev” in Ohrid, received the first sensory garden in the Ohrid-Struga region, with which became a richer inclusive and accessible place for students with typical and atypical development. These donations were in cooperation with the Step by Step Foundation, as part of the project “Be IN, Be INclusive, Be INcluded”.

The project “Dajte Muzika” also received support from Halkbank, and the song “Green Forces” with which the famous characters of the series represented the country of the Junior Eurovision Song Contest held in Paris. With the song “Green Forces” that the children sang on the big stage in Paris, they sent a message to everyone that all of us should take care of the planet Earth, a message that is constantly sent by Halkbank AD Skopje.Halkbank also participated with support in the tournament in traditional archery - International Balkan Cup organized by the Archery Foundation and the Yunus Emre Institute from Turkey, held in Tetovo, which was attended by over 100 athletes from 7 Balkan countries - Albania, North Macedonia, Croatia, Kosovo, Bosnia and Herzegovina, Serbia and Montenegro.

The bank has always recognized success based on commitment, sacrifice and team spirit. Therefore, for several years now, Halkbank has been supporting Macedonian handball. This support is extremely important, to provide handball players with additional motivation for new victories.

Management Information & Corporate Governance

Supervisory Board of Halkbank AD Skopje

Osman Arslan,
President of Supervisory Board

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

İlhan Bölükbaş,
Member of Supervisory Board

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

Olcay Atlioglu,
Member of Supervisory Board

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

Hasan Gökhan Kılıç,
Member of Supervisory Board

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

Fatih Şahbaz,
Member of Supervisory Board

Mr. Fatih Şahbaz was born on 01.08.1981 in Sorgun, Turkey. He graduated from the Faculty of Economics and Administrative Sciences at Selçuk University and afterwards he graduated from the Faculty of Law at Doğuş University. Mr. Fatih Şahbaz having successfully completed all requirements of "Economics History" Master of Arts Programme has been awarded the degree of Master of Arts (M.A.) in Ecomonics. He began his professional career at Ziraat Bank A.S as an Officer. He continued his career as Financial Analyst at Halk Bankasi AS Turkey at Credit Processes and Company Analysis Department and in 2012 he served as Internal controller in tne Internal Controlor Department. In the period 2016-2018, he works at Department for Tax Management and Payments. From 2018-2019 he served as Branch Manager. As of 2019 he works as Head of Support and Purchasing Services Department and since July 2021 has been serving as Group Manager of Human Resources.

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.

Senior Management

Dr. Bilal Sucubaşı

CHIEF EXECUTIVE DIRECTOR

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

Turhan Ademi

EXECUTIVE DIRECTOR

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

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

Buket Gereçci

EXECUTIVE DIRECTOR

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

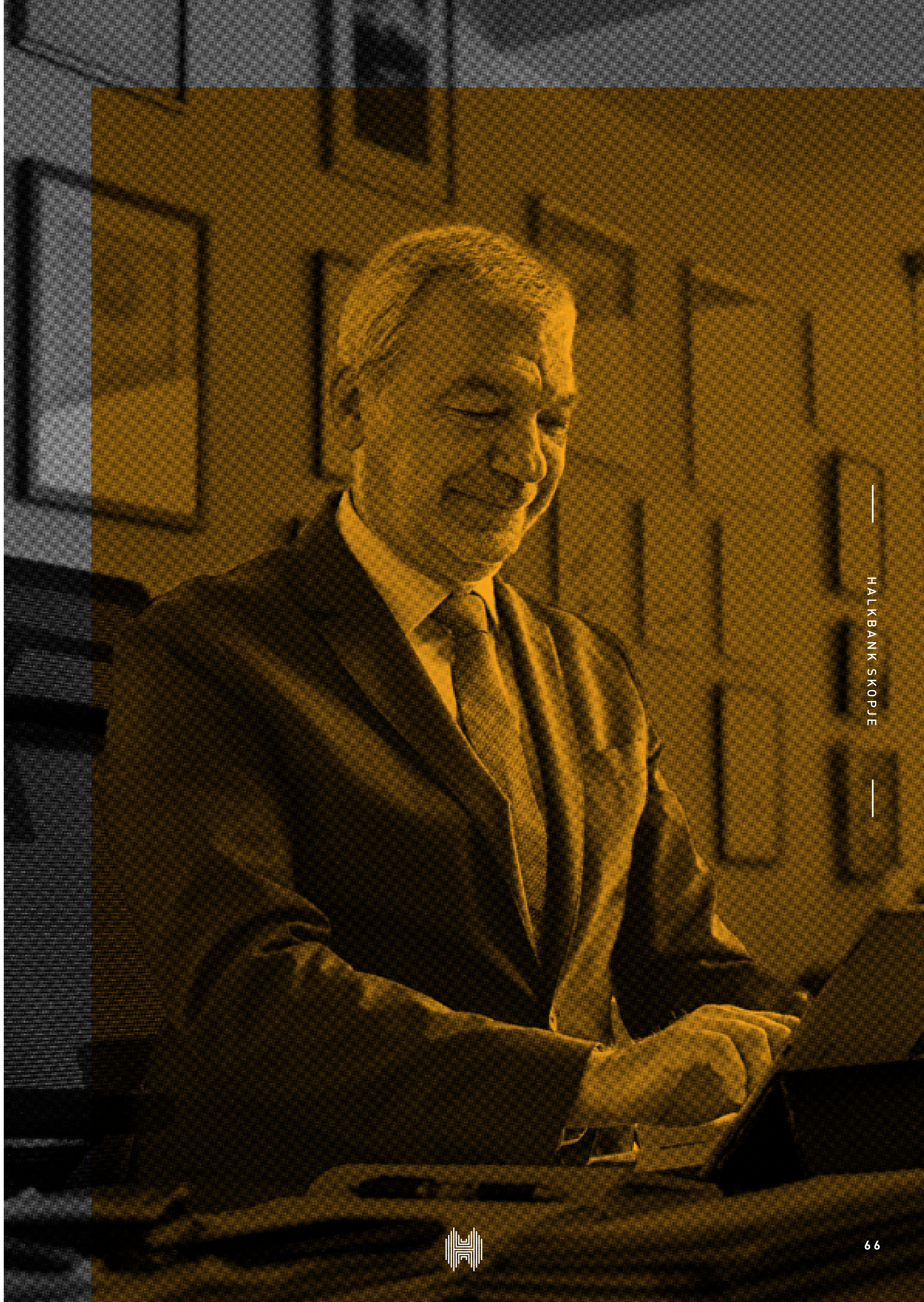
As an Executive Director, Mrs. Buket Gerecci is responsible for the Marketing Division and the Division of Operations and Information Systems.

Tomche Tasevski

EXECUTIVE DIRECTOR

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

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



Senior Management

MARIJA KIROSKA JOVCHESKA

Head of
Credit
Division

KIRIL BUHOV

Head of
Division of Operations
and Information System

MUHAMMED HADZIPAZI

Head of
Division of HR
and Organization

DERJA HAMZA SEFERI

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

ALEKSANDAR ILJOV

Head of
Division of Marketing

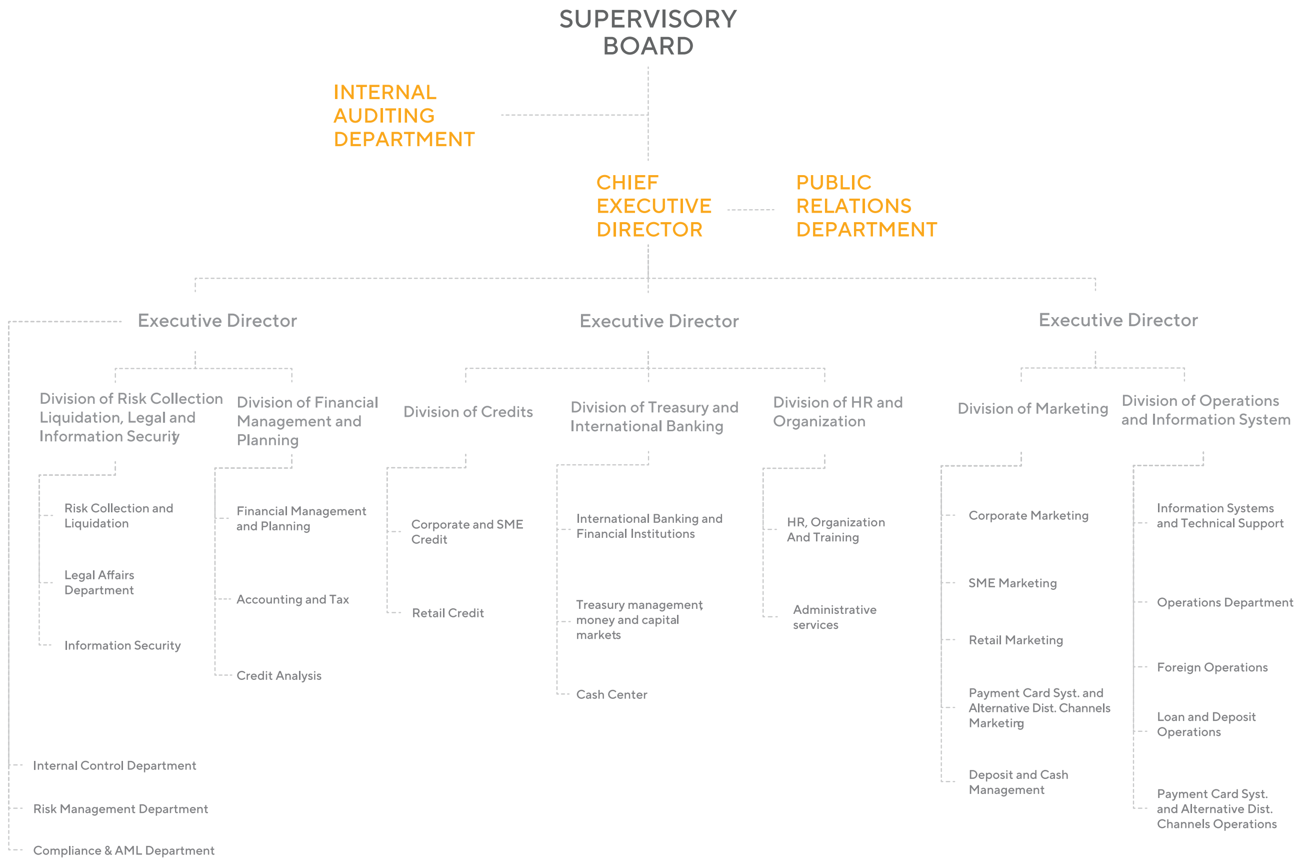
BERKAN IMERI

Head of
Division of Financial Management and Planning

LEVENT AJRULA

Head of
Division of Treasury and International Banking

Organizational Structure



Supervisory Board'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 2021.

Its duties were determined in line with Bank's strategy, giving suggestions and directions for undertaking measures and activities for successful maintenance of Bank's position in the banking system, following trends and news, improving receivables collection, harmonization of its performance with the market needs, etc. All members of the Supervisory Board provided active and significant contribution to the functioning of the Board. All decisions of the Supervisory Board were made in a transparent and documented manner, based on a complete and objective assessment.

According to the principles of good corporate management, the Supervisory Board had good cooperation with the Management Board, the Risk Management Committee, the Audit Committee and the Internal Audit, without participating in the daily management of the Bank. This manner of operation of the Supervisory Board contributed to stable, safe and efficient management and appropriate supervision over Bank's bodies and their operation. All listed Members of the Supervisory Board have knowledge and qualifications necessary to carry out their tasks and have the substantial and practical knowledge of the Bank activity, taking into account its specificity.

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

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

Osman Arslan	03.10.2019	02.10.2023	PSB
Ilhan Bolukbas	03.11.2017 / 26.11.2021	23.11.2025	SBM
Olcay Atlioglu	02.05.2018	24.04.2022	SBM
Fatih Şahbaz	30.07.2020	27.07.2024	SBM
Hasan Gokhan Kilic	13.05.2019	02.05.2023	SBM
Boris Petrovski	03.10.2019	02.10.2023	ISBM (independent)
Biljana Angelova	12.09.2016 / 22.09.2020	18.09.2024	ISBM (independent)

On June 30, 2021, Mr. Ilhan Bolukbas was re-appointed as a member of the Supervisory Board by the Shareholders Assembly, the consent was issued by the National Bank of RSM on November 19, 2021 and the entry in the Central Registry of the Republic of North Macedonia was made on November 26, 2021.

Executive Management Board

In 2021, 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 2021 (EMBM).

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

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

The Executive Management Board in 2021 focused its work towards stable, compliant and effective operation of the Bank by rising the position of the Bank in the banking sector in North Macedonia, through planning new products and services, as well as through development of the existing ones through its own business units, by increasing the network of branches, increasing the volume of the card operations and E-Banking, reducing the operational costs, while constantly taking care of the compliance of the work of the Bank through harmonization of its regulations and operations with the laws and bylaws.

Corporate Governance

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

In the course of 2021, the Shareholders Assembly held 1 (one) General Shareholders' Assembly and 1 (one) Extraordinary Shareholders Assemblies.

At the Extraordinary Shareholders Assembly held on 26.03.2021, the following were adopted:

Decision on increase of the nominal capital of Halk Banka AD Skopje by issuing shares through a private offer with the XVIII-th issue of shares to an institutional investor, with Draft Decision and Decision on adoption of amendments to the Statute of Halk Banka AD Skopje, with Draft Decision.

At the General Shareholders Assembly held on 30.06.2021, it was decided on the adoption of the Annual Report for 2020 and the written opinion of the Supervisory Board; the Annual Account of the Bank for 2020; the Financial Statements of the Bank for 2020, prepared in compliance with the accounting regulations of Republic of North Macedonia, the International Financial Reporting Standards and the International Accounting Standards, audited by the audit company; the Report of the Audit Company for 2020 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 2020; review of the Annual Report on the operation of the Supervisory Board in 2020 by individual members and collectively; adoption of a Decision on selection of an audit company; and Decision on re-appointment of member of the Supervisory Board.