



ANNUAL REPORT

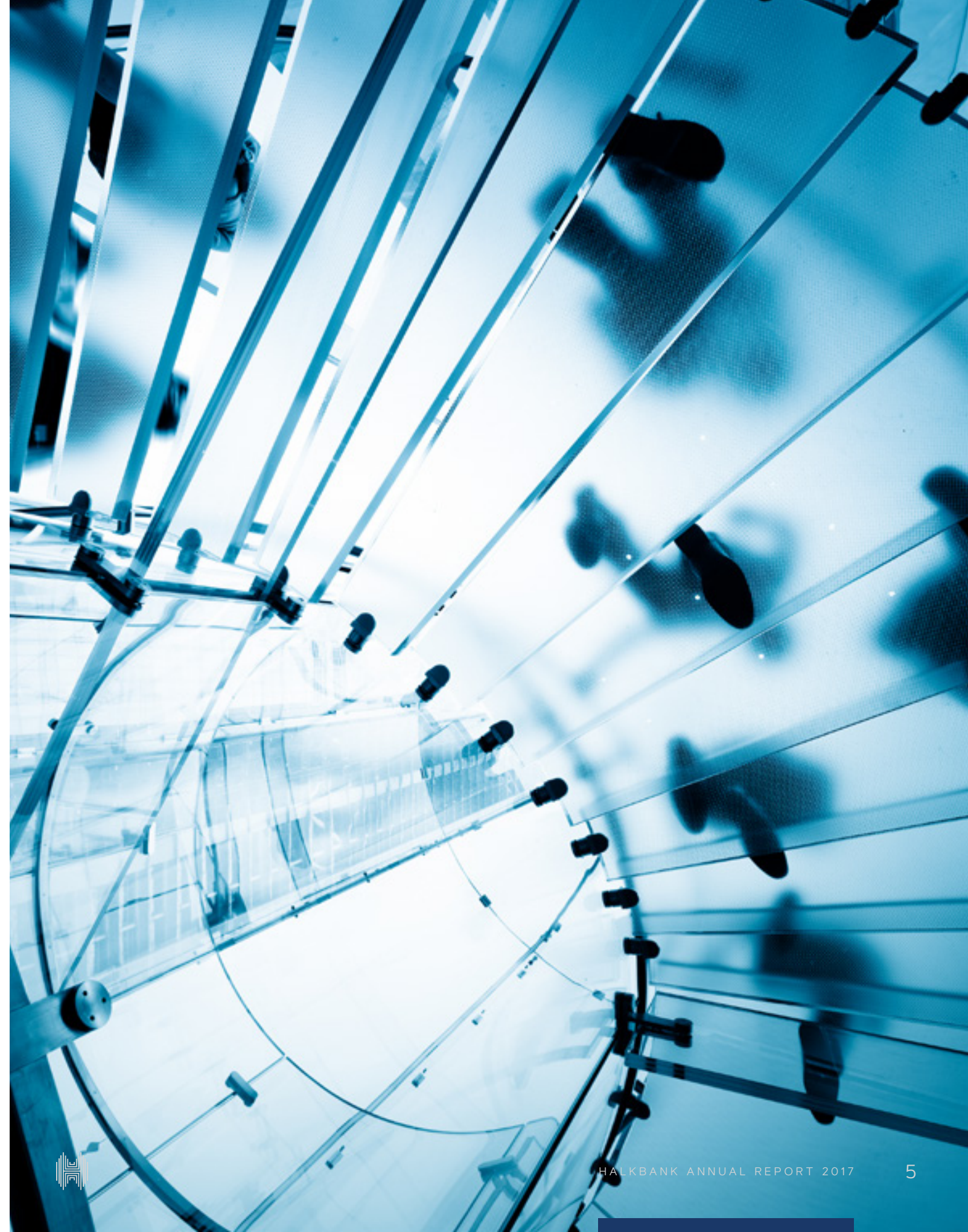
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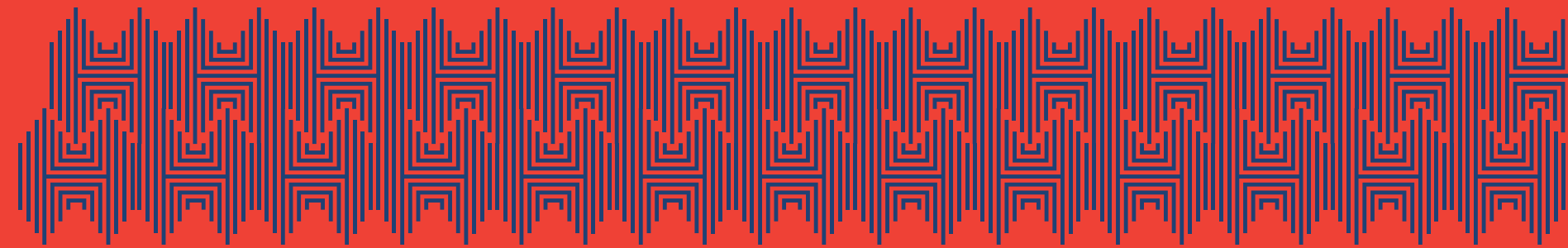
HALKBANK
ANNUAL REPORT 2017

Table of contents

10	Halkbank AD Skopje in 2017
12	Halkbank Turkey in brief
14	Shareholders Structure
15	Key Financial Indicators
18	Halkbank's Position in the Sector
20	Halkbank's Milestones
22	Halkbank Skopje Vision, Mission, Targets & Corporate values
23	Halkbank's strategies
26	Message from the Chairman
28	Message from the CED
32	Pioneering Products
36	Corporate and SMEs Banking
38	Retail Marketing Department
42	Deposit and Cash Management
44	Halkbank Alternative Distribution Channels and Payment Cards Department
48	International Banking & Financial Institutions
50	Treasury Management
52	Securities Trading
54	Domestic Payment and Cash Center
55	Foreign Operations
56	Documentary Business
57	IT and Technical Support
58	Branch network
60	HR department – Valuable business partner on the path to success
64	Public relations & Social Responsibility
68	Supervisory Board of Halkbank AD Skopje
70	Management Board
74	Organizational Structure
76	Supervisory Board's Report
78	Executive Management Board
79	Corporate Governance



Corporate Profile



Halkbank AD Skopje in 2017

With dedication to be a trustworthy partner, one who will serve clients by suitably and carefully providing financial services that facilitate growth and development, Halkbank has been operating for 25 years as a financial institution on the Macedonian market.

As a result of its extensive experience, expertise and customer orientation of the Bank's staff, as well as by a worthy know-how from the parent bank in Turkey, the Bank has built strong pillars and the Halkbank brand in Macedonia.

The main aim and the core of its commitment has always been the interest of the people, starting from the "client", its stakeholders and employees to the entire public in general. Halkbank is obligated to act responsibly and to do all it takes to create the best outcome and value for its clients. And when it does so, the results speak volumes about it.

The last 2017 was quite eventful for Halkbank AD Skopje. Final net profit gained was EUR 8.77 million. The ROE was 10, 6%. The assets reached a sum of EUR 686.6 million.

2017 will be highlighted by the following as well...

- In environment with general trends of decreased demand for loans in the country, Halkbank succeeded to increase its loan portfolio for EUR 73 million, by 19.2%. The entire market in this segment increased for 5.7% only.
- In terms of corporate loans, the Bank reached increase by EUR 41.5 million. The total market in this segment increased for EUR 66 million.
- In retail loans, the total increase reached EUR31 million.
- The deposit base of Halkbank AD Skopje grew by EUR 85 million
- The Bank has been awarded the Super brand award and was named Super Bank of 2017.
- Number of branches increased to 39
- Important investments have been made in additional modernization of Bank's branches, processes and technology;
- An important progress has been made by accelerating Bank's digital and mobile platforms in order to meet the evolving client needs;
- Socially responsible projects were again carried out in parallel with the business projects, and these practices will be even more frequent and will create more value in the upcoming period;

Looking ahead, by being oriented towards fulfillment of its promise to be the best partner and true support of people, the economy and the whole society of Macedonia, Halkbank as a proud bank, will continue demonstrating its commitment and significant value creation in the years that follow.



HalkBank Turkey in brief

With its global vision, Halkbank serves customers at **959** domestic branch locations, five overseas branches, three overseas representative offices, **3,741 ATMs**, telephone and internet banking channels, mobile banking applications, innovative products and services.

Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate the country's economic development. The Bank's core business strategy has not changed during its 79-year-old history. Halkbank sees every craftsman, farmer and small, medium or large size enterprise owner that creates value and generates employment as a business partner.

The Bank firmly believes that it has the responsibility to support these economic producers with its entire financing capability, both in good days and bad. Allocating **36.8%** of the Bank's total loan portfolio to SMEs, Halkbank continues to be their primary supporter in Turkey.

As of the end of 2017, Halkbank operates with a global approach, through **959** domestic and **5** overseas branches, **3** overseas representative offices, **3,741 ATMs**, telephone and internet banking platforms and mobile banking applications.

The Bank's innovative products and services provide customers with unparalleled banking experience. Halkbank ranks among the sector's most efficient banks in terms of return on equity. **48.9%** of Halkbank's outstanding shares are publicly held.

Halkbank is a steadily growing institution that ranks among the longest established, pioneering and most respected brands in progressing Turkey.



Shareholders Structure

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

Currently, the total nominal capital of HALKBANK A.D. Skopje is MKD 3,633,180,000.00, divided into 363,318 ordinary shares, whose nominal value is MKD 10,000.00 denars per share. The majority shareholder of HALKBANK A.D. Skopje is Türkiye Halk Bankası AŞ Ankara with 359,785 ordinary shares i.e. 99.03% of the total number of shares.

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

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

Ordinary shares ensure 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 balance of the Bank's liquidation, i.e. bankruptcy estate;

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

Shareholders Structure	Number of shares	Amount of the Share MKD	Shareholding %
Türkiye Halk Bankası A.Ş.	359,785	3,597,850,000.00	99.03
Other Shareholders	3,533	35,330,000.00	0.97
Total	363,318	3,633,180,000.00	100

Key Financial Indicators

By the end of 2017, HALKBANK's total assets increased from EUR 582.5 million to EUR 686.6 million.

In 000 EUR	2016	2017	%change
Total Assets	582,543	686,631	17.9
Liquid Assets	81,511	96,327	18.2
Loans	381,415	454,986	19.3
Securities	99,752	110,233	10.5
Total Deposits	385,549	492,421	27.7
Shareholders' Equity	75,330	85,033	12.9
Net Interest Income	20,598	22,292	8.2
Net Fee and Commission Income	3,756	3,993	6.3
Net Profit	7,667	8,770	14.4

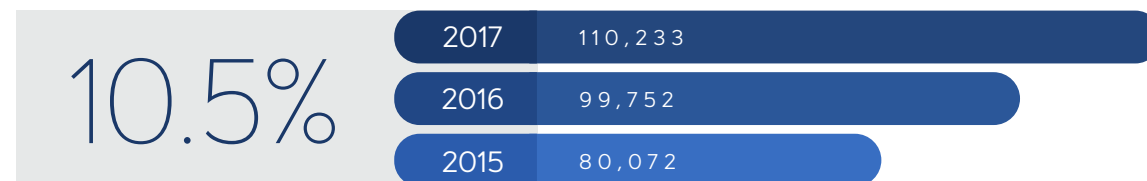
Key Ratios (%)			
Net Interest Margin	4.2	3.8	
Cost/Income Ratio	53.8	57.8	
Net Fee Income/Operating Expenses	27.0	24.6	
NPL Ratio	1.7	0.7	
Loans/Assets	65.5	66.3	
Net Loans/Deposits	98.9	92.4	
Securities /Assets	17.1	16.1	
RoE	10.6	10.9	
RoA	1.4	1.4	
Capital Adequacy Ratio (CAR)	13.6	14.09	



Total Assets



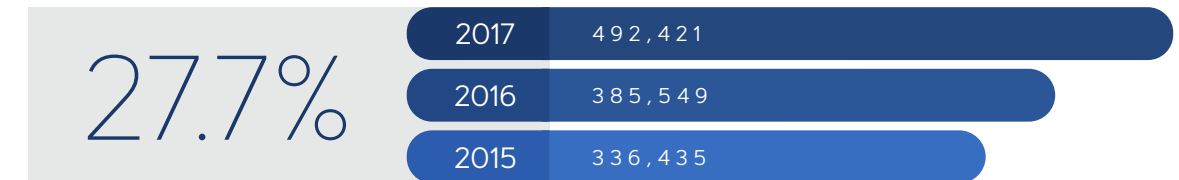
Total Securities



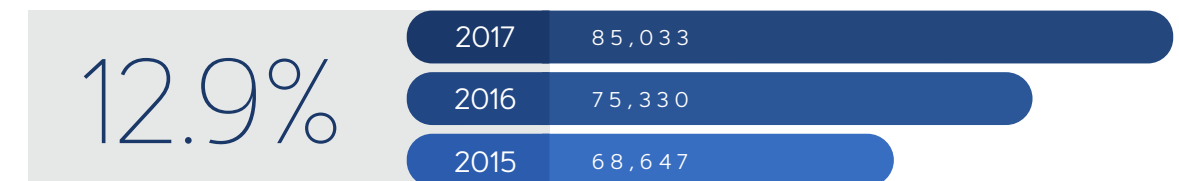
Net Loans



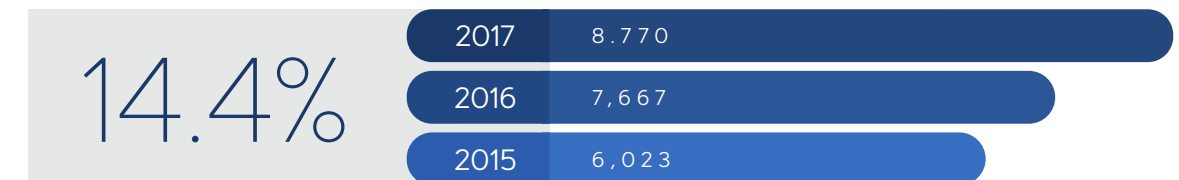
Deposits



Shareholders' Equity



Net Income



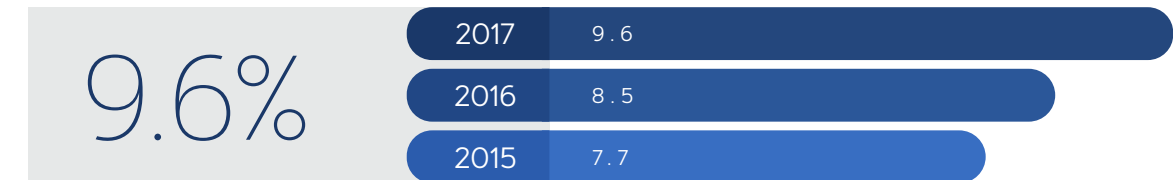
Halkbank's Position in the Sector

Market Share %	2016	2017
Assets	8.1	9.1
Loans	8.5	9.6
Deposits	6.3	7.3
Equity	9.8	10.4
Profit	7.5	8.2

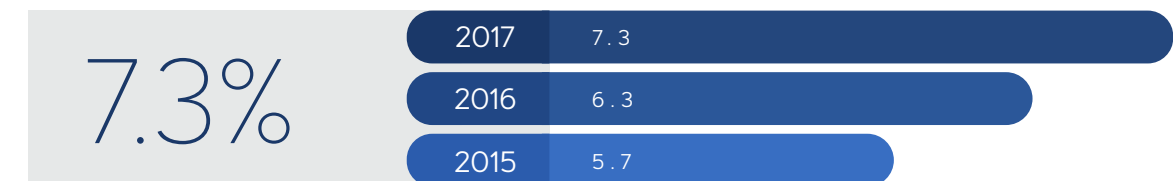
Total Assets



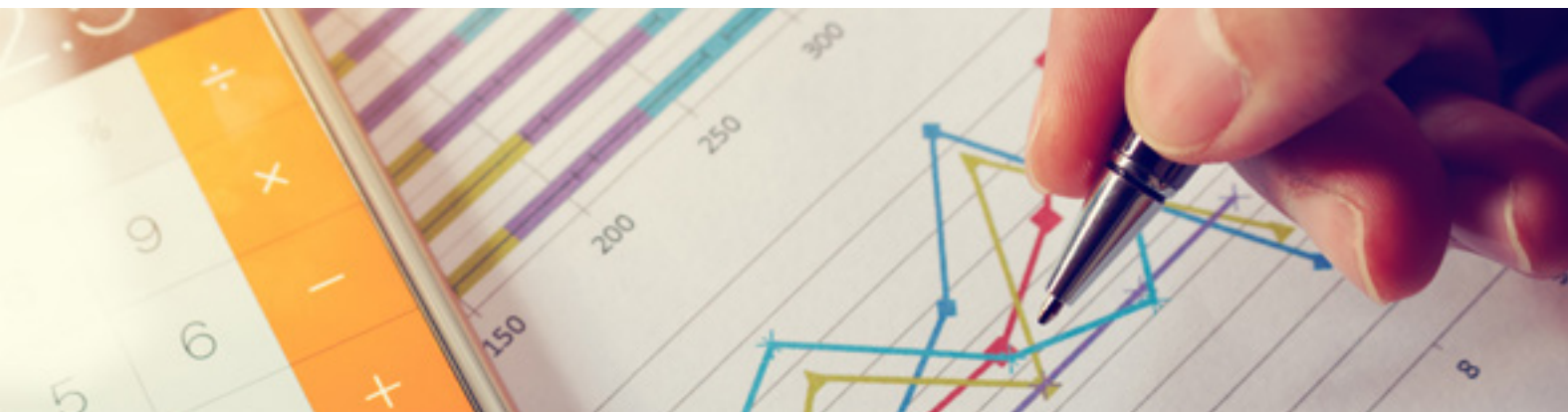
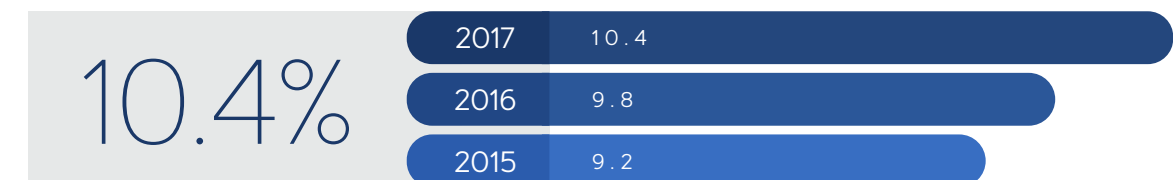
Loans



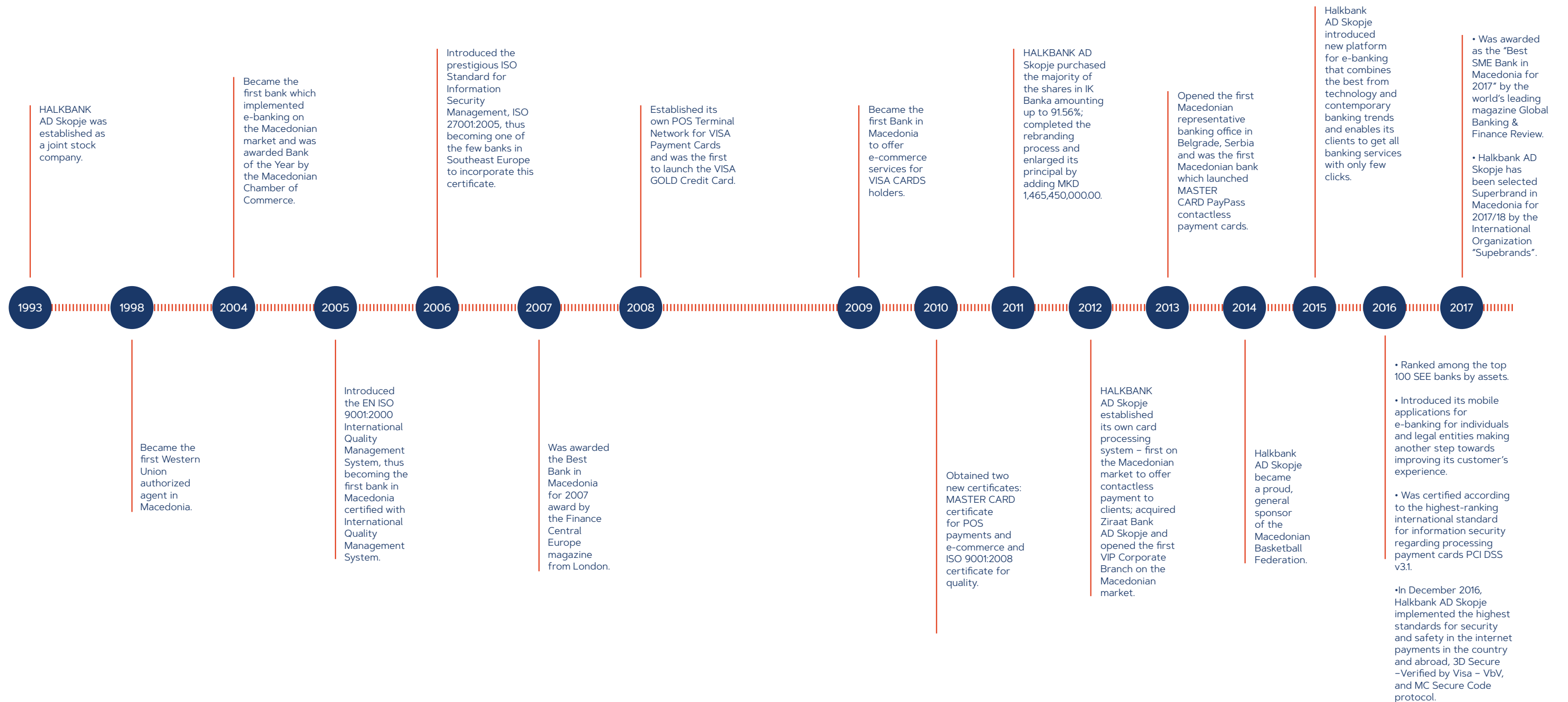
Deposits from Customers



Equity



Halkbank's Milestones



Halkbank Skopje Vision, Mission, Targets & Corporate values

Our Vision

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

Our Mission

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

Our 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

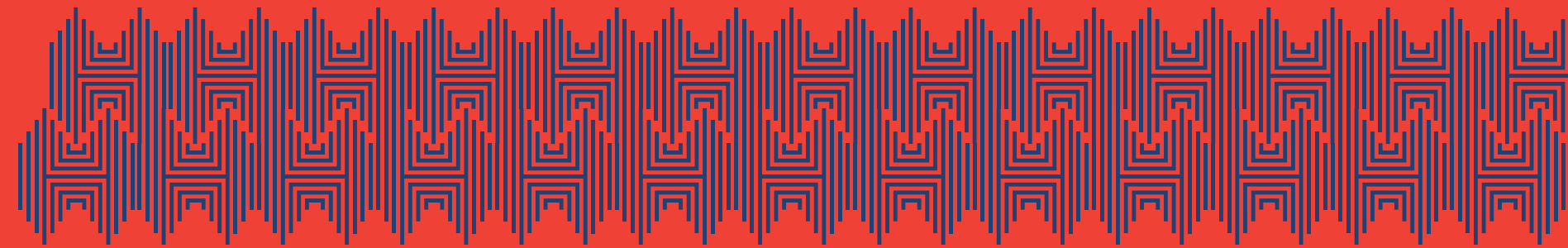
- Customer focus
- Reliability
- Integrity
- Commitment
- Trust
- Creativity
- Innovation
- Value creation
- Respect and relationship
- Dynamism
- Teamwork
- Productivity
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Social responsibility awareness
- Sharing knowledge and experience

Halkbank's strategies

- 1 Expanding the scope of innovative products and services in order to ensure customer satisfaction;
- 2 Offering superior products and services to the real sector
- 3 Embracing a high-quality, customer-oriented service approach using direct marketing and continuously taking care of our clients
- 4 Effecting a high level of productivity in all business processes in order to achieve a rich product line, transaction and system security, rapid and high-quality transactions, and competitive pricing
- 5 Ensuring continuous development and motivation of employees via career route system through investment in education, training and further development
- 6 Keeping up with the global banking trends and becoming the first bank to implement global trends in the Macedonian market



Management Assessment



Message from the Chairman

In 2017, which was a challenging year for Macedonia and its economy, facing many political and economic uncertainties, Halkbank AD Skopje reported outstanding results and marked the year as yet another year of growth and success.

The international and domestic environment inevitably influenced the outcome of the entire Macedonian economy and of its financial sector in particular. However, the economy overall continued to grow, and the banking sector managed to maintain its stability and positive performance.

As for our Bank, 2017 was a year of growth in all areas of operations. The Bank continued to work in line with our core principles and in the most efficient and productive way continued adding value for our customers, shareholders and employees, as we extended our wide-ranging support to Macedonia: from economic development to social advancement.

By achieving above-average financial results in the sector, Halkbank AD Skopje secured the 4th place among the largest banks in the country, becoming a systematically significant bank in the sector. We made a significant progress in a number of strategic fields, achieving greatest growth in the market within the deposits, loans and assets base, ensuring even bigger market share and presence. In the last 2017, Halkbank AD Skopje recorded continuous commercial growth, becoming the fastest growing bank in the sector. Being committed to the targets, we have delivered notable results, a net profit of EUR 8.7 million with an increase by 14.8% compared to the previous year.

All segments of the bank's business activities grew. The loan portfolio of the bank increased by 19.2% or by EUR 73 million in absolute amount. On the other hand, the deposits base grew by 23.80% or by EUR83 million.

In 2017, Halkbank was awarded the Best SME Bank in Macedonia award by the Global Banking Finance Review and also became Super Brand in Macedonia for 2017/2018. Continuously, the Bank is making great efforts to enhance customers' experience with constant technological improvements and investments, from new ATMs and last-generation POS terminals, contactless technology in payment cards systems, to e-banking and mobile banking platforms, following the trends in the banking sector and its parent bank, Halkbank Turkey.

In this manner, we have established ourselves as one of the leaders in digital banking in the country.

Along with improvements in technology and operations, continuous investments are being made in human resources that has led to improved employee productivity. Last but not least, we are committed to running the Bank as a more sustainable business, making a valuable difference for the communities we serve. As a socially responsible bank, we continue our practice of supporting different cultural, educational and sport projects, especially the ones that empower younger generations to fulfill their true potential. These practices will continue in the following year as well.

I am pleased with the results that the Bank has accomplished in 2017. We have delivered significant financial outcomes, such as strong lending momentum, growth in profitability and strong growth in the capital position of the Bank.

From this point, our expectations and projections are firmly based on our aspirations of realizing steady and even greater results, meeting the challenges and seizing the opportunities in the year ahead as well.

I am confident that these endeavors will strongly continue in 2018 and beyond.

Sincerely,

Levend Torusdağ
Chairman



Message from the CED

Dear Shareholders, esteemed Clients of Halkbank AD Skopje,

As an innovative leading bank in the Macedonian banking system, Halkbank has, as in the previous years, finalized 2017 quite successfully and has provided added value to the real economy.

The main goal of our Bank, which believes in the importance of ensuring quality of services and innovative products, is to be at the disposal of our clients at any time, to facilitate their business operations and to provide unhindered support. Halkbank AD Skopje, which left behind its sixth year of doing business in Macedonia, is one of the leading banks in the sector with a total of 39 branches, 499 employees, 123 ATMs, and 5815 POS terminals. Our Bank, which saw an 18% increase in assets in the past year (from EUR 582.5 million to EUR 687.5 million), has become the fourth largest bank in the Macedonian banking sector. As a result of this progress, the National Bank of Macedonia declared it to be a systemically significant bank in the sector.

Since our establishment, we have considered small and medium-sized enterprises (SMEs) which are the cornerstone of the economy, to be our target group. Halkbank AD Skopje continues to support all economic sectors and all business segments and is committed to improving its cooperation with international financial institutions such as the EIB (European Investment Bank), the KfW (German Development Bank), and the GGF (Green for Growth Fund) as a result of which it managed to provide companies with resources of up to EUR 100 million.

Despite the political and economic uncertainty of 2017, our Bank did not lose its faith in the sector and in Macedonia, and has continued its lending activities. As a result, according to the official data, Halkbank has achieved the highest growth of any bank in the sector, reaching 19.3% or EUR 455 million.

With regard to the retail lending segment, as a bank offering credit products at the best possible rates on the home loans market, our Bank increased the amount of home loans to EUR 45 million, achieving a net growth of EUR 26 million. We will continue to support all projects that we believe will be successful and feasible.

During the last year, we also achieved success in terms of profitability, with profits increasing by 14.8% and reaching EUR 8.7 million. By investing in different areas, in the upcoming period we plan to increase the diversity of services and improve customer satisfaction to the highest level possible. In this regard, we aim to become the most reputed bank in the sector by opening new branches in several cities and regions where our company is not yet present, thus getting closer to our customers.

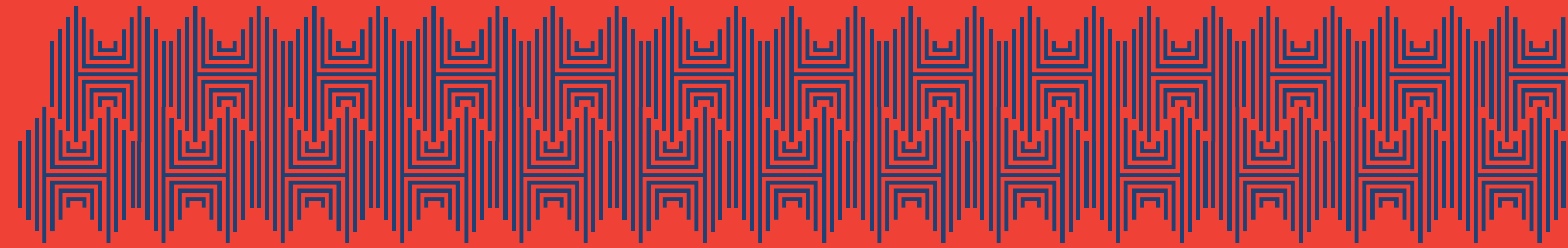
Recognizing the fact that digital and mobile technologies make life much easier, in the upcoming years we plan to continue our technological investments which provide convenience irrespective of the time and the location and make our lives easier, taking into account our clients' habits and our organizational structure.

I would like to thank my dear colleagues who constantly contribute to the growth and profitability of our Bank, the members of the Bank's Supervisory Board, our parent bank for its continued support, and most importantly, our clients who have chosen to work with us, and I wish all of us great health and success in 2018.

Sincerely,
Dr. Bilal Sucubaşı



Activities in 2017



Pioneering Products



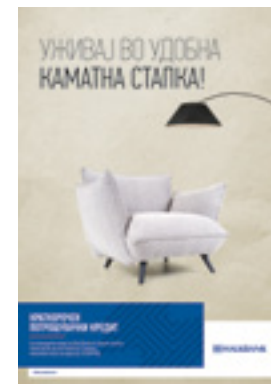
More than secure online shopping!

Highest level of security and protection for the owners of Halkbank debit and credit cards for their internet payments in the country and abroad (3D Secure - Verified by Visa - MC and VBv protocol) by sending a valid one-time password (OTP) SMS on clients' mobile phone in order to validate the online transactions before performing it.



You are getting wealthier with every journey!

The Mastercard World Contactless Credit Card enables contactless payment in a quick and simple way. By using this card, every customer becomes part of the Mastercard Platinum Club - LoungeKey program where they can enjoy all the benefits in the VIP lounges in over 800 airports around the world included in the program.



Enjoy in a comfortable interest rate!

Short-term consumer loan with favorable interest rate, without processing fee, with a maximum amount of up to MKD 120,000.00 designed especially on the occasion of the 2017 Furniture Fair in Skopje.



Cut wisely!

Loan for building or renovating business premises, shopping mall or hotel intended for legal entities that plan to buy/construct hotel or business premises. The key message is that with the favorable conditions of the Halkbank loan, building will be the fast and simple!



Holidays make you happier, journeys make you wealthier!

Promo offer available for two seasons to all users of Halkbank debit and credit cards, for making a reservation on booking.com through a specific link shared with the clients for getting 4% cashback.



Spend and save!

Simple way of saving with the daily use of the MasterCard Debit Contactless card issued by Halkbank AD Skopje. With any transaction made with this card on a POS terminal or a virtual POS terminal of any bank, a certain amount above the amount of the POS transaction will be transferred to client's separate saving account (designed exclusively for this type of savings).



The card that understands the business!

New debit contactless card for legal entities enabling fast and easy contactless payments wherever there is a sign for non-contact payment. The card possesses the highest security standards for online payments (3D Secure - VbV and MC Secure Code).



Pay on the go!

First debit contactless card issued by Halkbank AD Skopje. Enables quick and easy payment by touching the card to the POS terminal requiring no PIN for transactions up to MKD750.



Pioneering Products



Minimal deposit for maximal saving!

Promotional deposit product for individuals that enables your deposit to be transformed into maximum saving with attractive fixed interest rates for deposits of up to MKD 600,000 / EUR 10,000.



Drive MINI with 3 disciplines!

Big Prize Winning Game organized by Halkbank AD Skopje, which enabled all clients of the bank to participate and be a potential winner of MINI ONE and other valuable prizes, by becoming a user of the following three products of HALKBANK AD Skopje:

- MasterCard Debit Contactless debit payment card;
- E- banking service;
- SMS info service.



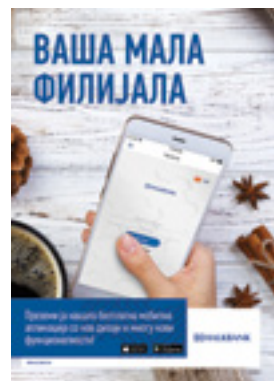
Your deposit deserves premium treatment!

Premium deposit of Halkbank that offers attractive fixed interest rates for deposits in MKD or EUR during the promotional period.



Promo deposit!

On the occasion of the "International Month of Saving" – October, Halkbank offers attractive fixed interest rates for saving in MKD and in EUR by using the promo deposit.



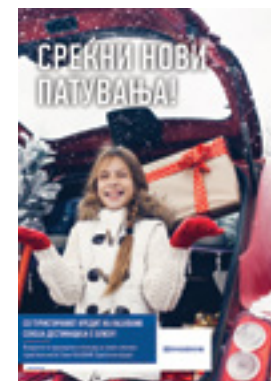
Your own branch!

New upgraded version of the mobile banking application of Halkbank AD Skopje providing easier use of the application by editing the old functionalities and introducing new ones.



You don't need "the change" anymore!

Halkbank AD Skopje, in cooperation with the Public Enterprise for State Roads provides all travelers a quick and easy way to pay on the pay tolls along the motorways in Macedonia by using their payment cards, debit or credit cards issued by any bank in Macedonia or abroad, without entering their PIN code. The key message is that you don't need to worry anymore whether you have change or not to pay your toll



Happy new journeys!

Travel loan from Halkbank AD Skopje with favorable conditions that enables everyone to use the holiday period and travel to their favorite place!



Live in comfort!

The new housing loan from Halkbank AD Skopje allows everyone to afford a bigger apartment and save on the interest with the favorable interest rates of the Halkbank housing loan without processing fee and no assessment costs. With every application for the loan, Halkbank AD Skopje offers Mastercard Contactless card without membership fee and free e-banking service for the first year!



Corporate and SMEs Banking

Progressive and successful marketing strategy of the Bank influenced the growth of SMEs and Corporate loan portfolio in 2017.

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

The Bank is among the first banks in the development of new products and services with special accent on legal entities in order to support their needs and to be significant part of the business environment and the economy in the country. Process of creating new products and improving existing ones is based on market research, observing competitions and clients' needs.

The concept of operating that we have employed so far proved to be successful; our branches are present in all cities and bigger municipalities, while our head office supports the branches, visits the branches and helps them resolve any problems and find solutions for specific cases. Direct promotion to new and existing clients is most important approach that we develop continuously.

The strategy for the future is to increase the number of satisfied clients who will choose to use the products and services of the Bank. In the organized environment with strong management system in the Bank, we continue expanding our relations with SMEs and corporate clients and developing new opportunities together.

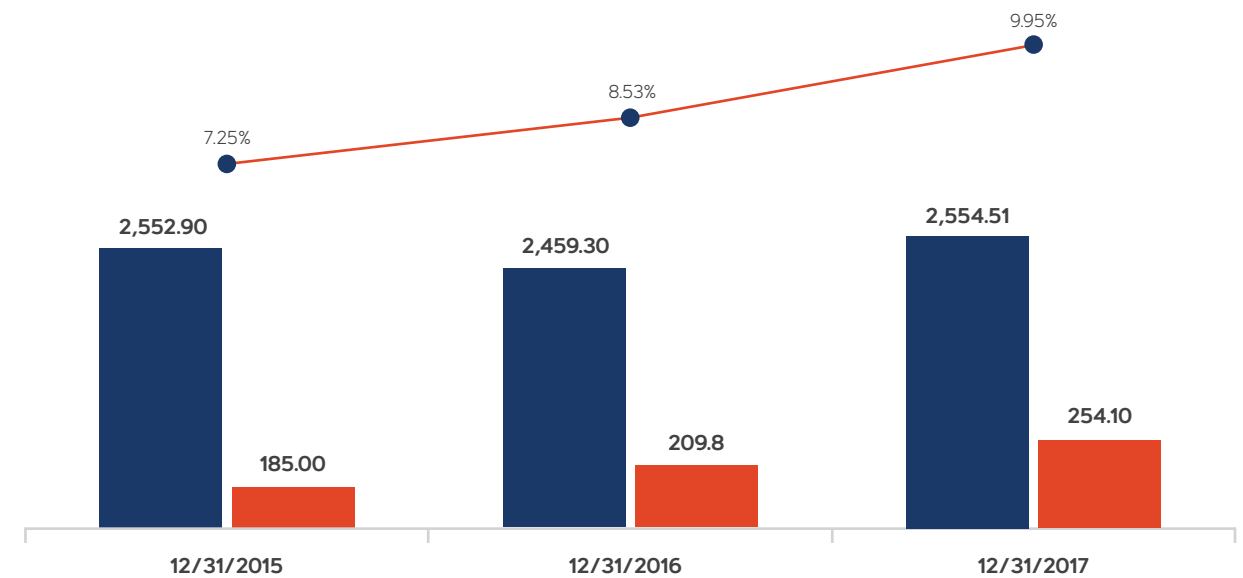
As of 31.12.2017, the number of companies that use loans in Halk Bank reached 1,733 clients. Total disbursed loans to 1,305 companies in 2017 reached EUR 349.5 million. In 2017, the total corporate loan portfolio amounted EUR 254.1 million.. Corporate and SMEs companies seek to realize opportunities by further strengthening their position in the market which brought up to significant increase in the growing of SMEs and Corporate loan portfolio by 19.4% in comparison to 2016.

Halkbank is one of the fastest-growing banks in the Republic of Macedonia with market share of 9.95% in 2017, compared to 2016 when market share was 8.53%. Halkbank AD Skopje supports Corporate and SMEs with credit lines from other institutions

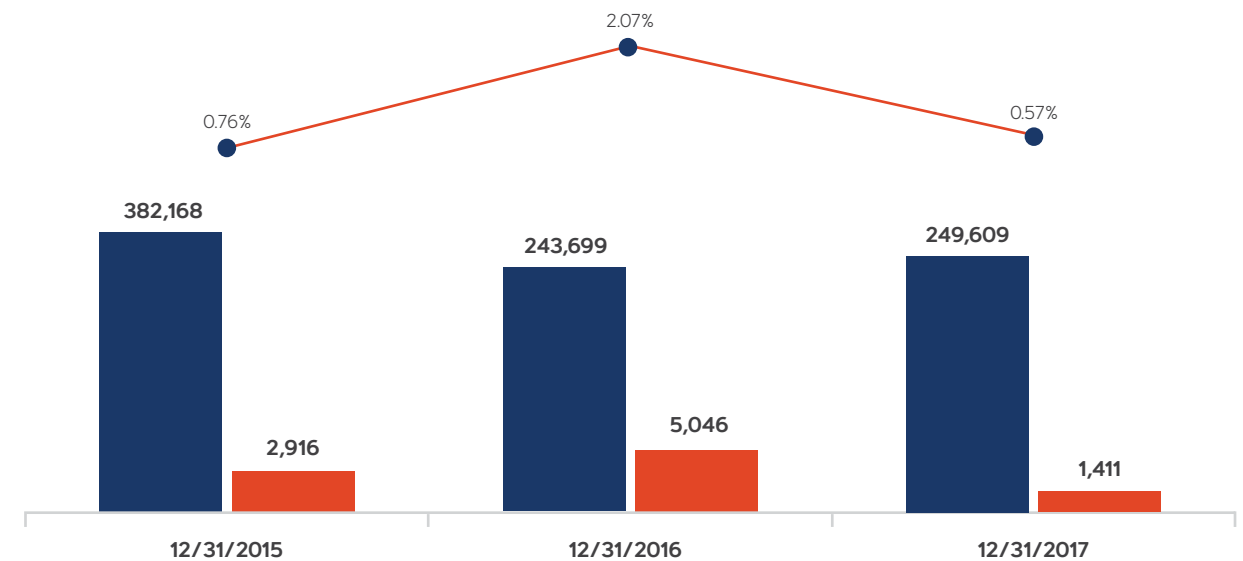
During 2017, Halkbank AD Skopje continued to use credit lines from other financial institutions that Bank used were:

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

Market share of Corporate portfolio of Halkbank in total corporate portfolio of the Banks (in 000 EUR)



Market share of HALKBANK NPL in corporate in total NPL in corporate portfolio of the banks (in 000 EUR)



Series 1 Series 2 Series 3



Retail Marketing Department

HALKBANK is among the three fastest-growing banks in retail segment which is facilitated by a broad range of retail loan products and banking services to individuals and growing branch network with 39 branches all around the country.

These include products and services for daily finances as loans, overdrafts, credit cards, e banking, and ATM network based on which HALKBANK AD Skopje continued increasing its retail banking business line in 2017. By using creative marketing approaches for diversified customer segments, the number of loyal customers constantly increases. Constant customer care and consistency in support of the clients' needs were in the main focus of retail customer representatives in branch network of HALKBANK Skopje

Efficient, direct and connected

The Retail marketing team operating in the head office and in our branches during 2017 was oriented especially to direct marketing activities in public companies and institutions and corporate and small and medium enterprises, creating close connections with their employees in order to create higher market awareness which had successful outcome and resulted into net increase of Bank's retail portfolio.

Retail lending was oriented to several basic objectives:

- Fulfilling the mission of providing financial services to clients with regular and secure income
- Developing a retail client base for future sale activities
- Strengthening links with SME and corporate clients by providing financing to their customers and employees
- Increasing collateralized portfolio by supporting construction companies and individuals with housing loans
- Early warning signals for clients with financial difficulties and their on-time support
- Investing in digital solutions in order to decrease clients' time consumption for their banking needs

In 2017, gross retail loan portfolio reached EUR203 million, which is an increase by EUR 31 million compared to the previous year. The successful outcome in 2017 in retail segment has led to increased market share of HALKBANK, to almost 9% in total retail portfolio in the country. This was achieved by simultaneously maintaining good discipline of collection and healthy portfolio. The Bank is committed to developing its retail lending responsibly to ensure that clients are not overburdened with debt. In this direction, in 2017, few changes were made to decisions and a few products in the area of client creditworthiness were modified in order to adjust client incomes with installments on a monthly level.

Products targeting variety of client profile

During 2017, HALKBANK AD Skopje managed to offer wide range of products in several campaigns with attractive interest rates and different product solutions for consumer, housing and mortgage loans.



Housing loans

The product was designed for supporting increased needs of the customers for purchasing real estate during 2017. The market in housing loans segment during 2017 enlarged for additional EUR 80 million in which HALKBANK was included with 33% of the growth. Among the main advantages, we can underline the fix interest rates for the first 3 years and favorable interest rate for residual period up to 30 years of repayment, no-fee approval of loans and no costs for making financial estimated of real estate, simple application procedure and high level of service and financial guiding.

HALKBANK was connected with clients very closely through visiting all major events related to real estate trade, such as the International Construction Fair in Skopje and other events. This Fair is one of the most popular and most visited fairs in Macedonia with over 20,000 visitors.

HALKBANK also was attending the 43 Furniture Fair. This fair is one of the biggest fairs in Macedonia with more than 60,000 visitors and it is a very good opportunity for offering a wide variety of retail products.



Multipurpose Mortgage Loan

The intention of the Bank was to grow in this market segment, which also enabled increase of the collateralized portfolio.

The main objective for the Mortgage Loan product is to fulfill HALKBANK mission of providing access to essential financial services for refinancing all credit exposures of clients in other banks by offering attractive interest rate. In 2017, the Mortgage Portfolio reached EUR 51 million, compared to 31.12.2016, when the portfolio totaled EUR 45.87 million, which is a net increase of EUR 5.13 million at the end of 2017.



ECO loans for energy efficiency

ECO loans help households to reduce their energy costs and consumption, implement cleaner production projects and reduce gas emissions. HALKBANK has significant experience and expertise in providing energy efficiency-related finances and it is one of the first banks in Macedonia to provide energy efficiency loans. In 2017, it has financed 1,608 new projects for retail clients and totaling almost EUR 15 million.

The Bank intends to raise public awareness regarding the need for more efficient energy use and increased use of renewable energy sources to reduce energy costs and generate savings, still without hampering quality of life and economic activity.

During 2017, Halkbank AD Skopje has offered strong promotional activities to the largest trade unions, financially liquid companies, connecting with partners for ECO loans, connecting with merchants for consumer loans etc. The Bank has signed protocols for joint marketing with companies that are directly involved in working with eco-friendly materials, products and solutions, and the results were more than satisfactory. Clients got the full service and exercised their right to information on the market at the same moment when decisions for home investment were made.



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

2017 has been very successful for Halkbank AD Skopje, having in mind the constantly increasing competitive banking market. With its 39 branches, in 2017, Halkbank AD Skopje managed to meet all clients' needs very efficiently and due to the high-quality service, the Bank managed to reach into the third place in terms of net growth and fourth in outstanding of total retail loan portfolio among another banks in Macedonia for 2017.

On the retail side, at the end of the year, HALKBANK AD Skopje performed in line with the market trend and managed to achieve increased market position with net increase of retail portfolio of EUR 31 million, or 18%, compared with the beginning of 2017. HALKBANK retail net increase participates with 16% in total retail growth in the banking sector level. In 2017, the structure of the lending portfolio continued to favor the balanced approach, maintaining and improving the ratio of secured lending versus unsecured loans. In numbers: loan disbursement of total disbursed retail loans during 2017 totals EUR 79.5 million or 8,417 loan agreements.

In comparison with other banks in with the banking sector, in 2017, Halkbank AD Skopje managed to increase its market share of Housing loans and ended the year with market share of 7.08% compared with starting point of 3.44% at the end of 2016.

Clients with salaries and overdrafts

The number of clients who get their salaries paid through HALKBANK AD Skopje increased in 2017, starting with around 43,700 clients in December 2015, up to 48,200 at the end of 2016 and almost 53,000 at the end 2017. This was surely the result of constant visits and promotional activities to employees in public companies and institutions from one hand, and of our reputable and stable corporate and SME clients, on the other.

Along with the new salary clients in Halkbank AD Skopje, we actively promoted profitable products to our clients with salaries. Number of overdrafts was increased from 23,694 up to 24,770, which was an increase of additional 4.5%. Market share in this product is more than 10% compared with banking sector.

Close relations with clients to achieve steady NPL ratio of Halkbank

In addition to providing excellent customer care and intelligent solution for every retail customer, Halk Bank AD Skopje also managed to decrease its NPL ratio during 2017 from 0.98 % at the beginning of the year to 0.93% at the end of the year.

NPL Ratio	31.12.2017
HALKBANK	0.93
Retail Sector	2.41



Deposit and Cash Management

Halkbank total deposits in 2017 have increased by EUR 85.94 million and reached EUR 449.40 million and increased market share to 8.15%.

Increased market share in 2016

In 2017, Halkbank AD Skopje has continued its growth in deposit and increased its market share. At the end of 2016, the market share in total deposit has reached 8.15%. Compared to the end of the last year, our market share has increased from 6.95% to 8.15%. Halkbank's participation in the total growth of deposit is 30.31% or EUR 82.9 million, out of EUR 283.36 million. In retail deposits, we have managed to increase the market share to 5.18%, while in corporate deposits we managed to reach an increase to 14.87%. Our participation in growth of retail deposits is 14.09%, in total amount EUR 30.61 million out of EUR 217.23 million, and in corporate deposits, our participation is 83.59%, in total amount EUR 55.29 million out of EUR 66.14 million.

The Bank's deposit management strategy, which is critically important to maintaining Halkbank's solid funding structure, is based on the key principles of cost, market share and liquidity. As the Bank expects deposits to remain a very important source of funding in the coming year, Halkbank plans to continue maintaining a client-oriented, stable, and broad-based deposit structure.

Halkbank follows a dynamic deposit management strategy based upon optimization of cost and increasing the participation in market share. Average interest rate of the total deposit from customers has been decreased to 1.21%, compared to the end of 2016 when the average interest rate of deposit base was 1.46%. It seems that once again, security and tradition are key factors when choosing the best bank for savings.

Continued growth of deposit base

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

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

The focus on clients' needs and demands, and satisfying their needs and requirements has also been demonstrated through the opening of new branches and expanding the ATM network. Halkbank AD Skopje sustained its strong and widespread deposit volume, as well as the maturity composition of its deposits. The focus remains on improving the quality of products and services in order to be closer to the clients and to satisfy their needs and requirements. Halkbank's clearly defined deposit strategy helps the Bank achieve and sustain a strong deposit base. Halkbank's primary goals in this segment include growing faster than the sector's average in savings deposits and achieving growth in deposit products in a highly competitive market.

Strong Deposit Base

Total deposit base from clients in 2017 has reached EUR 449.40 million, whereas time deposits from customers amount EUR 266 million and sight deposits amount EUR 183 million.

In 2017, sight deposits have grown by 59% or EUR 68 million and time deposits have grown by 7% or EUR 18 million. In 2017, the Bank was focused on increasing the sight deposit by devoted cash management strategy which has led to achieving these excellent results in the field of sight deposit. On the other hand, we were focused on maintaining the current time deposit base and obtaining new clients by providing high level of service.

Promotion of new innovative products, opening new branches and promoting cash-in ATMs has led to increase of retail deposit by 18% or EUR 31 million. On the other hand, corporate deposits have increased by EUR 55 million or 28%.

Increased number of customer bank accounts – 22,848 newly opened bank accounts

Halkbank AD Skopje continued to grow on the Macedonian market through the attractive packages of products and services that we offer to our clients, so the number of clients accounts increased by 9.89 % or 17,002 accounts, reaching a total of 188,976. In addition, significant fact at the end of 2017 was the increasing of the number of salary and pension recipients through Halkbank AD Skopje, which has increased by 9% in 2017 year.

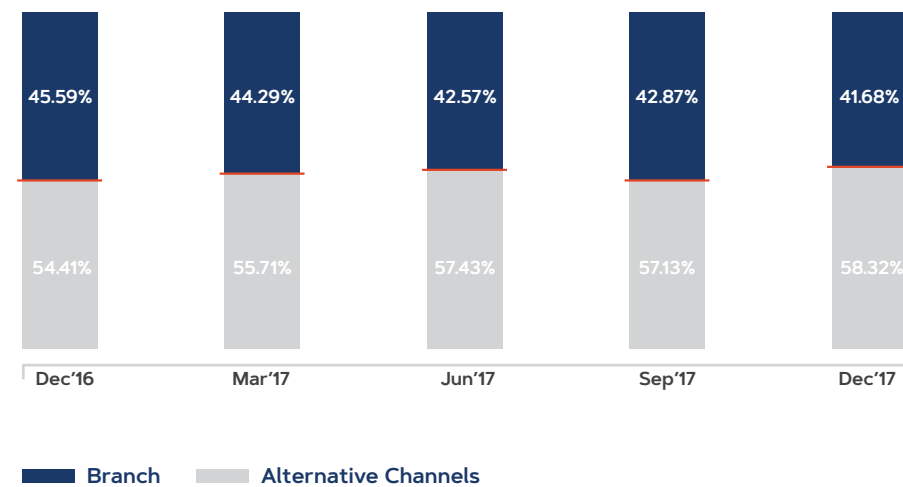
All this contributed to the increase of the number of transactions, compared to the previous year. Moreover, very important fact is that the number of transactions through e-bank and ATM has been increased as absolute figure as well as percentage compared with transactions in branches.



Halkbank Alternative Distribution Channels and Payment Cards Department

In 2017, the Alternative Distribution Channels and Payment Cards Department continues implementing innovations to ease customers' life, giving them opportunities to complete their obligations in a faster and less costly way. Halkbank continually undertakes efforts to improve and expand the scope of the Alternative Distribution Channels, which save time and reduce costs for both the customers and the Bank.

Bank used the distribution channels intensively in 2017 in order to increase customer satisfaction, to reduce the operational risk at the branch level, to deepen customer relationships and to acquire new clients. Currently, 58% of the transactions are done through the Alternative Distribution Channels.



Halkbank aims to provide additional values and opportunities for the credit and debit cardholders..

In 2017, the Alternative Distribution Channels and Payment Cards Department implemented Mastercard Debit Contactless product for individuals and Mastercard Business Debit for legal entities.

Mastercard Debit Contactless is a debit contactless card intended for individuals and is linked to client's personal transaction account.

Mastercard Debit Contactless is intended for non-cash payments, withdrawal of cash from a bank or ATM. Possibility of quick and easy contactless payment. All clients whose salary/pension is paid through Halkbank AD Skopje have the possibility of withdrawing cash from all ATM's in Republic of Macedonia, completely free of charge.



Growth is our aim

This year we continue with the growth of 27% of the number of debit card transactions and 21% growth of the debit cards volume. The growth of the number of credit card transaction rated up to 8%, while the growth of the credit cards volume was up to 12%, which is higher than market's growth.

We use different marketing campaigns addressing all target groups on the market which was the main reason for the growth mentioned above, which also provided stimulation and the motivation for using our cards and POS terminals by merchants.

New technology is our priority

The POS terminals, from the latest Ingenico model, were one of the most attractive products in 2017. The POS terminals of Halkbank AD Skopje, in addition to the possibility of contactless payment with Mastercard card, are also certified for payment with contactless VISA Pay Wave cards. All customers who use Visa PayWave cards with contactless payment logo can enjoy fast and easy transaction.

Easy and simple to use, options for bonus rewards and fast processing are the characteristics that increase the merchant satisfaction and the demand of Halkbank's POS terminals. With approximately 5,815 POS machines, we are covering a large portion of the companies dealing with retail activities. The growth of POS transactions was around 44%. Inactive POS terminals were continuously reallocated to new merchants. This action enabled Halkbank to increase the volume by 26%. Our major project was implementing POS network on all payrolls in Macedonia.

In 2017, the number of ATMs increased by additional 20 ATMs and we finished the year with 123 ATMs. In 2017, Halkbank increased the number to 24 cash-in ATMs on the market. In addition to other competitive functionalities, customers are now able to deposit their funds through our ATMs.



HALKBANK - Smart Bank

Our goal is to keep all existing clients and to acquire new ones, with new, modern and advanced e-banking services. In 2017, Halkbank upgraded an application for e-banking for individuals. In order to be timely and completely informed, HALKBANK updated the corporate Web Site of the bank for the clients by applying a modern concept.

Halkbank AD Skopje continues improving its services in order to meet customers daily needs. For ease of use, Current functionalities were upgraded and new ones were included.

In 2018, we are expecting to increase the loyalty of existing customers and to increase the number of transactions performed through alternative distribution channels, which exceeded 58% in 2017, by implementing new products, keeping up with the latest technology developments and preparing campaigns.



International Banking & Financial Institutions

Ranked among the leading financial institutions in Macedonia, Halkbank marked 2017 as another successful year putting on its account an outstanding performance in international borrowings arena despite challenging market outlook

In 2017 Halkbank continued to diversify its long-term international funding sources by strengthening partnership with existing reputable international and domestic Financial Institutions with special long-term purpose loans.

Taking advantage of an extensive network of more than 400 correspondent banks in 50 countries, Halkbank continued to improve bank's position in foreign trade operations and funding sourced from international markets as a part of its sustainable international borrowing strategy.

Halkbank strengthened the partnership with most reputable Financial Institutions, such as the European Fund for Southeast Europe S.A., SICAV-SIF (EFSE), Green for Growth Fund, Southeast Europe S.A., SICAV-SIF (GGF), the European Bank for Reconstruction and Development (EBRD), the Macedonian Bank for Development and Promotion (MBDP) with funds gained from the European Investment Bank (EIB) and funds from the Kreditanstalt für Wiederaufbau (KfW).

In 2017 Halkbank obtained its fourth facility from the European Fund for Southeast Europe S.A., SICAV-SIF (EFSE) for households for an amount of EUR 10 million and tenor of 10 years which cooperation had a significant impact on supporting the housing projects in the retail sector in Macedonia. This credit facility strengthens Halkbank's ability to offer adequately structured housing and home-improvement credit products to retail borrowers.

Halkbank will continue to provide low-cost and long-term financing customers through its strategy of expanding the branch network and alternative channel distributions by offering new banking products and services for its customers designed to boost the competitiveness of SMEs and support their sustainable growth.

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

Accordingly, Halkbank continuously monitor and closely follows country risks and financial indicators by assigning limits to domestic and foreign banks and other Financial Institutions based on review of the credit worthiness on a regular basis due to correspondent bank's relations.



Treasury Management

In 2017, treasury activities were at optimal level, in correlation with continuous grow up of the Bank generally within the sector, with secure of adequate treasury management with appropriate level of liquidity coverage and treasury income accordingly.

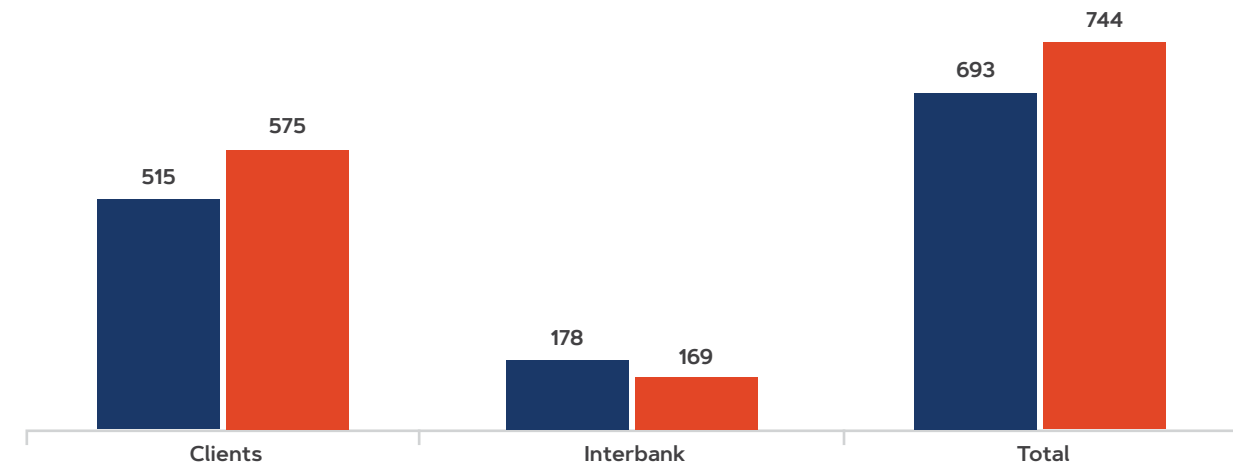
Overview of treasury activities during 2017 is integrally specified as follows:

- Sales activities (Fx spot and derivative market with clients),
- Domestic interbank Fx spot, derivative and MM
- International interbank Fx spot, derivative and MM (including banknotes trading), and
- Securities trading (only domestic market: primary, OTC and repo market).

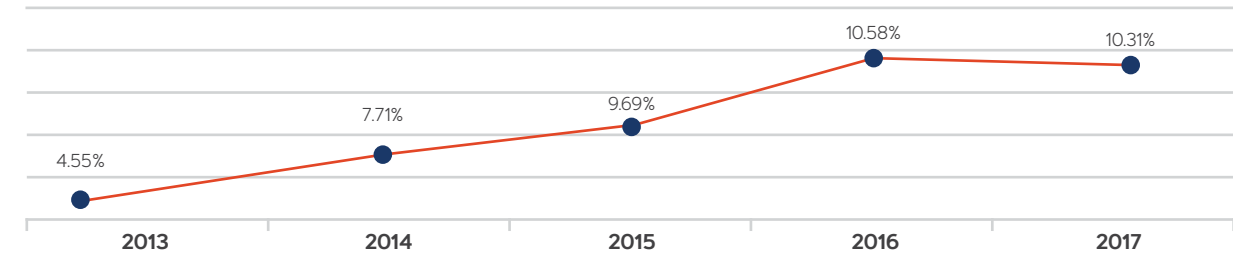
Fx MARKET volume

Period	Clients	Interbank	TOTAL
2016	515	178	693
2017	575	169	744

Fx MARKET volume



Fx MARKET SHARE



*in 000 EUR

Period	fx trading income	Securities trading income	Fixed income	Total
2016	697	0	2,604	3,301
2017	790	186	3,201	4,176





*in mil. EUR

Activities in 2017

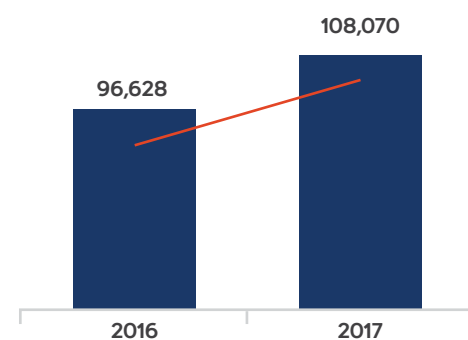
Securities Trading

In 2017, total securities portfolio (T-bills, T-notes and T-bonds), compared to 2016, increased by 11.84%, or EUR 108.07 million.

Perspectives

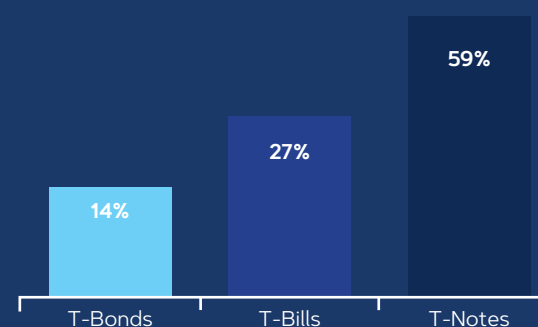
1. Increase the market share on Fx market in the upper range of 12%-15%
2. Potential increase of securities investment during 2018 to be oriented towards:
 - Keeping appropriate portfolio as high liquid assets in positive correlation to credit activity;
 - Intensive OTC and repo market as a useful tool for liquidity management and on commercial basis;
 - Targeting primary dealer status of the bank (market maker on domestic securities market);
3. More intensive offering advanced financial instruments-derivatives for clients as additional products/service (forwards, options, golden deposit account etc.) in scope of:
 - Hedging instruments;
 - Investment instruments;
4. Perspective projects and basics for startup investments in international bonds, structured products, gold trading and other portfolio investments, and adequate cover by derivative trading;
5. Trading platforms for clients (Fx trading-white labeling service);
6. Brokerage services;
7. Custodian services.

Securities portfolio

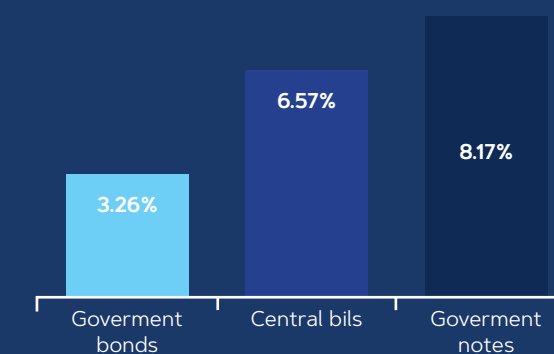


Description	2016	2017
Total	96,628	108,070
T-bills	27,238	35,190
T-notes	55,405	9,351
T-bonds	13,985	63,529

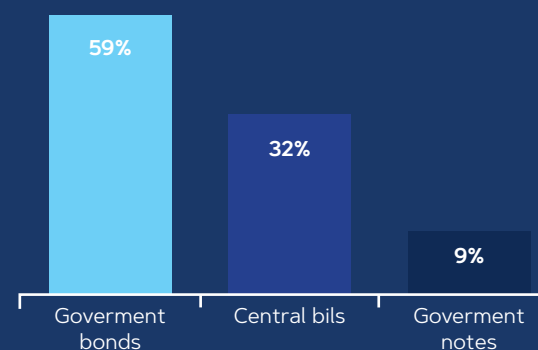
Participation in the securities portfolio 2016



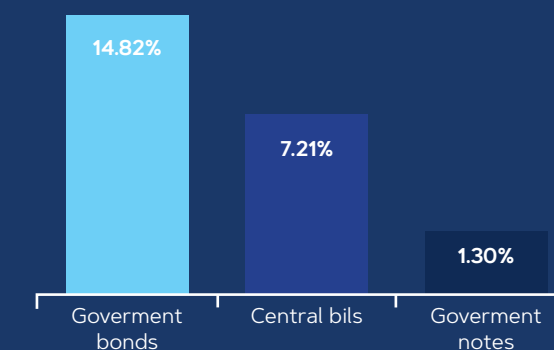
Participation of Halkbank on the market 2016



Participation in the securities portfolio 2017



Participation of Halkbank on the market 2017



Domestic Payment and Cash Center

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 to perform successful transactions in domestic payment operations.

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

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

The number of active transaction account in HALKBANK AD Skopje at the end of 2017 was 189,389. Citizens have 171,606 accounts and corporate clients have 17,783 accounts. Compared to the end of the year 2016, active number of accounts has reached growth of 9.8%.

In 2017, 22,624 new transaction accounts were opened, out of which 20,060 accounts belong to citizens and 2,564 to corporate clients.

E-banking transactions in 2017 increased by 32.7% and reached of 1,298,960 transactions, while domestic payments transactions executed through Branches increased by 2.1% and reached 2,070,348 transactions.

In 2017, 20,930 Decisions for blocking / unblocking the clients were passed by the Domestic payment unit were which is an increase of 4.6% compared to 20,017 in 2016.

Cash Center

For its clients, the Cash Center of HALKBANK 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.

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

The total volume in the Cash Center in 2017 increased by 12% compared to 2016.

Regarding the operations with Bank's branches, a total growth of 10% was achieved and in operations with other banks growth of 16% compared to 2016.

Cash activities in 2017 were successfully performed under the NBRM Decision on the authenticity and fitness checking and recirculation of banknotes and coins.

Foreign Operations

Western Union/2015

We offer the opportunity of fast money transfer through our branch network together with Western Union. Any of our 39 branches will timely and efficiently serve you in your fast money transfers.

DESCRIPTION- WU TRNS.	2016	2017	CHANGE 2017/2016	CHANGE %
Number of WU transactions	14,330	16,324	1,994	13.9
Total turnover in EUR	4,200,000	5,500,000	1,300,000	31.0

Foreign Operations

Halkbank offers high-quality, fast and efficient operations in the field of international payments.

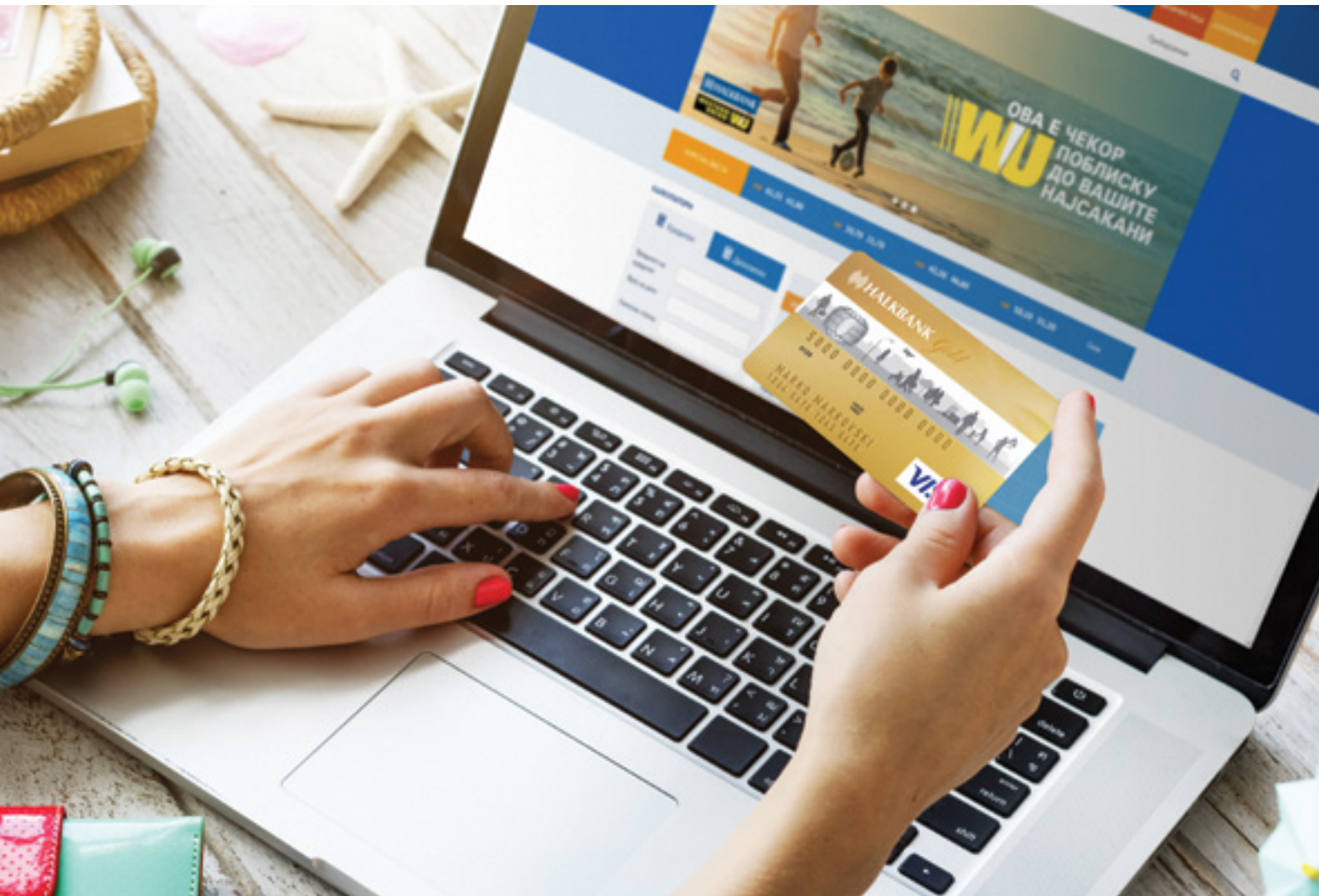
By using our extensive correspondent network, clients of Halkbank are enabled to perform international payments in the simplest and most convenient way.



Documentary Business

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

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



IT and Technical Support

In 2017, Halkbank introduced several innovative products to address the needs of our clients. Upgrade of the WEB and Mobile Banking System for both Corporate and Retail clients brought the most advanced technology to the banking market, while providing exceptional user experience and ease of use.

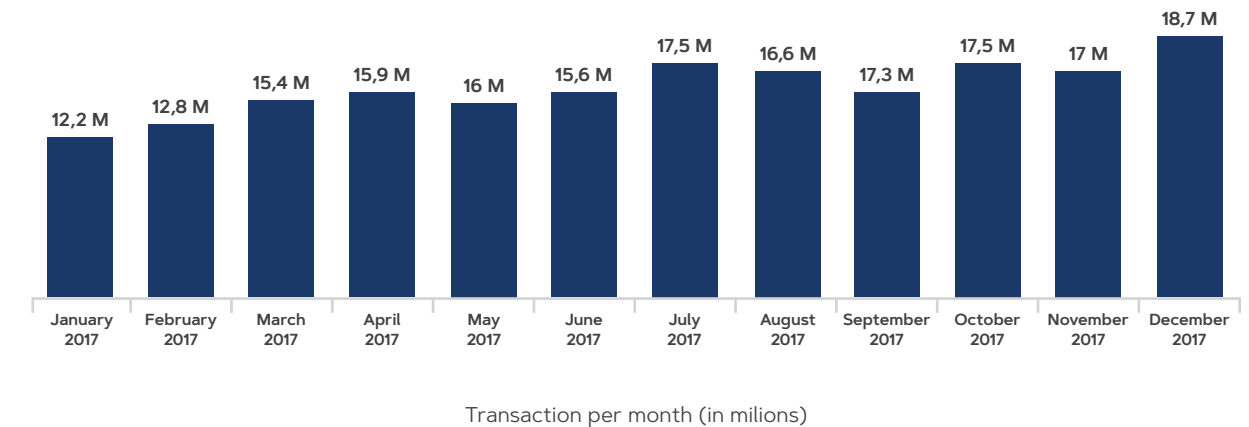
The newly implemented Collateral Management system and Treasury Management system will further improve the speed and agility of the Bank towards the clients and bring greater customer satisfaction. Other new implemented system is Profitability and FTP system which will further improve the speed and efficiency of the Bank.

Upgrading of the Central Storage system of the Bank will further improve the speed and agility of the Bank towards the new challenges and bring greater customer satisfaction.

Payment cards products were enriched by the introduction of the MasterCard® Debit Contactless card in 2017.

Continuous Growth Support

The annual growth of 33% of transactions processed per month in the period from January 2017 to December 2017 was supported by the upgrade of the core banking IT infrastructure.



Continuous improvement of controls and systems to decrease operating risk

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



Branch network

Extensive Branch Network

In 2017, HALKBANK AD Skopje continued increasing its branch network and focused on high quality and fast service and products to meet the needs of its clients.

By the end of 2017, HALKBANK's branch network reached 39 branches in Macedonia located in 20 cities. Out of the total number of branches, 20 are located in the capital city of Skopje and 19 in other cities throughout the country.

Opening New Branches and Continuous Reorganization

The process of opening new branches continued in 2017. Halkbank opened 2 new branches during the year and added Branch Butel and Branch Saray to its network.

Moreover, reorganization and renovation of some of the branches continued during 2017. With reorganization and renovation of current branches, Halkbank continues implementing its strategy aimed at maximizing customer satisfaction. By opening new and modern branches and improving the ambience in the current branches, Halkbank is getting closer to its clients.

In 2017, 2 branches were renovated in order to improve its interior and efficiency; Branch Resen was completely renovated on its existing location, while branch Prilep was relocated to a new location, providing even better access and service to its clients in its region.

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



HR department – Valuable business partner on the path to success

The main efforts incorporated in the Human Resources Management Strategy of Halkbank A.D. Skopje, recognizes leading business and human resources practices with major accent on recruiting, motivating, developing and retaining the employees with the right set of competences, capable of supporting the implementation of the Bank's mission, vision, goals and nurturing the values of significance for the company. The focal point of the employee and the development of their skills and capabilities, create highly engaged leaders and participants on the path of achieving organizational success.

The HR Department translates into action the main human resources priorities, determined through the strategic partnership with the management of the Bank and simultaneously by identification of the ongoing organizational needs in line with the Divisions, Departments and the Branches of the Bank. The proactive approach to the issues involving the human capital in Halkbank A.D. Skopje, creates sustainable policies and practices for successful long-term application of the internal human capital expertise, on the path of reaching the organizational goals and delivering results.

During the recent period, the focus to build the capabilities of the managers and the staff in the Bank, has led to development of highly effective teams able to respond on the ongoing challenges that derive from the current business and banking environment. These efforts have been evident from the appointment of experienced and competent internal candidates identified as future leaders, on the vacant managerial positions in the Head Office and the Branches of the Bank. Another impact of the HR policies in the Bank gives opportunities to the employees to develop the indispensable capabilities that are required for engaging on new roles in the Bank, by offering various dimensional career movements and supporting by trainings and transfer of knowledge from more experienced employees.

At the same time, the constant ongoing activities to maintain and develop internal organizational culture that reflects the management style in the Bank and the values that the organization appreciates and nurtures, are crucial in building successful relationships among all employees and teams within. Also these efforts give added value to the products and services our Bank offers on the market and improves the relations with external clients, collaborators and all other involved stakeholders. Therefore, the values of the Bank are also highly involved in the human capital management practices and policies, which are implemented in the everyday activities of the HR Department.

The ongoing talent management practices are constantly visible in the HR activities, by participation in various internship programs and projects, as well as career fairs in cooperation with university educational institutions in the country. Early identification of the potential employees with the right sets of skills and knowledge is of high importance for the Bank for ongoing shaping of its workforce. The opportunities given to practice their theoretical knowledge and develop real business skills, also gives deeper insights in the banking environment for all interns, and at the same time helps the ongoing organizational processes with fresh ideas and input provided by the interns.

During 2017, the HR Department organized internship for students from the Macedonian Universities. With this program, 65 students from 10 different Universities were hired to attend internship from 1 to 3 months. The interns were included in the everyday working processes in the Branches or the Departments in the Bank, where they improved their personal skills and gained practical knowledge from our experienced employees.

Newly graduated students also had the opportunity to be part of the Bank as interns with the project from the Employment Service Agency. Through this project, the Bank hired 21 interns in period of 3 months in different organizational parts. The interns upgraded their knowledge while supporting all banking processes in our working environment. The interns that finished the internship with success and good results were furtherly included in the process of selection for new employees and for future employment needs of the Bank.

Employee development as the main focus of the HR Department

The potential of employees is being accompanied by ongoing trainings and programs for professional development of the required skills and knowledge, to face the ongoing challenges from the real business environment. The investment in Halkbank employees is another important part of the HR policies, reflected to the periodical plans and day-by-day identification of much needed skills that can be acquired by participation and organization of different trainings.

HR, Organization and Training Department continued its aim to offer variety of opportunities to the employees in learning and development. Internal and external trainings during 2017 reached the number of 83 in totals out of which on 23 external trainings, 46 employees participated abroad. As for the internal training, the number reached total of 15 with the total of 563 employees participating on internal trainings and workshops and 477 employees participating at on-line trainings. With the purpose of transfer of knowledge between the employees, various on-the-job trainings were also organized.

During 2017, the main focus was on more specific internal training mainly in Domestic Payments and Cash Management, Credits and Deposits Operations, Micro KDR and Foreign Operations. For the newly appointed Branch Managers and Heads of Departments, Deputy Heads of Departments and Head of Units, in order to keep up with the emerging responsibilities with the new staff, employee transfers, relations and motivation of their staff, managerial soft skills training was organized as well.

There was 1 visit to the premises of Halkbank Turkey. Selected employees from Halkbank Skopje participated on specific training in AML and Compliance.

Branches in 2017	39
Based in Skopje	20
other cities in Macedonia	19

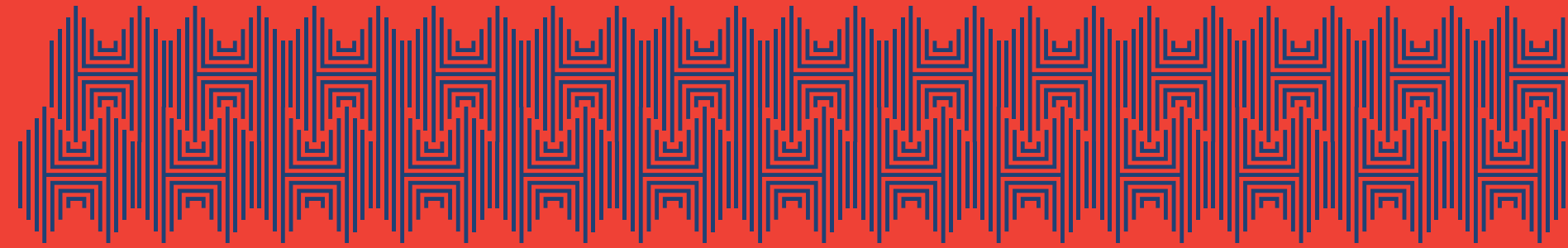
Number of employees	
31.12.2013	377
31.12.2014	403
31.12.2015	431
31.12.2016	461
31.12.2017	499

Employees per location	2017	in %
Head Office	193	39%
Branches	306	61%

Educational Structure	2017	in %
University education	452	91%
Phd. Degree	1	
Master's Degree	52	
Bachelor's Degree	399	
High School	47	9%



PR & Social Responsibility



Public relations & Social Responsibility

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.

In 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 most vulnerable section of the community, such as children, sick people or individuals with special needs. In this course of 2017, Halkbank became one of the biggest supporters and friend of the children with Down Syndrome by providing different types of help to them.

The Bank is traditionally providing its support to the educational and sport segment in the country as well. During the year 2017, Halkbank has supported several educational institutions with material and knowledge sharing.

Apart from its charitable activities, the Bank has identified the importance of responsible human resources management, trying 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.

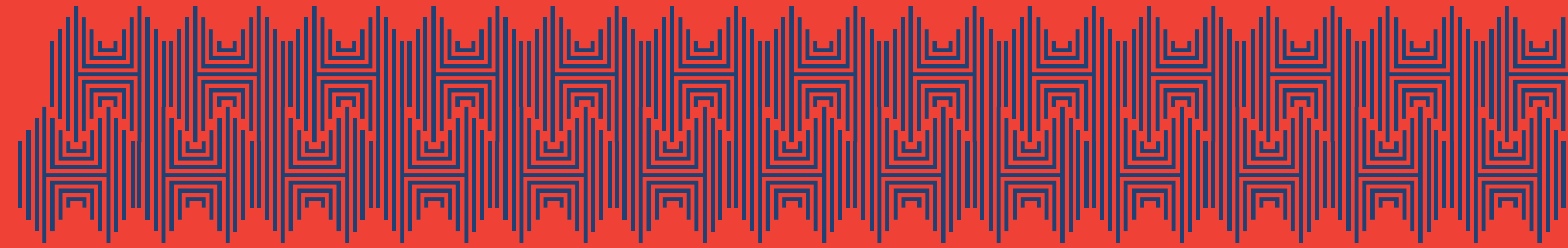
The ecological dimension relates to the efforts the Bank is investing in order to create a balance between the need for economic growth on the one hand, and maintaining a healthy environment on the other. Distinct attention is focused on saving energy, paper and electronic waste recycling.

Our strategy for growth and development focuses on building a more sustainable bank, a more responsible company, and we are doing business in a more sustainable way. We support different types of projects that contribute to the development of the education and culture in the country, projects that empower the next generation to achieve their full potential and help to lift social and economic barriers, sport projects and projects that contribute to embedding sports habits amongst the younger generation.

In Halkbank, we believe that our business can only prosper if society around us is prospering. Companies are part of society. They require a stable social environment to operate and therefore need to contribute their share to maintain this stability



Management Information & Corporate Governance



Supervisory Board of Halkbank AD Skopje



Levend Torusdağ
President of Supervisory Board

Mr. Levend Torusdag was born on 02.01.1967 in Van, Turkey. He graduated from the Faculty of Mechanical Engineering at Erciyes University. Torusdag has served as Engineer, Chief Engineer, Director, Branch Manager, Department Head, and Regional Coordinator at Halkbankasi AS Istanbul. Currently he is Deputy General Manager in charge of SME and Artisans Banking since July 18, 2017.



İlhan Bölükbaş
Member of Supervisory Board

Mr. İlhan Bolukbas was born on 13.10.1971 in Samsun, Turkey. He graduated from the Faculty of Political science at Ankara University. He began his professional career at Vakıflar Bankasi TAO as Financial Analyst. He later served at ING Bank-OYAK Bank as Auditor, Director and Head of group and as Head of Department in ICBC Bank Turkey. In 2014 he continues his career as Deputy General Manager in Ziraat Leasing and Head of Department in Ziraat Katılım Bankasi. From August 2017 he works as Head of Corporate Loans Department in Halkbank A.S.



Mustafa Cenk Uludağ
Member of Supervisory Board

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



Boris Petrovski
Independent Member of Supervisory Board

Boris Petrovski was born in 1950 in Bitola. He graduated from the Ss. Cyril and Methodius University, Faculty of Law in Skopje. He began his career as Junior Legal advisor in LVK Lozar in 1975. He became Branch Manager in 1992 at IK Banka Bitola Branch.

Between 2001 and 2011, he was Deputy General Manager and General Manager at IK Banka AD Skopje. In May 2011, he was appointed as Supervisory Board Member of HALKBANK AD Skopje.



Yalçın Kaya
Member of Supervisory Board

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



Biljana Angelova
Independent Member of Supervisory Board

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





Management Board

Dr. Bilal Sucubaşı Chief Executive Director

Dr. Bilal Sucubaşı was born in Darende, Malatya in 1972. He graduated from the Faculty of Economics and Administrative Sciences at the University of Erciyes. Sucubaşı continued his education at the Department of Business, Management, Organization Department, Malatya at the University of İnönü. He 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 worked as a clerk at Darende Branch, Deputy Head of the Directorate for Organization, Branch Manager in Aksaray / Ortaköy, Director of the Marketing Department of the individuals in the Regional Coordination Centre Diyarbakır, Manager of Corporate Marketing, Director of the Commercial Branch in Mersin, Director of the Department of Corporate Marketing at Halkbank, Turkey. From 26.12.2017, Dr.Sucubaşı is a President of Managing Board of Halkbank AD Skopje.

Tomche Tasevski Executive Director

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

Buket Gereççi Executive Director

The professional career of Mrs. Buket Gerecci begins with an employment in Garanti Bankasi A.S. Turkey in 1990, right after finishing the formal education and obtaining a Bachelor's Degree from the University of Ankara – Political Science Faculty, at the International Relations Department in 1989. After 5 years in service in Garanti Bankasi, Mrs. Gerecci in 1995 got the opportunity to work and develop professionally in another financial institution in Turkey – Toprakbank A.S. This working engagement lasts until 1997, when she is appointed as Head of the Gaziantep Branch of the Finansbank A.S. In 2002, a new challenge arises in her career, when she is appointed in Asya Katilim Bankasi A.S., and in 2008 she is promoted as Deputy General Manager and Chief Operations Officer (COO). From 2011, she continued as a Chief Financial Officer as part of another company, within the oil industry in Turkey. Mrs. Buket Gerecci becomes part of the Halkbank family on 15.09.2014, engaged as a consultant in the Bank. On 04.03.2015 upon the official approval from the National Bank of Republic of Macedonia, Mrs. Buket continues her engagement in Halkbank A.D Skopje as Member of the Managing Board of the Bank and Executive Director. As an Executive Director, Mrs. Buket Gerecci is responsible for the Division for HR and Organization and the Division of Operations and Information Systems until 15.12.2016, when she is appointed as a head of the Marketing Division and the Division of Operations and Information Systems.

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 in 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 1995, he is appointed to various positions as a Manager of Credit, Treasury and Liquidity Division, Manager of the Brokerage Department; as well as Acting Manager of IK Bank 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 was promoted as a General Manager which among other responsibilities includes membership of the Risk Management Board. After the successful acquisition of Ziraat Bank AD Skopje by HALKBANK AD Skopje, Mr. Ademi's next professional challenge and responsibility is the position of Executive Director and a member of Executive Board of HALKBANK AD Skopje. From June 2016 until December 2017 Mr. Turhan Ademi served as Acting Chief Executive Director.





Management Board & Senior Management

Kiri Buhov
Head of Division

Bojan Stojanoski
Head of Division

Muhammed Hadzipazi
Head of Division

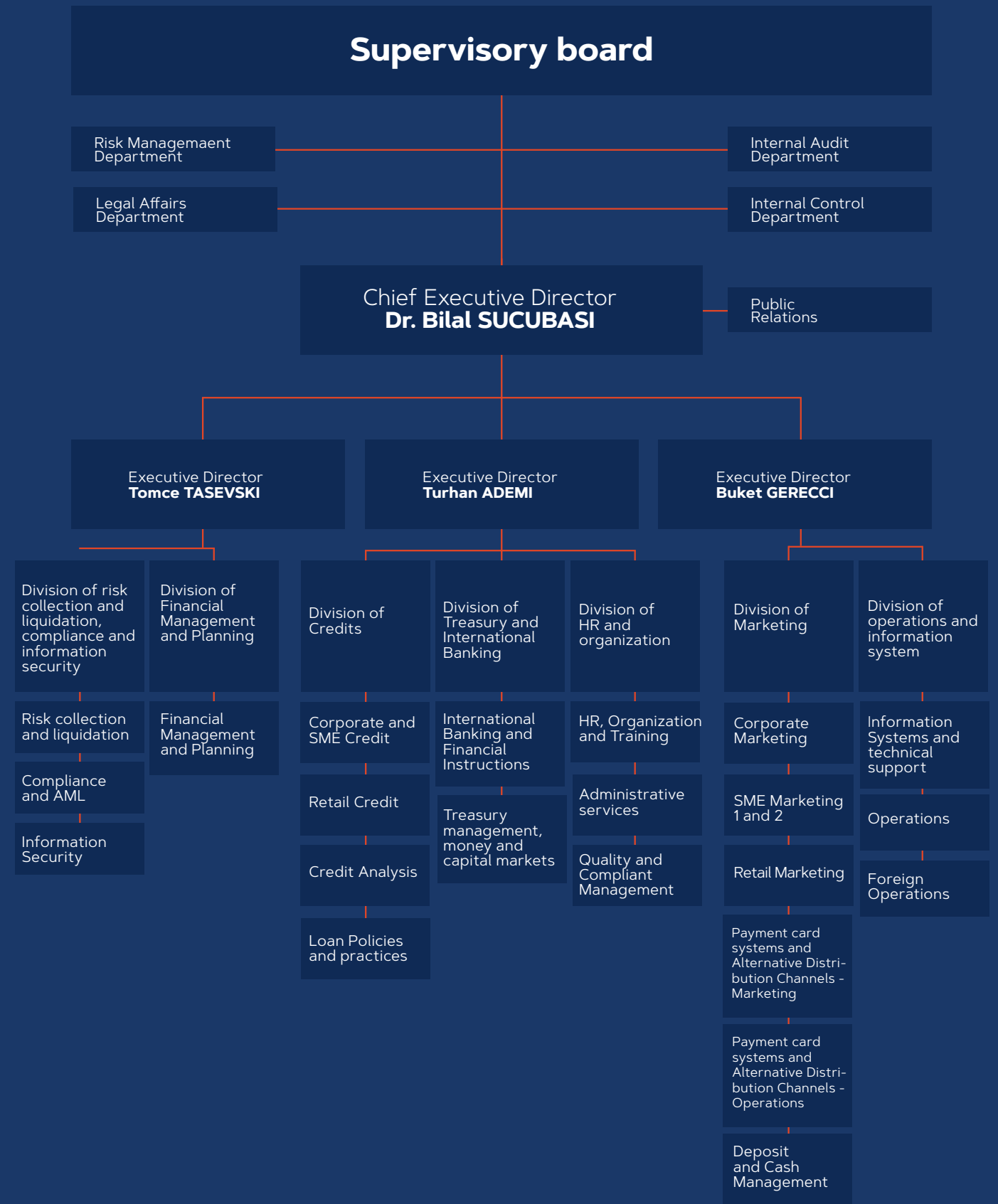
Derja Hamza Seferi
Head of Division

Aleksandar Iljov
Head of Division

Berkan Imeri
Head of Division



Organizational Structure



Supervisory Board's Report

Within the frames of the legally defined competences and main acts which regulate the Business Policy of the Bank and its main objectives, the Supervisory Board performed its duties during 2017.

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

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

All the Supervisory Board Members hold university degrees with management capacities. Moreover, the Supervisory Board Members are very active in the economic and legal life of Macedonia and Turkey. The table no. 1 shows the list of the Supervisory Board Members of Halkbank A.D Skopje in 2017 (SBM).

	Licensed on	Member till	Title
1. Omer Faruk Senel	08.06.2016	04.08.2017	PSB
2. Bilal Sucubasi	29.12.2014	03.11.2017	SBM
3. Hilali Yildirim	29.12.2014	13.09.2017	SBM
4. Korkmaz Kaya	12.09.2016	13.09.2017	SBM
5. Boris Petrovski	07.09.2015	07.09.2019	ISBM (independent)
6. Biljana Angelova	12.09.2016	24.08.2020	ISBM (independent)

With the changes in the structure of 08.06.2016, the Supervisory Board continued to work with the following structure showed in the table no. 2

	Licensed on	Member till	Title
1. Bilal Sucubasi	29.12.2014	03.11.2017	SBM
2. Hilali Yildirim	29.12.2014	13.09.2017	SBM
3. Korkmaz Kaya	12.09.2016	13.09.2017	SBM
4. Boris Petrovski	07.09.2015	07.09.2019	ISBM (independent)
5. Biljana Angelova	12.09.2016	24.08.2020	ISBM (independent)

With the changes in the structure of 13.09.2017, the Supervisory Board continued to work with the structure showed in the table no. 3 below.

	Licensed on	Member till	Title
1. Bilal Sucubasi	29.12.2014	03.11.2017	SBM
2. Mustafa Cenk Uludag	13.09.2017	11.09.2021	SBM
4. Boris Petrovski	07.09.2015	07.09.2019	ISBM (independent)
5. Biljana Angelova	12.09.2016	24.08.2020	ISBM (independent)
5. Boris Petrovski	07.09.2015	07.09.2019	ISBM (independent)

With the changes in the structure of 03.11.2017, the Supervisory Board continued to work with the structure showed in the table no. 4 below.

	Licensed on	Member till	Title
1. Levend Torusdag	03.11.2017	31.10.2021	PSB
2. Mustafa Cenk Uludag	13.09.2017	11.09.2021	SBM
3. Yalcin Kaya	03.11.2017	31.10.2021	SBM
4. Ilhan Bolukbas	03.11.2017	31.10.2021	SBM
5. Boris Petrovski	07.09.2015	07.09.2019	ISBM (independent)
6. Biljana Angelova	12.09.2016	24.08.2020	ISBM (independent)



Executive Management Board

In 2017, the Executive Management Board was in permanent coordination with the Supervisory Board of the Bank in a very comprehensive manner that made all operational processes of the Bank transparent.

In compliance with the adopted organizational scheme, the rights and responsibilities were distributed to every single Executive Management Board member who monitored daily activities of particular divisions, departments and branches of the Bank. In general, on daily basis they were monitoring the activities and operational results of the organizational units of the Bank and on quarterly basis, they measured performances of branches and sub-branches of the Bank. The Executive Management Board of HALKBANK AD Skopje is composed of four members who represent the Bank and manage its regular activities. The following table shows the list of the Executive Management Board Members for the year 2017 (EMBM).

	Licensed on	Member till	Title
1. Turhan Ademi	29.01.2013 / 01.02.2017	ongoing	Acting CEO
2. Buket Gerecci	10.03.2015 / 06.05.2017	ongoing	EO
3. Tomce Tasevski	21.08.2015 / 30.08.2017	ongoing	EO

With the changes in the structure of 26.12.2017, the Supervisory Board continued to work with the structure showed in the table no. 2 below.

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

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

The Executive Management Board in 2017 focused its work towards stable, compliant and effective operation of the Bank by rising the position of the Bank in the banking sector in Macedonia, through planning new products and services, as well as development of the existing ones through its own business units, by increasing the network of branches, increasing the volume of the card operations and E-Banking, reducing the operational costs, while constantly taking care of the compliance of the work of the Bank through harmonization of its regulations and operations with the laws and bylaws.

Corporate Governance

The corporate management of the Bank represents collection of mutual relations between the Board of Directors, other persons with special rights and responsibilities executing managerial function in the Bank, the Supervisory Board, the shareholders of the Bank and other interested parties. Shareholders Assembly In the course of 2017, 1 (one) General Shareholders' Assembly and 1 (one) Extraordinary Shareholders Assembly were held.

The General Shareholders Assembly held on 06.06.2017 decided on the adoption of the Annual Report for 2016 and the written opinion of the Supervisory Board; the Annual Account of the Bank for 2016; the Financial Statements of the Bank for 2016, all prepared in compliance with the accounting regulations of Republic of Macedonia, the International Financial Reporting Standards and the International Accounting Standards, audited by an audit firm; the Report of the Audit Company for 2016 and the written opinion by the Supervisory Board in the same regard; the enactment of a Decision on distribution of the profit for the year ending on 31 December 2016; review of the Annual Report on the operation of the Supervisory Board in 2016 by individual members and collectively; adoption of a Decision on selection of an audit firm; Decision on adoption of amendments to the Statute of Halkbank AD Skopje, with Draft Decision revision of the Corporate Management Code and Decision on appointment of member of the Supervisory Board.

The Extraordinary Shareholders Assembly held on 05.09.2017 deliberated the adoption Decision on appointment of member/s of the Supervisory Board.





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