



Annual report 2009



STOPANSKA BANKA AD - SKOPJE
member of NBG group

65 years on your side





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Dear Shareholders,



Agis Leopoulos
Chairman of the Supervisory Board

We are honoured to present Stopanska Banka AD - Skopje (SB) annual report for 2009. In the year under review, SB ability to adapt its strategy to the unfavorable economic trends in the country led to strong performance and increasing business volume and market share in the priority business segments. Our focus on: 1) ensuring strong liquidity and capital base, 2) safeguarding the quality of the loan portfolio, and 3) containing operating costs, secured the stability, soundness and profitability of SB in 2009. Thus, throughout the crisis, SB remained well-capitalized, deposit-funded and highly liquid, which enabled delivering of high quality products, clients' satisfaction and adequate reward for employees and shareholders. Its powerful brand name remained

symbol for extraordinary services, trust and safety. Consequently, at the end of the year, the Bank recorded profit before taxes of EUR 12.0 millions. The Bank's total assets reached EUR 1,075 million, exceeding the corresponding 2008 figure by 11.0%. With the highest capital strength in the industry, which ensured capital adequacy of 17.25%, SB remained the most solid and trustworthy financial partner in the country.

Celebrating 65 years of banking supremacy on the market, in 2009, SB continued working towards providing customer centric services and products. During the year with focus on generating deposits, SB introduced two value-added deposit products that immediately generated both new clients and greater volumes of deposits - Flexi open deposit and Pcelka (little bee) children deposit. Consequently, the Bank's share in the banking sector retail deposits rose to 29.8% (+0.9pps) and that in corporate deposits to 26.6% (+0.8pps), thus contributing for loans to deposits ratio of 89.7% (on gross basis).

As part of our efforts to make access to our banking services easier, in 2009, SB opened 3 new branches across the country. In parallel with branch network expansion, the New Service Model Project, initiated in 2009, introduced segregation of retail and corporate banking activities while offering customer services that are tailored to each customer segment in a manner consistent across the NBG Group.

During 2009, SB continued with its equal devotion in implementing best practices of Corporate Governance. SB, as part of the UN Global Compact Network sustained on its efforts to promote its commitment to highest standards of Corporate Social Responsibility within the Bank and to its stakeholders.

The efficient strategy of the Bank and its devotion in meeting the clients' requirements by delivering high quality services and products has been acknowledged by the Euromoney magazine when it declared Stopanska Banka AD-Skopje "The best bank in the country for 2009".

Such results validate the Bank's ability to deliver excellence throughout adversity, and at all stages of the economic cycle.

Looking forward, we remain committed to the core vision for our company, to build a financial services company that offers our customers and clients unmatched convenience and expertise, high-quality service and a variety of financial products and services delivered as a single relationship with the top team in the industry, we remain confident that SB is well-placed in today's environment and that our strength will lead to greater opportunities in the future.

At the end, on my and on the behalf of Supervisory Board of Stopanska Banka AD Skopje, I would like to express gratitude to SB management for their professional approach in executing the business strategy, to our employees for their dedication, enthusiasm and hard work and last but not least, I would like to thank those one million of our clients (making up half of the country's population) for continued confidence and trust that they have placed with us.

Agis Leopoulos
Chairman of the Supervisory Board
Skopje, 23.04.2010

Supervisory Board

1. **Ioannis Pechlivanidis**

Chairman of the Supervisory Board of SB

Deputy Chairman of the Board of Directors of the
National Bank of Greece S.A.

Athens, GREECE

2. **Agis Leopoulos**

Deputy Chairman of the Supervisory Board of SB

General Manager of International Activities

National Bank of Greece S.A.

Athens, GREECE

3. **Konstantinos Bratos**

Member of the Supervisory Board of SB

Manager of International Network Division "A"

National Bank of Greece S.A.

Athens, GREECE

4. **Lizos Anastasios**

Member of the Supervisory Board of SB

Deputy Manager of International Network Division "A"

National Bank of Greece S.A.

Athens, GREECE

5. **Antonios Karras^{1/2}**

Member of the Supervisory Board of SB

Deputy Manager of International Network Division "A"

National Bank of Greece S.A.

Athens, GREECE

6. **Vladimir Kandikjan**

Member of the Supervisory Board of SB

Professor, Faculty of Law

University Ss. "Cyril and Methodius"

Skopje, MACEDONIA

7. **Anelia Kasterlieva**

Member of the Supervisory Board of SB

Senior Banker, Equity Banks

European Bank for Reconstruction and Development

London, UNITED KINGDOM

8. **Bagoja Nanevski**^{3/4}

Member of the Supervisory Board of SB

Professor, Faculty of Business and Economy

Skopje, MACEDONIA

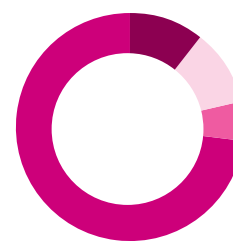
¹ Member of SB Board of Directors since 05.12.2007 - Governor approval obtained on 01.04.2008





The Bank and its Shareholders

Established far back in 1944, Stopanska Banka AD - Skopje is the oldest bank in the country with years-long tradition of providing financial support to many large investment projects and companies in the country. Since the beginning of 2000, when it was acquired by the dominant new owner the National Bank of Greece, SB has been operating as a subsidiary in the network of a leading financial group in South-East Europe. Today, in addition to NBG majority stake of 73.0%, IFC and EBRD participate in the Bank's capital with 10.8% share each, with remaining 5.4% held by a number of small domestic investors



Mission of Stopanska Banka

In the constantly changing world, where needs and dreams change, customers know more, want more, Stopanska Banka strives to provide new opportunities by introducing financial products and services that go hand-in-hand with these changes through its advanced and easy-to-reach distribution channels.

By offering wide range of innovative and consumer focused products and services, Stopanska Banka aims to be a reliable partner to its customers, supporting their growth and satisfying their needs in easy and efficient ways, so they are enabled to realize their potential and get the most of life, every day. At the same time, SB is dedicated to creating value for its shareholders and a rewarding environment for its employees.



Key Financial Highlights

Financial highlights
in EUR million

	2008	2009	% change
Income Statement indicators			
Net Interest Income	41.9	42.9	2.4%
Net Commissions Income	15.6	13.9	-10.9%
Total Income	65.1	61.5	-5.5%
Operating Expenses	29.1	32.5	11.9%
Personnel Expenses	10.8	12.1	12.4%
Net Operating Income	36.1	29.0	-19.6%
Impairment losses (net)	11.4	17.0	49.1%
Pre Tax Profit	24.7	12.0	-51.3%
Net Profit	22.0	11.9	-45.9%
Balance Sheet indicators	2008	2009	% change
Total Assets	968.1	1,075.0	11.0%
Regulatory Capital	157.3	158.2	0.6%
Loans to Customers (net)	678.9	682.3	0.5%
Total Loans (gross)	739.0	746.0	0.9%
Retail Loans	396.3	422.3	6.6%
Corporate Loans	342.7	323.7	-5.5%
Provisions	60.1	63.7	6.0%
Total Deposits	781.1	846.8	8.4%
Retail Deposits	508.0	603.3	18.7%
Corporate Deposits	273.1	243.5	-10.8%
Financial ratios	2008	2009	% change
Net Interest Margin	5.0%	4.5%	-50bp
Cost Income Ratio	44.6%	52.9%	830bp
ROA	2.6%	1.2%	-140bp
ROE	24.2%	10.0%	-1420bp
Loans to Deposits Ratio (gross)	96.4%	88.1%	-650bp
Capital Adequacy Ratio	16.2%	17.25%	103bp

Note: All figures in this report referring to SB are based on IFRS Financial Statements

Economic Environment

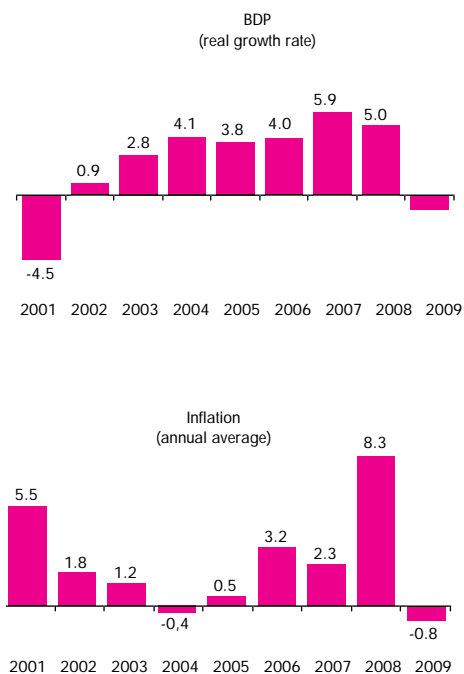
The smooth macroeconomic adjustment of Macedonian economy resulted with relatively modest contraction of economic activity and employment. The banking sector absorbed the crisis without significant pressure on capital or liquidity, despite the rise in NPLs and decreased profitability. In an environment of increased uncertainty posted by the great depression, the monetary policy remained oriented towards maintaining the stability of the exchange rate. However, large current account deficit leaves Macedonia dependent on external financing and exposed to terms of trade and other capital account shocks.

The great recession which erupted in developed markets and then spread across the world, has continued to shape the macroeconomic -landscape in 2009. However, with extensive monetary and fiscal stimulus measures adopted worldwide, especially in advanced economies, the recovery of the global economic activity started to gain traction in the last quarter of the year. Nevertheless this heightens concerns related with possible unwinding of the unconventional fiscal and monetary stimulus and consequently, whether the private sector consumption will be sufficient to substitute such stimulus.

In 2009, the macroeconomic trends in the domestic economy highly corresponded with the developments in the global economy. Namely, after a couple of years of solid economic growth, in 2009, Macedonian economy contracted by 0.7% on annual basis. Given the low financial integration, the impact of the great recession to the domestic economy was felt through the export sector due to rapidly decreased export demand and export prices. On that note, the most vulnerable sectors were: the metal industry, the textile industry and the transportation.

The sharp contraction in economic activity and the collapse of commodity prices have brought down inflation rates, both globally and domestically. Consequently, due to significantly lower imported inflation as well as the restrictive monetary policy the annual average inflation in 2009 reached negative value of 0.8%. Inflation in core goods and services has also slowed down from 2.6% in the previous year to 0.3% at the end of 2009.

The economic uncertainty posted by the great recession caused international capital flows to weaken dramatically during 2009. Consequently, following the volatile international business climate, the external sector of the economy reported severe deepening of the current account deficit in the first quarter of 2009. The widened gap in the current account reflected the deterioration of trade deficit, on the back of significantly decreased exports, and the declining trend in private transfers from abroad, as main source of financing the unbalanced trade activity. However, in the second half of 2009, as import demand

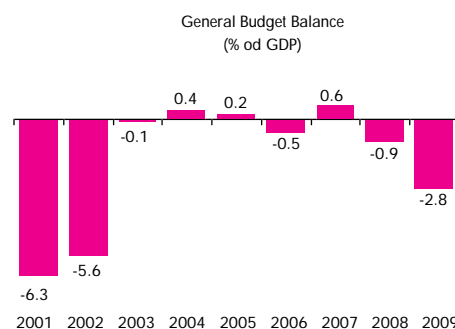
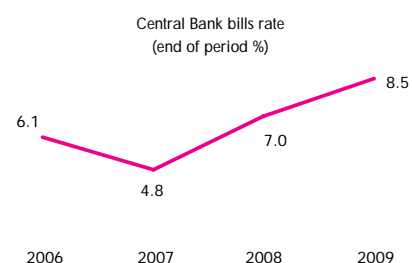
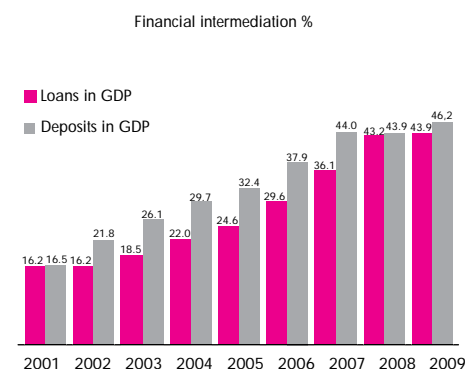
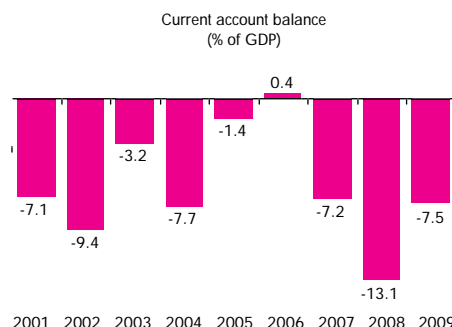


adjusted, and more positive perceptions yielded the growth of private transfers, the trade and current account deficit narrowed. Consequently, for the year as a whole the current account gap is estimated at 7.5% of GDP, significantly being reduced compared to 2008 (13%). On the capital and financial account side, the most significant capital inflows in 2009 were related to the government borrowing (issued EUR 175 million Eurobond and allocation of SDR) while the foreign direct investments registered annual decline of around 60% compared to previous year.

Banking sector absorbed the crisis without significant pressure on capital or liquidity, despite the rise in NPLs and decreased profitability. Even though the circumstances on international financial markets were difficult, Macedonian banks remained sound, liquid and sufficiently capitalized. Their immunity does not only attribute to the low integration within the international financial markets and the orientation of the Macedonian banking sector to finance the domestic activity, but also to the prudent risk management policies, high capital strength and sound corporate governance practices. However, increased risks perceptions of banks and restrictive monetary policy have tightened the credit conditions and reduced the credit supply in the country. Consequently, the annual credit growth slowed down from 12.8% in 2008 to 3.5% at the end of 2009. Alongside with this, the deposit base growth rate has been reduced to 7.1% at the end of December, compared to 12.4% in 2008. However, the banking system's loan to deposit ratio remained below 100% (at the level of 95.0%).

Main concern of the monetary policy in 2009, was to preserve stability of the currency, especially under the challenges prevailing in the first half of the year. The policy response to the growing pressure on the exchange rate in the first half of 2009 was net-sale of foreign currency on the F/X market (EUR 500 million from Oct 08 to May 09), increase of the policy interest rate by 200 basis points (from 7% to 9%) and draining liquidity from banks through increased reserve requirements. Such tightening of monetary conditions helped to stabilize the F/X market and to rebuild the lost F/X reserves. Consequently, by the end of the year the central bank F/X reserves recovered 80% of their earlier losses, and had reached EUR 1.6 billion. In response to more favourable external sector developments and more stable outlook for 2010, NBRM reduced its policy rate to 8.5% in December 2009.

In 2009, the fiscal balance ended in red, 2.8% of GDP. Fiscal deficit was mainly attributed to the lower than expected tax revenues, reflecting the decreased economic activity in the country. In order to ensure sufficient budgeted financing, the government issued Eurobond in amount of EUR 175 million in July, which bolstered the central bank F/X reserves and enabled better access of the private sector to banking finance. Consequently, given the public debt profile of the country such level of budget deficit did not threaten the fiscal stability.



Basic macroeconomic indicators

	2002	2003	2004	2005	2006	2007	2008	2009
Output								
Gross Domestic Product (real growth rate) %	0.9	2.8	4.1	4.1	4.0	5.9	5.0	-0.7
Industrial Production (real growth rate) %	-5.3	4.7	-2.2	7.0	2.5	3.7	5.5	-7.7
Prices, wages and productivity								
CPI (annual average) %	1.8	1.2	-0.4	0.5	3.2	2.3	8.3	-0.8
CPI (year-end) %	1.1	2.6	-1.9	1.2	2.9	6.1	4.1	-1.6
PPI (annual average) %	-0.9	-0.3	0.9	3.2	3.2	1.7	5.6	-6.5
PPI (year-end) %	1.1	-0.2	1.3	4.0	3.2	4.2	-1.8	3.2
Real wages (annual growth rate) %	5.3	3.6	4.2	2.0	4.0	5.5	1.9	25
Government finance								
General government balance (% of GDP)	-5.7	-0.6	0.4	0.3	-0.6	0.6	-0.9	-2.8
External sector								
Current account balance (% of GDP)	-9.5	-3.3	-7.5	-1.5	-0.4	-7.2	-13.1	-7.5
Export of goods (in million US\$)	1,112	1,363	1,675	2,041	2,396	3,349	3,971	2,692
Import of goods (in million US\$)	1,918	2,214	2,814	3,104	3,681	4,979	6,523	5,043
Export of goods (annual growth rate) %	-3.7	22.5	22.9	21.8	17.4	39.8	18.6	-32.3
Import of goods (annual growth rate) %	14.0	15.4	27.1	10.3	18.6	35.3	31.0	-26.4
Gross external debt (in million US\$)			2,817	2,971	3,284	4,161	4,678	5,505
Foreign reserves (in million US\$)	735	903	986	1,325	1,866	2,240	2,106	1,597
Exchange rate MKD/EUR (average)	60.98	61.26	61.34	61.18	61.17	61.20	61.27	61.29
Monetary aggregates								
M1 growth (dec./dec.) %	4.3	2.8	2.0	6.4	17.9	30.7	14.5	-3.5
M2 growth (dec./dec.) %	-8.0	18.8	17.1	15.5	24.8	28.1	7.1	3.9
M2 denar growth (dec./dec.) %	7.9	15.4	12.6	11.7	31.7	41.1	0.8	-5.5
M4 growth (dec./dec.) %	-9.8	16.0	16.5	15.0	25.0	29.3	11.2	6
M4 denar growth (dec./dec.) %	7.5	12.1	16.2	15.0	24.5	29.1	8.9	-4.4
Credit to private sector (dec./dec.) %	6.9	15.4	25.7	21.7	30.5	39.2	34.4	3.5
Interest rates								
Money market interest rate (annual average) %	11.9	9.9	6.9	8.6	5.5	3.7	4.4	6.3
CB bills rate (annual average) %	12.6	8.2	7.7	9.5	6.0	5.1	6.5	8.5
Money market interest rate (end of period) %	11.9	5.8	7.9	8.7	4.9	3.1	5.3	6.1
CB bills rate (end of period) %	15.2	6.2	9.0	8.5	5.7	4.8	7.0	8.5
Capital markets								
Macedonian Stock Exchange index-MBI (growth rate-eop) %	11.9	7.7	14.7	69.58	61.54	109.07	-72.92	23.8

Source: Ministry of Finance, State Statistical Office, National Bank of RM

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Review of 2009 Activities

Financial Performance

The prudent risk management secured the stability and soundness of the bank while the rational expansion of the loan portfolio accompanied by the efficient management of the funding sources ensured SB profitability.

In 2009, SB's ability to adapt its strategy to the unfavorable economic trends in the country led to strong performance and increasing business volume and market share in the low risk business segments. By focusing on: 1) ensuring strong liquidity and capital base, 2) safeguarding the quality of the loan portfolio, and 3) containing operating costs, SB secured its stability, soundness and profitability in 2009. Thus, unlike the global trend in the financial services industry, SB remained well-capitalized, deposit-funded and highly liquid, which enabled delivering of high quality products, clients' satisfaction and adequate reward for employees and shareholders. At the end of the year, the Bank recorded profit before taxes of EUR 12.0 millions. Consequently, ROA stood at 1.2%, while ROE equaled 10.0%, indicating stable returns for shareholders. With the highest capital strength in the industry, which ensured capital adequacy of 17.25%, SB remained the most solid and trustworthy financial partner in the country.

Net Interest Income

The more pronounced adjustment in the deposit interest rates and the intense market competition in the banking sector resulted in an annual decline in the Bank's net interest margin by 50 b.p. down to 4.5%. However, despite such decrease, SB remained on the upward trajectory regarding net interest income. Namely, the rational expansion of the loan portfolio accompanied by the efficient management of the funding sources, contributed the net interest income in 2009 to reach EUR 42.9 million, which is 2.4% more than in the year before.

Net Interest Income (in EUR million)

	2008	2009	% change
Interest income	72.8	80.2	10.2
Interest expenses	30,9	37.4	20.9
Net Interest Income	41,9	42,9	2.4

Interest income

Despite the challenging economic environment, the growing business volumes in 2009 have had positive effect on Bank's interest income. Thus, in 2009, the interest income rose by 10.2%, reflecting increased volumes of interest-bearing assets. Such growth was mainly attributed to the highly lucrative retail products which registered growth of 25.3% and kept the dominant position within the total interest income (61.5%). Interest income earned on corporate loan book reached EUR 23.0 million, registering a growth rate of 4.3%. Due to the developments on the international financial markets, SB's excess liquidity was placed in lower interest yield deposits with first class foreign banks, which resulted with significantly lower interest income from this source. On the other hand, the higher amount of subscribed Central Bank bills in 2009, offered with higher average CB bills rate, generated interest income of EUR 4.4 million, exceeding the 2008 level by 8.4%.

Interest income (in EUR million)

	2008	2009	% change
Interest income	72.8	80.2	10.2
Retail loans	39.4	49.4	25.3
Corporate loans	22.0	23.0	4.3
Investment securities	3.7	1.7	-54.2
Due from other banks	2.2	0.2	-92.8
Treasury bills and eligible bills	4.0	4.4	8.4
Balances with central banks	0.9	1.0	15.5

Interest Expenses

The tightened monetary conditions, limited access to frozen international financial markets, and increased interest rate premium for external borrowing pushed up banks' deposits interest rates. In line with this, SB's interest expenses went up by 20.9%, mainly driven by increased volumes of retail deposits and related interest expenses. The latest, registered growth of 39.8% in 2009 and kept the largest share within SB's total interest expenses (72.1%). Despite the market conditions, such growth in interest expenses also reflects the shift to attract deposits with long term maturity. Interest expenses related to corporate deposits dropped by 21.4% reaching EUR 6.9 million, primarily driven by lower average volumes of corporate deposits in 2009.

Interest Expenses (in EUR million)

	2008	2009	% change
Interest expenses	30.9	37.4	20.9
Retail deposits	19.3	26.9	39.8
Corporate deposits	8.8	6.9	-21.4
Due to other banks	2.4	0.1	-93.9
Other liabilities	0.5	3.4	628.1

Fee and Commissions Income

In environment of reduced economic activity, the Bank generated net fees and commission income in amount of EUR 13.9 million, which indicates an annual decline of 10.9%. The main driver behind such decrease was the fee income related to transfer of funds, reflecting the materially decreased volumes of transactions in the foreign trade. Thus, the transfer of funds contribution to the income in this area registered annual decline of EUR 3.4 million or 48.4%. However, such negative trends in net fee and commission income were partially neutralized by higher fees generated on credit cards and brokerage activities.

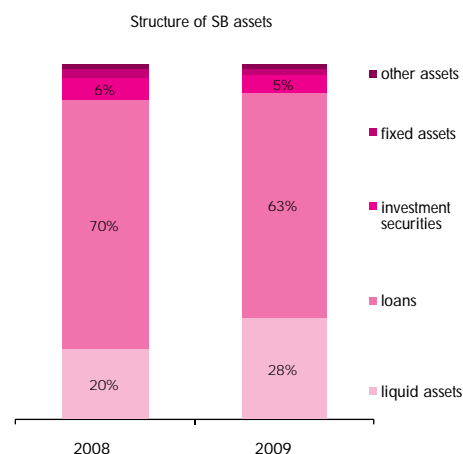
Net Fees and Commissions Income (in EUR million)

	2008	2009	% change
Net fees and commissions income	15.6	13.9	-10.9
Brokerage	0.0	0.1	140.2
Loans and credit cards	5.8	6.7	15.6
Letters of guarantee	1.0	1.0	-1.4
Transfer of funds	7.0	3.6	-48.4
Deposit accounts fee	1.4	1.4	-2.4
Others	0.4	1.2	181.8

Assets and Liabilities

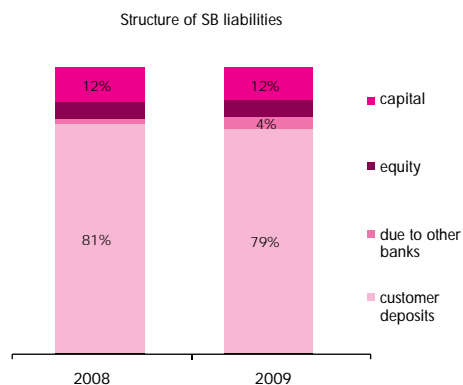
Assets

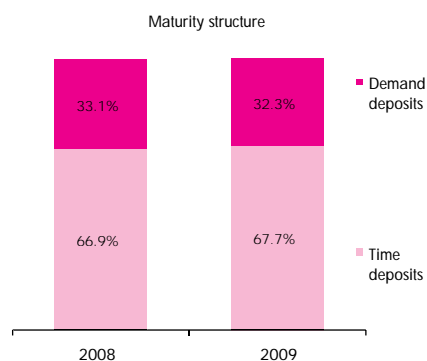
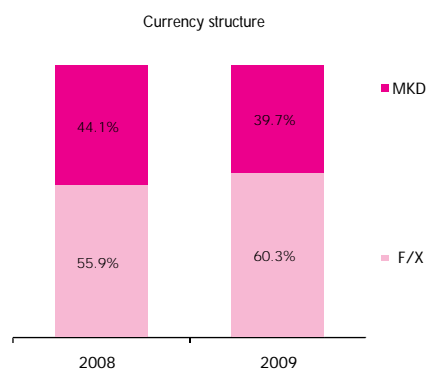
The Bank's total assets at the end of 2009 totaled EUR 1,075 million, which is EUR 106.9 million or 11% more than the year before. Amid the rising risks and uncertainties in 2009, the Bank rearranged its asset mix in favor of more liquid assets, pushing their share up to 28% of the total assets. With the aim of providing an adequate level of loan support to our clients, but at the same time safeguarding the loan portfolio quality, in 2009, SB implemented a prudent lending policy. Prudent credit expansion enabled total loans book at the end of 2009 to reach EUR 746 million, out of which EUR 323.7 million were extended to corporate customers, while retail exposures amounted to EUR 442.3 million. In line with such developments, at the end of 2009, the loans to deposits ratio dropped to 88.1% on gross basis, indicating strong credit potential for 2010.



Deposits and Equity

At the end of 2009 the Bank's total borrowing (deposit and non-deposit) reached EUR 950.0 million, thus recording nominal annual growth of 11.1%. In environment of rising risks and uncertainties during 2009, the soundness of the Bank was adequately recognized by the economic agents, and made SB the preferred bank by the depositors. As a result, the market share of SB on the deposit market increased by 100bp, jumping to 28.8%. Consequently, the customers' deposits, with growth rate of 8.4% on annual basis, continued to be the main driver of the enhanced financial potential of the Bank in 2009, accounting for 79% of the total liabilities. Herein, the households' deposits registered the most intensive increase with an annual rate of 18.7%, thus strengthening the dominant position in the total deposits with a





share of 71.2%. Such growth was higher than the corresponding market growth, thus contributing for the increase of the SB's market share in the relevant segment to the level of 29.8% from 28.9% in 2008. The currency composition of the deposits base indicates an increase in the share of foreign currency denominated deposits to 60.3% up from 55.9% in 2008, mainly reflecting the households' saving preferences in environment of increased uncertainty. Regarding maturity structure, the dominant contribution in the deposit base expansion belongs to time deposits, with annual growth of EUR 50.5 million or 9.7%. Sustained positive trend in the deposit base growth towards longer-term maturities contributes to better balance sheet financing, hence indicating stable sources of funds for the Bank's continuous credit expansion.

SB's equity increased by 10.6% y/y resulting entirely from EUR 11.8 million accumulated on the reserves and retained earnings accounts. Hence, the total capital strength in the amount of EUR 170 million at the end of 2009 ensured sufficient capital adequacy and quality source of long-term funding.

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Retail Banking

The 65th year of Stopanska Banka noted continuous growth of both the deposit and lending market share thus reinforcing the leading position Stopanska Banka AD - Skopje (SB) has on the retail market in the country.

During a turbulent environment, by focusing on retail banking model, that takes into account both, the expectations of our clients and the prudent risk management policies, SB maintained its leading position in the domestic retail market. This model supported by the efficient product development strategy contributed to reaching a higher market share for both deposits 29.8% and for loans 39.6%, compared to 2008 with 28.9% and 38.4% respectively.

The number of clients also grew with 47.651 new clients by the end of the year reaching total number of retail clients of 830.011 which is a growth of 6% compared to 2008.

Retail Deposits



The retail deposit balances reached EUR 603.3 million at the end of 2009, which is a significant increase of EUR 95 million or 18.7% compared to 2008. With respect to maturity structure, the portfolio grew in all categories, so sight deposits accounted for 31,1% of the portfolio compared to 29.5% in 2008 and by the end of 2009 the term deposits represented 68.9% of the portfolio, remaining the main contributor to the balances.

This again confirmed the strength of the Bank and the trustworthiness it has gained among its customers. The foreign currencies continue to be dominant in the deposit base reaching a share in the total portfolio to 64.3%, opposed to the 57% share in 2008.

The introduction of two new products/brands of deposits in Q2 brought by the end of the year a staggering 15.000 accounts as a result of the unique product characteristics and benefits and the communication strategy used for the product that included all available channels for sales.

The enlarged product portfolio with its strong competitive advantages managed to increase the market share to 29.8% in retail deposits.

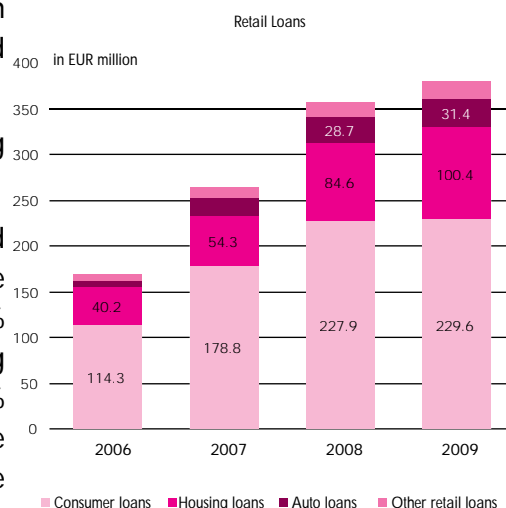
Retail Lending

SB continued growing in retail lending during 2009. This growth was enabled by the extensive use of alternative sales channels and cross sale programs that continue to be developed by SB.

The total increment in retail loans was 6.6% reaching outstanding balances in the amount of EUR 422.3 million.

Following its long term strategy SB managed to continue and improve the structure of the lending portfolio with higher percentage of secured loans - auto and housing which together reached 31.2% compared to 28.5% in 2008. These products brought an outstanding balance of EUR 131.7million, which represents a growth of 16.5% compared to 2008. The communication of SB housing loan as the choice of over a third of the population increased the interest for the product and secured continuous growth of number of applications.

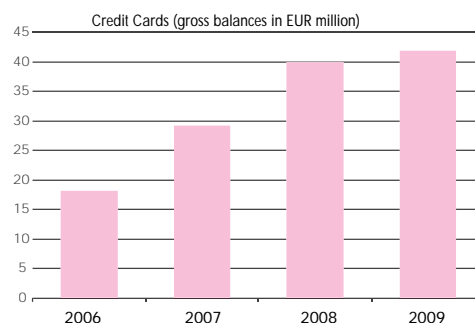
The consumer loans remain the biggest lending products carrying the total of 54.4% of the portfolio, the total number of 136.629 clients and an outstanding balance with the end of 2009 at EUR 229.6 million. The major part of the consumer loans is largely attributed to the OK Line of credit.

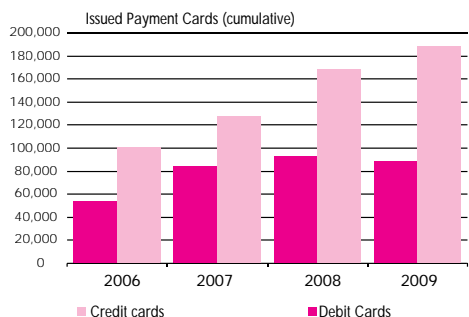


Card Operations

As the major payment card promoter on the market, SB continued promoting non-cash payments and usage of payment cards. The total number of issued cards both by the brands MasterCard and Visa reaches of 276.855 at the end of 2009 which is a reasonable growth of 5.8% considering that the promotional focus was not placed on payment cards during the entire year.

As part of the strategy to introduce new products and services, SB announced the launch of mobile voucher top-up on every ATM in cooperation with the biggest mobile operator in the country. The strategy of implementing alternative channels is to accustom clients to the use of ATMs for other services than cash withdrawal and account balance checking, hence opening a new channel for introduction of additional services that will generate risk free income.





On the client security side, SB plans the chip technology implementation on the entire card portfolio and MasterCard cards were introduced in 2009 as the first chip cards by SB.

The challenging economic environment did not affect the card portfolio and it continued growing during 2009 reaching a level of EUR 41.9 million gross balances at the end of the year. The promotion of non-cash transactions lead to the expansion of the POS (point-of-sale) terminal network, hence the growth in number of transactions through POS terminals increased by 18% compared to 2008. The ATM transactions grew by 23% in 2009 compared to 2008. The constant implementation of card utilization projects will provide opportunity for further growth in market share.

Other Services

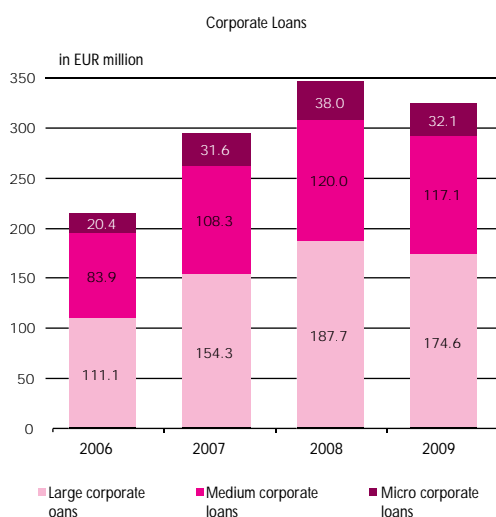
The cooperation with Western Union constantly grew during 2009. By the end of the year all 68 branches of SB were licensed and ready to execute WU transactions. With continuing training of staff and branding of locations SB enabled fast growth and acknowledgement of this relatively new service.

SB 24/7 Call Centre continued servicing clients and thus improving customer care. During the year, the Call Centre realized more than 250.000 calls, varying from info calls regarding product offers, card related issues, merchant support, e-banking support, client personal information update etc. All these successful client contacts executed through the Call Centre make it a valuable asset of SB and a direct link to the clients.



Corporate Banking

Deepening of the key existing partnerships with top performing companies while maintaining rigorous credit standards and portfolio quality



In 2009, the great recession continued to affect the domestic corporate sector through contracted aggregate demand. The consequent deterioration in the income generating capacity of the business and the uncertainty regarding its future financial condition, along with the increased systematic risk in times of recession, led to a moderation in credit growth to corporate sector throughout the year. However, the difficult market conditions did not prevent SB from continuing with its corporate banking operations in line with its long term strategic priorities. Namely, during 2009 SB offered full range of corporate banking services and products, providing incessant financial support to its customers. However, the lending interest rates were affected by increased cost for deposits and increased risk premium. Nevertheless, in developing its loan portfolio, SB was actively focused on increasing the security of its loans and ensuring the reliability of its borrowers, through further improvement of monitoring and collection processes, which resulted with decreased NPL ratio by 21 bps. At the end of 2009, the credit portfolio in the corporate segment totalled EUR 323.7 million.

Despite the adverse economic environment in 2009, the Bank remained focused on its medium-term strategy that identifies SMEs financing as important growth potential and opportunity for credit risk dispersion. Consequently, in the course of 2009, SB disbursed EUR 91.1 million loans to small and medium size companies, which enabled SB to remain one of the two main market players in SME finance.

During 2009 the Bank put special emphasis on providing a viable long-term bank/customer relationship. Seeking to shield its costumers in times of huge uncertainty and volatile market developments, SB sustained and deepened the existing business relations with the very important segment of creditworthy large businesses. The expert knowledge, advanced IT solutions, capital size and synergies from membership in one of the largest financial groups in South East Europe, NBG Group, appeared to be the main drivers of SB's competitive advantage in dealing with big corporate clients. Besides being a reliable partner supporting day-to-day business of large corporations, in 2009 SB also focused on fully utilizing the cross-selling opportunities in direction of attracting new clients and sale of retail and treasury products in addition to regular corporate loans. Consequently, by the end of 2009, the total portfolio of large corporate loans reached EUR 174.6 million following disbursement in the total amount of EUR 105.9 million on the basis of new large approvals.

In 2009, SB disbursed more than 6.000 corporate loans, while the total volume of newly approved loans reached EUR 213.2 million. In addition to the regular loan activity, in 2009 in the area of trade finance, SB issued 1.111 letters of guarantee and letters of credit, implying 21.4% higher activity compared to 2008. Total volume of newly issued trade and finance instruments in 2009 reached EUR 42.2 million.

Risk Management

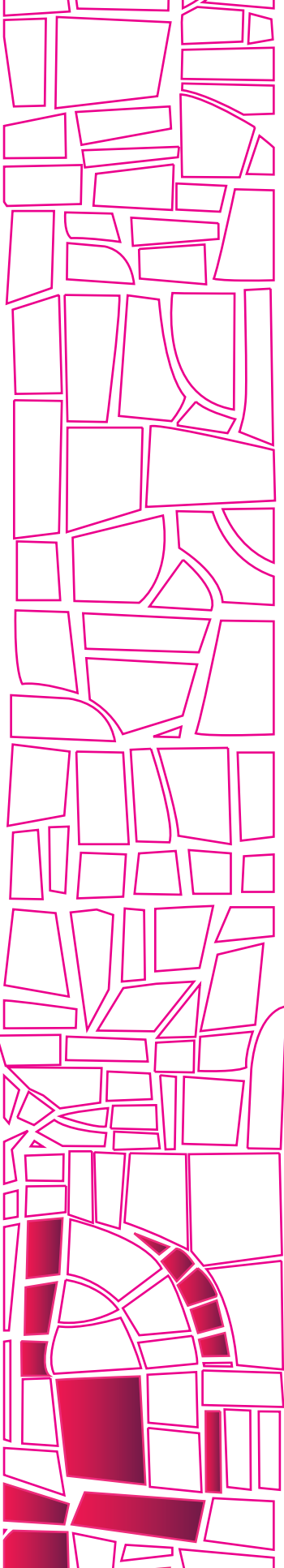
The global financial crisis that unveiled throughout 2008 and 2009 has confirmed once again that risk management is a core banking competency. As a member of NBG Group, SB pursues a prudent risk policy that entails a moderate risk profile, providing conditions for safe growth and contributing towards effective allocation of Bank's capital and greater profitability.

Risk management is performed at various levels within Stopanska Banka AD Skopje. At the highest strategic level, the Supervisory Board determines the risk strategy, policy principles and limits, under the recommendation of the Board of Directors and the Risk Management Committee.

On a tactical level, the Risk Management Division of SB formulates the policies and procedure manuals for managing specific risks and establishes adequate systems and controls to ensure that the overall risk and reward relation remains within acceptable levels. And, finally, the risks are managed at the point where they are actually created (Operational level) by means of appropriate controls incorporated into the relevant operational procedures and guidelines set by the management.

The Bank's risk management organizational structure ensures existence of clear lines of responsibility, efficient segregation of duties and prevention of conflicts of interest at all levels. Furthermore, Risk Management Committee convenes with weekly frequency, in order to review market developments and assess the level of various risks undertaken by the Bank in general and its individual business units in particular.

The primary objective of the risk management function of SB is to limit the impact of potential adverse events both on its capital and on its financial results. Risk management serves to the following goals:

- 
- Protecting the Bank's reputation as the leading and most reputable financial institution in the country pursuing high corporate governance and ethical standards;
 - Risk transparency: Supporting decision making processes at the bank level, by providing the necessary risk related perspective;
 - Management responsibility: SB's business units are individually responsible for their results as well as for the risks associated with their operations. The risk management function contributes towards improvement of the use and allocation of capital and enhance risk adjusted return on capital at the bank level by incorporating risk into business performance measures;
 - Compliance: Ensuring consistency with best practices and compliance with regulatory, quantitative and qualitative, requirements at the Bank and also at the Group level.

Credit Risk Management

Credit risk is defined as the risk that counterparty will be unable to meet its financial or other contractual obligations. Stopanska Banka has a robust framework of policies and processes in place designed to measure, manage and mitigate credit risks.

SB's credit policy of prudent lending emphasises detailed risk assessment prior to any credit decision and common set of minimum standards for credit limit evaluation, approval, renewal and monitoring of credit exposures.

The risk assessment process of corporate and retail borrowers is standardized and facilitated by using special rating models and statistical scoring models. The application of these risk management tools, based on various quantitative and qualitative data inputs, has contributed to systematisation of the approval procedure and risk-controlled growth of specific sub-portfolios.

Once a loan has been granted, ongoing credit management takes place assessing new information, both financial and non-financial. The Bank monitors if the client meets all its obligations and to what extent it can be expected that the client will continue with the same behaviour. In case deviations are identified, credit management will be intensified, with a higher monitoring frequency and stricter monitoring of all conditions agreed upon. An Early Warning System which is in place, produces lists of candidate clients for classification, on

the basis of their transactional behaviour and financial status, further enables the Bank to undertake measures and management strategies in the early stage of the client delinquency.

If it is probable that the debtor is unable to fulfil all its contractual obligations, these exposures are subject to impairment assessment and an allowance is made which is charged to P&L accounts. The impairment calculation is based on the following risk assessment:

- Individual assessment is mainly used for loans of significant amounts. The amount of this impairment is equal to the exposure to the customer deducted by the present value of future cash inflows.
- Collective assessment is determined for loans which are not individually assessed or for which no impairment has been calculated on individual basis. The impairment is calculated at the portfolio level, using Basel II parameters.

Quality of Credit Portfolio

The quality of the credit portfolio of Stopanska Banka remains adequate throughout 2009.

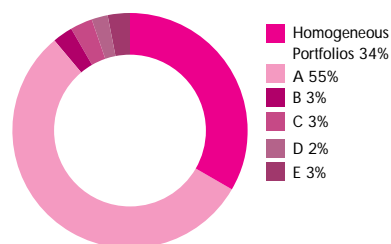
According to the NBRM Methodology, each credit risk exposure is classified in one of the five risk categories (A,B,C,D and E) or in a homogeneous groups on the basis of similar risk characteristics.

The share of the exposure classified in “A” and “B” low risk categories remained high, reflecting the prudent approach of the Bank in selecting new clients. Together with the retail exposure included in the homogeneous groups, that are also considered as low risk, they compose 92% of the total portfolio of Stopanska Banka. The high risk debt classified in “D” and “E” remains on the low side, composing only 5% of the Bank’s loan portfolio.

The impact of the global financial crisis on the Macedonian economy is inevitable and its effects are visible when the composition of the loan portfolio is compared to the end of the previous year. However, with intensive assessment and risk mitigation activities, as well as an efficiently organized Early Warning System, the Bank managed to keep the exposure to credit risk well within the risk appetite and the regulatory requirements.

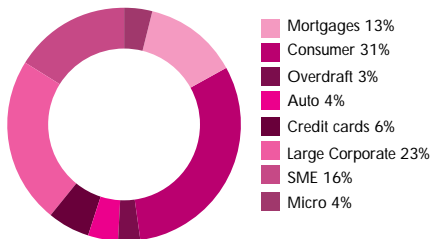
Despite the effect of the crisis, the Bank managed to keep the NPL ratio stable throughout 2009, confirming again the Bank’s

SB banking Book by risk categories

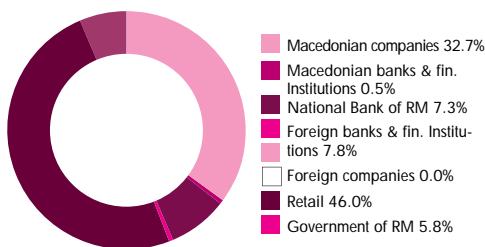


determination to remain within the determined low risk profile and to allocate optimal amount of provision. Consequently, the provision coverage reached 93.2%, higher by 270 b.p. relative to previous year.

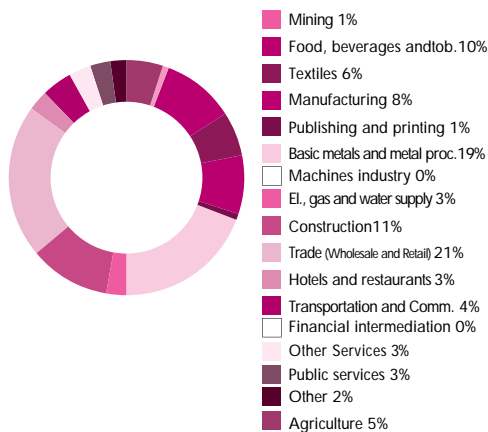
Distribution by loan type



SB total portfolio by customer type



SB corporate loan portfolio by industries



Concentration Risks

Concentration risk is the current or prospective risk to earnings and capital arising from excessive exposure placed with one counterparty or group of related counterparties whose likelihood of default is driven by common underlying factors, e.g. economic sector, industry, geographical location, instrument type.

The loan portfolio of SB remains widely dispersed across different types of borrowers, asset categories and number of industries, thus preventing excessive concentration risks.

For the corporate portfolio, the Bank has set limits that control the risk exposures towards certain industries in order to diversify the credit risk pertinent for a single industry. The limits are monitored on monthly basis as to ensure that the exposure towards vulnerable industries is adequately mitigated.

Liquidity Risk Management

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the bank's inability to meet its liabilities when they come due without incurring unacceptable losses.

Effective liquidity risk management is essential for the Bank in order to maintain the confidence of depositors and counterparties, and to enable the core businesses to continue to generate revenue, even under adverse circumstances.

During 2009, SB successfully maintained sufficient liquidity in order to meet its legal and transactional obligations, based on the existing framework for managing liquidity risk that encompasses:

- Operating standards relating to SB's liquidity risk, including appropriate policies, procedures and resources for controlling and limiting liquidity risk
- Maintenance of a stock of liquid assets appropriate for the cash flow profile of SB which can be readily converted into cash without incurring undue capital losses
- Measurement, control and scenario testing of funding requirements, as well as access to funding sources Management information and other systems which identify, measure, monitor, and control liquidity risk
- Contingency plans of SB for handling liquidity disruptions by means of the ability to fund some or all activities in a timely manner and at a reasonable cost
- Monitoring of liquidity risk limits and ratios taking into account SB's risk appetite and profile, as well as regulatory requirements for the minimum level of liquidity.

Interest Rate Risk

The Bank is exposed to effects of fluctuation in the market interest rates relevant for its financial positions and cash flows. Having in mind that the trading portfolio of the Bank is insignificant and it relates mainly to the government securities, interest rate risk is assessed for exposures arising from the banking book.

Interest rate risk in the banking book (IRRBB) is the current or prospective risk to earnings (Net Interest Income) and / or capital arising from adverse movements in interest rates affecting the banking book positions.

SB has recently established a framework for interest rate risk management in order to minimize the effect of adverse movements of the market interest rates.

The framework encompasses risk factors and their estimation, measurement methodologies, stress testing methodology, IRRBB metrics and limits as to ensure that this risk is appropriately measured, monitored and managed.

During 2009, SB successfully managed the interest rate risk by adjusting the relevant interest rates in direction of maintaining the market share and at the same time undertaking measures to mitigate adverse market movements and consequently preventing deterioration of profit-making potential.

Foreign Exchange Risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in spot and forward currency exchange rates in the banking and trading books.

SB balance sheet structure includes assets and liabilities in different currencies, predominantly in MKD and EUR. SB manages the risk by monitoring the open currency position on a daily basis, ensuring compliance with the internal and external limits of exposure for the main currencies separately, as well as on aggregate level.

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems, human factor or external events.

The operational risk management framework of SB is based upon the OR Strategy and OR Policy and Methodologies documents that provide the tools necessary to examine the quantitative and qualitative aspects of the operational risk. This enables the Bank to identify and measure the potential loss events, as well as undertake corrective actions in order to mitigate or avoid the negative effect on the bank's balances and capital position.

As a part of the Basel II initiative, with support from NBG ORM Unit, in 2009 SB has successfully finished two cycles of Risk Control Self - Assessment. In both instances, the correspondents identified the Bank's internal processes, recognized the associated operational risks, and gathered losses that have occurred during the year.

Furthermore, SB has strengthened the OR framework in moving from Basic Indicator to Standardized Approach. The current activities include the segregation of income and expenses across the eight regulatory business lines under Basel II framework, which will enable determining the capital charge for operational risk.

Capital Adequacy

SB remains on the leading position by capital size providing opportunities for further development of its business and creating broader base for fulfilment of legal limits.

The Bank's objectives when managing capital are to comply with the capital requirements set by the regulator, to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the development of its business.

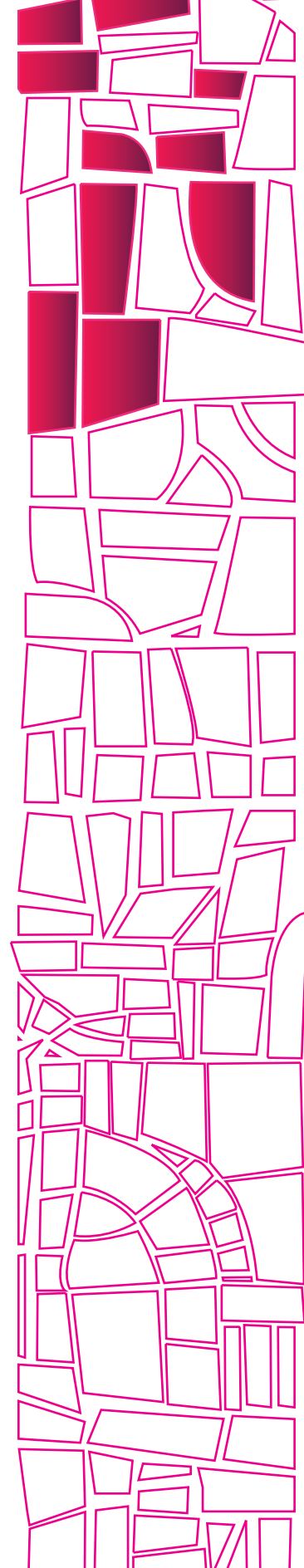
The SB's regulatory capital as at 31.12.2009 remains almost at the same level as the previous year, amounting to EUR 158.2, out of which EUR 111.2 relates to Tier 1 and EUR 47.0 to Tier 2.

SB capital adequacy ratio of 17.25% as at 31.12.2009, 103 b.p. higher than at the end of the previous year and remained well above the legally prescribed limit of 8% and the internal limit of 12%.

Basel II

In the preceding year SB continued to be actively involved in NBG Group efforts intended at setting the ground for full compliance with the requirements of Basel II Capital Accord.

The completed projects belonged to the following main work-streams: data and systems; policies and processes; organization and governance; and models and methodologies. The emphasis in 2010 will be placed on completion of four remaining projects, three data and system projects and one project that relates to organization and governance. Full completion of the Basel II Project will contribute to a uniform risk management framework and capital calculation methodology on a Group level.



Branch Network Operations in 2009

The focus of the business strategy of Stopanska Banka AD - Skopje (SB) in 2009 was to achieve optimal coverage of the whole territory of the country with standardized, modern, client oriented branches, with high service quality. SB position in the financial sector is supported by the largest branch network in the country. Through its branches SB offers a varied range of financial services and products. Such a position nearby its broad customer base coupled with the diversity of its activities enables SB to achieve stable results now and in the future, and in doing so continue to respond to the changing needs of its clients.

To reach all the potential clients, SB undertook activities for expanding its branch network in number and by recognizable image and outlook of modern and client oriented branch. The expansion and optimization of SB branch network is aimed at: enhancing the quality of client services, enlarging the accessibility of banking services for clients, increasing operational efficiency, facilitating Bank's cooperation with clients.

In parallel with branch network enlargement, very important part of the SB business strategy is promotion of transactions through third channels (introduction of ATM Payments, phone banking, e-banking etc.). This will enable branch staff to spend more time for selling activities than in performing transactions that could be transacted through other channel, improving the service quality and client satisfaction on higher level.

During 2009 the bank opened three new branches, all in the Skopje Region. With opening of the branches Ilinden, Butel and Cento, the Bank improves its presence in these municipalities.

During the year, 6 new ATMs were installed on attractive locations serving the financial needs of the people and business clients, thus the total number of ATMs Network at the end of 2009 reached 109. With implementation of the additional ATM functionalities in the next period, the capacity of the Bank ATM's Network will be extended.

As part of our efforts to make access to banking services easier, besides new branches opening and renovating existing ones, during 2009 new organisational model was initiated. Substantial point of New service model Project is implementation of segregation criteria for retail and corporate banking activities offering customer services that are tailored to each customer segment in a manner consistent across the NBG Group.

The project for renovation and refurbishment of the Branch Network was promoted as an idea introduced and accepted on Group level.

People Make Difference

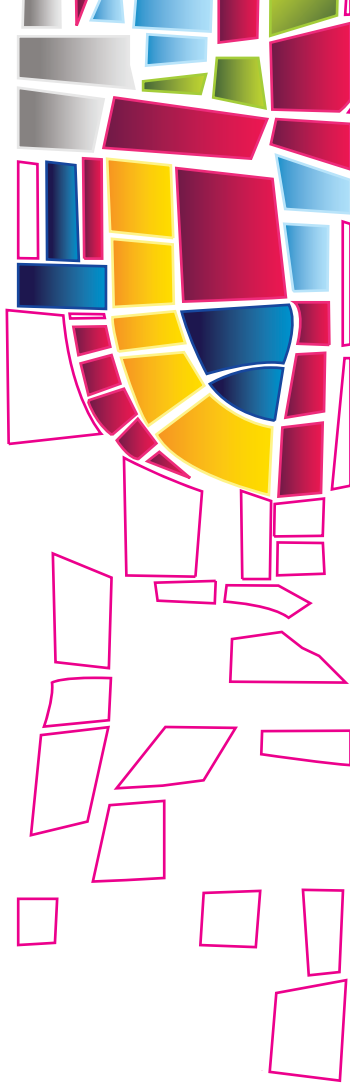
We in Stopanska Banka AD - Skopje recognize the essential importance of people to the success of our business. We emphasize the importance of engaged leaders, teams, and individuals in achieving excellent performance. We focus on clear expectations of our employees and our leaders, and align these expectations with value contribution to the company. The following offers an explanation of this core value that supports our business model and main 2009 activities in this manner. It provides a vision of how we must perform to be the best for our stakeholders: our clients, our employees, and our shareholders.

Incorporating our core values, which reflect basic beliefs that we must embrace to continue our success. Our three core values are mutually combined, namely our employees deliver value to our customers, they bring growth to the business, and the growth offers opportunities to our employees. Our goal is to establish an inclusive workplace that energizes the employees who fuel our company's growth. In Stopanska Banka AD - Skopje, we strongly aim to have engaged, committed and productive employees who add value to our day to day operations. We are focused on hiring the best, retaining them, continually improving the skills and capabilities of individuals and teams.

Having in mind the increasing pressure by the world recession during past year, the banking industry is facing many changes in its nature and the roles of various players in this industry. All these changes are having their implications on the human resources in the banking industry, as well as on the set of competencies needed in the leaders to be in charge of its development.

Therefore, Human Resources Division took a high sensitive approach to the positive techniques that have been proven to enhance the workforce.

In 2009, Human Resources Division dealt with issues related to people such as recruitment, organization development, performance management, benefits, compensation, safety, employee motivation, communication, labor disputes, administration and training.



In order preserving the Bank's competitiveness in this changed climate, SB in line with the implementation of the New Service Model (July, 2009) made considerable changes in the organizational structure, mainly focused on changing the internal organization of the front office units, i.e. Retail, Corporate, Sales and Branch Network and Risk and Operations function and further more establishing of a Real Estate and Collections Division. Following the corporate governance model, new organization of Board of Directors was introduced i.e. Chairman of the Board of Directors and Deputies responsible for retail, risk and financial and operations functions.

In line with the prior stated, in March 2009, Stopanska bank AD - Skopje has performed restructuring and reorganization of less then 5% of its human capital. Namely, encompassing workforce of 1142 employees.

During 2009 Human Resources Division recruited 39 highly educated, qualified and experienced professionals. As a result of continuous development and talent management, the educational structure of SB workforce changes qualitatively towards groups of higher educational level.

Throughout the year of 2009, the Department for Training and Development was supporting the on-going and new operations and projects which had been implemented in all divisions and branches. Within the period of January-December 2009, the total number of employees that attended both generic and operative seminars/trainings organized within the premises of SB was 1,449.

Total of 41 SB employees attended foreign language courses (English and Greek courses). SB supported post-graduate studies in the previous years and throughout 2009 (currently 4 post-graduate studies in the country; and 3 post-graduate studies abroad, out of which 1 newly supported in 2009); 2 new PhDs supported in 2009, and 1 continuous PhD since 2008; and, 3 attendance of seminars for expert exams;

The training in the country and abroad, was organized in cooperation with domestic and foreign institutions, following the usual activities. Throughout 2009, over 150 employees have attended various seminars organized outside the Bank.

In order to fully comply with the new legal regulations for introduction of gross salaries model, SB at the beginning of 2009 implemented new gross salary calculation software which went in live on 1st of January 2009.

By the end of 2009, SB have implemented new HR - SAP system which contributes to more efficient management of human capital in the future, offering better possibilities for operational organization and optimization of workforce performances. SAP Human Capital

Management is a comprehensive, integrated human resources management solution that delivers unmatched global capability.

We in Stopanska Banka AD - Skopje strongly believe that our employees are our competitive advantage, on which we shall stay committed and shall build the foundation of our Bank success on mutual trust, personal contribution, and high quality leadership.

Compliance, Anti Money Laundering and Combat Terrorist financing activities

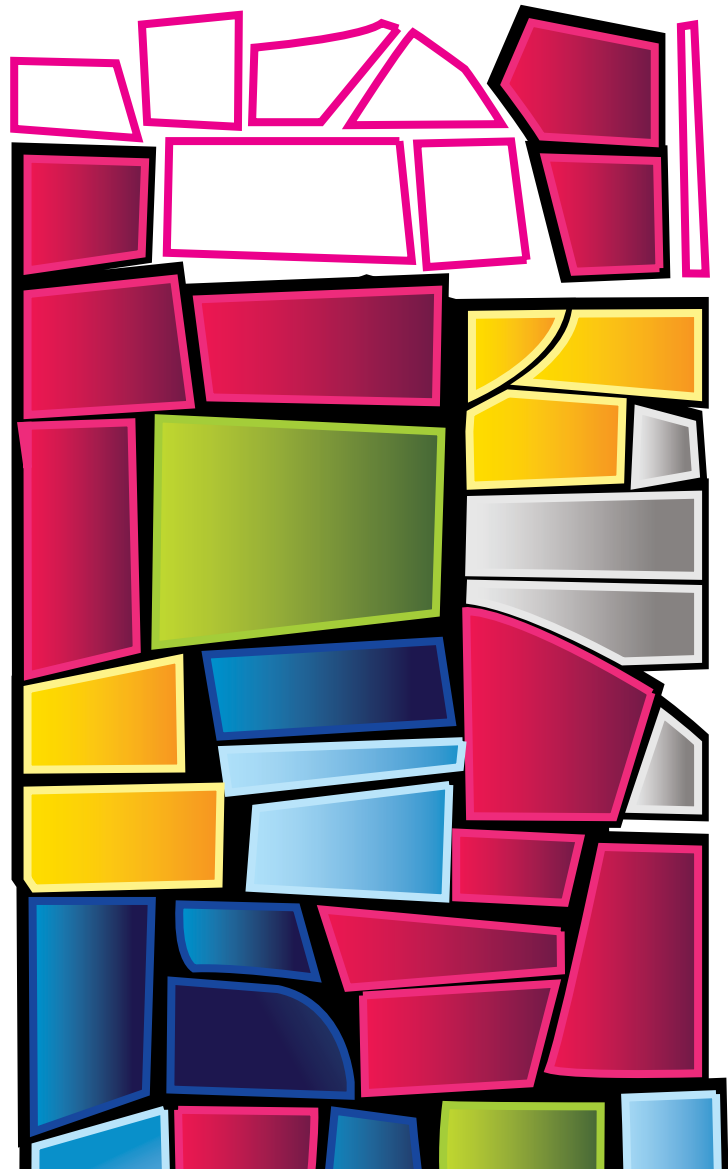
SB permanently follows and implements the novelties in domestic and international regulations as well as relevant regulation regarding Money Laundering Prevention (MPL) and Combat Terrorist Financing (CTF). Accordingly, during 2009 the Supervisory Board of SB passed new text of Compliance Policy and Procedures that are in accordance with the domestic regulations and 10th Basel principles for Compliance and the Compliance function in banks.

According to the Annual Compliance Plan for 2009, the following main projects and activities were realized in the Compliance Department:

- Compliance Department staffing and appropriate technical equipping;
- Establishing an Anti-Money Laundering and Combat Terrorist Financing Committee (AML/CTF Committee) of SB
- Adoption of Client Acceptance and Risk-based categorization Policy of SB
- Updating and amendment of the Regulation on Money Laundering and Terrorist financing prevention
- Adoption of Procedure for fast money transfer through the system of Western Union, which regulates the activities and measures for preventing money laundering and financing terrorism using fast money transfers
- Staff Training
- Monitoring of the overall Compliance of SB with all relevant laws and regulations etc.

In addition to above activities, during 2009 SB started with the implementation of MANTAS software for prevention of Money Laundering and Terrorism Financing.

The Compliance Department of SB closely monitors and implements the regulatory framework regarding Corporate Governance, Banking Secrecy, Personal Data Protection, rules of conducts etc.



Corporate Social Responsibility Milestones

We in Stopanska Banka Ad - Skopje (Sb) Strongly Believe That we are at the forefront in the financial sector in regards to integration of corporate social responsibility in our business strategy. SB is a business partner to the Macedonian and by being a part of National Bank of Greece also to the international business community, therefore is globally committed actively to promote Corporate Social Responsibility, by setting standards, strengthening of the international, legal and political framework that ensures the 10th universally accepted principles are put into consideration.

We believe that socially/environmentally correct choices are also winning economic choices and that creating long-term sustainable values are only achievable if the company aligns the economic and financial, social and environmental activities and if the company's operations are supported by transparent corporate governance.

Human Rights

We in SB recognize the essential importance of people to the success of our business. Therefore, in 2009 we have worked on being an attractive employer, both relating to recruitment and retention of employees. We have focused on work-life balance and continued competency development in order to attract, recruit and retain highly qualified employees. A special focus has been put on safety on the work place and improving working conditions. Namely, SB has appointed responsible persons for ensuring health and safety on the workplace, and carries out an assessment of physical safety of the working environment. For years SB has been committed to offer employees ample opportunities for maintaining and developing their competencies. Focus is therefore, on a continued development of each employee's competences through strategic and systematic competency development. A continued development of human resources is essential in achieving the goals set by SB. Therefore in 2009 a performance review with senior and middle management has been held, outside of the working premises of the Bank aiming to discuss last year performance and future targets. Another topic of this retreat was the improvement of professional skills and personal developments i.e. specific training schemes for professional and business needs, equality and transparency in assessment systems as well as incentive/bonus systems on individual and team merit was also reviewed.

Environmental Challenges

The world today is facing unique environmental challenges, namely climate change, global crisis in water availability, damage to ecosystems, air pollution and many more. In this sense SB has embraced environmental sustainability as an imperative.

One of the main environmental challenges stemming from Bank operation is the electricity consumption. Electricity consumption derives from lightning and air conditioning system and computer hardware. In sense of this, in our headquarters we have centralized system that shuts off the air conditioning system with the end of the working hours. In order to further more reduce resources consumption, energy saving electric bulbs has been installed during 2009. SB has replaced its all computer hardware with energy efficient equipment, namely the new TFT monitors use one third of the power of the old CRT monitors. Water management is without a doubt an area that merits improvements, therefore SB in 2009 has renovated all HQ toilets and installed water saving toilets.

Anticorruption

We in SB believe that through transparency, we can communicate to stakeholders and the public, our values and policies and how they are being translated into action. Transparency sets a tone of openness, accessibility and accountability, building confidence among stakeholders that they are treated in a responsible manner. Transparency of commitment to values and openness about policies and processes will not only enhance a company's reputation but act as a substantial restriction to those wishing to act corruptly. Public reporting on the other hand is a formalization of transparency and an essential link in the accountability. Reporting enables companies to build public trust and their employees to be proud of its company integrity and reputation.

The Road Ahead

During the 2009 the year of economic depression, we worked to provide quality banking and financial services to our customers. Conscious of the value of our activity, we promote a style of growth that is attentive to sustainable results and the creation of a process based on the trust deriving from customer and shareholder

satisfaction, a sense of belonging on the part of our employees and close monitoring of the needs of the community and the local area. We compete on the market with a sense of fair play and are ready to cooperate with other economic entities, whenever necessary to reinforce the overall capacity for growth of the economy of the country in which we operate. We take responsibility for prudent savings management, we undertake to widen the access to credit and other financial instruments to everyone, and the sustainable development of the entrepreneurial system, being aware that our decisions have important impact on the society.

Our strategy for the future has a focal point to create solid and sustainable values from economic and financial, social and environmental points of view, which is built on the trust of all our stakeholders and based on the following values: integrity, (We pursue our goals with honesty, fairness and responsibility and have a respect for the rules and the professional ethics), excellence (as a goal for continuous improvement, anticipating challenges, cultivating preciseness, punctuality, moreover we at SB recognise and reward merits), transparency (We believe that making transparency the basis of our actions, shall contribute our stakeholders to make independent and moreover informed decisions), equality (no forms of discrimination have a place in our bank, we respect differences in sex, age, race, religion, political and union persuasions, language or disability).





CORPORATE GOVERNANCE REPORT 2009

In accordance with the Corporate Governance Code of SB (A.D. No. 154/23.12.2008) the Shareholders are hereby informed on the following:

1. Bank Bodies

1.1. Supervisory Board

During 2009 the Supervisory Board of SB operated with 8 members, out of which 2 independent ones. The term of office of the members was determined on four years since the day the members received approval on their appointment by the Governor of the National Bank of Republic of Macedonia (April 2008). The members of the Supervisory Board are the following:

1. Ioannis Pechlivanidis, Chairman of the Supervisory Board of SB, Vice Chairman of the Board of Directors and Deputy Group CEO of National Bank of Greece S.A. Athens GREECE, THE CHAIRMAN OF THE SUPERVISORY BOARD SUBMITTED ITS RESIGATION ON THE POST MEMBER OF THE BOARD OF DIRECTORS OF STOPANSKA BANKA AD - SKOPJE IN MID DECEMBER 2009. In accordance with the Law on Securities, the Bank informed the public on the said resignation within the legally prescribed dead line.
2. Agis Leopoulos, Deputy Chairman of the Supervisory Board of SB, General Manager of International Activities National Bank of Greece S.A. Athens GREECE, THE PREVIOUS DEPUTY CHAIRMAN IS ELECTED AS CHAIRMAN OF THE SUPERVISORY BOARD OF STOPANSKA BANKA AD - SKOPJE ON THE MEETING HELD ON FEBRUARY 5, 2009.
3. Konstantinos Bratos, Member of the Supervisory Board of SB, Manager of International Network Division "A" National Bank of Greece S.A. Athens GREECE;
4. Antonios Karras, Member of the Supervisory Board of SB, Deputy Manager of International Network Division "A" National Bank of Greece S.A. Athens GREECE;
5. Anastasios Lizos, Member of the Supervisory Board of SB, Deputy Manager of International Network Division "A" National Bank of Greece S.A. Athens GREECE;

6. Vladimir Kandikjan, Member of the Supervisory Board of SB, Professor, Faculty of Law "Justinianus Primus" - University "Cyril and Methody" Skopje MACEDONIA;
7. Anelia Kasterlieva, Member of the Supervisory Board of SB, Principal Banker Financial Institutions, EBRD;
8. Blagoja Nanevski, Member of the Supervisory Board of SB, Professor, Economic Institute, Skopje MACEDONIA.

As stipulated with the laws, the Shareholders Assembly appoints the members of the Supervisory Board. The proposals to the Shareholders Assembly are given by the Nomination Committee, that shall be established by the Supervisory Board and shall consist of three members from the Supervisory Board members, out of which one is the independent member.

The appropriate qualifications for a Supervisory Board member are:

- university degree, at minimum;
- knowledge in the regulations in banking and/or finance area and knowledge in financial industry and environment the bank operates in;
- experience contributing to stable, safe and efficient management and surveillance of the bank operations .

The member of the Supervisory Board should:

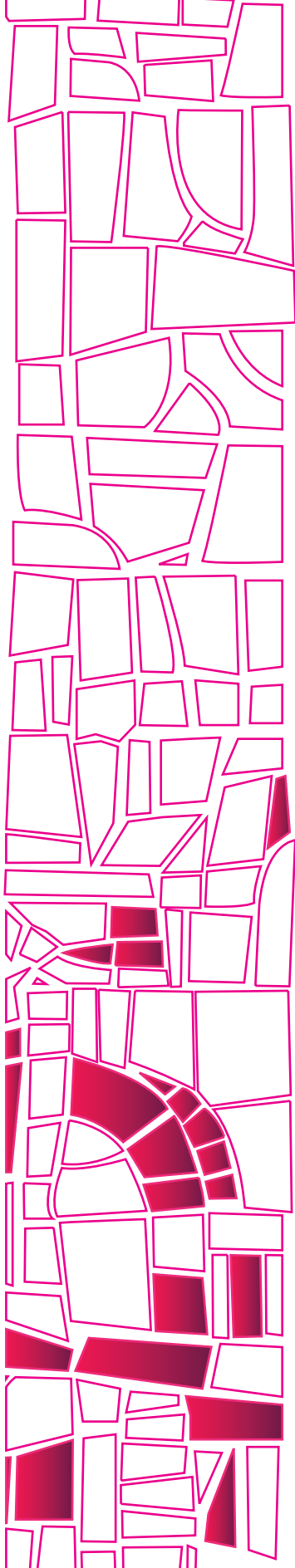
- be honest, competent, capable of giving independent assessment and have strong personal integrity;
 - understand his/her role in the corporate governance and fulfil his/her supervisory role efficiently;
 - know the bank's risk profile;
 - know the regulations and take care of establishing and maintaining professional relations with the National Bank of the Republic of Macedonia (hereinafter referred to as: the NBRM) and other competent supervisory and regulatory institutions;
 - demonstrate loyalty and care for the Bank;
 - avoid conflict of interest, or possible conflict of interest;
 - devote enough time for active fulfilment of his/her obligations;
 - estimate the functioning of the Bank's Board of Directors at least once a year, with the Bank's business policy and operating plans being the initial basis. The written statement on the assessment results shall state the opinion for
-

the fulfilment of the plans and the areas, or the parts of the plans that can be implemented more efficiently. Also, according to the remuneration policy, the written statements shall propose possible rewarding of the bank's Board of Directors;

- assesses the efficiency of its own operating, identify the weaknesses in the Supervisory Board activities and propose amendments on a periodical basis;
- hold regular meetings with the Board of Directors, Risk Management Committee, Audit Committee and the Bank's Internal Audit Department.;
- give proposals for good corporate governance;
- take no participation in everyday management of the Bank.

Appropriate criteria for independency, apart from the ones prescribed by Law, shall mean:

- not being an executive or managing director of the Bank or an associated company, and not having been in such a position for the previous three years;
- not being an employee of the Bank or an associated company, and not having been in such a position for the previous three years;
- not receiving, or having received, significant additional remuneration from the Bank or an associated company apart from a fee received as independent member;
- not being a controlling shareholder or a shareholder with a shareholding of more than 5%, or a director or executive officer of such a shareholder;
- not having, or having had within the last year, a significant business relationship with the Bank or an associated company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship;
- not being or having been within the last three years, a partner or employee of the current or former external auditor of the Bank or an associated company;
- not having served on the board as a non-executive director for more than five terms.
- not being a close family member of an executive or managing director or of persons in the situations described above.



When appointing members of the Board of Directors and other Bank bodies, the relevant nominating authorities shall consider, apart from the legal requirements, that the proposed member has appropriate qualifications, personal characteristics, experience and integrity to contribute in the best possible manner to successful operations of the Board of Directors and relevant body.

The responsibilities of the Supervisory Board are the following:

1. approves the SB business policy and development plan,
2. appoints and dismisses members of the SB Board of Directors,
3. appoints and dismisses members of the SB Risk Management Committee,
4. approves SB financial plan/ Budget,
5. approves the establishment and the organization of the internal control system,
6. organizes the Internal Audit Division and appoints and dismisses the employees of this Division,
7. approves the annual plan of the Internal Audit Division,
8. approves the information security policy,
9. approves SB risk management policies,
10. approves SB plans and programs of activities, and general acts, other than acts adopted by Shareholders Assembly,
11. reviews the reports on the activities of SB Board of Directors,
12. reviews the reports of SB Risk Management Committee,
13. reviews the reports of the Audit Committee,
14. reviews the reports of the Compliance Officer/Department,
15. approves the annual financial statement and the financial statements of SB,
16. approves the list of net debtors of SB,
17. approves the exposure to individual entity exceeding 10% of SB own funds,
18. approves the transactions with persons related to SB exceeding MKD 1,000,000,
19. approves the acquiring equity holdings and purchase of securities higher than 5% of SB own funds, other than purchase of securities issued by the National Bank and the Republic of Macedonia,

20. approves the proposal of the Audit Committee for appointment of audit company and is responsible for ensuring that an appropriate audit is conducted,
21. approves the internal audit policy and procedures, supervises the appropriateness of the procedures and the efficiency of the operations of the Internal Audit Division and reviews its reports,
22. reviews the supervisory reports, other reports submitted by the National Bank, the Public Revenue Office and other competent bodies and proposes, i.e. undertakes measures and activities for addressing the identified non-compliances and weaknesses in SB operations,
23. approves the annual report on the SB operations and submits written opinion thereon to the SB Shareholders Assembly,
24. reviews the report of the audit company and submits written opinion thereon to the Shareholders Assembly,
25. provides written opinion on the annual report of the Internal Audit Division to the Shareholders Assembly of SB,
26. approves SB Code of ethics, and
27. approves the Rules and Procedures for the operations of the Audit Committee.

None of the members of the Supervisory Board reported any conflict of interest.

1.2. Audit Committee

SB Audit Committee consists of five members, where majority are members of the Supervisory Board. The members of the Audit Committee are:

1. Zorica Bozinovska Lazarevska,
2. Antonio Veljanov,
3. Konstantinos Bratos,
4. Anastasios Lizos,
5. Vladimir Kandikjan.

The responsibilities of the Audit Committee are:

1. to review the financial statements of SB and make sure that the disclosed financial information on SB operations is accurate and transparent as specified by the accounting regulations and international accounting standards,

2. to review and make assessment of the internal control systems,
3. to monitor the operations and assess the efficiency of the Internal Audit Division,
4. to monitor SB audit process and assess the work of the audit company,
5. to adopt SB accounting policies,
6. to monitor the compliance of SB operations with the regulations related to the accounting standards and the financial statements,
7. to hold meetings with the Board of Directors, the Internal Audit Division and the audit company as to the identified non-compliances with the regulations and weaknesses in the bank's operations,
8. reviews the reports of the Risk Management Committee,
9. to propose an audit company, and
10. to report to SB Supervisory Board on its operations at least once quarterly.

1.3. Board of Directors

In accordance with the Statute of SB, the Board of Directors of SB consists of two members, First General Manager/Chairman and Second General Manager. As of December 31, 2009 the members of the Board of Directors are:

1. Gligor Bishev, First General Manager/Chairman
2. Konstantina Panagiotopolou, Second General Manager (since June 29, 2009)

On December 31, 2008 the previous member of the Board of Directors and Second General Manager, Georgios Papanastasiou submitted his resignation. In accordance with the Law on Banks the member of the Supervisory Board, Konstantinos Bratos was appointed as acting member of the Board of Directors, during which period he did not participated in the operations of the Supervisory Board. In April 2009 the Supervisory Board appointed Konstantina Panagiotopoulou as member of the Board of Directors of Stopanska Banka AD - Skopje - Second General Manager. The relevant approval on the appointment by the Governor of NBRM was acquired on June 29, 2009.

The responsibilities of the Board of Directors are:

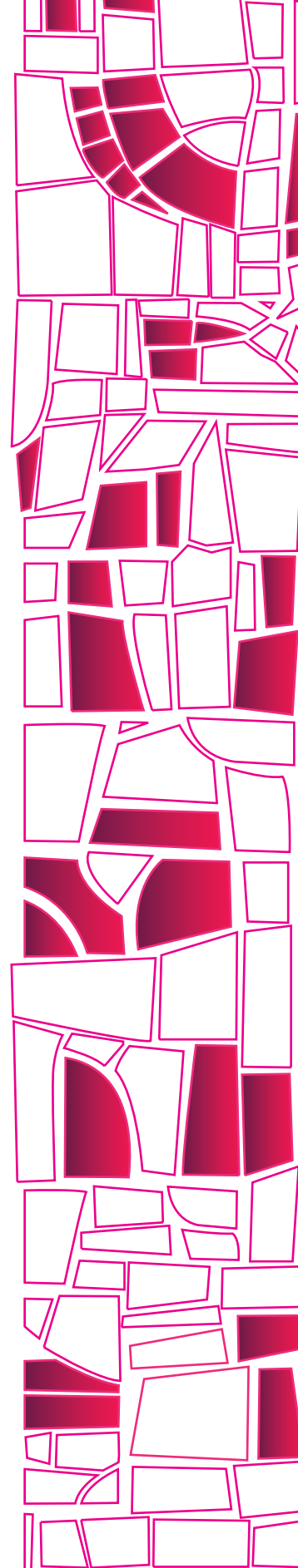
1. to manage SB,
 2. to represent SB,
-

3. to enforce the decisions of the Shareholders Assembly and the Supervisory Board of SB, i.e. make sure that they are implemented,
4. to take initiatives and give proposals for promoting SB operations,
5. to appoint and dismiss the persons with special rights and responsibilities pursuant to the provisions under the Banking Law and this Statute,
6. to prepare SB business policy and development plan,
7. to prepare SB financial plan / Budget;
8. to compile a list of net debtors,
9. to prepare SB information security policy,
10. to prepare an annual report on the SB operations and submit it to the Supervisory Board,
11. to prepare a Code of Ethic of the Bank, and
12. to perform other activities, in accordance with Law, this Statute and SB's enactments.

1.4. Risk Management Committee

As of December 31, 2009 the Risk Management Committee of SB consists of 9 members. The Members of the RMC are:

1. Gligor Bishev - First General Manager, Chairman;
2. Konstantina Panagiotopoulou, Second General Manager, member;
3. Vlado Treneski - Manager of Corporate Banking Division, member;
4. Theodoulos Skordis - Manager of Credit Division, member;
5. Mira Trajanovska - Manager of Treasury Division, member;
6. Milica Chaparovska - Manager of Retail Banking Division, member;
7. Tatjana Kaladzieva - Manager of Branch Network Division, member;
8. Tatjana Vranesevic - Assistant Manager of Risk Management Division, member;
9. Vasileios Kerefidis - Manager of Non-performing Loans Division, member.



The responsibilities of the RMC are:

1. permanently monitors and assesses the risk level of SB, and identifies the acceptable level of exposure to risks in order to minimize the losses as a result of the SB risk exposure,
2. establishes risk management policies and monitors their implementation,
3. follows the regulations of the NBRM pertaining to the risk management and SB compliance with such regulations,
4. assess SB risk management systems,
5. determines short- and long-term strategies for managing certain types of risks SB is exposed to,
6. analyzes the reports on SB risk exposure developed by SB risk assessment units and proposes risk hedging strategies, measures and instruments,
7. monitors the efficiency of the internal control systems in the risk management,
8. analyzes the risk management effects on SB performances,
9. analyzes the effects of the proposed risk management strategies, as well as the proposed risk hedging strategies, measures and instruments,
10. informs, at least once a month, the SB Supervisory Board, and at least once every three months, the SB Audit Committee on the changes in SB risk positions, the changes in the risk management strategies, the risk management effects on SB performances as well as the undertaken measures and instruments for hedging risks and the effects thereof, and
11. reviews the transactions with the persons related to SB on a quarterly basis, and submits report to the Supervisory Board by 15th day in the month following the reporting period.

1.5. Other SB Bodies:

Other SB bodies are the SB Credit Committees as follows:

1. Executive Corporate Credit Committee (ECCC): it consists of 4 members, decides on credit exposure towards single subject (legal entity or individual) for financing in the amount from EUR 3.000.000 up to EUR 25.000.000. All financing that exceed 10% of SB own funds shall be approved by SB Supervisory Board. ECCC also approves restructuring of claims,
-

gives previous consent on write off of claims and performs other activities determined with the decision on establishing;

2. Credit Committee (CC): it consists of 4 members, decides on credit exposure toward single subject (legal entity or individual) in the amount up to EUR 3.000.000 and performs other activities determined with the decision on establishing;
3. Micro-credit Committee: it consists of 2 members, decides on credit exposure toward single subject - legal entity in the amount up to EUR 75,000 and performs other activities determined with the decision on establishing;
4. Retail Credit Committee: consists of 4 members, decides on credit exposure toward single subject - individual in the amount up to EUR 100,000 and performs other activities determined with the decision on establishing;

2. Organizational Structure

The Bank is organized in 19 divisions as follows: Internal Audit Division; Legal Division, Collections Division, Risk Management Division; HR Division, IT Division, Accounting Division, Budgeting and Financial reporting Division; Treasury Division; Payment Operations Division; Underwriting Division; Loan Administration Division Large Clients Division, Commercial Clients Division; Product Management Division; Non performing Loans Division, Property Division, Administrative Support Division and Sales and Branch Network Division. Independent units directly accountable to the Board of Directors perform the Compliance and Information Security functions.

Stopanska Banka branch network is organized in 68 units (branches and sub-branches) in total. SB has no subsidiaries.

3. Shareholders Structure

The initial capital (paid-in capital) consists of 17,460,180 common shares in the nominal value of MKD 201.1 per share and 227,444 priority shares in the nominal value of MKD 400.00 per share, distributed as follows: National Bank of Greece S.A. - Athens with 73%, International Finance Cooperation with 10.8%, European Bank for reconstruction and development with 10.8% and 5.4 % of the total number of shares belong to other shareholders. One common share bears the right to one vote in the Shareholders Assembly of SB and priority shares do not bear the right to vote in the Shareholders Assembly.

The major shareholder of SB - National Bank of Greece is represented by the total of 5 members in the Supervisory body, thus EBRD is represented with one member and 2 independent members constitute the SB Supervisory Board.

In 2009, in accordance with the Decision on allocation of profit for 2008, Shareholders assembly passed a Decision on the manner of calculating and disbursing dividend under the preferred shares of Stopanska Banka AD - Skopje for the year 2008. As per the said dividend Decision SB disbursed dividend under the preferred shares for the year 2008 in total amount of MKD 7.960.540,00 or gross amount of MKD 35,00 per share.

4. Corporate Governance Code

The Corporate Governance Code was prepared in accordance with the NBRM Decision on best principles of Corporate Governance in a Bank and international practices. The Shareholders Assembly adopted the Code on the 20th meeting held on December 23, 2008 and in accordance with the said NBRM Decision reviewed the same on the annual shareholders assembly held in April 2009

5. Conflict of Interest Policy

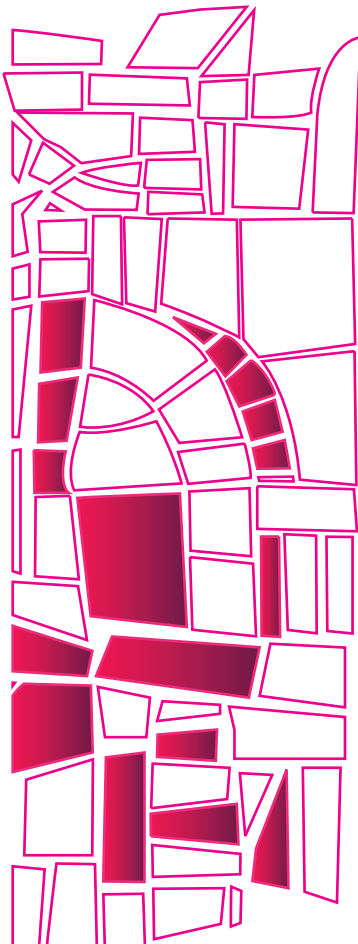
The policy for conflict resolution is determined in accordance with the Law on banks and SB Statute and stipulates the following:

The persons with special rights and responsibilities shall make a written statement on the existence, if any, of a conflict of their personal interest with the interest of SB, regularly every six months.

Personal interest of the persons under paragraph 1 of this Article shall also include interests of the connected persons connected thereto, as defined by the Banking Law.

Conflict between the personal and the bank's interest shall exist when financial, or any other type of business or family interests of the persons under paragraphs 1 and 2 of this Article are concerned by the adoption of decisions, concluding agreements or performing other business activities.

Realization of financial, business and family interest shall imply generation of monetary or other type of benefit, directly or indirectly, by the persons under paragraphs 1 and 2 of this Article.



The persons referred to paragraph 1 of this Article shall not attend the discussion and adoption of decisions, conclude agreements, or perform other business activities if their objectivity is questionable due to the existence of a conflict between their personal interest and the interest of SB.

Statement on existence of a conflict of interests shall also be given before the meeting for discussing and adopting decisions, concluding agreements, or performing other business activity.

The written statement under paragraphs 1 and 6 of this Article shall be submitted to SB Supervisory Board and Board of Directors, indicating the reason underlying the conflict between the personal with SB interest.

If the person under paragraph 1 of this Article conceals the existence of a conflict of interests, the National Bank and any other person who has a legal interest may require annulment of the legal matter to the competent court in accordance with the law.

6. Remuneration Policy

All Supervisory Board members are entitled to reimbursement for their participation at the Supervisory Board meetings in accordance with the Shareholders Assembly Decision on reimbursement for participation (A.D. No. 21/03.05.2001), i.e. EUR 200 per month. In accordance with the NBG Board of Directors Decision, passed on the meeting held on 28.9.06, all officers of NBG SA who participate in the BOD's of Banks or Companies of NBG's Group, in this case Greece based members of the Supervisory Board of SB, did not receive any remuneration for their participation as Supervisory Board members of SB.

The manner of remuneration of the members of the Board of Directors, persons with special rights and responsibilities is determined with the Remuneration Policy.

In 2009 a total of gross MKD 197.338 thousand was paid to the members of the Board of Directors and to the persons with special rights and responsibilities as remuneration package (salary MKD 188.082 thousand and annual bonus MKD 9.256 thousand), where the basic criteria for rewarding annual bonuses was general achievements and contribution to the results in 2009 and overall SB operations.



Correspondent Banking

During the long years in operation SB has been supporting a widespread network of correspondent banks, securing this way its reputation and recognition within the international banking community at all times. With its present network of 855 foreign correspondent banks and 32 nostro accounts with 27 first class foreign banks as well as 63 loro accounts of 12 banks, SB provides quick, efficient, high quality and less expensive services to its clients in the international banking operations.

COMMONWEALTH BANK OF AUSTRALIA, SYDNEY ...

NATIONAL AUSTRALIA BANK LTD, MELBOURNE ...

UNICREDIT BANK AUSTRIA AG, VIENNA ...

BAWAG PSK Bank für Arbeit und Wirtschaft und - sterreichische Postsparkasse Aktiengesellschaft - (BAWAG PSK), VIENNA ...

ING BELGIUM NV/SA , BRUSSELS ...

UNITED BULGARIAN BANK, SOFIA ...

THE BANK OF MONTREAL, MONTREAL ...

CANADIAN IMPERIAL BANK OF COMMERCE, TORONTO ...

DANSKE BANK A/S, COPENHAGEN ...

BNP PARIBAS S.A., PARIS...

DEUTSCHE BANK AG, FRANKFURT/MAIN ...

COMMERZBANK AG, FRANKFURT/MAIN ...

LHB INTERNATIONALE HANDELSBANK AG, FRANKFURT/MAIN ...

BAYERISCHE HYPO-UND VEREINSBANK AG, MUENCHEN ...

NATIONAL BANK OF GREECE S.A., ATHENS ...

INTESA SANPAOLO S.P.A, MILANO ...

BANCA NAZIONALE DEL LAVORO S.P.A., ROMA ...

THE BANK OF TOKYO-MITSUBISHI UFJ LTD., TOKYO ...

ABN AMRO BANK N.V., AMSTERDAM ...

DNB NOR BANK ASA, OSLO ...

SVENSKA HANDELSBANKEN AB, STOCKHOLM ...

UBS AG, ZURICH ...

CREDIT SUISSE, ZURICH ...

BARCLAYS BANK PLC, LONDON ...

CITIBANK NA, NEW YORK ...

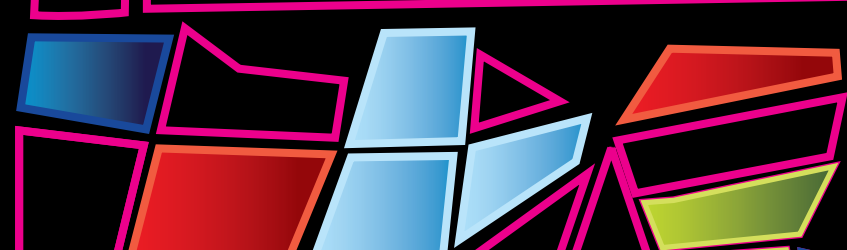
JP MORGAN CHASE BANK NATIONAL ASSOCIATION , NEW YORK ...

DEUTSCHE BANK TRUST COMPANY AMERICAS, NEW YORK.





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REUTERS DIALING CODE SBRM

REUTERS MONITOR PAGE SBMA

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Fax 046/831-005

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Fax 033/471-240

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Fax 033/413-199

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Fax 046/781-365

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Fax 034/348-390

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

OF STOPANSKA BANKA AD, SKOPJE

We have audited the accompanying financial statements (page 3 to 86) of Stopanska Banka AD, Skopje (hereinafter referred to as the "Bank"), which comprise the statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 present fairly, in all material respects the financial position of Stopanska Banka AD, Skopje as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte DOO
Skopje, Macedonia
February 28, 2010

STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2009 (In thousands of Denars)

	Notes	2009	2008
Interest income		4,908,388	4,470,096
Interest expense		(2,285,040)	(1,897,036)
Net interest income	6	2,623,348	2,573,060
Fee and commission income		921,509	1,028,075
Fee and commission expense		(69,225)	(67,313)
Net fee and commission income	7	852,284	960,762
Trading income/(expense), net	8	28,322	(22,319)
Foreign exchange gains, net	9	161,875	200,701
Other operating income	10	98,017	288,086
Impairment losses	11	(1,039,224)	(699,629)
Personnel expenses	12	(739,670)	(660,601)
Depreciation and amortization	13	(187,540)	(170,830)
Other operating expenses	14	(1,062,947)	(954,268)
Profit before tax		734,465	1,514,962
Income tax expense	15	(7,106)	(165,475)
Profit for the year		727,359	1,349,487
Other comprehensive income			
Net value (loss)/gain on available-for-sale financial assets	32	(21,192)	19,004
Other comprehensive income for the year, net of tax		(21,192)	19,004
Total comprehensive income for the year		706,167	1,368,491
Profit attributable to:			
Owners of the Bank		727,359	1,349,487
Total comprehensive income attributable to:			
Owners of the Bank		706,167	1,368,491
Earnings per share	33		
Basic (in Denars)		41.66	77.29
Diluted (in Denars)		41.66	77.29

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the management of the Bank on January 26, 2010 and by the Bank's Supervisory Board on February 27, 2010.

Signed on behalf of Stopanska Banka AD, Skopje:

Mr. Gligor Bishev
First General Manager



Mrs. Konstantina Panagiotopulu
Second General Manager



BALANCE SHEET

At December 31, 2009 (In thousands of Denars)

	Notes	2009	2008
ASSETS			
Cash and cash equivalents	16	18,003,692	11,039,895
Held-for-trading financial assets	17	199,274	117,769
Available-for-sale financial assets	18	440,798	262,241
Held-to-maturity financial assets	19	3,028,979	3,607,226
Placement with, and loans to banks	20	146,775	464,308
Loans to customers	21	41,736,845	41,693,705
Other receivables	22	845,032	872,706
Income tax receivable		10,283	-
Investment property	23	65,871	86,427
Intangible assets, net	24	171,305	180,466
Property and equipment, net	25	1,100,987	1,123,902
Deferred tax assets	15	9,684	1,630
Total assets		65,759,525	59,450,275
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks	26	2,695,175	821,632
Held-for-trading financial liabilities		1,196	-
Deposits from customers	27	51,798,454	47,970,980
Loans payable	28	267,327	285,724
Subordinated debt	29	2,763,333	2,783,597
Other liabilities	30	436,101	490,818
Income tax payable		-	49,054
Deferred tax liabilities	15	-	3,335
Provisions	31	155,873	109,236
Total liabilities		58,117,459	52,514,376
EQUITY			
Share capital	32	3,511,242	3,511,242
Reserves	32	617,021	438,050
Retained earnings		3,513,803	2,986,607
Total equity		7,642,066	6,935,899
Total liabilities and equity		65,759,525	59,450,275
Commitments and contingencies		9,899,233	11,604,411

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2009 (In thousands of Denars)

	Share capital	Revalu- ation reserve	Statu- tory reserve	Special fund	Retained earnings	Total
Balance, January 1, 2008	3,511,242	11,763	240,131	1,083	1,803,189	5,567,408
Transfer to statutory reserve	-	-	166,069	-	(166,069)	-
Other comprehensive income for the year, net of tax	-	19,004	-	-	-	19,004
Profit for the year	-	-	-	-	1,349,487	1,349,487
Balance, December 31, 2008	3,511,242	30,767	406,200	1,083	2,986,607	6,935,899
Balance, January 1, 2009	3,511,242	30,767	406,200	1,083	2,986,607	6,935,899
Transfer to statutory reserve	-	-	200,163	-	(200,163)	-
Other comprehensive income for the year, net of tax	-	(21,192)	-	-	-	(21,192)
Profit for the year	-	-	-	-	727,359	727,359
Balance, December 31, 2009	3,511,242	9,575	606,363	1,083	3,513,803	7,642,066

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2009 (In thousands of Denars)

	2009	2008
Profit before taxation	734,465	1,514,962
Adjustments for:		
Depreciation of property and equipment	133,018	111,278
Depreciation of investment property	2,633	3,075
Amortization of intangible assets	51,899	56,477
Gain on sale of property and equipment, net	(9,490)	(34,928)
Gain on sale of foreclosure assets, net	(13,453)	(47,041)
Interest income	(4,908,388)	(4,470,096)
Interest expense	2,285,040	1,897,036
Net trading (income)/expense	(28,322)	22,319
Deferred tax (benefit)/expense	(8,054)	159
Impairment losses on financial assets, net	959,391	603,958
Impairment losses on non-financial assets	79,833	95,671
Provision for employee benefits, net	22,490	1,389
Provision for litigation	12,240	-
Write off of liabilities for bonuses	(7,311)	-
Interest receipts	4,865,238	4,434,159
Interest paid	(2,255,399)	(1,829,377)
Operating profit before changes in operating assets and liabilities:	1,915,830	2,359,041
Held-for-trading financial assets	(81,505)	(21,537)
Due from banks	317,533	(57,206)
Loans to customers	(1,006,274)	(9,535,805)
Mandatory reserves according NBRM regulations	(158,677)	(1,320,157)
Other receivables	27,764	144,400
Net deferred tax assets and liabilities	(9,684)	2,028
Increase/(decrease) of operating liabilities:		
Held-for-trading financial liabilities	1,196	-
Deposits from banks	1,873,543	(2,220,726)
Deposits from customers	3,827,474	3,915,036
Other liabilities	(47,621)	(11,654)
Net cash flows generated from/(used in) operating activities before income tax	6,659,579	(6,746,580)
Income tax paid	(74,497)	(119,009)
Net cash flows generated from/(used in) operating activities	6,585,082	(6,865,589)

STATEMENT OF CASH FLOWS (Continued)

Year ended December 31, 2009 (In thousands of Denars)

	2009	2008
Cash flows from investing activities:		
Acquisition of property and equipment	(149,693)	(128,554)
Acquisition of intangible assets	(36,806)	(127,081)
Net proceeds from investments	399,690	214,470
Proceeds from sale of property and equipment	43,158	63,256
Proceeds from sale of investment property	697	10,008
Dividend received	8,749	15,423
Net cash flows from investing activities	265,795	47,522
Cash flows from financing activities:		
Net (decrease)/increase of loans (including subordinated debt)	(38,661)	1,532,959
Dividends paid	(7,096)	(7,785)
Net cash flows (used in)/ generated from financing activities	(45,757)	1,525,174
Net increase/(decrease) of cash and cash equivalents	6,805,120	(5,292,893)
Cash and cash equivalents, beginning of the year	8,337,484	13,630,377
Cash and cash equivalents at the end of the year	15,142,604	8,337,484

The accompanying notes are an integral part of these financial statements.





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