

**OPINION TO THE
ANNUAL REPORT ON OPERATION OF
STOPANSKA BANKA AD – SKOPJE IN 2011**

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STOPANSKA BANKA AD – SKOPJE IN 2010**

1. Stopanska Banka AD – Skopje (SB) performed its activities during 2011 in accordance with the Laws, the Statute of SB and Internal Regulations. Main financial and operational targets for 2011 were set by the SB 2011 Budget approved by the Supervisory Board.
2. Fulfillment of the set targets was followed by the Supervisory Board on regular manner by reviewing extensive monthly Board of Directors Reports (containing both numeric and descriptive data), and regular evaluation of the steps taken for fulfillment of the set targets. In addition the said Report included regular reporting for the activities of the Risk Management Committee. The Board of Directors was responsible for organizing and monitoring all activities connected with achieving budgeted targets.
3. The first half of the year brought strong economic recovery with GDP growth of 5.1%, driven by both, foreign and domestic demand. However, the escalation of the European debt crisis, during the second half of 2011, decelerated the export growth and consequently brought down the overall growth rate of the domestic economy to 3.0% by the end of the year. However, the inflows from private transfers remained strong during 2011 which maintained low current account deficit (2.8% of GDP). This, coupled with growing capital inflows boosted the Central bank's F/X reserves to the highest historical level, decreasing the external vulnerability of the country. Such macroeconomic setup enabled the monetary policy to remain loosened throughout the year and banks to maintain healthy liquidity position. As a result the credit growth in the country remained positive and banking sector maintained the low risk profile and strong capital base.

Despite the continued recovery of the domestic economy, it was still too early to speak of a return to market sustainability. On that note, during 2011, SB dedicated its efforts on maintaining the strong liquidity and capital base, safeguarding the loan portfolio quality and containment of the operating costs. Thus, SB remained well-capitalized, deposit-funded and highly liquid and continued delivering high quality services to its customers. At the end of the year, the bank recorded profit before taxes of EUR 10.5 million, while the bank's total assets reached EUR 1,140.7 million exceeding the corresponding 2010 figure by 3.1%. Consequently, ROA stood at 0.9%, while ROE equaled 7.5%, indicating stable returns for shareholders. With the highest capital strength in the industry, which ensured capital adequacy of 17.6%, SB remained the most solid and trustworthy financial partner in the country. These results were also acknowledged by the Finance Central Europe magazine when it declared Stopanska Banka AD-Skopje "The best bank in the country by assets size and capital strength".

Attracting new deposits was one of the key strategic targets set, and successfully realized, by the Bank during 2011. The confidence of the households and businesses in the largest and healthiest bank in the country resulted with 6% annual growth of our deposits base. Consequently, the loans to deposits ratio drop below the sector average to the level of 85.5%.

Having in mind the importance of delivering operational excellence in both, efficiency and risk management, the bank adapted its strategy in order to reduce the operating costs and maintain excellent credit quality results. As a result the operational costs were reduced by

4.0% on annual basis, while the NPL ratio remained below the banking sector average. Moreover, it's worth noting that the rigorous risk management controls implemented during 2011 in the retail segment resulted with NPL ratio lower by 215 b.p. when compared with the sector average.

As part of the efforts to make access to banking services easier, in 2011, SB pioneered the market with the introduction of Phone banking service for retail clients. In a technologically improving environment, the demand for more communication channels by the clients was supplemented with this new channel through which basic banking services such as bill payment, money transfer and balance overview are provided. The Phone banking service completes the alternative channels available now via phone, internet and ATM 24 hours a day. The alternative channels also complements SB cost controlling policies by providing existing banking services at lower costs for the Bank. These channels have consistent growth in the number of transactions. Namely, compared to 2010 the growth of e-banking transactions for 2011 is almost 70% and their contribution reached 20% of all transactions made in SB, up from 12% in 2010. These numbers confirm that the implemented strategy is accommodating the market requirements and provides SB the necessary competitive advantage to remain the market leader and pioneer in sophisticated banking services.

4. Having in mind the performance of SB in 2011, quantitative and qualitative data presented in the Annual Report, Supervisory Board estimates that in 2011 SB maintained its strong record of continuity and once again achieved excellent results. This positive outcome reflects the continuing success of NBG Group strategy, which has been pursued consistently since the acquisition of SB in 2000. The Supervisory Board is pleased to report on another successful year, in which SB has reaffirmed its leading position on the market.
5. The Supervisory Board would like to take this opportunity to express its gratitude to all SB customers, partners, shareholders and stakeholders for their trust and support over the past year.

S.B. No. 2144
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S k o p j e

SUPERVISORY BOARD

Chairperson
Panagiotis Karandreas