HALKBANK
Skopje

SUCCESS STORIES

annual report 2014

CONTENT

SUCCESS

HALKBANK

PEOPLE ARE UNITED THROUGH DREAMING. DREAMING OF A BETTER TOMORROW, A BEAUTIFUL, MORE FULFILLED LIFE AND REALIZATION OF DIFFERENT PERSONAL WISHES. BUT, EVERY DREAM BECOMES A REALITY MUCH FASTER WHEN THERE IS A HELPING HAND AND SUPPORT.

IN HALKBANK WE BELIEVE THAT GREATEST HAPPINESS IS THE MUTUAL ONE AND THAT BIGGEST SUCCESS IS THE ONE WHICH IS ACHIEVED TOGETHER. WE ARE CONVINCED THAT IF EVERYBODY HAS A CHANCE TO REALIZE ITS PERSONAL ASPIRATIONS, THEN THE WORLD IS GOING TO BE A HAPPIER PLACE FOR ALL OF US. THAT IS WHY WE MEASURE OUR ACHIEVEMENTS THROUGH THE ACHIEVEMENTS OF THE ONES WITH WHOM WE SHARE TRUST AND WISH FOR ADVANCEMENT – OUR RESPECTED CLIENTS. AND THE FIRM COMMITMENT TO OFFER HELP ON THE ROAD TO SUCCESS IS PRACTICALLY REALIZED THROUGH OUR UNIQUE OFFERS WHICH ARE CAREFULLY CREATED TO ANSWER THE NEEDS, PREFERENCES AND WISHES OF OUR CLIENTS IN A MOST APPROPRIATE MANNER.

BECAUSE EVERYONE DESERVES SUPPORT AND CHANCE TO TELL ITS SUCCESS STORY!

STORIES

CORPORATE PROFILE

HALKBANK

HALKBANK AD SKOPJE IN BRIEF

The success story of Halkbank AD Skopje

HALKBANK AD, Skopje was founded on 15.03.1993 as a joint stock company, in that period as IK Banka, to perform universal banking operations in Republic of Macedonia including deposit collection, corporate and retail lending, foreign exchange operations, domestic and foreign payments, trading of fixed income instruments, and trade finance.

Since then, the bank has pioneered significant achievements and developments in the Macedonian banking industry. It introduced the EN ISO 9001:2008 international quality management systems and ISO 27001/2005 information security management, becoming the first bank in Macedonia to be certified by these prestige standards of operation. The bank is also the first Macedonian agent of Western Union Money Transfer System from USA for services related to quick money transfer transactions from and to the country and abroad.

The bank has initiated the raise of fast and quality services by implementing innovative processes in its business, such as own card processing center, cards bonus program, new upgraded ATMs and POS machines, e-banking, e-commerce etc. since 2011 when Halkbank AS Turkey bought the majority of shares of IK Banka and completely rebranded the bank into Halkbank AD Skopje.

Halkbank today, has a widely developed national and international network consisted of 33 operating branches in Macedonia, a representative office in Belgrade – Serbia and correspondent relationships with 404 banks and account relationships with 16 foreign banks.

It also enjoys significant, long-term relationships with international financial institutions in providing long-term development funds to the Macedonian economy.

Halkbank AD Skopje ranks among the top five banks on the Macedonian market. This role is supported by the Halkbank brand, which is one of the most widely recognized brands in its country of origin, Turkey.

During the years of its presence on the market, it has developed a significant reputation and it is recognized as a trustable, customer-oriented, innovative, growing bank as well as socially responsible and eco-friendly bank.

In 2014 HALKBANK AD Skopje showed continuity in supporting the real sector and the economy, while the quality of the offered services remained high. The loan portfolio of the Bank showed an increase from 221.4 to 275.7 million or 24.5%, with approval of new 54 million Euros to Macedonian companies and citizens.

By the end of 2014, its 409 employees served approximately 145.000 clients in Macedonia.

HALKBANK Turkey (Turkiye Halk Bankası A.Ş.)

Turkiye Halk Bankası A.S. is the main shareholder of HALKBANK AD Skopje with 98.78% participation in the bank's ownership.

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 76-year history. Halkbank sees every craftsman, farmer and small, medium or large-size enterprise owner, who creates value and generates employment, as a business partner. Halkbank continues to be their primary supporter in Turkey allocating 39.5% of the Bank's total loan portfolio to SMEs. As of the end of 2014, Halkbank operates with a global approach, through 895 domestic and 5 overseas branches, 2 overseas representative offices, 3,388 ATMs, telephone and internet banking platforms and mobile banking applications. The Bank's innovative products and services provide customers with an unparalleled banking experience. Halkbank ranks among the sector's most efficient banks in terms of return on equity. Some 48.9% of Halkbank's outstanding shares are publicly held. Halkbank today is a steadily growing, 76-year-old institution that ranks among the longest established, pioneering and most respected brands in progressing Turkey.

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.

Vision

To be the region's leading bank for SME's, to have universal banking capabilities and to establish a strong market presence in retail services.

SHAREHOLDER STRUCTURE

Structure of the bank

HALKBANK AD Skopje was founded in March 1993 as a joint stock company, with a Decision adopted by the Bank's Assembly. The Bank obtained 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. The Bank is a legal entity existing and operating under a license issued by the Governor of the National Bank of Republic of Macedonia, which basic activity is collection of deposits and other recoverable financial sources from the public and granting loans in its behalf and for its account.

At the moment the total nominal capital of HALKBANK A.D. Skopje is 2.893.690.000,00 denars, divided into 289.369 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 Ankara with 285.836 ordinary shares i.e. 98, 78% of the total number of shares.

Attached is the Shareholders' structure of the Bank.

Shareholders Structure	Number of shares	Amount of the Share MKD	Shareholding %
TürkiyeHalkBankası A.Ş.	285.836	2.858.360.000,00	98,78
Other Shareholders	3.533	35.330.000,00	1,22
Total	289.369	2.893.690.000,00	100

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

The preferential shares may have several classes and may not be issued with a nominal amount lower than the nominal amount of the ordinary shares. The preferential shares of the same class provide the same rights.

The ordinary shares provide the following rights to their holders:

- 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 Bank's liquidation balance sheet, i.e. bankruptcy estate.

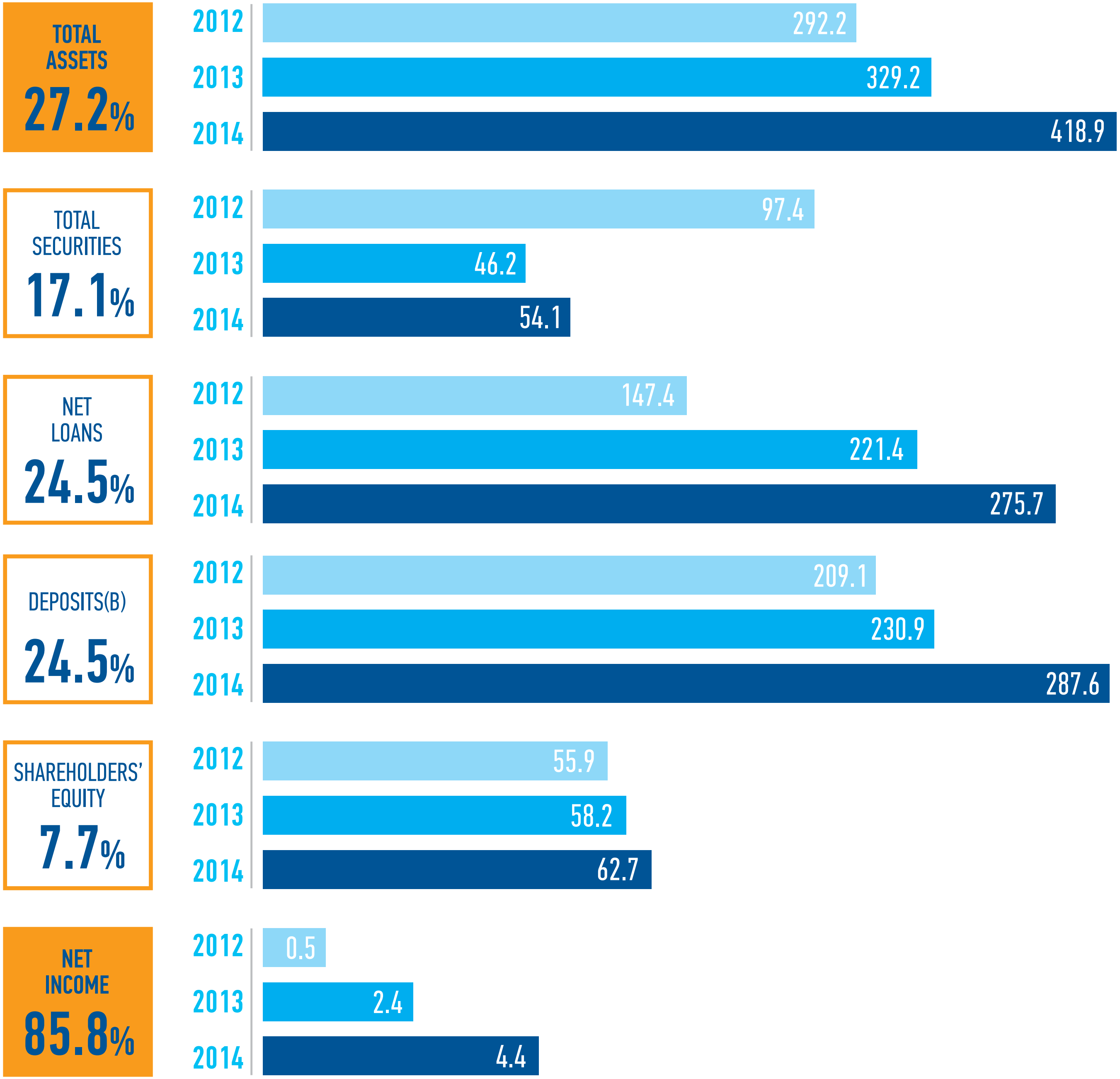
The shares are not divisible, but they are negotiable.

The negotiability of the ownership of the Bank's shares is free and it is carried out.

KEY FINANCIAL INDICATORS

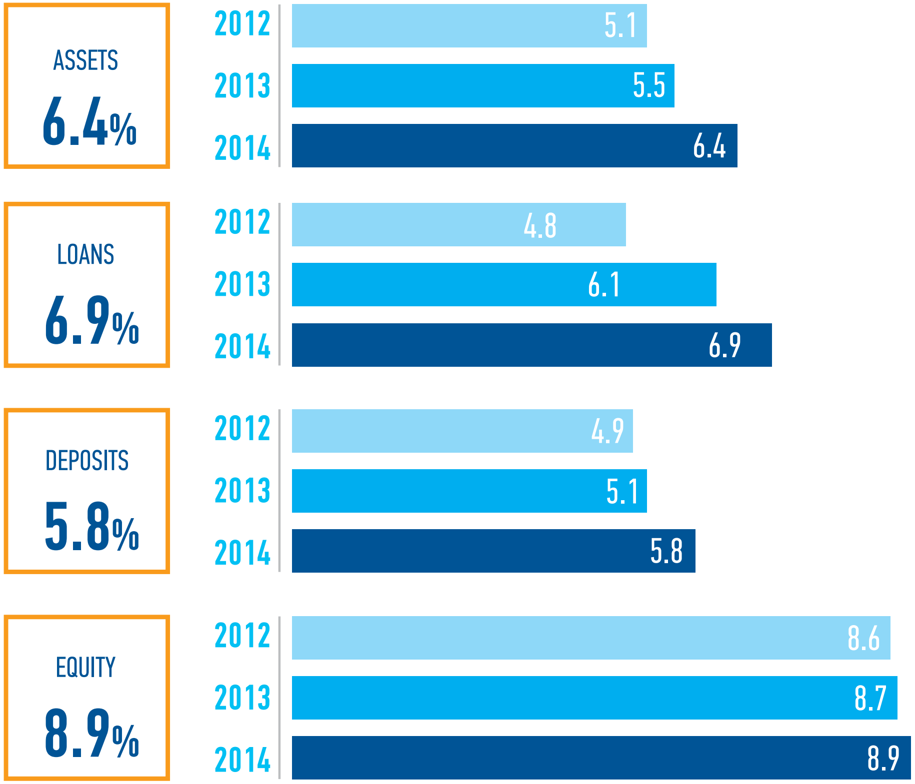
HALKBANK's total assets increased from EUR 329.2 million to EUR 418.9 million until the end of 2014.

in 000 EUR	2013	2014	%change
Total Assets	329,238	418,912	27.2
Liquid Assets	45,806	72,028	52.7
Loans	221,362	275,746	24.5
Securities	46,244	54,135	17.1
Total Deposits	230,935	287,571	24.5
Shareholders' Equity	58,181	62,692	7.7
Net Interest Income	12,074	14,244	17.9
Net Fee and Commission Income	1,967	2,825	43.6
Net Profit	2,374	4,409	85.8
Key Ratios (%)			
Net Interest Margin	4.1	3.9	
Cost/Income Ratio	72.4	61.4	
Net Fee Income/ Operating Expenses	18.4	25.1	
NPL Ratio	2.5	2.2	
Loans/Assets	67.2	65.8	
Net Loans/Deposits	95.9	95.9	
Securities /Assets	14.0	12.9	
RoE	4.2	7.2	
RoA	0.8	1.2	
Capital Adequacy Ratio (CAR)	18	15	


TOTAL ASSETS
27.2%
2012
292.2
2013
329.2
2014
418.9
TOTAL SECURITIES
17.1%
2012
97.4
2013
46.2
2014
54.1
NET LOANS
24.5%
2012
147.4
2013
221.4
2014
275.7
DEPOSITS(B)
24.5%
2012
209.1
2013
230.9
2014
287.6
SHAREHOLDERS' EQUITY
7.7%
2012
55.9
2013
58.2
2014
62.7
NET INCOME
85.8%
2012
0.5
2013
2.4
2014
4.4

HALKBANK'S POSITION IN THE SECTOR

HALKBANK AD Skopje sustained its strong growth in 2014 while continuing to increase the profit and return on equity.



Market Share %	2014	2013
Assets	6.4	5.5
Loans	6.9	6.1
Deposits	5.8	5.1
Equity	8.9	8.7
Profit	8.6	6.3

HALKBANK

Agro Guma was established in Skopje in 1999 as a company for retail and wholesale of agricultural and industrial tiers and inner tubes. At this point the company used rented premises for its activities and started slowly realizing its potential to become a recognizable brand. As of September 2011 Agro Guma started its cooperation with HALKBANK and by 2013 it had already moved to its own modern Sales&Service Center and established itself as the general representative and distributor for passenger vehicle tire producer PETLAS-Turkey, RUMA-GUMA Serbia and KABAT- Poland. Today Agro Guma is a recognizable brand all over the country and is one of the main suppliers of commercial and industrial tires.

AGRO GUMA

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 which have incorporated this certificate.

2007 It 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 that first launched VISA GOLD Credit Card.

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

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

HALKBANK

2011

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

2012

HALKBANK AD Skopje established its own card processing system – first on the Macedonian market which offers contactless payment to their 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.

HALKBANK
Skopje
генерален спонзор на
МАКЕДОНСКАТА КОШАРКА

HALKBANK'S VISION, MISSION, TARGETS & CORPORATE VALUES

Our Vision

To be the region's one of the leading banks, 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 Targets

- To be one of the leading banks in Macedonia;
- To be the first choice of corporate, SMEs and retail customers;
- To employ highly-skilled personnel and continuously motivate and train them;
- To continuously work on creating added value for customers, shareholders and employees by effectively carrying out all banking services;
- To grow steadily while sustaining profitability;
- To promote awareness and understanding of social responsibilities and duties while contributing to the development of the banking sector and capital markets.

Our Corporate Values

- Customer focus
- Reliability
- Integrity
- Commitment
- Trust
- Creativity
- Innovation
- Value creation
- Respect and Relationship
- Dynamism
- Teamwork
- Productivity
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Social responsibility awareness
- Sharing of knowledge and experience

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.

Uka Komerc Dooel is family company for meat processing established in Skopje in 1999. Founder or official owner is Mr. Adem Abazi his family business began in the seventies of the last century when it opened a small butcher shop, then continued to develop and grow by gradually opening a few small butchers. 1984 began with the purchase of modern equipment and quality to be able to open a meat processing plant and production of meat products. In 1996. they opened the factory which has successfully working and constantly evolving. Company outside of Macedonia has opened companies in Kosovo and Albania and has 43 full-time employees. Uka Komerc is the first company in Macedonia which implemented the HACCP standard. In 2013 company received recognition or quality certificate at the prestigious International Quality Crown Award which was held in Geneva. This positive growth was made possible thanks to the helping hand of Halkbank.

UKA KOMERC

MANAGEMENT ASSESSMENT

HALKBANK

THE CHAIRMAN'S ASSESSMENT

It is a great privilege to introduce you to HALKBANK AD Skopje's Annual Report which, as presented in the following pages, represents a success story itself.

President of the Supervisory Board

As one of the most successful banks in the Macedonian banking sector, Halkbank aims to increase the drive in the country's economy and sustain efficient and profitable growth since 2012, by building client oriented groundwork.

While supporting and aiding the development of the small and medium enterprises, we have also sought to increase our focus on retail segment and corporate clients - enterprises We believe that our lending strategy has contributed in many entrepreneur projects for starting and expanding businesses in the country.

Obtaining a stable sustainable growth and strategy of maintaining a firm corporate culture has ranked us among the top 5 banks in Macedonia. Recognized as an innovative player in the banking sector, we started offering customized banking services, tailor made products and continued with the technology investments which are all facts to be proud of.

The relations between Macedonia and Turkey were based on a very solid mutual cooperation not only between the countries but also between the business entities. The Macedonian economy has been recovering at a solid pace, supported by the lending activity of domestic banks, including Halkbank as an important inevitable actor in the process of improvement.

In 2014, the Board of Halkbank AD Skopje was pleased with the noteworthy growth the Bank has made, making our purpose clear - to make the lives of our customers better.

Our management team continues with the comprehensive growth strategy and achieving customer satisfaction. We are marking a considerable percentage of growth in terms of the assets' size, the loan and deposit portfolio on the market, while at the same time lowering maintaining a stable NPL rate ratio which is below the market average.

Our branches were renovated with a customer focused approach throughout the year 2014, investing in technology and setting our branches' outlook according to the global trends. We also worked on developing our alternative distribution channels, offering our customers easy access to all our services. All of this, accompanied by our dedicated and focused employees, leads to continuous increase of our customers' satisfaction.

This is just a small introduction of how our common values and operating principles are guiding employees to deliver our purpose every day. I encourage you to learn more by reviewing our Annual Report 2014.

Thank you for your interest in Halkbank.

Respectfully,
Mehmet Hakan Atilla
President of the Supervisory Board
HALKBANK AD Skopje


HALKBANK

CED'S ASSESSMENT

Mr. Necdet Palakci, Chief Executive Director

Esteemed business partners, shareholders and employees,

With a great pleasure, I would like to share with you the activities and results of our Bank in 2014. From the very first day when we entered our market, we gave priority to all activities related to providing tools and resources for productive Macedonia. Our productivity and the operational success are just another driving force for the growth and development of this country.

2014 will be noticed as a year of continuous and consistent growth. Our bank managed to sustainably grow and seriously approach its goals. We continued investing in our network of branches, technological basis, human resources and respectfully, in the field of our social responsibility.

The dedication and motivation of our employees are, of course, the biggest reason for all good achievements.
At the end of 2014, our branch network counted 33 branches, with the opening of 3 new ones within that year. The number of employees in Halkbank is 409. With our newly opened branches, we are now available in Kichevo, Avtokomanda and Kavadarci. Our presence is now more attractive with the renovation of the branches in Kumanovo, Sveti Nikole and Zheleznichka in Municipality of Aerodrom.

The loan portfolio of Halkbank grew by 24.5% from 221.3 to 275.7 million euros. We successfully managed the quality of the credit portfolio by decreasing the rate of NPL to 2.2%, which is below the average of the sector. The customer deposit portfolio grew up by 33.4% which confirmed the reliability and trust of our Bank. This year had significant importance to us in terms of broadening our cooperation with the financial institutions and new credit lines. The other borrowed funds of the bank were increased for 73.7% and reached 64.3 million euros.

The success of our bank continued in the area of alternative distribution channels. The POS network enlarged to a number of 3.981, and therefore our market share in this segment grew to 12.26%. In total we have 32.279 credit cards, which means that today we participate with 9.67% in the credit cards market in Macedonia. The number of ATMs in the country is increased as well and now equals 80 in total. And, right before the introduction of our new e-banking platform, we increased the number of users of the existing one to 18.349, while in the previous year we only had 9140 users. In this section, we have risen by 100.7%.

We are noting the greatest percentage of growth in terms of the assets size, loan and deposit portfolio on the market, while at the same time we keep on maintaining a stable and below the market average, NPL rate with 100% coverage.

All of the Bank's resources have been improved and renewed.

We have introduced new services; new operational platforms; we have expanded the range of our products; we grew in the number of our loyal clients; increased the correspondence with new and existing partners from Macedonia and abroad; we enlarged and improved our market presence; reaffirmed our social and eco-responsibility... All these facts are creating the final picture of our role in 2014. This picture is now our base for further development in 2015.

In 2014, as a result of the successful work, we made a profit of 4.4 million euros which is an 8.6% of the total profit within the sector. As in previous year, with an aim to provide higher support to the Macedonian banking market, our parent bank and main shareholder decided the net profit to remain as a retaining earnings of HALKBANK AD Skopje in order to facilitate the further development of the bank.

So, in 2015 we will be consistently supporting the real sector, fulfilling the mission of the Bank and building greater pride for all of us. Through the new and improved E-Banking, we will additionally strengthen our image of innovative and client-oriented bank. All of our activities will remain to be in line with the promotion and care for the environment, while our favorable financial offers for the citizens and companies in Macedonia will strengthen the support to the households and increase the value of the businesses.

Caring for the community and the citizens of Macedonia, we carried out and took part in many socially responsible projects and charity actions, supporting the Macedonian tradition, culture and sport. Being a general sponsor of the Macedonian basketball is another fact to be proud of.

At the end, I would like to thank you for the trust and friendship you are creating with our bank.

But above all, I wish you a year fulfilled with plenty of health, happiness, love and success.

Respectfully,
Necdet Palakci
Chief Executive Director
HALKBANK AD Skopje

The story of KIM Negotino started in the distant year of 1999. With the support from HALKBANK, KIM Negotino established a small business which produced ketchup in packages intended for fast food restaurants. With time their business kept growing, so they expanded their assortment and purchased their own business premises. Now, the company deals with production of processing and preserving fruit and vegetable, employs 38 people, has its own vehicle fleet and maintains the leader position in the ketchup production market.

KIM NEGOTINO

ACTIVITIES IN 2014


HALKBANK

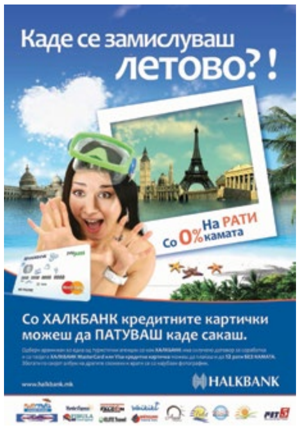
PIONEERING PRODUCTS

Be your own banker!

- Campaign for Halkbank ATMs, explaining all banking services a customer can utilize by using our ATMs.

Halkbank POS Terminals – easy and simple

- Pay your public expenses on Halkbank's POS Terminals!



Where do you imagine yourself this summer?!

- With Halkbank's credit cards you can travel anywhere...

Create your perfect story

- Set of retail products with 0% upfront fee for the promotional period.

HALKBANK

Perfect and smart SYNERGY package for your business!

- We create products that are tailor-made and the greater usage of these products will result in more benefits for your business.

Saving is a good habit!

- Product promotion for savings in a trustable and stable bank.

Open your Turkish Lira account only in Halkbank!

- Special service which includes conversion of Turkish Lira, inflows and outflows and banking operations in Turkish Liras.

Ladybug Children Saving

- Promotional rates for children savings plus special Ladybug savings book and moneybox as presented.

By Yourself on Your Own!

- Special Halkbank housing loan with a favourable interest rate for the first 3 years.

Let your deposit grow!

- Favourably, safely, steadily...

CORPORATE AND SMEs BANKING

Continued Customer Satisfaction

Progressive and successful marketing strategy of the Bank also influenced the growing of SMEs and Corporate loan portfolio in 2014. From the total growth of the legal entities' loan portfolio in Macedonia, 57% belongs to Halkbank AD Skopje. With this increase the Bank reached 6th place in the banking sector of Republic of Macedonia by the size of the loan portfolio of legal entities and has a market share of 6.4%.

23.54 % growth in Corporate and SMEs cash loans

Halkbank's rapid growth in Corporate and SMEs banking continued in 2014. In the course of the year, Halkbank AD Skopje extended total cash loans of EUR 30.24 million to the corporate and SMEs segment clients. Corporate and SMEs companies seek to realize opportunities by further strengthening their position on the market. That also has influence to a significant increase in the growing of SMEs and Corporate loan portfolio for 23.54 % since 2013.

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

During 2014, Halkbank AD Skopje actively continued to use credit lines from other financial institutions such as:

- EIB credit line, realized through MBRD for Financing of micro, small and medium enterprises and priority projects of the legal entities from Republic of Macedonia in amount of EUR 100,000,000.00;
- Green for Growth Fund Southeast Europe (GGF) for financing of projects in the area of energy efficiency, thereby helping the enterprises in Macedonia to reduce energy consumption and expenses for energy;
- EFSE credit line – The European Fund for Southeast Europe S.A., SICAV-SIF Luxembourg, to provide loans of up to 3 million EUR to SMEs and Corporate companies;
- Credit line from MBRD for financing projects – investment of micro and SMEs client;
- Project through Employment Service Agency of Republic of Macedonia implemented through MBPR;

The project is active measure of the Government. The project is implemented as a project on 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 on lending to legal entities (MSEs) for opening new jobs for unemployed people through lending.

- Credit line from MBDR on behalf of the Ministry of Finance, for financing projects – for utilization of the Renewable Credit Fund from ACDF (Agricultural Credit Discount Fund).

We will continue to support SMEs and Corporate clients

The success achieved in 2014 will be an additional incentive for Halkbank AD Skopje to continue working as a professional partner to the Corporate and SMEs companies in the country and will continue working on increasing customer satisfaction. We are always there for our customers. In the rich organizational environment, with strong management system in the Bank, we continue to expand relationships with SMEs and corporate clients and develop new opportunities together.

RETAIL BANKING

HALKBANK AD Skopje continued to expend its retail banking business line in 2014 by using creative marketing approaches for different customer segments.

During 2014 Halkbank AD Skopje experienced constant improvement in the retail sector. Number of clients during 2014 was constantly in a positive trend, the portfolio was increased, all due to fact that customer's satisfaction took priority place on the list of working activities for all Branches in the network, directly followed by retail marketing department.

The training of the employees, together with all new retail products improved the processes, allowing us to create mosaic suitable for any profile of employed citizens in Republic of Macedonia giving accent to employees in public companies and institutions, employees in corporate and SME clients with efforts to increase collateralized portfolio of the Bank.

Clients with salaries and Overdrafts

The number of clients with salaries in Halkbank AD Skopje was increased for 21.5% during 2014, starting with 27,550 clients in December 2013 up to 33,500 clients with salary at end of 2014. This was a result of constant visits and promotion activities to employees in public companies and institutions on one hand and to our reputable and stabile corporate and SME clients on the other.

Simultaneously with the new salary clients in Halkbank AD Skopje, we actively promoted profitable products for the Bank to our customers who have overdrafts. Number of overdrafts was increased from 15,500 up to 18,000 and this was an increase of additional 16%.

During 2014 retail marketing introduced to the market synergy of several mutually connected products and created campaigns for targeted clients as package of products named "Create Your Perfect Story" which includes salary in Halkbank, several options and types of loans, overdraft, credit card, usage of e-banking, permanent order etc. in order to attract as much as young and employed persons and to decrease overcrowdings in the branches. Also in the course of 2014 our retail marketing sector successfully introduced campaign for employees in educational institutions, the sector with the biggest syndicate in the country. In order to have controlled and low amount of NPL we created retail products which were connected and the usage of these products depended on the success of the branch for regular collection of overdue instalments and maintenance.

Halkbank AD Skopje had NPL of 2.74% from the total portfolio, two times lower than the sector with 5.66% at the end of 2014.

Halkbank AD Skopje became fourth bank in the retail sector of banking in Macedonia.
The portfolio in the retail segment of Halkbank AD Skopje, according to National Bank of Republic of Macedonia, was increased for additional 24.3% starting with EUR 101,900,000.00 as of 31.12.2014 up to 126,736,000.00 EUR as of 31.12.2014. The activity of the network during 2014 put Halkbank AD Skopje on the fourth place in the retail sector in Macedonia increasing our market share from 6.8% up to 7.6% during 2014.

As Halkbank AD Skopje increased the total retail portfolio for 24.3% during 2014 all retail market increased for 12.1%.


HALKBANK
HALKBANK

DEPOSIT AND CASH MANAGEMENT

Halkbank's total deposits increased for 33.47% or 68.1 million euros and reached 271.6 million euros.

Increased market share in 2014

During 2014 Halkbank AD Skopje maintained the growth trajectory and increased the market share. By the end of 2014 compared to 2013, the market share increased from 5.48% to 6.18% from the total deposits in the banking sector. In terms of the retail deposit we increased the market share to 4.09% compared to 3.41% in 2013, while in view of the corporate deposits we manage to achieve an increase of 10.45%. Halkbank AD Skopje, with growth of total deposit for 33.47%, is on 4th place by the growth of total deposit, whereas by balance of the total deposit managed to be in the top 5 Banks in the banking sector.

Despite the continuous downward trend in interest rates on the market, Halkbank maintained its growth during 2014 as a reflection of customer trust and confidence. On the other hand, trust enables the bank to enjoy a high degree of certainty when making plan about such a quality source of funding. When it comes to the average interest rates for total deposits in Halkbank AD Skopje, it decreased to 2.47% compare to 2.85 % at the end of 2013.

A healthy deposit base

Halkbank AD Skopje, with its successful business strategy launched innovative deposit products with an effort to provide additional benefits and advantages to its customers, maintaining liquidity through stable deposit base. By opening new branches and expanding the ATM network during 2014, we try to get closer to the customers, to satisfy their needs and requirements. Halkbank AD Skopje sustained its strong and widespread deposit volume as well as the maturity composition of its deposits. The focus is on working on improving the quality of products and services in order to be closer to the customers to satisfy their needs and requirements.

Deposit Structure

The total growth of the deposits from clients in 2014 reached 271.6 million euros, whereas sight deposit is participating with 24.61% or 66.8 million euros and time deposit is participating with 73.86% or 204.7 million euros. In 2014 sight deposit grew for 25.6% or 13.6 million euros and time deposit grew for 36.2% or 54.5 million euros.

With the new innovative products and opening of new branches, it also contributes to the increase of retail deposit for 30.3% or 32 million euros. On the other hand, corporate deposit experienced an increase of 36.9% or 36,059 euros. The participation of the retail deposit is 51% and corporate deposit is participating with 49%.

Increased number of customer accounts for 17.62 %

Halkbank AD Skopje continued to grow on the Macedonian market through the attractive packages of products and services that we offer to the customers, therefore the number of customer accounts increased for 17,62 % or that is 20,132 new accounts. Also significant fact from the end of 2014 is the increased number of salary recipients through Halkbank AD Skopje, who reached 40.785 clients, which is an increase of 17.44% in 2014.

All this contributed to the increase in the number of transactions for 28.62% in comparison with the last year. Though the massive promotion of the e-banking service which we offer during 2014 we managed to increase number of transaction for 35.1% in 2014.

In the area of ATM transactions, we continued with the positive trend which we had in the last couple of years. The percentage of using ATM in 2014 increased to 22.86%; and the percentage of all ATM transactions grow to 24.44%. This positive trend in this area is based on the increased network of ATMs that Halkbank AD Skopje installed throughout our country and on the significant increase of the number of debit and credit cards.

With improved service and growth in volume of transactions during 2014 we increased the income from fees and commission to EUR 2,825 million which is 30.37% increase compare to 2013.

ALTERNATIVE DISTRIBUTION CHANNELS & PAYMENT CARDS

Halkbank aims to increase cards market share by implementing innovative and pioneering features.

In 2014 Alternative Distribution Channels are continuing by its implemented innovations to ease customer's life giving them opportunities to finish their obligations in a faster and less costly way. HALKBANK continually undertakes efforts to improve and expand its alternative distribution channels, which save time and reduce costs for both customers and the Bank equally. Bank used the distribution channels intensively in 2014 in order to increase customer satisfaction, reduce the operational risk at the branch level, deepen customer relationships and acquire new clients.

The previously implemented new features on our cards, which give customers the advantage of gaining bonus points and spending them at Halkbank POS Network, together with payment on instalments option, contributed the interest for our cards continuously to increase. Additional contribution was the implementation of Master Card Pay Pass in 2013, the demand for which as a unique product rapidly grew in 2014 and directly boost the growth and volume of the transactions.

Compared to the market growth of credit cards which was 1.46% at the end of 2013, HalkBank has growth of 22.16% in the field of credit cards. Discount campaigns at Halkbank's merchants (restaurants and stores), attracts customers and triggers increase of transactions and volume with Halkbank credit cards which is three times higher than the market. 45% was the growth of the number of credit card transactions and 32% was the growth of the credit cards volume.

In terms of this, in order to stimulate and motivate the cardholders to purchase more with their credit cards at Halkbank merchants and to expect to be rewarded with symbolic representative present from Halkbank, we introduced a unique marketing campaign at the end of 2014.

The customer supposed to search for his/her birthday date (date and month) in the authorization code displayed at the terminal slip when credit card transaction was performed. If they found their birthday, representative present form Halkbank was sent to their home address. The campaign was promoted on the internet and it brought new and satisfied clients.

The business side was not excluded too, as an answer for the increased demand, new Master Card Business Revolving was introduced on the market.

Halkbank will continue to offer customer innovative and competitive credit cards products and to increase the customer satisfaction level of credit cardholders.

New technology is our priority...

The POS terminals, from the latest Ingenico model, were one of the most attractive products in 2014. Easy to use, simple and modern, the great merchant satisfaction made the demand for Halkbank POS continuously to grow. With approximately 4000 POS machines we are covering a large portion of the firms dealing with retail activities. The growth of POS transactions was around 106%,much higher than the market growth where the market growth was around 19% , and market share was 21%. The inactive POS terminals were continuously relocated to new merchants. This action enabled Halkbank to increase the volume for 89%.

The increased demand triggered Halkbank to introduce new POS terminal project related with the municipalities and public institutions in the course of 2014, through which our customers can now pay the administrative taxes and public taxes through the Halkbank POS terminals. Maintaining the same goals, new unattended POS terminal was presented as a unique product for the first time, which was implemented in cooperation with T-MOBILE Macedonia. Because of the growth in interest we started negotiations with other similar firms.

The number of ATMs at the end of 2014 reached 80, which was 9% of the total number of ATMs on the market. In 2014, Halkbank for the first time introduced cash-in ATMs on the market. The customers, beside other competitive functionalities, now are able to deposit their funds thought ATMs. The improvement of the new functionalities on the ATMs, as the cash-in option, led to more satisfied clients and increased usage of Halkbank ATMs.

HALKBANK, SMART BANK...

Dedication to technology made Halkbank's e-banking users in 2014 to increase up to double. The growth reaches 106.9% and the plan is Halkbank to keep all existing clients and to acquire new ones with the new, modern and advanced new e-banking service together with mobile banking which will be presented in 2015. The new e-banking will be more marketing oriented and will provide new functionalities for the customers. Halkbank opened high-technology Halkbank Square Branch for the presentation of all new technologies and channels.

In 2015 Halkbank expects to increase the loyalty of the existing customers and to increase the number of transactions performed through alternative distribution channels by implementing new products following the technologies and preparation of campaigns.

TREASURY MANAGEMENT

Proactive Treasury Strategies Increase Profitability and Growth Momentum

Treasury Management

During 2014 all treasury activities were fulfilled properly and in stable mode, securing optimal treasury management (liquidity and all ratios included). Treasury activities we can overlook during 2014 are as follows: sales activities, Fx trading and MM (international market), Interbank Fx and MM trading (domestic market) and Trading with securities (domestic T-bills, T-bonds, T-notes).

Sales & Fx trading

The total Fx turnover (clients and interbank) increased for 67.57% in 2014 compared to 2013, to 531.325 thousand euros.

The total net income from Fx trading in 2014 increased for 2.3%, compared to 2013, to 487 thousand euros.

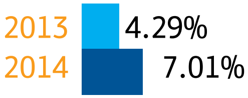
The bank's share in the sector for 2014 was 7.01%, which means:

- increase of 38.8% and
- 5th place in the sector (2013 the bank was on the 6th place).

Last year the perspectives relate to Fx markets were achieved and the bank became OFFICIAL MARKET MAKER on interbank Fx market.

Fx turnover:

Market share in sector:



Fx income:

Securities trading

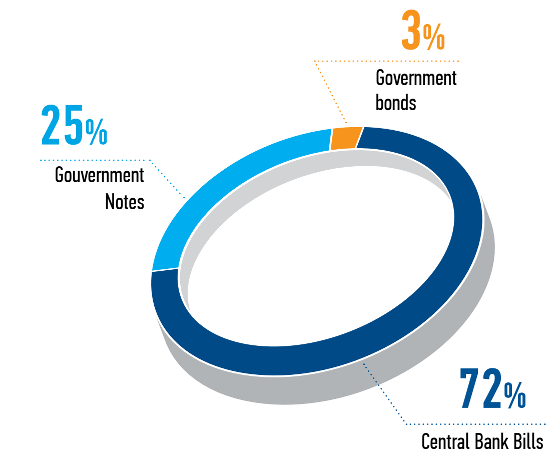
The total securities portfolio (T-bills, T-notes and T-bonds) in 2014, compared to 2013, remained stable with slight increase of 9.2%.

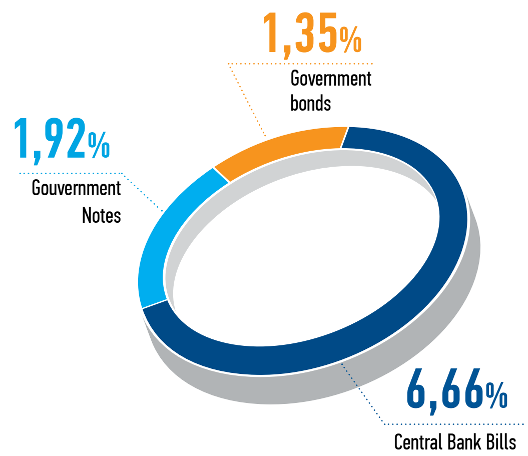
*in 000 EUR

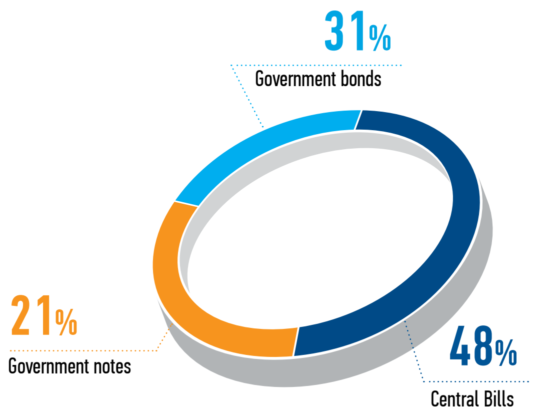
Description	2013	2014
Total	**45.910**	**50.138**
T-bills	27.620	25.678
T-notes	13.330	11.376
T-bonds	4.960	13.084

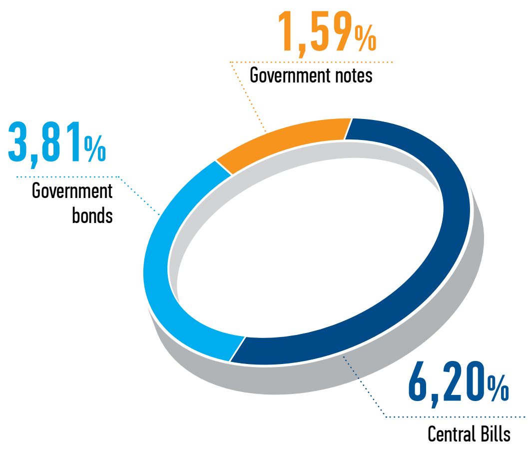
The total income from fixed income: securities investment (primary and OTC market) and interbank MM, for 2014 was amounting to 2,308 thousands euros, meaning 14.14% rise in comparison with 2013.

Market share of the bank per type of securities during 2013 compared to 2014 as following:









Perspectives

- The expectation for investment in securities during 2015 seems to be oriented towards:
    - Keeping appropriate portfolio as high liquid assets (in correlation and linked to credits supporting real economy);
    - More intensive OTC market on commercial basis; and
    - More active usage of repo market as base for ensuring the needed liquidity.
- Continue to offer advanced financial instruments – derivatives (size forwards for clients shows significant rise) as:
    - Hedging instruments;
    - Investment instruments

In scope of global (cross selling) services/products for clients and for bank portfolio:

- Fx investments in securities (portfolio investments and structured products).
- Trading e-platforms (offer for clients-white label trading).

INTERNATIONAL BANKING

In 2014 Halkbank enhanced its ability to offer a properly structured support for the Macedonian SMEs by expanding its fruitful cooperation with EFSE and GGF and by strengthening its correspondent relationships with the international partners.

By establishing itself as a Bank with innovative and client-oriented approach, while strengthening the international relationships with each international financial institution, Halkbank AD Skopje has develop itself as a recognizable brand on the Macedonian market focused on establishing a long-term relationship with its clients.

Halkbank AD Skopje is making a huge difference on the market by developing customized products and offering high-quality and fast services in order to maintain the current client relationships and at the same time conquer other parts of the market.

During 2014 Halkbank continued with the implementation of its strategy of expanding its branch network and broadening its borders of stretching, whilst successfully managing a wide-ranging correspondence network of more than 400 banks in over 50 countries.

This year the Bank continued to provide high-quality service in the field of international banking and at the same time continued its cooperation with a significant number of financial institutions in order to afford the properly structured support for the SMEs.

In the course of 2014 Halkbank AD Skopje has been delighted to host many senior representatives of the reputable international financial institutions.

As a result of the successful ongoing cooperation with the FIs, Halkbank has strengthened the partnership with Green for Growth Fund (GGF) with a second senior loan facility in the amount of EUR 10 million, enabling itself to enlarge the scope and volume of financing the energy efficiency projects.

Southeast Europe (EFSE) with a new long-term credit line in the amount of EUR 10 million, giving it the possibility to offer properly designed housing loans to the individuals and to provide long-term investment funds for the SMEs on the Macedonian market.

Halkbank AD Skopje is differentiating itself with this kind of supportive activities before its retail and business partners, offering such targeted credit products.

Furthermore, the Bank is focused on maintaining good relationships with the domestic and foreign banks by assigning limits to them on a base of a periodical assessment of their credit worthiness.

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.

Guided by the principle of unceasingly satisfying all clients' needs, Halkbank AD Skopje is giving them the opportunity to have a secure and highly-efficient accomplishment of all desired foreign trade operations.

Among the already mentioned cooperation with the EFSE and GGF, Halkbank AD Skopje continued to provide the securing foreign funding from financial institutions, disbursing favourable loans from the credit lines of the Macedonian Bank for Development and Promotion (MBDP), disbursing the funds gained from the European Investment Bank (EIB) and funds from the KfW Bankengruppe satisfying the clients' necessities for fixed assets, working capital and providing suitable housing loans for individuals.

At the end of 2014 Halkbank AD Skopje signed an agreement with the Macedonian Bank for Development and Promotion on behalf of the Ministry of Finance, in order to participate in the process of supporting the development of the agricultural sector of Macedonia, by utilizing the funds from the Renewable Credit Fund from the Agricultural Credit Discount Fund (ACDF). At the same time the Bank has joined to the governmental project for reducing the unemployment in Macedonia, by implementing projects for self-employment and projects for lending to legal entities (MSEs) for opening new jobs for unemployed people.

OPERATIONS DEPARTMENT

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 enables clients to make payments by the following:

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

The number of active transactional accounts in HALKBANK AD Skopje at the end of 2014 was 144,072. Citizens have 13,264 accounts and corporate clients have 130.808 accounts. Compared to the end of 2013, when the number of active accounts was 126,132, active number of accounts has reached growth of 14.22%

In 2014, new 22,655 transactional accounts were opened, from which 20,208 accounts for citizens and 2,447 for corporate clients.

In 2014 domestic payments transactions have increased by 28.4% and reach the number of 3,073,872 transactions, compared with 2,393,565 in 2013.

Cash center

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

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

Western Union

With the growing branch network together with a broader range of services that HALKBANK is offering at different service points and has continued to provide WU services.

Foreign operations

Fast growth of the Bank, improved workflows, newly opened branches together with the decentralization of the foreign operations and increased authority of the branches, led to increased volume of transactions by 28% from 2013 to 2014.

In this context, increased number of correspondent banks has also supported this growth.

Documentary Business

Our extensive correspondent banking network guarantees fast and unhindered documentary transactions on a global basis.

IT & TECHNICAL SUPPORT

Halkbank managed to maintain the innovation leadership on the market by introducing new products and technology.

During 2014 HALKBANK introduced several new products to address the needs of all present and future clients no matter their size. New cash deposit ATMs benefited small clients with 24X7 options to both deposit and withdraw cash, and the new ERP interface for large clients offered to increase their speed and efficiency in payment operations in all currencies.

Unattended POS terminals in self-service kiosks were implemented for the first time on the Macedonian market which greatly increased the efficiency and lowered cost of operation for the clients.

Infrastructure improvement to assist future growth

The annual growth of processed transactions per month from January 2013 to December 2013 of 62% influenced the initiation of the project for upgrade of the core server system which improved performance up to 6 times. This replacement enabled the continued growth of processed transactions per month, which from January 2014 to December 2014 was 64%.

Continuous improvement of controls and systems to decrease operating risk

Several projects were started to introduce additional system controls and introduce additional system redundancy, which combined with the implementation of the PCI-DSS standard helped to decrease operating risk. The end result of all activities was improved quality of all services offered to the clients.

HALKBANK'S BRANCH NETWORK

With 33 modern branches widespread in 18 cities around Macedonia and 1 representative office in Belgrade – Serbia, Halkbank AD Skopje's main mission is to serve all clients in Macedonia in the best manner.

Extensive Branch Network

During 2014 HALKBANK AD Skopje has continued to increase branch network and focused on high quality and fast service and products.

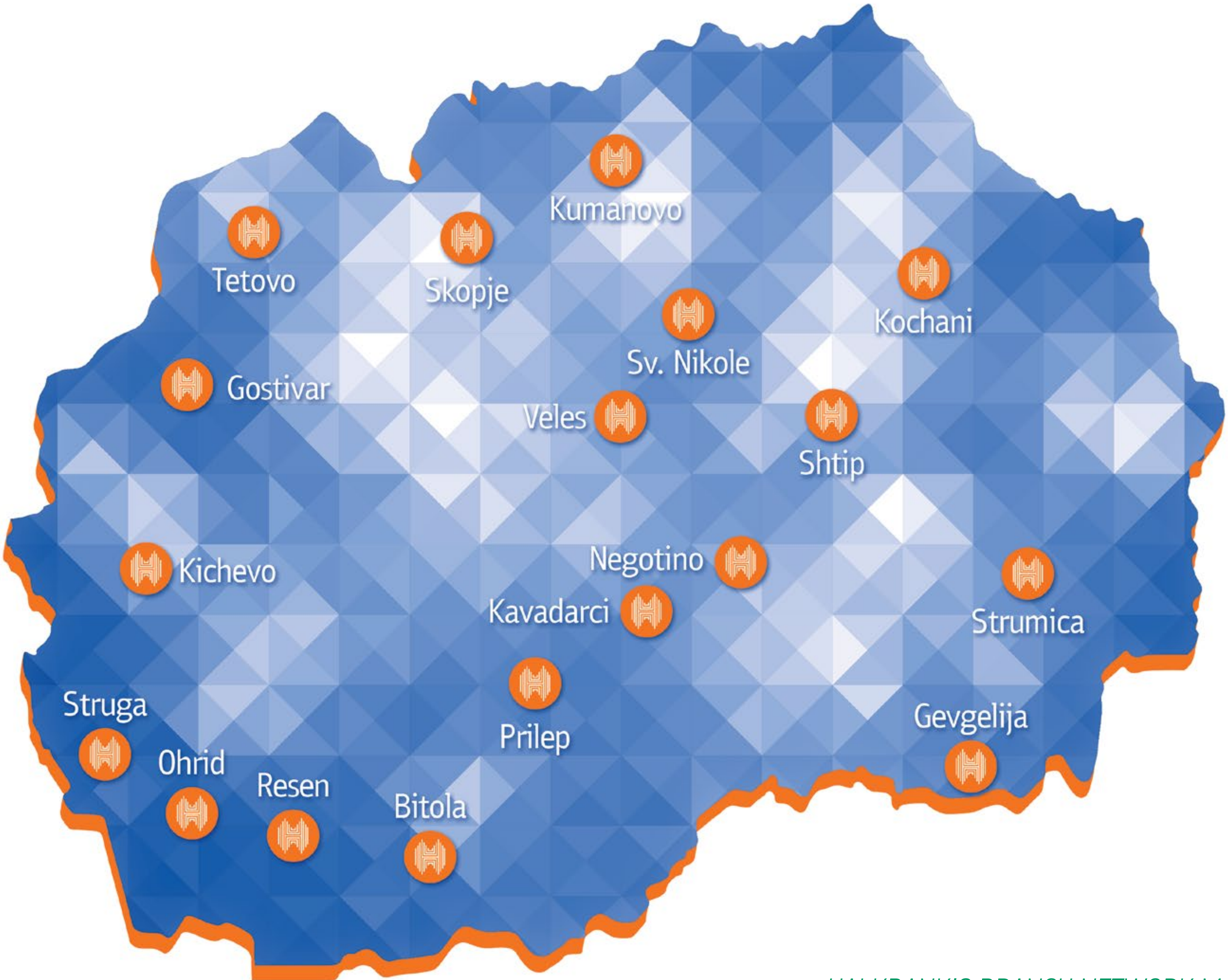
By the end of year HALKBANK's branch network has reached 33 branches in Macedonia spread in 18 cities. From the total number of branches 16 are located in the capital city of Skopje and 17 in other cities of the country.

Opening of the New Branches and Reorganization Continued

The process of opening new branches continued in 2014. During the last year Halkbank opened 3 branches 1 of which in the capital city of Skopje and 2 in Kavadarci and Kicevo. Also reorganization and renovation of some of the branches continued during 2014. With reorganization and renovation of current branches Halkbank continued the strategy for maximizing customer satisfaction. With opening of new modern branches and improving the ambient in the current branches we are closer to our clients. During the last year we started the renovation of Kumanovo and Sv. Nikole's branch, and also we have relocated and improve the quality with two branches – Zeleznicka and Square branch in Skopje.

Representative Office in Belgrade, Serbia

Our Bank's representative office in Belgrade, Serbia was opened in December 2012. Opening a representative office of our Bank represents a milestone for the Macedonian Banking Sector. Main mission and objective of the representative office is to research the market and mainly to link the companies which are cooperating with Macedonian or Turkish companies.



HALKBANK'S BRANCH NETWORK MAP

HUMAN RESOURCES, ORGANIZATION & TRAINING DEPARTMENT

The leading concern for long-term success of Halkbank A.D. Skopje is related to the effective personnel management which sets value to the most important asset of any organization – the employees, who are in the main role in driving the key corporate goals and objectives. Aligned with that, the Human Resources, Organization and Training Department of the Bank is dedicated to make sure that the corporate culture and crucial values are integrated in majority of the internal processes and procedures, on the path to create and maintain a sustainable and attractive working environment. The Department supports and creates a cooperative working atmosphere, by being a partner to the other organizational parts and colleagues in the Bank, whereas the ultimate goal is to achieve outstanding results on company level and to provide excellent customer experience. As a business partner to the internal organizational units, our Department in their support through selection and recruitment processes attracts, develops and retains talents, creates professional development and career growth opportunities equally for all employees, administers the performance management system and the payroll, fosters teamwork and cooperation, maintains the organizational health and safety and other services and activities that contribute to nurture a human capital that is capable to make essential impact in the results and achievement of the general goals.

Headcount Changes in 2014 and Structure of Employees

The number of employees in 2014 has risen to 403 professionals, working in 33 branches in Skopje and in cities around Macedonia, as well as in the Head Quarters of Halkbank A.D. Skopje. The HRD of Halkbank A.D. Skopje has managed to attract a wider pool of applicants according to the internal personnel needs in 2014, either through posting job vacancy advertisements, by headhunting already trained professionals from other financial and banking institutions, or through probation potential candidates as interns in the Bank. Hence, in 2014, through multi-phased selection and recruitment procedures, 49 highly talented and knowledgeable new members have joined the Halkbank A.D. Skopje family throughout the year.

The end of year structure of personnel of Halkbank A.D. Skopje shows that the relevant knowledge and expertise is important, since 345 (86%) employees are holders of a University Degree and 58 (14%) of its employees have High School Degrees. The average age of the employees in the Bank is 33 years, whereas the moving force of the organization, its human resources is consisted of experienced professionals who have put behind long years of service and possess remarkable experience, and young and ambitions bankers who are ready to respond to the challenges arising from the everyday working environment. Also, the share of the female staff in the Bank is 60% or 243 employees, and the remaining 40% - 160 employees of the staff is male.

As a very effective tool to identify and attain highly-talented individuals, the Bank has been closely cooperating with educational institutions, state and other agencies in the aspect of participating in career fairs or holding lectures in front of the future professionals. Representatives from the Bank were attending their events and presenting the career opportunities within the Bank, as well as educating the students and unemployed for developing better professional behaviour, approach and soft skills.

Professional Development and Learning

As a process that is closely related to the final results and the quality of the service provided to the clients, the Human Resources, Organization and Training Department has been managing and involved organization of various in-house or external trainings and conferences, as well as workshops and sessions for improving the mutual cooperation between linked organizational parts and employees. At the same time, Halkbank Turkey was providing us with various ways in order to get better insight of the processes and tools originating from the main shareholder, either by sending experienced professionals in Skopje for the purpose of training, or having our staff visit their premises in Turkey. At two occasions, wider circle of employees from the Bank were also included in strategic and performance measurement sessions, in Struga and Mavrovo respectively. Besides the held presentations about the performance and upcoming goals, these sessions served also as facilitators and enhanced the teamwork and understanding among various colleagues and organizational parts in the Bank. Thus, regarding the undertaken actions and efforts of our Department in this area, developing and training our employees is a key to creating responsible leaders and professionals who understand the Bank as a whole and are capable to show their ability to full extent while contributing to the achievements of the organization.

PUBLIC RELATIONS – SOCIAL RESPONSIBILITY

The success story we create together with our society...

Socially responsible behavior is an important part of Halkbank's strategy. By making use of such activities, Halkbank AD Skopje approaches all segments of society, its business community, but also the environment, in an ethical and responsible way.

Through the past years, the Bank offered support with its donations to a number of institutions and individuals who needed help the most. The tendency has always been to help the ones who represent the weakest part of the community, such as children, the sick or individuals with special needs. In the course of 2014, Halkbank remained as one of the most regular supporter and friend of the children's' dorms by handing different types of help to them.

Among the most important charity activities was the renovation of the 11 Oktomvri Children Dorm in Skopje.

Continuing the very successful activities realized during the previous, in 2014 Halkbank AD Skopje continued its tradition of delivering presents for children coming from vulnerable social groups or children without parental care placed in institutional homes.

The bank is traditionally providing its support to the educational and sport segment in the country as well.

During the year 2014, Halkbank has supported several educational institutions with material and knowledge sharing. Among the most important, was the donation of the entire new PC equipment for the computer lab of International Balkan University.

As considering the sport and healthy living as very important things in our lives, Halkbank decided to expand its focus from only internal, employees' sport orientation to national level.

Starting from 2014, Halkbank AD Skopje is a proud general sponsor of the Macedonian Basketball Federation. By this, the bank gives an example for development of the Macedonian sport in general, and by its promotion, it motivates the sport awareness, pride for the national team and sport action of the entire Macedonian nation.

Apart from its charitable activities, the bank identifies the importance of responsible human resources management, so tries to provide a working environment where employees will be satisfied and work in positions compatible with their skills and knowledge, with a significant chance for further professional and personal development.

The ecological dimension relates to efforts the bank is investing in order to create a balance between the need for economic growth on the one hand, and maintaining a healthy environment on the other. Distinct attention is focused on saving energy, paper and electronic waste recycling.

HALKBANK

Lion Sv. Nikole was founded in 1998, and HALKBANK has been supporting its growth ever since. The company started with the purchase of machines for packing powders and granular products from Italy. A period of great progress followed, so today, LION is a successful company that has 80 employees, produces 2500 tons of high-quality confectionary products per year and has been awarded with gold medals on many fairs and events. Also, besides the great success achieved on the home market, the company continuously works on its' expansion on new foreign markets.

LION SV. NIKOLE

MANAGEMENT INFORMATION & CORPORATE GOVERNANCE


US 31%
H1 08
£4,784m
Asia Pacific 11%
Africa 3%
RoW 7%
UK 29%
EU (ex UK) 21%
H1 09
£10,489m
Asia Pacific 7%
Africa 1%
RoW 6%
income by geography

SUPERVISORY BOARD

MEHMET HAKAN ATILLA
President of Supervisory Board

Mehmet Hakan Atilla was born in 1970 in Ankara. He graduated from the Department of Economics, Faculty of Economics and Administrative Sciences at Gazi University. He joined HALKBANK in 1995 as an assistant specialist in the Research, Development and Planning Department and proceeded to work as a specialist in the Commercial Credit Cards, and Cash Management Departments. Then he held the title of supervisor and department manager in the Strategic Planning Department. Atilla was head of the Financial Institutions and Investor Relations Department between June 22, 2007 and November 11, 2011 before being appointed as the current deputy general manager responsible for International Banking on November 11, 2011. Since May 2011 he was appointed as Supervisory Board Member of HALKBANK AD Skopje.

EROL GÖNCÜ
Member of Supervisory Board

Born in Siirt in 1964, Erol Göncü is a graduate of the Middle East Technical University Department of Mathematics. He began his career at Pamukbank on October 3, 1988 as a systems analyst and went on to hold the positions of service manager and department manager. He has been working as a deputy general manager in charge of Information Systems and Technical Services at HALKBANK since June 9, 2005. Since May 2012 he was appointed as Supervisory Board Member and Audit Committee Member of HALKBANK AD Skopje.

MUSTAFA AYDIN
Member of Supervisory Board

Mustafa Aydın was born in Ürgüp, Nevşehir in 1965. He graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at the Middle East Technical University. He began his professional career at Türkiye Öğretmenler Bankası and went on to work as General Manager at Nahçıvan Türk Bankası, as Inspector and Branch Manager at Albaraka Türk Katılım Bankası A.Ş. and at Asya Katılım Bankası A.Ş.. He later served as CFO and Board Member at Bosnia Herzegovina Airlines, as Head of Finance at Turkish Airlines, as Affiliates Financial Coordinator at THY Teknik A.Ş. and as CFO at Negmar Shipping Ltd. Aydın has been serving as Deputy General Manager in charge of Financial Management and Planning at Halkbank since July 10, 2014.

HILALI YILDIRIM
Member of Supervisory Board

Hilali Yıldırım was born in Kaman, Kırşehir in 1973. He graduated from the Department of Computer Programming at the Yıldız Teknik University. In 1997 he graduated from the Department of Business at the University of Marmara. At the same time he attended the Institute of Economics and Business. He has a Master's degree in Banking and since 2012 is preparing his doctoral dissertation in Business at the University of Maltepe. He began his professional career at TC Ziraat Bank, Mecidiyeköy in Management systems and was a Branch Manager of Credit Cards. Three years later he went on to work as Deputy Inspector, Deputy Director and Inspector at Esbank T.A.Ş. He later served as Deputy Director at TKB Branch Şişli, Senior Inspector and Branch Director at Family Finances Kurumu A.S. and Director of Internal audit at Asya Bank. He used to work in Finance and Operations at Financial operations, IT Operations. Yıldırım has been serving as Adviser of the Executive Director at Halbank, Turkey since 2014.

BILAL SUCUBAŞI
Member of Supervisory Board

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 in the Department of Business, Management, Organization Department, Malatya at the University of İnönü. He has 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 served 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 Department of Corporate Marketing at Halkbank, Turkey where he currently works.

BORIS PETROVSKI
Independent Member of Supervisory Board

Boris Petrovski was born in 1950 in Bitola. He graduated from 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. Since May 2011 he was appointed as Supervisory Board Member of HALKBANK AD Skopje.

SONJA PETRUSHEVA
Independent Member of Supervisory Board

Sonja Petrusheva was born in 1964 in Skopje. She graduated from Ss. Cyril and Methodius University, Faculty of Law in Skopje. She began her career as Lawyer in 1995. As a Lawyer, between 2007 and 2009, she participated in the process of share purchase between IK Banka and DHB Holland. Since 2009 she was appointed as Supervisory Board Member and Audit Committee Member of HALKBANK AD Skopje.

MANAGEMENT BOARD

NECDET PALAKCI
Chief Executive Director

Mr. Necdet Palakci has graduated from the University of Marmara, Turkey in the field of International Relations, and has also received a Master's Degree at the same University in International Banking in English language. The beginning of the banking career of Mr. Palakci started on 13.08.1990 in Pamuk Bank Turkey as management trainee, where he was engaged on various positions, mainly in the area of corporate, commercial and SME sales. Afterwards in his career he is appointed as Head of corporate sales responsible of various regions in Turkey, and later he is designated as a branch manager of Topkapi and Merter commercial branches in Istanbul. His last position was corporate branch manager in Istanbul, Turkey. Since 25.06.2012, Mr. Palakci is being appointed as the Chief Executive Director of Halkbank AD Skopje, where he manages the Bank during its growth and expansion of the Bank in the Macedonian banking sector and in the region, as well as leading the organization through structural changes - the taking over of Ziraat Bank AD Skopje to Halkbank AD Skopje and opening a representative office in Belgrade, Serbia. During this period of time the bank has accomplished many significant achievements.

BUKET GERECCI
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 on the International Relations Department in 1989. After 5 years in service in Garanti Bankasi, Mrs. Gereci in 1995 had the opportunity to work and develop professionally in another financial institution in Turkey – Toprakbank A.S. This working engagement lasted 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, whereas in 2008 she is promoted to Deputy General Manager and Chief Operations Officer (COO). From 2011, she continued as Chief Financial Officer as part of another company, within the oil industry in Turkey. She becomes part of the Halkbank family, upon the official approval from the National Bank of Republic of Macedonia on 04.03.2015, as Member of the Managing Board of the Bank and Executive Director, responsible for the Division for HR and Organization and the Division of Operations and Information Systems.

TOMCHE TASEVSKI
Executive Director

As a graduate in Financial Accounting and Banking Management at the Faculty of Economics, Ss. Cyril and Methodius, Mr. Tasevski's career starts at Ljubljanska Banka in the field of loan sales, and further continues on more strategic positions as Head of Client Relationship Department in Almako Bank and Deputy General Manager in Savings House Moznosti respectively. In meantime, after a short stint in former IK Banka as a Credit Department Manager, Mr. Tasevski returns as Operative Director and Corporate Division Manager in the early 2002 year, supporting and coordinating the processes and employees while building a strong business clients network and loan portfolio of the Bank. In 2009, Mr. Tasevski is being promoted as an Executive Director, Member of the Executive Board of IK Banka. After the rebranding of the bank, Mr.Tasevski remains within the Executive 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, by the time he is active in IK Bank. In 1999, he 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 current professional challenge and responsibility is the position of Executive Director and a member of Executive Board of HALKBANK AD Skopje.

From left to right: Mr. Tomche Tasevski, Mrs. Buket Gerecci, Mr. Necdet Palakci, Mr. Turhan Ademi.

MANAGEMENT BOARD & SENIOR MANAGEMENT

From left to right:

BOJAN STOJANOSKI
Division Manager

TOMCHE TASEVSKI
Executive Director

BUKET GERECCI
Executive Director

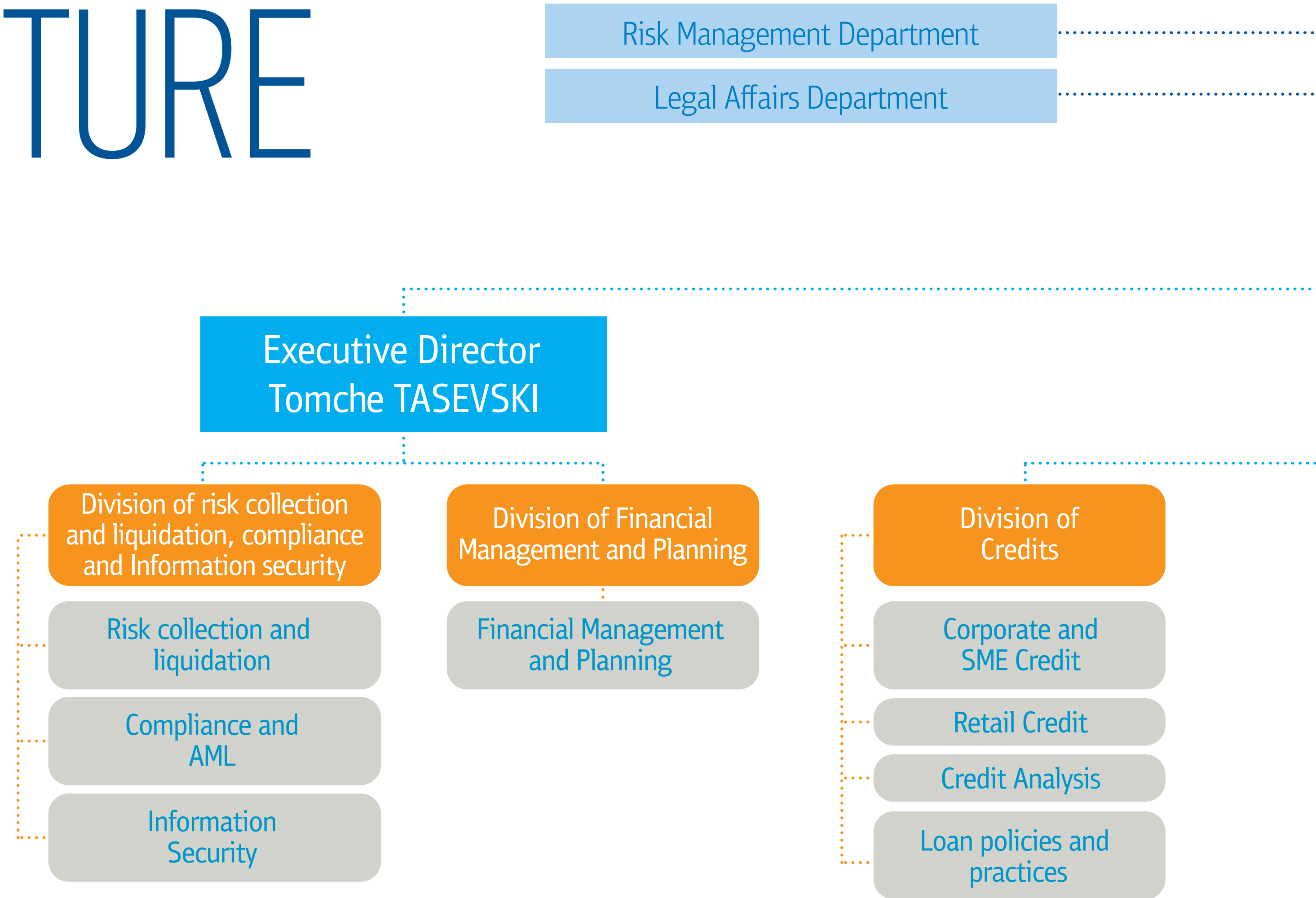
NECDET PALAKCI
Chief Executive Director

TURHAN ADEMI
Executive Director

AYSE NUR AYTEMIZ
Division Manager

ALEKSANDAR ILJOV
Division Manager

ORGANIZATIONAL STRUCTURE



SUPERVISORY BOARD

- Internal Audit Department
- Internal Control Department

Chief Executive Director
Necdet PALAKCI

- Public Relations

Executive Director
Turhan ADEMI

- **Division of Marketing**
  - Corporate Marketing
  - SME Marketing
  - Retail Marketing
  - Payment card systems and Alternative Distribution Channels
  - Deposit and Cash Management
- **Division of Treasury and International Banking**
  - International Banking and Financial Institutions
  - Treasury management, money and capital markets

Executive Director
Buket Gereçci

- **Division of HR and organization**
  - HR, Organization and Training
  - Administrative services
  - Quality and Complaint Management
- **Division of operations and information system**
  - Information Systems and technical support
  - Operations
  - Foreign Operations

SUPERVISORY BOARD'S REPORT

Supervisory Board of the HALKBANK AD Skopje

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 2014. 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 of the trends and news, improvement of the collection of the claims, harmonization of its performance with the market needs etc.

All members of the Supervisory Board gave active and significant contribution in the functioning of the Board. The decisions of the Supervisory Board were made in a transparent and documentary manner, based on a complete and objective assessment. According to the principles of good corporate management, the Supervisory Board realized good cooperation with the Management Board, Risk Management Committee, Audit Committee and the Internal Audit, without its participation 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 the Bank's bodies and their operation.

Table No. 1 portrayes the list of the Supervisory Board Members of Halkbank A.D Skopje for the year 2014 (SBM).

All listed Members of the Supervisory Board have knowledge and qualifications necessary to carry out their obligations and have the substantial and practical knowledge of Bank activity, taking into account its specificity. The selection of the Members of the Supervisory Board reflects care for diversity of their professional experience, knowledge and skills.

All Supervisory Board members listed in the table were focused in 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 also served as a basis for advanced corporate governance tools in the coming years.

All Supervisory Board Members hold university degrees with manager capacity. Moreover, the Supervisory Board Members are very active in the economic and legal life of Macedonia and Turkey.

1. Mehmet Hakan Atilla	05.07.2011	05.07.2015	PSBM (*president)
2. Burak Balci	03.07.2013	01.09.2014	SBM
3. Ali Ulvi Sargon	03.07.2013	01.09.2014	SBM
4. Erol Goncu	03.07.2013	05.07.2015	SBM
5. Atalay Tardus	03.07.2013	01.07.2014	SBM
6. Boris Petrovski	05.07.2011	05.07.2015	ISBM (independent)
7. Sonja Petrusheva	17.12.2012	17.12.2016	ISBM (independent)

MANAGEMENT BOARD'S REPORT

Executive Management Board of HALKBANKA AD Skopje

During the year 2014, the Executive Management Board was in permanent coordination with the Supervisory Board of the Bank on a very comprehensive manner that made all operational process of the bank transparent. In compliances with the adapted organizational scheme where 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 work results of the organizational units of the Bank and on quarterly bases measured performances of branches and sub-branches of the Bank.

The Executive Management Board of HALKBANK AD Skopje is composed of four members who represents the Bank and manages its regular activities.

Table No. 2 portrayed the list of the Executive Management Board Members for the year 2014 (EMBM).

1. Necdet Palakci	on going	CED
2. Turhan Ademi	on going	EO
3. Erturk Sumer	31.07.2014	EO
4. Tomche Tasevski	on going	EO

On the regular meetings, within its powers the Management Board has taken a number of actions and adopted a number of work instructions, procedures, guidelines, plans, rulebooks and performed modifications, supplements and corrective measures.

The Executive Management Board in 2014 focused its work towards stable, compliant and effective operation of the Bank by rising the position of the bank in the banking sector in Macedonia, through planning of new products and services as well as development of the existing 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 REPORT

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

Shareholders Assembly

In the course of 2014, 1 (one) General Shareholders' Assembly and 1 (one) Extraordinary Shareholders Assembly were held.

On the General Shareholders Assembly held on 16.05.2014 it was decided on adoption of: the Annual Report for 2013 and the written opinion of the Supervisory Board, the Annual Account of the Bank for 2013, the Financial Statements of the Bank for 2013, prepared in compliance with the accounting regulations of Republic of Macedonia, the International Financial Reporting Standards and the International Accounting Standards, audited by the audit company, the Report of the Audit Company for 2013 and the written opinion regarding the same by the Supervisory Board; enactment of a Decision on distribution of the profit for the year ending on 31 December 2013; review of the Annual Report on the operation of the Supervisory Board in 2013 by separate members and collectively; review of the Annual Report on the operation of the Internal Audit Division for 2013 and written opinion by the Supervisory Board; revision of the Corporative Management Code, adoption of a Decision on selection of an audit company, adoption of Business Policy and Financial Plan of the Bank for 2014, as well as adoption of the List of net debtors of HALKBANK AD Skopje.

On the General Shareholders Assembly held on 14.06.2013 it was decided on adoption of: the Annual Report for 2012 and the written opinion of the Supervisory Board, the Annual Account of the Bank for 2012, the Financial Statements of the Bank for 2012.

On the Extraordinary Shareholders Assembly held on 17.10.2014 it was decided on adoption of: Decision on dismissing of members of the Supervisory Board and Audit Committee, Decision on appointment of members of the Supervisory Board, Decision on appointment of a member of the Audit Committee and Decision on fee for membership of the Supervisory Board and the Audit Committee.

Audit Committee

In the course of 2014, the Audit Committee held 4 meetings at which the Financial Statements (MIS report), the external auditor's report related to the audit of the Financial Statement for 2013 were reviewed, the results of the Quality Management System were monitored, the accounting policies were reviewed, the quarterly and semi-annual reports of the Internal Audit Division for 2013 were reviewed, the new regulation on implementation of activities of the Internal Audit Division was reviewed, the Annual Audit Plan for 2014 was approved, the issues related to the personnel in the Internal Audit Division were closely monitored, the Annual Report of the Audit Committee for 2013 was approved, the quarterly reports of the Compliance, AML and Financing Terrorism Division were reviewed, the Compliance Programme for 2014 was reviewed, the quarterly reports on antimony laundering were reviewed, as well as the quarterly reports of the Risk Management Board.

Information on the Number and Composition of the Risk Management Board

Pursuant to the Law on Banks and the amendments of the Statute of HALKBANK AD Skopje, the Risk Management Board consists of six (6) members, their mandate being 2 years. The members of the Risk Management Board are appointed from among the persons with special rights and responsibilities that are employed in the bank. All members of the Risk Management Board have an adequate experience in the area of finance and banking.

The Risk Management Board carried out its activities pursuant to the operation plan being drafted in the beginning of each year, in order to provide greater efficiency of the Board's operation in regard to timely obtaining quality information and materials for holding of meetings. Depending on the relevance of certain events, apart from the items set in the plan, other items were also being reviewed during the meetings.

HALKBANK

Working in the field of hospitality for about 18 years, Meckuevska Kuka Puze began as a fast food restaurant in Sv. Nikole. Couple of years later they grown enough to open a restaurant in rented premises. With a steady and consistent support by HALKBANK, few years ago they bought their own restaurant premises with capacity of 200 guests, offering traditional Macedonian dishes. Thanks to the constant investments in their business, Meckuevska Kuka Ruze has managed to steadily increase the number of their customers and receive recognition for its work.

MECKUEVSKA KUKA PUZE

FINANCIAL REPORTS


HALKBANK

FINANCIAL STANDING, PROFITABILITY & DEBT-SERVICING CAPABILITY

Composition of assets

As a result of its activity in 2014, the Banks's total assets grew by 27.2% to reach EUR 418,912 thousand.

The Bank's major placement categories consist of loans (EUR 275,746 Thousand, 65.82% of assets), cash and cash equivalents (EUR 72,028 thousand or 17.19%) securities portfolio (EUR 54,132 thousand or 12.92 % of assets) while the share of other assets stands at 4.02%.

The interest bearing assets amount 86.0% of the total assets (in 2013 it amounted 91,5% of the total assets).

The interest paying liabilities amount 81.7% of the total liabilities (in 2013 it amounted 77.6% of the total liabilities).

The loans – deposits ratio at the end of 2014 amounts 95.9% (in 2013 this ratio was 95.7%). The deposits indicator includes deposits from clients and deposits from banks for the calculation of this ratio.

The main reason is the higher increase of the deposits from clients (33.47%) compared to the credits (25.69%).

The major increase as of year-end 2014 compared to the previous year where registered in loans (EUR 54,384 thousand).

The Banks nonperforming loans stand at EUR 6,137 thousand as of year-end 2014 and nonperforming ratio is 2.2% (2013 – 2.5%)

Composition of liabilities

The Bank's resources consist primarily of deposits (EUR 287,571 thousand; 68.64% of liabilities), non-deposit resources (EUR 64,279 thousand; 15.34% of liabilities) and shareholders' equity (EUR 62,692 thousand; 14.96% of liabilities) while the share of other liabilities stands at 0.95%.

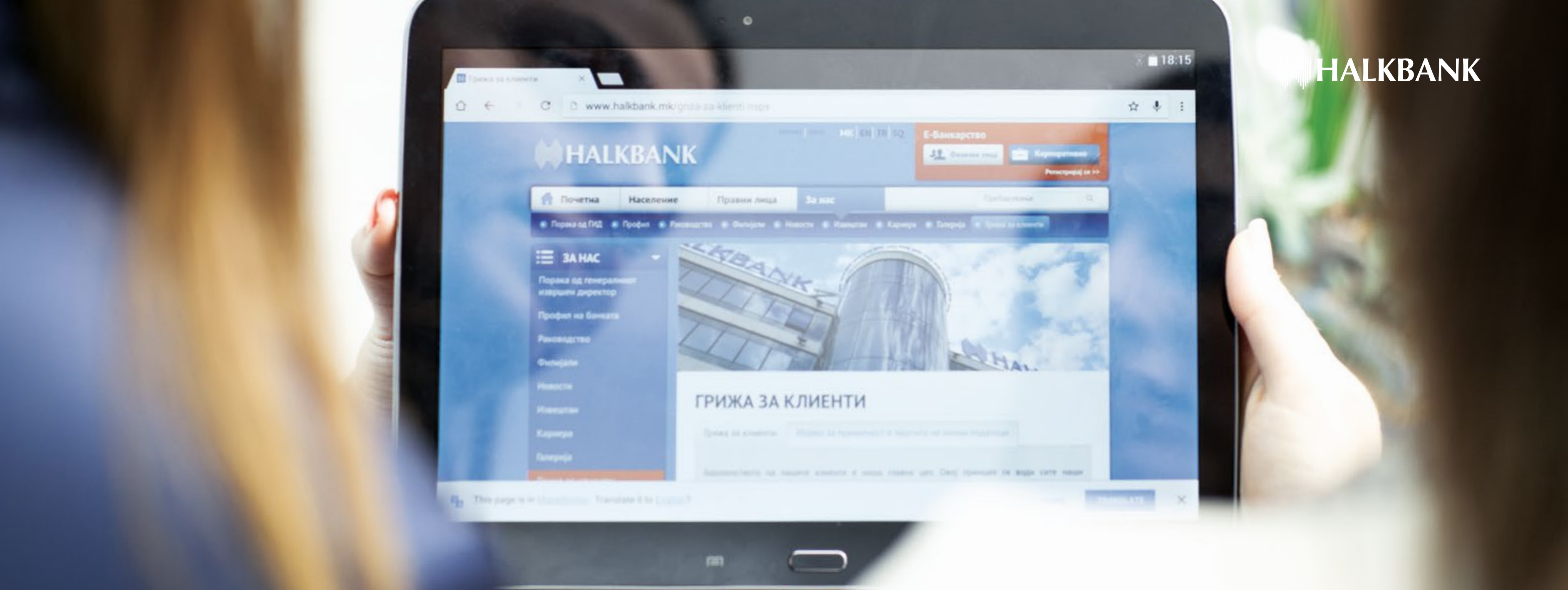
The breakdown of total deposits (including banks), the largest single resource item for the Bank, by category reveals that the time deposits, which constitute 76.73% of total deposits, increased by EUR 43,103 thousand; foreign currency deposits, which constitute 32.01% of total deposits, decreased by EUR 5,409 thousand and the MKD deposits which constitute 46.67% of total deposits, increased by EUR 62.045 thousand;

The share of demand deposits in total deposits stands at 15.96% MKD accounts, with a share of 67.99%, constituted the majority of the Bank's deposits while foreign currency accounts made up the remaining 32.01% of deposits.

The total client deposit base of the Bank (excluding banks) as on 31.12.2014 amounts EUR 271.569 thousand and marked a growth of 33.47% compared to 2013.

Pursuant to the distribution by sectors, the client deposit base of the Bank on 31.12.2014 is as follows:

Deposits of non-financial companies in the amount of EUR 86,175 thousand or 31.73%;
Deposits of financial companies (excluding banks) in the amount of EUR 39,109 thousand or 14.40%;
Deposits of population in the amount of EUR 136,261 thousand or 50.17%;
Deposits of public sector in the amount of EUR 405 thousand or 0.15%;



Deposits of non-profitable institutions in amount of EUR 6,249 thousand or 2.30%;
Deposits of non-residents in amount of EUR 3,286 thousand or 1.2%.

Regarding the term structure of the deposit base:

Sight deposit is participating with 24.61 % or 66.8 million euro and
Time deposit is participating with 73.86% or 204.7 million euro.

Composition of profits

The Bank closed the 2014 fiscal year with the net profit of EUR 4.409 thousand, an 85.79% increase compared to year-end 2013. The major income and expense items that constituted the profit for the period are discussed below:

Interest income from assets placements, the Bank's most important source of income, stands, at EUR 21,916 thousand as of end of the year.

Loans contributed EUR 19,490 thousand, or 88.93% of interest income; securities contributed EUR 2,251 thousand, or 11.55% of interest income; while interest income from banks contributed EUR 176 thousand, 0.8% of interest income.

The interest income from loans increased by EUR 3.075 thousand; interest income from the securities portfolio increased by EUR 190 thousand and the interest income from banks decreased for EUR 112 thousand compared to the previous year.

The largest item comprising the Bank's interest expenses was interest paid to deposits with EUR 6,705 thousand and 87.39% share of the total. The interest expense paid to funds borrowed is EUR 898 thousand, 11.71% as share.

The Bank's net interest income as of the end of the year is EUR 14,244 thousand.
Net fee and commission income increased by EUR 858 thousand from the previous year and reached EUR 2,825 thousand.

The Bank set aside provisions of EUR 1,680 thousand against its loans and other receivables for its activities in 2014.

Personnel expenses, which constitute a major portion of the other operating expenses of EUR 11,278 thousand, increased compared to the previous year for EUR 422 and reached EUR 4,799 thousand.

As a result of its activities in 2014, the Bank earned pre-tax profit EUR 4,937 thousand and, after provisioning EUR 528 thousand for taxes, a net profit of EUR 4,409 thousand. The Bank maintained its sustainable profitability in 2014.

Solvency

Deposits were the most important resource for the Bank and acted as an efficient instrument for covering short-term debts, due to the breadth of the depositor base and their strong structure. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources.

The 2014 year-end capital adequacy ratio of the Bank is 15.33% (2013: 18.08 %).

In 2014 HALKBANK Skopje, continued its efforts to increase the quality of its assets while diversifying its existing and alternative funding sources.

THREE-YEAR SUMMARY FINANCIAL INFORMATION

In EUR Thousand	2012	2013	2014
Cash and Cash Equivalents	32,265	45,806	72,028
Total Securities	97,355	46,244	54,135
Net Loans	147,445	221,362	275,746
Other Assets	15,151	15,826	16,860
Total Assets	**292,215**	**329,238**	**418,912**
Deposits(b)	209,068	230,935	287,571
Other borrowed Funds (b)	25,284	36,992	64,279
Other Liabilities	1,965	3,129	3,989
Shareholders' Equity	55,898	58,181	62,692
Total Liabilities	**292,215**	**329,238**	**418,912**

In '000 EUR	2012	2013	2014
Net Income	516	2,373	4,409

HALKBANK

Financial Statements
for the year ended 31 December 2014

HALKBANK AD SKOPJE

pwc

Independent auditor's report

To the Shareholders and Supervisory Board of Halk Bank AD Skopje

Report on Financial Statements

We have audited the accompanying financial statements of Halk Bank AD – Skopje, which comprise the Bank's separate statement of financial position as of 31 December 2014 and the statement of profit or loss and comprehensive income, statement of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the stand alone financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with regulation of National bank of Republic of Macedonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the stand alone financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the stand-alone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Halk Bank AD – Skopje as at 31 December 2014, and its financial performance and its cash flows for the year than ended in accordance with the regulations prescribed by the National Bank of the Republic of Macedonia.

Report on Other Legal and Regulatory Requirements

Annual Report prepared by the Management in accordance with the requirement of the Company Law, article 384

Management is responsible for the preparation of the Annual Accounts and Annual Report of the Bank, which were approved by the Supervisory Board of the Bank on27 April 2015.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by the Management of the Bank in accordance with article 384 of the Company Law is consistent in all material respects with the financial information presented in the Annual Accounts and audited Financial Statements of the Bank, as of and for the year ended 31 December 2013.

General Manager
Ljube Gjorgjievski

Certified Auditor
Ljube Gjorgjievski

PricewaterhouseCoopers REVIZIJA DOO Skopje
29 April 2015,
Skopje.

PricewaterhouseCoopers Revizija doo, 8 September,16, Hyperium Business Center, 2nd floor, 1000 Skopje, Republic of Macedonia, VAT No. MK4030008022586,
T: +389 (02)31 40 900/901, F:+389 (02) 31 16 525, www.pwc.com/mk
This version of our report and accompanying financial statements is a translation from the original, which was prepared in Macedonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

HALKBANK AD – SKOPJE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(all amounts in MKD thousands unless otherwise stated)

INCOME STATEMENT FOR THE PERIOD 1 JANUARY 2014 TO 31 DECEMBER 2014

in '000 MKD

	Note	Current year 2014	Previous year 2013
Interest income		1.347.445	1.154.210
Interest expense		(472.213)	(411.511)
Net interest income / (expenses)	6	**875.232**	**742.699**
Fee and commission income		288.919	205.997
Fee and commission expenses		(115.204)	(85.028)
Net fee and commission income/(expenses)	7	**173.715**	**120.969**
Net trading income	8	411	(327)
Net income from other financial instruments recorded at fair value	9	-	-
Foreign exchange gains / (losses), net	10	23.872	29.199
Other operating income	11	56.927	16.407
Share of profit from associates	24	-	-
Impairment losses of financial assets, net	12	(101.968)	(81.899)
Impairment losses of non – financial assets, net	13	(29.986)	(19.487)
Personnel expenses	14	(272.322)	(269.238)
Depreciation and amortization	15	(96.504)	(90.554)
Other operating expenses	16	(325.862)	(299.914)
Share of loss from associates	24	-	-
Profit/(Loss) before taxation		**303.515**	**147.855**
Income tax	17	(32.441)	(1.864)
Profit/ (loss) for the year from continuing operations		**271.074**	**145.991**
Profit / (loss) from group of assets and liabilities held forsale *		-	-
Profit / (loss) for the year		-	-
Profit / (loss) for the year, attributable to *:			
Shareholders of the Bank		**271.074**	**145.991**
Non-controlling interest		-	-
Earnings per share:	41		
basic (losses) / earnings per share (in Denar)		937	505
diluted earnings / (losses) per share (in Denar)		937	505

The Notes on page 8 to 127 are consistent part of these Financial Statements.
Translation of the report originally issued in Macedonian.

HALKBANK

BALANCE SHEET AS AT 31 DECEMBER 2014

in '000 MKD

Assets	Note	Current year 31.12.2014	Previous year 31.12.2013
Cash and cash equivalents	18	6.056.764	4.514.263
Assets held for trading	19	-	-
Financial assets at fair value through profit and loss upon initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Loans and advances to banks	22.1	8.703	7.682
Loans and advances to customers	22.2	16.923.315	13.594.376
Investments in securities	23	1.750.283	1.147.915
Investments in associates (recorded according to "equity method")	24	-	-
Income tax receivables (Current)	30.1	-	-
Other receivables	25	169.687	120.670
Pledged assets	26	-	-
Foreclosed assets	27	97.327	132.027
Intangible assets	28	33.119	28.560
Property, plant and equipment	29	699.507	682.882
Deferred tax assets	30.2	-	-
Non-current assets held for sale and disposal group	31	-	-
Total assets		**25.738.705**	**20.228.375**
Liabilities			
Trading liabilities	32	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	33	-	-
Derivative liabilities held for risk management	21	-	-
Due to banks	34.1	983.820	1.689.691
Due to customers	34.2	16.696.435	12.515.445
Debt instruments issued	35	-	-
Other borrowed funds	36	3.951.938	2.275.446
Subordinated liabilities	37	-	-
Special reserve and provisions	38	46.159	17.961
Income tax liabilities (Current)	30.1	30.730	373
Deferred tax liabilities	30.2	-	-
Other liabilities	39	175.216	150.725
Liabilities directly associated with disposal group	31	-	-

BALANCE SHEET AS AT 31 DECEMBER 2014 (CONTINUING)

Total liabilities		**21.884.298**	**16.649.641**
Equity and reserves			
Share capital	40	2.893.690	2.893.690
Share premium		325.854	325.854
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves		4.599	-
Other reserve		137.181	129.882
Retained earnings/ (Accumulated losses)		493.083	229.308
Total equity and reserves attributable to the shareholders of the Bank		**3.854.407**	**3.578.734**
Non-controlling interest*		-	-
Total equity and reserves		**3.854.407**	**3.578.734**
Total equity and liabilities		**25.738.705**	**20.228.375**
Contingent liabilities	42	8.127.856	6.464.550
Contingent assets	42	-	-

* Only for consolidated financial statements

The financial statements have been approved by the Bank's Supervisory Board on 27 April 2015 and were signed on behalf of the Bank by the Board of Directors.

Necdet Palakci Turhan Ademi
Chief Executive Officer

Tomche Tasevski
Executive Officer

HALKBANK AD – SKOPJE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(all amounts in MKD thousands unless otherwise stated)

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

In '000 MKD

	Note	Current year 31.12.2014	Previous year 31.12.2013
Operating cash flows			
Profit/(Loss) before taxation		303.515	147.855
Adjusted for:			
Non-controling interest, included in the consolidated financial statements*		-	-
Depreciation of:			
Intangible assets	15/28	18.813	22.923
Property plant and equipment	15/29	77.691	67.631
Capital gain from:			
Disposal of intangible assets		-	-
Disposal of property plant and equipment	11	(371)	(493)
Disposal of foreclosed assets	11	(2.993)	(143)
Capital loss from:			
Disposal of intangible assets	16	-	14
Disposal of property plant and equipment		286	-
Disposal of foreclosed assets		-	-
Interest income	6	(1.347.445)	(1.154.210)
Interest expense	6	472.213	411.511
Trading income, net	8	(411)	327
Impairment losses of financial assets, net			
Additional impairment losses	12	155.921	152.125
Release of impairment losses	12	(53.953)	(70.226)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	29.986	19.487
Release of impairment losses		-	-
Special reserve:			
Additional provisions	38	15.572	18.132
Release of provisions	38	(14.248)	(11.388)
Dividend income	11	(4.886)	(4.165)
Share of profit /(loss) of associates		-	-

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014 (CONTINUING)

Other adjustments	26.507	779
Interest received	1.333.306	1.143.693
Interest paid	(454.517)	(396.606)
Profit/(loss) from operations before changes in operating assets	**554.986**	**347.246**
Increase)/decrease of operating assets:		
Assets held for trading	-	61.433
Derivative assets held for risk management	-	-
Loans and advances to banks	(1.021)	11.076
Loans and advances to customers	(3.422.280)	(4.610.518)
Pledged assets	-	-
Foreclosed assets	7.708	(1.467)
Obligatory deposit in foreign currency	(144.653)	52.086
Obligatory deposit held with NBRM according to special regulations	-	-
Other receivables	(52.938)	(38.776)
Deferred tax assets	-	-
Non-current assets held-for-sale and disposal group	-	-
Increase/(decrease) in operating liabilities:		
Trading liabilities	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	(705.875)	(309.310)
Deposits from other customers	4.165.132	1.642.839
Other liabilities	28.596	52.864
Liabilities directly associated with disposal group	-	-
Net cash flow from operating activities before tax	**429.655**	**(2.792.527)**
(Paid)/Return of income tax	(1.866)	-
Net cash flow from operating activities	**427.789**	**(2.792.527)**
Cash flow from investing activities		
(Purchase of investment securities)	(1.866.074)	(1.593.388)
Proceeds from sale of investment securities	1.274.307	1.302.249
(Purchase of investment securities)	(1.866.074)	(1.593.388)
Proceeds from sale of investment securities	1.274.307	1.302.249
(Outflow for investment in associates and investment in subsidiaries)	-	-
Inflow from investment in associates and investment in subsidiaries	-	-
(Purchase of Intangible assets)	(23.373)	(17.321)
Inflow from disposal of intangible assets	-	-

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014 (CONTINUING)

(Purchase of Property, plant and equipment)		(96.593)	(108.098)
Inflow from disposal of Property, plant and equipment		2.360	4.519
(Outflow for Non-current assets held for sale)		-	-
Inflow from Non-current assets held for sale		-	-
(Other outflows from investing activities)		-	-
Other inflows from investing activities		4.885	4.165
Net cash flow from investing activities		**(704.488)**	**(407.874)**
Cash flow from financing activities			
(Repayment of issued debt investment securities)		-	-
Inflow from issued debt investment securities		-	-
(Repayment of other borrowed funds)		(1.284.815)	(1.043.190)
Proceeds from other borrowed funds		2.959.473	1.762.690
(Repayment of subordinated liabilities)		-	-
Proceeds from subordinated liabilities		-	-
Inflows from issued shares/equity instruments during the period		-	-
(Purchase of treasury shares)		-	-
Disposed treasury shares		-	-
(Dividend payment)		-	-
(Other outflows from financing activities)		-	-
Other inflows from financing activities		-	(4)
Net cash flow from financing activities		**1.674.658**	**719.496**
Effect from provision for impairment of cash and cash equivalents		(111)	436
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**1.397.848**	**(2.480.469)**
Cash and cash equivalents as at 1 January		3.962.453	6.442.922
Cash and cash equivalents acquired from Ziraat Bank as at 30 September 2012		-	-
Cash and cash equivalents as at 31 December	18	**5.360.301**	**3.962.453**

* Only for consolidated financial statements

The financial statements have been approved by the Bank's Supervisory Board on 27 April 2015 and were signed on behalf of the Bank by the Board of Directors.

Necdet Palakci Turhan Ademi
Chief Executive Officer

Tomche Tasevski
Executive Officer

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