



**ANNUAL REPORT  
2012**



**STOPANSKA BANKA AD - SKOPJE**  
member of NBG group

On your side

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### Dear Shareholders,

During 2012, the continued sovereign debt crisis and still vulnerable financial system further extended the macroeconomic imbalances in the Euro Zone. Thus, structural reforms continue to be essential in returning the economic stabilization and recovery for the Euro Zone. The domestic economy spotted a slowdown in the economic activity but yet it succeeded to maintain the overall macroeconomic performances stable even though the economic surrounding was very uncertain. In this environment, Stopanska Banka AD Skopje (SB) directed its efforts and full capabilities in order to realize the new projects and to offer products and services in line with the requirements and needs of the clients with an aim to overcome their market difficulties and to contribute to preserving of the overall macroeconomic stability. Hence, dear shareholders, SB strongly dedicated and successfully conducted its planned business goals resulting in growth and excellent financial results for 2012, which we are proud to present you.

In the year under review, SB primarily focused to preserve the advantage created in previous years such as: sound credit portfolio, high capital adequacy ratio and strong liquidity, on one side; and on the other side the Bank was identifying and supporting creditworthy businesses that would mark new model of economic growth. Thus, at the end of the year, the Bank recorded profit after taxes of EUR 12.9 million. The Bank's total assets reached EUR 1,225 million, exceeding the corresponding 2011 figure by 7.4%. Consequently, ROA equaled 1.1%, while ROE reached 8.6%, indicating stable returns for shareholders. With the highest capital strength in the industry, which ensured capital adequacy of 19.4%, SB remained the most solid and trustworthy bank in the country.

SB kept its prudent credit risk approach and maintained diversified portfolio to both companies and households following the most certain path to sound loan portfolio. The Bank's effective risk management model based on the best international risk management practices also respecting the local specifics was reflected in sound loan portfolio with NPL ratio lower by 180 bp compared to banking sector average as of the end of 2012.

Growing deposits has been one of the strategic targets set, successfully realized with 4.5% annual growth. SB continuously enriches its array of deposits products by conducting more customized approach towards different clients segments, providing appropriate level of service and diversified packages of products

As a part of the additional continuous efforts to make access to banking services easier to provide them 24 hours access to the banking services and at the same time to achieve higher operational efficiency and the most important to achieve customer satisfaction, SB promotes maximally the novelties of the alternative channels. In 2012, SB pioneered the market with the introduction of M-banking service within the previously established I-bank services. The M-banking service for retail clients is a mobile application that enables clients to have 24/7 overview of their accounts, balances, monthly statements, as well as to provide access to location information, working hours, ATMs, merchants that offer instalment payments, foreign exchange, lending and deposit products, interest rates and calculators. Compared to 2011 the growth of transactions with alternative channels in year 2012 was almost doubled with the great potential to be further exploited.

In 2012, SB has continued with its dedication to the Corporate Social Responsibility values, guided with the principle of social awareness aimed at overall benefit and sustainable development of the local and broader community. These activities bring the values and the corporate culture of SB closer to its community, to its employees and its clients.

At the end, we 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, we 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.

Konstantinos Bratos  
Chairman of the Supervisory Board  
Skopje, 22.05.2013

## Supervisory Board

### 1. Konstantinos Bratos<sup>1</sup>

Chairman of the Supervisory Board of SB  
Manager of International Activities Division  
National Bank of Greece S.A. Athens,

### 2. Panagiotis Karandreas

Member of the Supervisory Board of SB  
Head of Sector "B" of International Activities Division  
National Bank of Greece S.A.  
Athens,

### 3. Dimitrios Fraggetis

Member of the Supervisory Board of SB  
Chief Credit Officer  
National Bank of Greece S.A.  
Athens

### 4. Lizos Anastasios<sup>2</sup>

Member of the Supervisory Board of SB  
Head of Section "A" of International Activities Division  
National Bank of Greece S.A.  
Athens

### 5. Spyridon Stavros Mavrogalos Fotis<sup>3</sup>

Member of the Supervisory Board of SB  
Assistant General Manager of Group Procurement and  
Administrative Support  
National Bank of Greece S.A.  
Athens,

### 6. Dimitra Gkountoufa<sup>4</sup>

Member of the Supervisory Board of SB  
Executive Advisor  
National Bank of Greece S.A.  
Athens,

### 7. Vladimir Kandikjan<sup>5</sup>

Member of the Supervisory Board of SB  
Professor, Faculty of Law "Justinianus Primus"  
University Ss. "Cyril and Methodius"  
Skopje,

### 8. Blagoja Nanevski<sup>6</sup>

Member of the Supervisory Board of SB  
Professor, Integrated Business Faculty - Skopje  
Skopje

<sup>1</sup>Mr. Konstantinos Bratos' appointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 15 November, 2012.

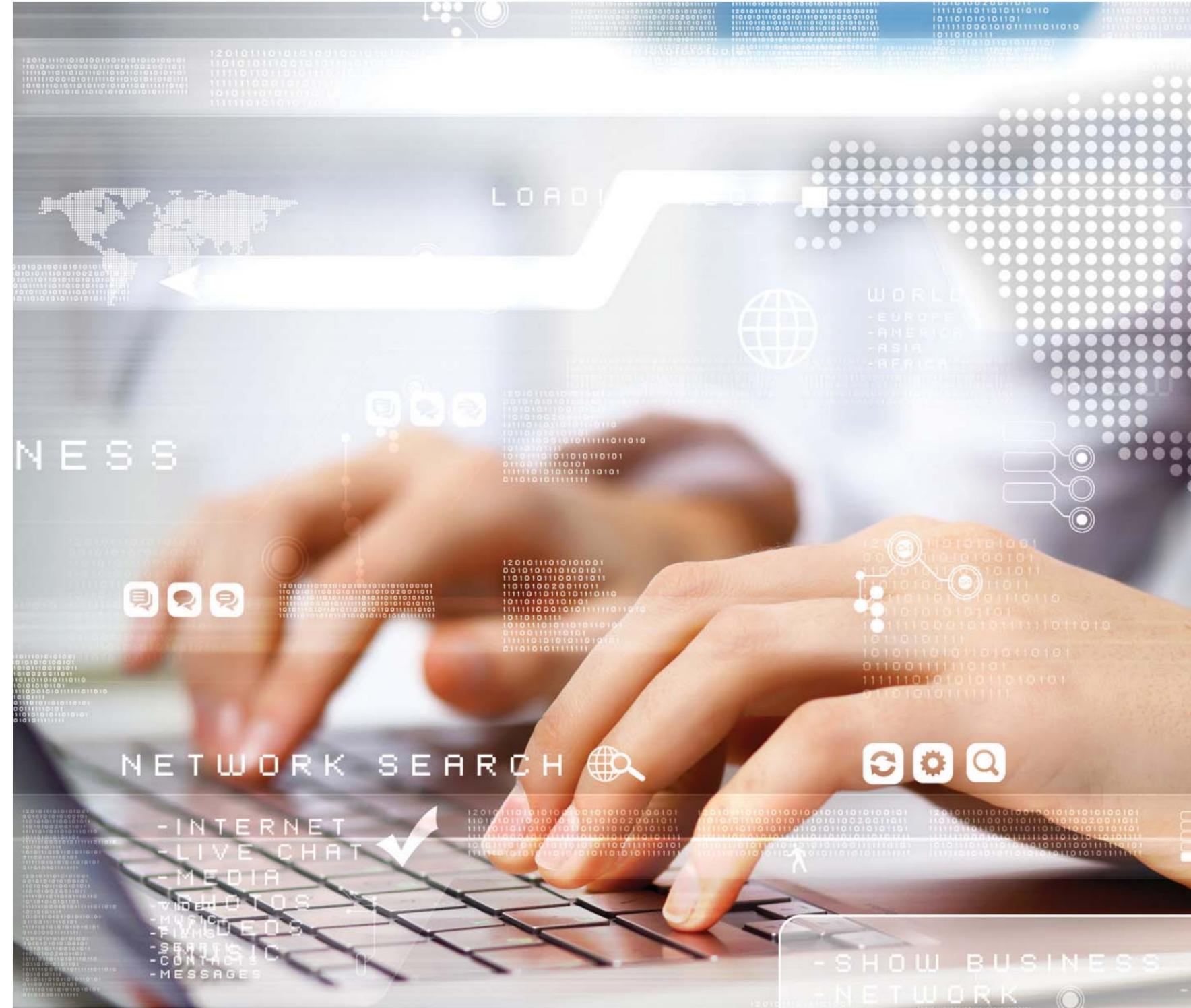
<sup>2</sup>Mr. Anastasios Lizos' reappointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 29 March, 2012.

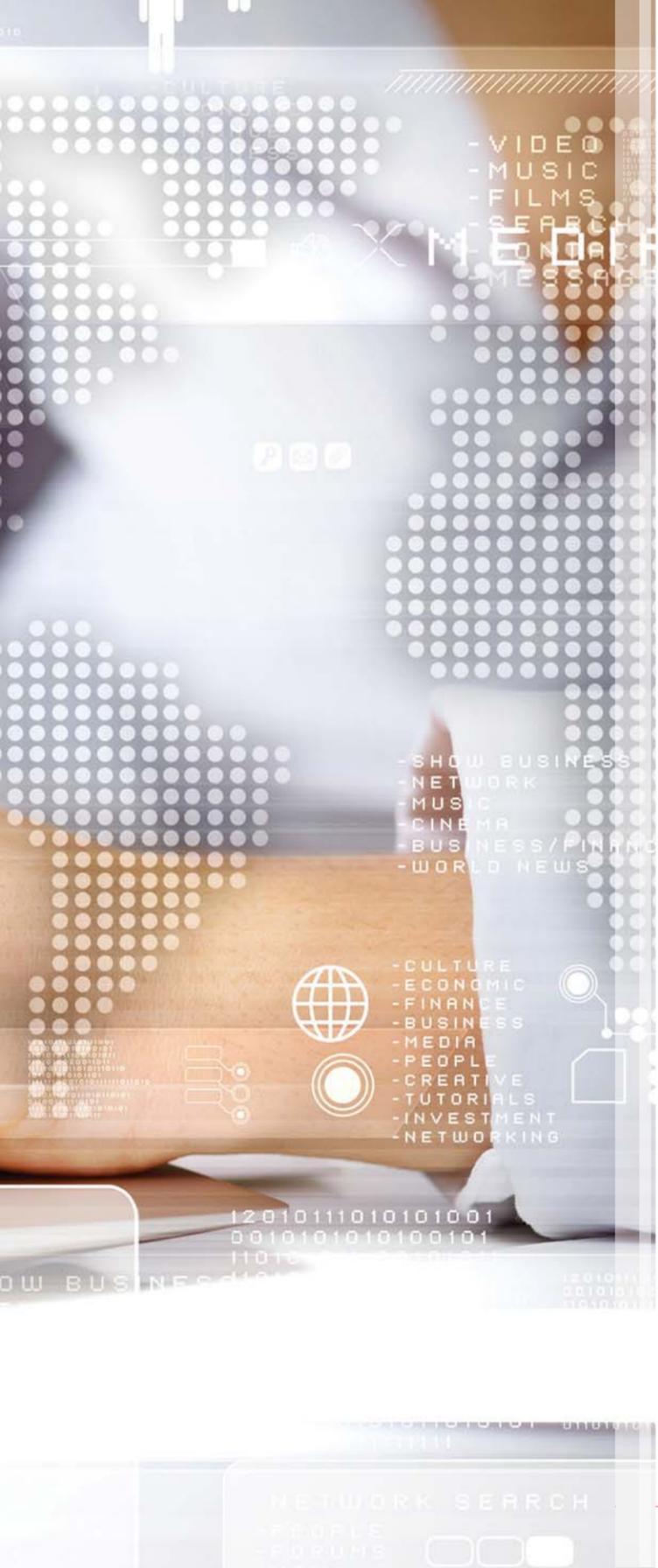
<sup>3</sup>Mr. Spyridon Stavros Mavrogalos Fotis' appointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 15 November, 2012.

<sup>4</sup>Ms. Dimitra Gkountoufa' appointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 24 October, 2012.

<sup>5</sup>Mr. Vladimir Kandikjan' reappointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 29 March, 2012.

<sup>6</sup>Mr. Blagoja Nanevski' reappointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 29 March, 2012.





## The Bank and its Shareholders

Established far back in 1944, Stopanska Banka AD - Skopje has been 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 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. After the execution of the put out option in the second half of August 2010 with IFC and EBRD that participated in the Bank capital with 10.8% share each, the National Bank of Greece has stake of 94.6%, and the remaining of 5.4% of the total number of shares are held by larger number of small 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

in EUR million

	2011	2012	% change
<b>Income Statement indicators</b>			
Net Interest Income	35.6	41.8	17.1%
Net Commissions Income	13.9	15.3	10.2%
Total Income	55.7	63.2	13.5%
Operating expenses	-33.1	-33.3	0.7%
Personnel Expenses	-11.9	-11.6	-2.2%
Net Operating Income	22.6	29.9	32.2%
Impairment losses	-12.1	-16.9	39.8%
Pre Tax Profit	10.5	13.0	23.6%
Net Profit	10.2	12.9	26.3%
<b>Balance Sheet indicators</b>			
	<b>2011</b>	<b>2012</b>	<b>% change</b>
Total Assets	1,140.7	1,225.2	7.4%
Equity	145.2	158.1	8.9%
Regulatory capital	170.2	170.2	0.0%
Loans to customers (net)	719.1	741.4	3.1%
Total loans (gross)	788.4	823.0	4.4%
Retail loans	462.4	484.1	4.7%
Corporate Loans	326.1	338.9	3.9%
Provisions	69.4	81.6	17.6%
Total Deposits	921.9	963.5	4.5%
Retail deposits	735.5	765.3	4.1%
Corporate Deposits	186.4	198.2	6.3%
<b>Financial ratios</b>			
	<b>2010</b>	<b>2011</b>	<b>change b.p.</b>
Net Interest Margin	3.4%	3.8%	37
Cost income ratio	59.4%	52.7%	-670
ROA	0.9%	1.1%	18
ROE	7.5%	8.6%	106
Loans to Deposits ratio (gross)	85.5%	85.4%	-10
Capital Adequacy ratio	17.64%	19.43%	179
<b>Operational Indicators</b>			
Number of Units	64	64	0
Number of Personnel (eop)	1021	1023	2

Note: All figures in this report referring to SB are based on statutory financial statements

## Economic Environment

Macroeconomic risks and consequential high uncertainty influenced negatively on the Euro Area economic activity during 2012. These events had an inevitable impact on the domestic economy in terms of lower export demand causing sluggish economic activity. The adjusted energy prices and higher global food prices led to slightly higher inflation in the last year. On the positive note, the foreign reserves and the private transfers remained stable. The banking sector maintained low risk profile, healthy liquidity position and strong capital adequacy.

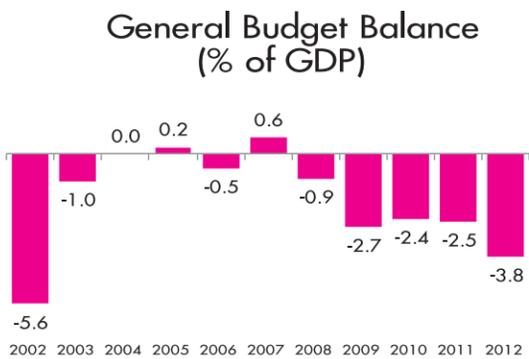
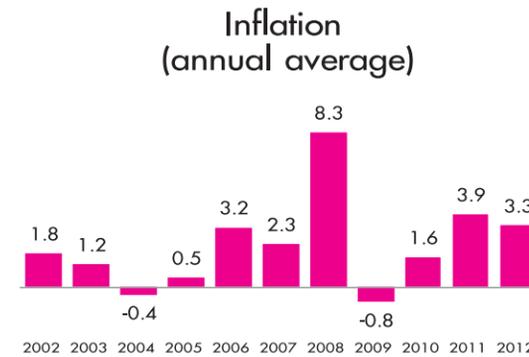
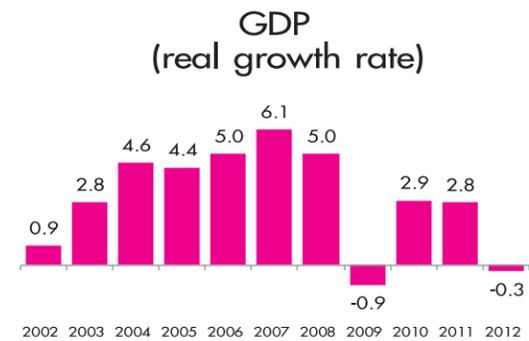
The macroeconomic risks in the Euro Area arising from the prolonged sovereign debt crisis and still vulnerable financial system as well as consequential high uncertainty, contributed to deepening the macroeconomic imbalances in 2012. Such economic circumstances within the Euro Area further reflected on its economic growth prospects. Therefore, structural reforms continue to be pivotal in contributing economic stabilization and recovery.

Despite the stable macroeconomic performance of the country in the past years, its close links with global developments, especially in the Euro Area, prompted a slowdown in the real GDP growth in 2012. The decline in the export demand and consequently in the industrial production led the country formally into recession in the first half of the year.

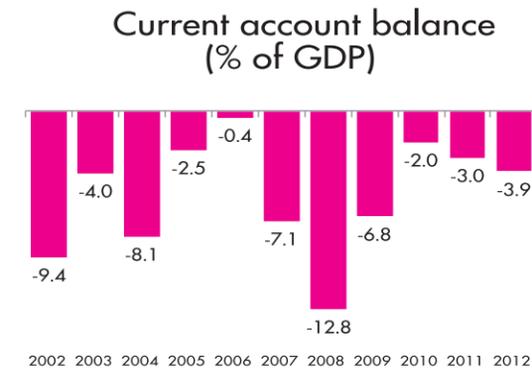
Although, a modest recovery started in the second half of 2012, mainly triggered by both the positive movements in the gross investments and increased government consumption, still the recovery was fragile. Country's GDP declined by 0.3%.

The adjustment of energy prices and higher global food prices did not disrupt price stability which remained on average of 3.3%, slightly higher than the previous year.

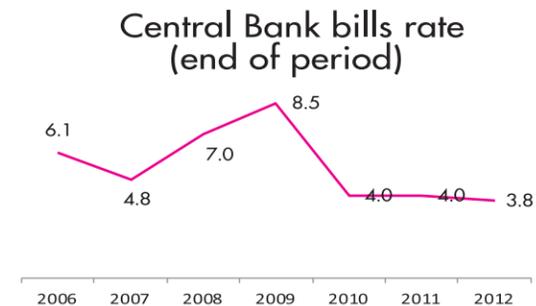
Fiscal stimulus continued in 2012 due to which fiscal deficit was higher, but still prudent at 3.8% of GDP higher by 1.3 p.p. compared to 2011. The public debt stood at acceptable level of 32.1%, but higher than 27.8%, recorded in the previous year.



The year of 2012 finished with a current account balance deficit of EUR 291.4 million, or 3.9% of GDP that was fully covered by the private transfers and foreign direct investment. This comes in large part from the increased trade deficit. However, the coverage of trade deficit with private transfers reached solid 88%. On the capital and financial account side net inflows reached EUR 392.4 million, or 5.2% of GDP. The biggest part came from "other investment" (EUR 190 million). Foreign investment stood at modest EUR 104.8 million.

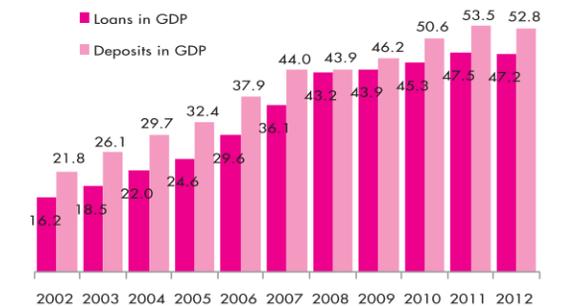


The macroeconomic environment characterized by slow recovery, moderate inflation, still slow credit flows and balance of payments position that generates additional foreign reserves, was assessed by NBRM as suitable for monetary relaxation. In this respect, the National Bank reduced the key interest rate on CB bills from 4% to 3.75%.



The hardship in the real sector was inevitably felt in the financial services industry. The deposit base at the end of the year registered an annual growth of 4.9% compared to 9.2% in the previous year. Such growth was solely attributed to the local currency-denominated deposits which recorded an annual increase of 11.5%. The lending activity also decelerated in 2012 to 5.4% annual growth. In such environment the loans to deposits ratio stood at 89.4%, which is similar to the previous year level. NPL ratio spotted slight increase at level of 10.9% from 9.9% in 2011, but the full provision coverage still remains (101.3%). Nevertheless, even though the banking sector has faced decelerating growth, yet a low interest rate environment and downward pressure on interest margin exists, which indicates banks' prudent behavior. Hence, despite the economic downturn, the banking sector remained well-capitalized, deposit-funded and consequently maintained low risk profile.

## Financial intermediation





## Basic macroeconomic indicators

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Output</b>											
Gross Domestic Product (real growth rate)	0.9	2.8	4.6	4.4	5.0	6.1	5.0	-0.9	2.9	2.8	-0.3
Industrial Production (real growth rate)	-5.3	4.7	-2.2	7.0	2.5	3.7	5.5	-7.7	-4.3	3.3	-6.6
<b>Prices, wages and productivity</b>											
CPI (annual average)	1.8	1.2	-0.4	0.5	3.2	2.3	8.3	-0.8	1.6	3.9	3.3
CPI (year-end)	1.1	2.6	-1.9	1.2	2.9	6.1	4.1	-1.6	3.0	2.8	4.7
PPI (annual average)	-0.9	-0.3	0.9	3.2	3.2	1.7	5.6	-6.5	8.3	11.1	4.6
PPI (year-end)	1.1	-0.2	1.3	4.0	3.2	4.2	-1.8	3.2	9.0	8.3	5.3
Real wages (annual growth rate)	5.3	3.6	4.2	2.0	4.0	5.5	1.9	25.0	1.4	-2.4	-2.9
<b>Government finance</b>											
General government balance (% of GDP)	-5.6	-1.0	0.0	0.2	-0.5	0.6	-0.9	-2.7	-2.4	-2.5	-3.8
<b>External sector</b>											
Current account balance (% of GDP)	-9.4	-4.0	-8.1	-2.5	-0.4	-7.1	-12.8	-6.8	-2.0	-3.0	-3.9
Export of goods (in million US\$)	1,112	1,363	1,675	2,041	2,396	3,349	3,971	2,692	3,296	4,429	3,975
Import of goods (in million US\$)	1,918	2,214	2,814	3,104	3,681	4,979	6,523	5,043	5,241	6,759	6,273
Export of goods (annual growth rate)	-3.7	22.5	22.9	21.8	17.4	39.8	18.6	-32.3	22.7	34.4	-10.3
Import of goods (annual growth rate)	14.0	15.4	27.1	10.3	18.6	35.3	31.0	-26.4	8.1	29.0	-7.2
Gross external debt (in million US\$)*			2,817	2,971	3,284	4,161	4,678	5,505	5,490	6,308	6,555
Foreign reserves (in million US\$)	735	903	986	1,325	1,866	2,240	2,106	2,290	2,277	2,677	2,891
Exchange rate MKD/EUR (average)	60.98	61.26	61.34	61.18	61.17	61.20	61.27	61.29	61.52	61.53	61.52
<b>Monetary aggregates</b>											
M1 growth (dec./dec.)	4.3	2.8	2.0	6.4	17.9	30.7	14.5	-3.5	9.8	6.8	7.6
M2 growth (dec./dec.)	-8.0	18.8	17.1	15.5	24.8	28.1	7.1	3.9	8.3	7.5	0.5
M2 denar growth (dec./dec.)	7.9	15.4	12.6	11.7	31.7	41.1	0.8	-5.5	10.8	10.1	3.2
M4 growth (dec./dec.)	-9.8	16.0	16.5	15.0	25.0	29.3	11.2	6.0	12.2	9.7	4.4
M4 denar growth (dec./dec.)	7.5	12.1	16.2	15.0	24.5	29.1	8.9	-4.4	16.0	14.4	9.6
Credit to private sector (dec./dec.)	6.9	15.4	25.7	21.7	30.5	39.2	34.4	3.5	7.1	8.5	5.4
<b>Interest rates</b>											
Money market interest rate (annual average)	11.9	9.9	6.9	8.6	5.5	3.7	4.4	6.3	3.7	2.2	2.2
CB bills rate (annual average)	12.6	8.2	7.7	9.5	6.0	5.1	6.5	8.5	5.5	4.0	3.8
Money market interest rate (end of period)	11.9	5.8	7.9	8.7	4.9	3.1	5.3	6.1	2.7	2.2	2.1
CB bills rate (end of period)	15.2	6.2	9.0	8.5	5.7	4.8	7.0	8.5	4.0	4.0	3.8
<b>Capital markets</b>											
Macedonian Stock Exchange index-MBI (growth rate-eop)	11.9	7.7	14.7	69.58	61.54	109.07	-72.92	23.8	-16.1	-13.3	-12.3

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



Review of 2012 Activities

## Financial Performance

*Uncertainty and challenges of the macroeconomic environment marked the year of 2012, yet 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 and operational excellence ensured SB profitability.*

In the year under review, SB ability to adapt its strategy to the unfavorable economic trends led to strong performance and increasing business volume and market-leading capabilities in the prosperous business segments. The Bank focus on: ensuring strong liquidity and capital base, safeguarding the quality of the loan portfolio, and pursuing operational excellence in both cost efficiency and risk management, secured the stability, soundness and profitability of SB in 2012. Items of SB's financial statements de facto represent the strategy of the Bank which in 2012 was focused from one side to preserve the advantage created in previous years such as: sound credit portfolio, high capital adequacy ratio and strong liquidity; and on the other side the Bank was identifying and supporting creditworthy businesses that would mark new model of economic growth. Its powerful brand name remained symbol for extraordinary services, trust and safety. Consequently, at the end of the year, the Bank recorded profit after taxes of EUR 12.9 million. The Bank's

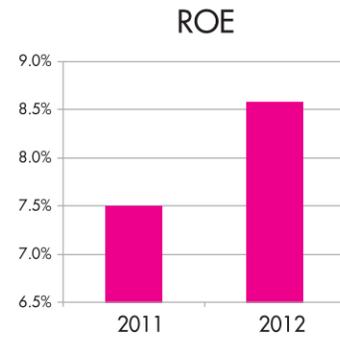
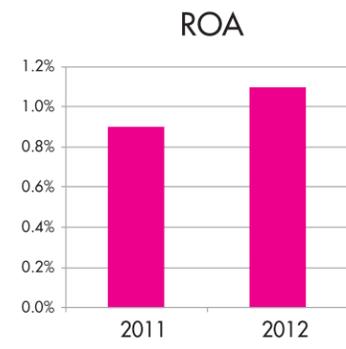
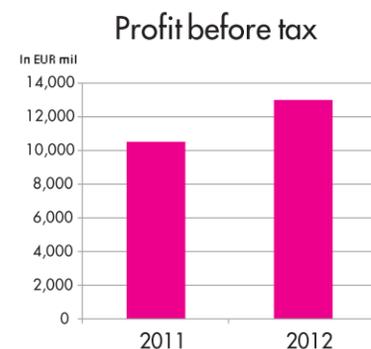
total assets reached EUR 1,225 million, exceeding the corresponding 2011 figure by 7.4%. Consequently, ROA equaled 1.1%, while ROE reached 8.6%, indicating stable returns for shareholders. With the highest capital strength in the industry, which ensured capital adequacy of 19.4%, SB remained the most solid and trustworthy financial partner in the country.

### Interest income

Herein, the interest income related to the retail loans totaled EUR 42.5 million and kept the dominant position within the total interest income (56.4%). At the same time, the interest income earned on corporate loan book equaled EUR 19.9 million.

#### Net Interest Income (in EUR million)

	2011	2012	% change
<b>Interest income</b>	73.1	75.4	3.1
Retail loans	42.5	42.5	-0.1
Corporate loans	19.7	19.9	0.7
Other	10.8	13	19.9



## Interest expenses

Loosened monetary policy throughout the year continued to push down banks' deposits interest rates throughout 2012. On that note, despite the higher deposits balances and the higher volumes of more expensive deposits, such as deposits with long term maturity and local currency savings of citizens, the Bank's interest expense went down by 10.2% in 2012. Herein, the interest expenses related to retail deposits registered an annual decline of 10.4% and kept the dominant position within the total interest expenses with a level of EUR 26.7 million. Interest expenses related to corporate deposits dropped by 9.6% reaching EUR 3.9 million.

#### Net Interest expenses (in EUR million)

	2011	2012	% change
<b>Interest expenses</b>	37.4	33.6	-10.2%
Retail deposits	29.8	26.7	-10.4%
Corporate deposits	4.3	3.9	-9.6%
Due to other banks and other liabilities	3.4	3.0	-10.1%

## Net Interest Income

The effective asset/liability management together with the loosened monetary policy influenced positively on the Bank's net interest margin by 37 b.p. and by the end of 2012, it reached to 3.8%. Due to such increase, 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 2012 to reach EUR 41.8 million, which is 17.1% more than the year before.

## Fee and Commissions Income

Increased volume of activities in 2012 contributed the net fees and commission income to reach EUR 15.3 million, exceeding the 2011 figure by 10.2%. Within this, the most significant contribution came from lending activities counting nearly for half of the Bank's total fee income or EUR 7.9 million. The second largest fee and commission income item, representing 32.9% of total fee and commission income, relates to the income from transfer of funds, which at the end of 2012 totaled EUR 5.0 million.

#### Net fees and commissions income (in EUR million)

	2011	2012	% change
<b>NFCI</b>	13.9	15.3	10.2%
brokerage	0.1	0.04	-36.5%
loans	6.6	7.9	19.7%
letters of guarantee	1.1	1.1	6.2%
transfer of funds	4.7	5.0	6.4%
deposits	0.3	0.1	-63.9%
others	1.1	1.1	-4.7%

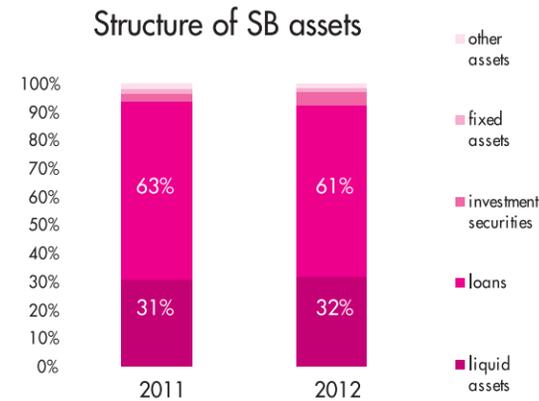
## Operating expenses

The Bank is pursuing operational excellence in cost efficiency resulting in reducing the operating costs. Despite the organic growth in 2012, with its effective cost containment policy in place, the Bank reduced the total operating expenses by 0.7% and thus reached the cost to income ratio of 52.7%.

## Assets and Liabilities

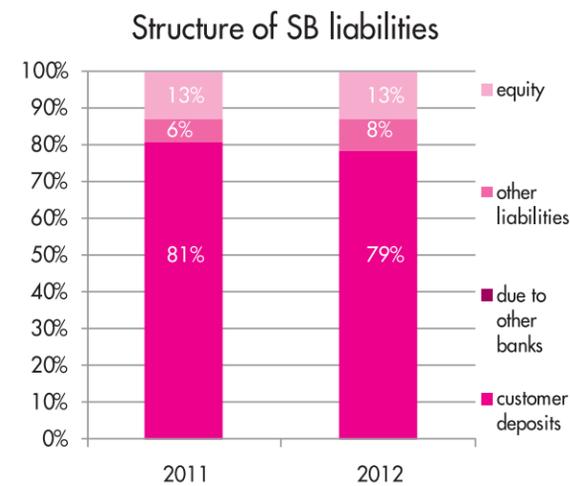
### Assets

The Bank's total assets at the end of 2012 reached EUR 1,225.2 million, which is EUR 84.6 million or 7.4% more than the year before. Amid the high risks and uncertainties in 2012, the Bank continued rearranging its asset mix in order to build a balance sheet by strengthening liquidity, credit reserve positions, asset quality and overall capital levels. On this note the liquid assets, increased their share to 32% of the total assets. Credit activity in 2012 was adjusted to provide an adequate loan support to our clients, but at the same time to safeguard the loan portfolio quality. Consequently, by the end of 2012 the total loan portfolio reached EUR 823.0 million, out of which EUR 338.9 million were extended to corporate customers, while retail exposures amounted to EUR 484.1 million. In parallel with this, SB's focus during 2012 on keeping high assets quality maintained the overall NPL ratio below the market average. In line with such developments, at the end of year the loans to deposits ratio dropped to 85.4% on gross basis, indicating strong credit potential of the Bank.



### Deposits and equity

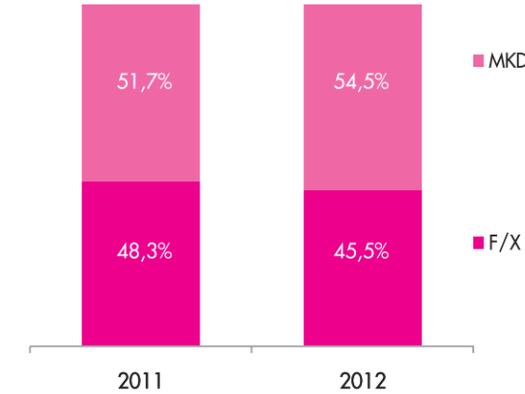
At the end of 2012 the Bank's total borrowing (deposit and non-deposit) reached EUR 1,067.1 million, thus reaching nominal annual growth of 7.2% entirely as a result of the continued effort of the Bank to strengthen the client deposit base. Evidently, customer deposits continued to be the main driving force of the enhanced financial potential of the Bank in 2012, with annual growth rate of 4.5% and EUR 41.6 million absolute increase against 2011 year-end. Herein, the households' deposits registered increase with an annual rate of 4.1%, thus preserving the dominant position in the total deposits with a share of 79.4%. The currency composition of the deposits base indicates significant increase in the share of local currency denominated deposits to 54.5% up from 51.7% in 2011, mainly reflecting the improved confidence of the general public in the stability of the local currency. Regarding maturity structure, the dominant contribution in the deposit base expansion belongs to time deposits to 73.7% up from 72.4% in 2011.



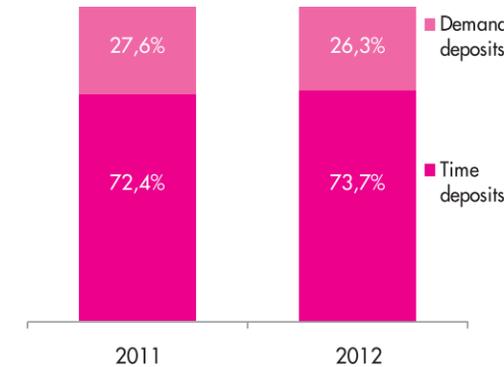
Sustained positive trend in the deposit base growth towards longer-term maturities contributes to better balance sheet financing, hence indicating stable sources of funds for the Bank's continuous credit expansion.

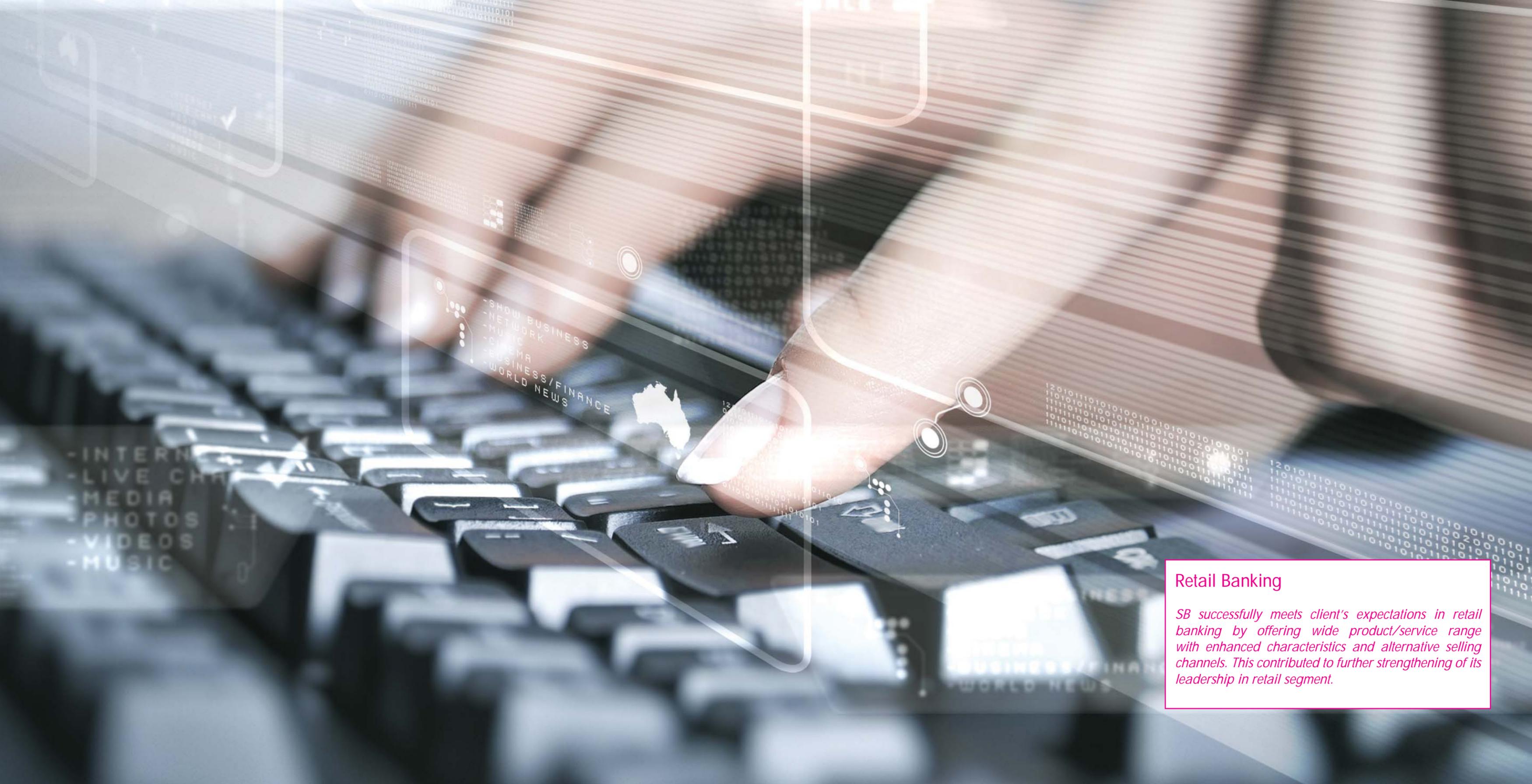
SB's equity increased by 8.9% yoy resulting mostly from EUR 12.9 million accumulated on the retained earnings accounts. Hence, the total capital strength in the amount of EUR 158.1 million at the end of 2012 ensured sufficient capital adequacy and quality source of long-term funding.

### Currency structure



### Maturity structure





### Retail Banking

*SB successfully meets client's expectations in retail banking by offering wide product/service range with enhanced characteristics and alternative selling channels. This contributed to further strengthening of its leadership in retail segment.*

During 2012, SB continued to dominate the domestic retail market with its wide product/service range and variety of unique selling channels. By focusing on retail banking model, that takes into account both, the expectations of our clients and the prudent risk management policies, SB maintained portfolio growth with high quality as well as stable growth of the deposits base. This model supported by the efficient product development and management strategy enabled the Bank to maintain its high market share both in deposits and in lending area.

### Retail deposits

Growing retail deposits was one of the strategic targets set, and it was successfully realized, by the Bank reaching EUR 765 million at the end of 2012. Herein, the most significant contribution came from the increased time deposits, which annual growth rate reached 6.50%. This again confirmed the strength of the Bank and the trustworthiness it has gained among its customers. The currency composition of the retail deposits reveals increased share of the local currency denominated deposits, to 48% from 45% in 2011, mainly reflecting the nation-wide trend in the household's saving preferences due to higher yields. SB as well recorded increase



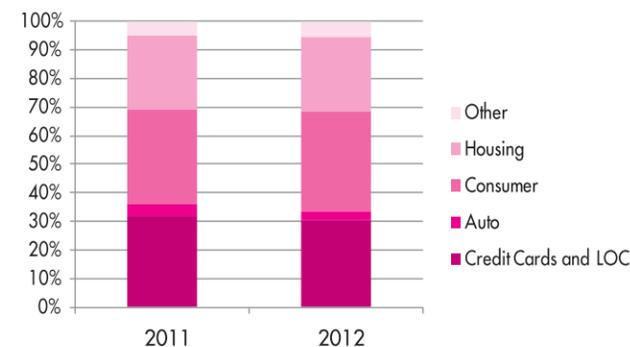
increase in number of clients of the core sight deposit product-pay-roll account which creates solid base for building long-term relationship with the clients and cross-selling of other products. SB continuously enriches its array of deposits products which proves to have the most diversified deposit products portfolio. At the same time, the Bank conducts more customized approach towards different clients segments, providing appropriate level of service and diversified packages of products.

### Retail lending

On the retail lending side, SB performed in line with the market trend and maintained its market position with total outstanding balance of EUR 484 million.

In 2012, the structure of the lending portfolio continued to favor the balanced approach, maintaining the ratio of secured lending versus unsecured, which is a strategy that SB has maintained since the beginning of the global economic crisis. The segment of Housing loans with 746 new disbursed loans remains one of the best performing lending product of SB with significant market share of 37%.

in EUR mill. Structure of retail portfolio



The consumer lending nominated either in denars or in denars with foreign currency clause, have recorded growth of 7.1% compared to year 2011. As a result, this segment of portfolio, at the end of 2012, reached EUR 304.8 million or 43.7% share in SB unsecured consumer retail portfolio.

The credit cards portfolio, performed according to the business plan for 2012 reaching total number of 327,663 cards. The credit cards balances of EUR 50 million maintained a 41% market share. The highest increase in credit cards transactions is recorded at the category of "interest free installments" available at a growing merchant network. The number of transactions grew 37.8% compared to 2011



### Alternative channels

The focus of the Bank to provide 24 hours access to its services for the clients, by using alternative channels, continued in 2012 with the introduction of another novelty on the market - mobile-banking free application, another addition to the I-bank umbrella services. In a technologically improving environment, the demand by the clients for diversified communication channels as well as payment channels was supplemented with this new channel through

which basic banking services such as bill payment, money transfer and balance overview are provided. With all available alternative channels (phone banking, ATM-payments, e-banking and m-banking) the clients gained the freedom to choose where, when and how they will use SB banking services - over the phone, at the ATM, over the internet or will check their accounts on their smart phones. These channels have constant growth in the number of newly recruited clients and the number of completed transactions. Namely, compared to 2011 the growth of transactions of all channels in year 2012 was almost doubled with the great potential to be further exploited. Alternative channels contribution towards better efficiency and customer satisfaction confirmed that the implemented strategy is accommodating the market requirements and provides SB with the competitive advantage to remain the market leader in innovative banking services.



### Corporate Banking

*In spite of the continuing uncertainty in the global economy and its effects on domestic markets, SB focused constantly on the need of its clients to achieve their potential for growth through providing a whole set of corporate banking products and services including various types of loans, trade finance activities etc.*

During 2012, the area of corporate banking encountered a particular challenge since majority of corporate clients had to face difficulties coming from the impact on the domestic economy from the global recession mainly derived from the debt crisis and the unstable economic conditions in the Euro Zone. For the Bank, this meant focusing on recognizing potential investments, while introducing tools for managing risk and seeking optimal solutions with the customers and helps them to realize their goals to overcome difficult market conditions.

SB's corporate banking business provides the clients with the wide range of corporate credit facilities, strategic advice and including trade finance support that they need to succeed whatever the economic environment. The strength of the client-focused model ensures that SB is able to focus on the clients when they need it most. As a result of permanent improvement of the client-focused model in those areas where real opportunities to deliver an advantage for the clients exists, SB widened its services in payment activities, payroll accounts etc.

Also, SB constantly promotes newly designed set of trade finance banking products tailored in a manner to help the growth of export oriented companies. In that regard, the Bank is a member of the programs led by the International Financial Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) aimed to facilitate the foreign trade.

Strongly supported by diverse integrated solutions that draw expertise from across the Group, SB's corporate banking business continued to take a prudent lending approach. By the end of 2012, the credit portfolio in the corporate segment totaled EUR 338.9 million. Nevertheless, during a year of contained credit activity and negative risk perceptions, SB was also actively focused on maintained the assets quality through further improvement of the underwriting, monitoring and collection processes.

The amount of funds lent to legal entities rose for the corporate portfolio. During 2012, SB continued to provide active support to Small and Medium-Sized companies by increasing its lending activities to the total amount of EUR 162.4 million, remaining one of the main market players in SME finance. Although the most companies were focused on ensuring liquidity and saving in all areas, SB sustained and deepened the existing business relations with the very important segment of creditworthy large businesses. The personal approach taken by SB's employees and the wide selection of services available appeared to be the main drivers of SB's competitive advantage in dealing with big corporate clients. As a result, the Bank's lending activities which refer to large companies reached the level of EUR 176.5 million by the end of 2012.

In total, during 2012, SB approved more than 5,306 corporate loans, while the total volume of newly approved loans reached EUR 247.8 million, exceeding the 2011 figure by 6.5%. In addition to the regular loan activity, in 2012 in the area of trade finance SB issued 1,707 letters of guarantee and letters of credit. Total volume of newly issued trade and finance instruments in 2012 reached EUR 125.5 million.

### Risk Management

Considering the continuous challenging macroeconomic environment and permanent aspiration of the management for safe growth, SB maintained sound, effective and proactive risk management aimed to achieve an optimal balance of risk and return. To meet the challenges of volatile environment and changing regulatory framework SB strives continuously to strengthen the risk function which is independent but closely interacts with the front office as to ensure the risk awareness, culture and appropriate flow of information. The risk management framework is

regularly reviewed and adjusted in accordance with the Bank's and Group's overall risk appetite and profile, internal and external norms and best banking practices.

The Bank's risk governance model includes three lines of defence consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return;
- The risk management function, at the second level, which identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, coordination and assistance; reports to appropriate levels and proposes mitigation measures and;
- The Internal Audit, which provides the independent review function.

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. The Risk Management Committee whose members are appointed by the Supervisory Board convenes with weekly frequency, in order to review market developments and assess the level of various risks undertaken by the Bank and provides guidance regarding risk governance and the development of the risk profile. The main 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:

- Preserving the Bank's reputation as leading and reputable financial institution 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

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

The SB exposure to credit risk mainly originates from approved balance and off-balance banking products to corporate and retail clients.

The risk assessment process of corporate and retail borrowers is standardized and facilitated by the use of internal risk rating systems and statistical scoring models validated on regularly basis. The application of these risk management tools, based on various quantitative and

qualitative data inputs and analysis, has contributed to systematization of the risk identification process and a risk-controlled growth of specific sub-portfolios.

A comprehensive and consistent credit authorization approval matrix is in place based on the credit exposures and customer type.

Furthermore, the Bank has established more rigorous monitoring of the creditworthiness of the corporate clients by more frequent review of the approved credit facilities supported by the Early Warning System that identifies early signals of deterioration of the creditworthiness of the clients with an aim for undertaking necessary action plans.

In line with the international best practices and following the enhanced impairment methodology and process, the Bank provided adequate level of provisions for potential credit losses.

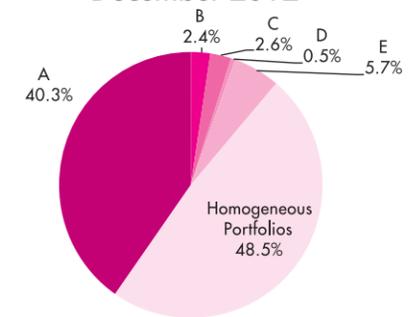
SB regularly updates its credit risk management framework regarding the process of timely identification, monitoring, measurement, controlling and reporting regarding the credit risk.

### Quality of credit portfolio

During 2012 SB kept its prudent credit risk approach and maintained diversified portfolio to both companies and households following the most certain path to sound loan portfolio despite the unstable macroeconomic circumstances and volatile financial position of the economic agents. The Bank's effective risk management model based on the best international experience and NBG practices, also respecting local specifics was reflected in NPL ratio that was by nearly 200 b.p. lower than the level of the overall banking sector. Furthermore, appropriate provisioning policy ensured provision coverage of 95.8%.

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 group for the regular exposures that can be grouped on the basis of similar risk characteristics. The Bank maintained 91% of the clients within the low credit risk categories i.e. homogenous portfolio, A and B credit risk categories, while high risk debt classified in "D" and "E" compose only 6% of the Bank's loan portfolio.

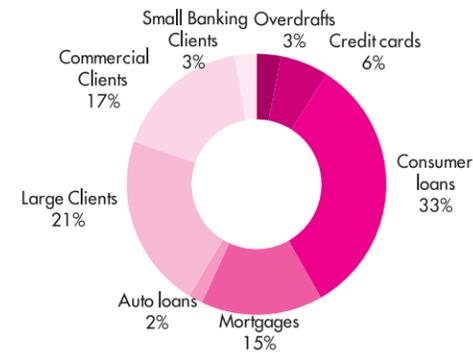
SB Banking Book by Risk Categories  
December 2012



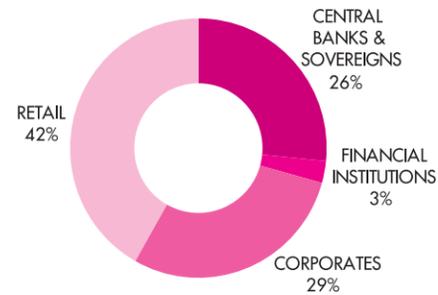
### Concentration risks

The loan portfolio of SB remains widely dispersed across different types of borrowers, asset categories and number of industries, thus preventing excessive concentration risks. Set of limits for controlling the exposure of the Bank towards different types of borrowers, industry sectors, type of collateral are in place, reviewed at least annually as part of the credit risk policies and procedures. The credit risk exposure limits are monitored on regular basis and all the conclusions are supported by adequate actions.

### Distribution by loan type 2012



### Credit portfolio by customer type 2012



### Liquidity risk management

In order to ensure adequate liquidity in challenging economic circumstances during 2012, SB conducted liquidity management in a manner that preserved and enhanced funding stability, flexibility and diversity.

SB liquidity profile reflects its strategy, risk appetite, business activities, the markets and the overall operating environment. The liquidity policy is designed to ensure that funding is available to meet all obligations when they come

due without incurring unacceptable losses. This is achieved by prudent asset/liability management strategy aimed at maintaining a funding structure with stable deposits and on the other hand high liquid assets including cash and easily converted in cash assets which compose sizeable part of SB assets.

The Bank manages liquidity risk through an internal system for monitoring and daily liquidity management, the maintenance of sufficient amount of cash in view of the maturity and currency structure of assets and liabilities, a monthly gap analysis of inflows and outflows, maintaining a low risk portfolio of assets to meet current liabilities, and operations on the interbank market.

The Bank considers the liquidity risk management as essential 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. The Framework for managing liquidity risk 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 management

At the end of 2012, the exposure to IRRBB i.e. the ratio of total net weighted position to the regulatory capital was at the level of 0.57%, which is well below the regulatory maximum of 20%.

The Bank is exposed to effects of fluctuation in the market interest rates relevant for its financial positions and cash flows. Taking into consideration the relatively minor portion of the Bank's interest bearing assets that are allocated to the trading portfolio which consists of government securities, the assessment of the interest rate risk is conducted through monitoring of exposures arising from the banking book activities.

The Bank has established a framework for managing this risk in order to minimize the effects of adverse changes in future interest rates and to ensure timely identification, measurement, monitoring and mitigation of the interest rate risk exposures. 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 controlled. Furthermore, the Bank established appropriate limits and utilizes techniques in order to measure the Bank's exposure from adverse movement in interest rates within the banking book positions.

### Foreign exchange risk management

The system for identification, measuring, monitoring and controlling the currency risk or f/x risk encompasses all the activities and transactions of the Bank which include

on-balance and off-balance positions, registered in foreign currencies and in denars indexed with f/x clause. SB balance sheet structure consists of assets and liabilities in different currencies, but dominantly in MKD and EUR currency.

SB manages the currency risk by managing and monitoring the open currency position on a daily basis, ensuring compliance with the regulatory and internal limits of exposure in main currencies individually, as well as on aggregate level.

### Operational risk management

In 2012 SB has successfully completed the fifth cycle of Risk Control Self and Assessment (RCSA) process and further improved the Loss Data Collection process. The effective operational risk management (ORM) in SB is facilitated through utilization of the Group software solution for operational risk management (AlgoOpVar). This software enables efficient management of the operational risk (OR), greater overview of the Bank's OR exposure, high quality monitoring and recording process of the realized losses, and effective action plan initiation and follow-up.

During the annual RCSA process conducted in 2012, the OR correspondents revised the Bank's internal processes and the associated potential loss events, gathered and reported operational risk losses in order to mitigate the Bank's OR exposure. The Risk Management Division controlled this process which enabled greater perspective when identifying the cause and the impact of a specific potential or realized loss event, and ensured that the ORM Framework is effective, appropriate and implemented with integrity.

The operational risk management framework of SB is based upon the OR Strategy and OR Policy and

The operational risk management framework of SB is based upon the OR Strategy and OR Policy and Methodologies, documents whose adequacy and effectiveness are reviewed at least annually. These documents provide the tools necessary to examine the quantitative and qualitative aspects of the operational risk. Based on these tools, primarily the Risk Control Self-Assessment Process, Loss Data Collection, Key Risk Indicators and Action Plans, the Bank identifies and measures the potential loss events, continuously monitors the operational risk losses, as well as undertakes corrective actions in order to mitigate or avoid the negative effect on the financial results and capital position.

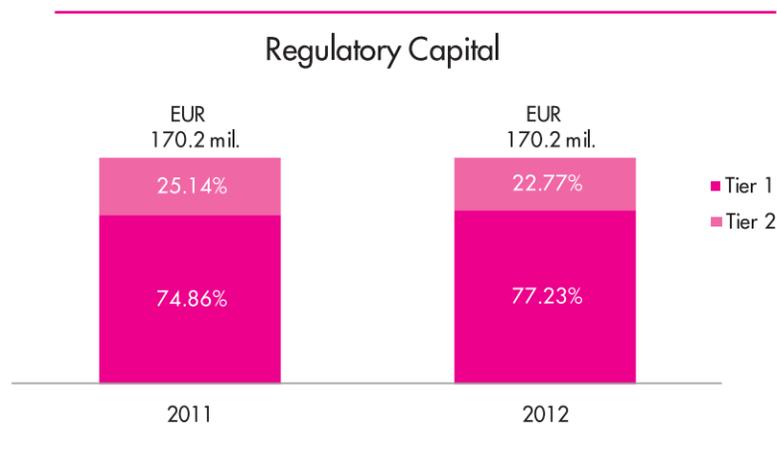
### Capital adequacy

SB remains on the leading position in terms of capital size and capital adequacy ratio providing further opportunities for doing prudent banking business.

In 2012, a new methodology for calculating capital adequacy was enacted by the NBRM directed towards approaching Basel II standards. SB timely implemented the latest regulatory requirements which are based on standardized approach for the credit risk and obligation for providing capital for covering the operational risk.

SB regulatory capital as at 31.12.2012 was at the level of EUR 170.2 million, out of which EUR 131.4 relates to Tier 1 and EUR 38.8 to Tier 2. Although there is no significant change in the level of the regulatory capital, the structure is toward better quality of the capital by increasing the Tier 1 capital.

The SB capital adequacy ratio of 19.43% as at 31.12.2012 is significantly above the level of the previous year, and well above the regulatory prescribed minimum of 8% as well as the internal limit of 12%.



The Bank's framework for Internal Capital Adequacy Assessment Process (ICAAP) based on which SB calculated the internal capital requirement, proved that the level and quality of capital is sufficient to cover all the material risks to which it is exposed. Furthermore, it is estimated that the identified excess of capital is more than sufficient to cover all other risks that cannot be adequately quantified but to which the Bank is exposed to in the regular business activities.

### Stress test

Stress test exercises are integral part of the risk management framework providing estimates of the size of financial losses and of the impact on capital adequacy. During 2012 the Bank conducted various stress tests in order to analyze the Bank sensitivity to a predetermined set of extreme but plausible shocks. The stress tests included effects from various scenarios regarding credit risk, interest rate risk in the banking book, liquidity risk, equity risk and operational risk, as well as scenarios that encompassed combination of the risks. In line with the global developments and the best practice stress test methodologies, SB developed an econometrical model that connects the macroeconomic trends to the

expected losses of the Bank, and consequently determines their impact on the Bank's capital adequacy ratio. Historical data of the Bank's NPL trends are mapped against the historical macroeconomic developments in the above mentioned econometrical model, which enables the Bank to project its future expected losses and capital needs on the basis of various macroeconomic expectations. Stress test scenarios were specified either with an event-driven or a portfolio driven approach. The event-driven approach, as a top down approach attempts to specify the event that may significantly affect economic and market variables and consequently assesses the impact on respective risk parameters. On the other hand, the portfolio-driven approach is a bottom up approach and works backwards: the sensitivity of the portfolio(s) under consideration to risk parameters is identified and then events that may affect these parameters are formulated. The stress test results proved the Bank's resilience even under very pessimistic assumptions. Such resilience mainly reflects the prudent risk management, strong capital base as well as the high liquidity position of the bank.

### Compliance, Anti-Money Laundering and Combat Terrorist Financing activities

In the course of 2012, the activities for implementation of the novelties in the domestic and international regulations related to banking operations were closely and continuously monitored and adequately realized in Stopanska Banka AD - Skopje (SB). Moreover, SB's Compliance Department adequately conducted additional activities and undertook relevant measures in order to comply with the amendments to regulations related to banking operations:

- Continuous implementation of efficient system for controlling SB activities that are in compliance with the applicable domestic and international regulations;

- Establishing efficient internal procedures and organizational structures for facing with and managing the possible risks related to SB's compliance with current regulations;
- Continuous cooperation with the relevant external institutions in accordance with the Banking Law;
- Regular, at least monthly and quarterly, reporting to the Board of Directors and Supervisory Board;
- Active participation in the operation of AML and Compliance Committee, as well as in the Legal Committee organized within the Banking Association at the Chamber of Commerce;
- Ensuring good reputation and credibility of SB before NBG Group, before its shareholders, clients, investors, regulatory and supervisory authorities and other relevant institutions;
- Developing Compliance Culture among SB employees as a model of corporate conduct and basis for strengthening the corporate identity, etc.

Considering Anti-Money Laundering (AML) and Combat Terrorist Financing (CTF) Activities, during 2012, part of AML and CTF IT platform and Mantas system were additionally upgraded and their functionality further improved.

According to the Annual Compliance and AML Plans for 2012, the following main projects and activities were also realized:

- Implementation of the Moodle platform for E-learning at Bank's level, which offers many possibilities for introducing and conducting regular

on-line staff training related to Compliance and AML&CTF issues by using tests/questionnaires/quizzes for checking employees' knowledge, as well as generating various types of statistical reports. This platform is also used for distribution of different information and projects to all Bank employees' related to above issues.

- Compliance Department employees continued with on-site and off-site supervisions regarding implementation of Compliance and AML/CTF requirements over the divisions, departments, branches and sub-branches.
- Adopted and updated several internal acts (Policies and Procedures) related to Compliance and AML/CTF activities.
- Staff Trainings related to Compliance and AML/CTF.



In accordance with the NBRM regulation regarding Corporate Governance Report, the Shareholders of Stopanska Banka AD - Skopje are hereby informed about the following:

## 1. Bank Bodies

### 1.1. Supervisory Board

The Statute of Stopanska Banka AD-Skopje (SB) stipulates that the Supervisory Board shall consist of 8 members, out of which 2 independent ones. The term of office of the members is determined on four years since the day the members receive approval on their appointment by the Governor of the NBRM. As of December 31, 2012 members of the Supervisory Board are the following:

- Konstantinos Bratos, **Chairman of the Supervisory Board of SB**, Manager of International Activities Division, National Bank of Greece S.A. Athens (appointed as Chairman on the 159th Supervisory Board meeting held on 18 December, 2012);<sup>8</sup>
- Panagiotis Karandreas, **Deputy Chairman of the Supervisory Board of SB**, Head of Sector "B" of International Activities Division, National Bank of Greece S.A. Athens (appointed as Deputy Chairman on the 159th Supervisory Board meeting held on 18 December, 2012);
- Dimitrios Frangetis, **Member of the Supervisory Board of SB**, Chief Credit Officer at National Bank of Greece S.A. Athens;
- Anastasios Lizos, Member of the Supervisory Board of SB, Head of Section "A" of International Activities Division, National Bank of Greece S.A. Athens,<sup>9</sup>

- Spyridon Stavros Mavrogalos Fotis, **Member of the Supervisory Board of SB**, Assistant General Manager, Group Procurement and Administrative Support of National Bank of Greece S.A. Athens;<sup>10</sup>
- Dimitra Gkoutoufa, **Member of the Supervisory Board of SB**, Executive Advisor at National Bank of Greece S.A. Athens;<sup>11</sup>
- Vladimir Kandikjan, **Independent member of the Supervisory Board of SB**, Professor, Faculty of Law "Iustinianus Primus" - University "Cyril and Methodius" Skopje;<sup>12</sup> and
- Blagoja Nanevski, **Independent member of the Supervisory Board of SB**, Professor, Integrated Business Faculty - Skopje.<sup>13</sup>

<sup>8</sup>Mr. Konstantinos Bratos' appointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 15 November, 2012.

<sup>9</sup>Mr. Anastasios Lizos' reappointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 29 March, 2012.

<sup>10</sup>Mr. Spyridon Stavros Mavrogalos Fotis' appointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 15 November, 2012.

<sup>11</sup>Ms. Dimitra Gkoutoufa' appointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 24 October, 2012.

<sup>12</sup>Mr. Vladimir Kandikjan' reappointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 29 March, 2012.

<sup>13</sup>Mr. Blagoja Nanevski' reappointment as member of the Supervisory Board of SB was approved by the Governor of the NBRM on 29 March, 2012.

During 2012 the members Ioannis Kyriakopoulos and Agis Leopoulos resigned from their positions as members of the Supervisory Board of SB.

As stipulated with the relevant legislation and also with Article 26 of the Statute of SB, the Shareholders Assembly appoints and dismiss the members of the Supervisory Board.

The appropriate qualifications for a Supervisory Board member are:

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

The member of the Supervisory Board should:

- be honest, competent, and capable of giving independent assessment and have strong personal integrity;
- understand his/her role in the corporate governance and fulfill his/her supervisory role efficiently;
- know the SB risk profile;
- know the regulations and take care of establishing and maintaining professional relations with the NBRM and other competent supervisory and regulatory institutions;
- demonstrate loyalty and care for SB;

- avoid conflict of interest, or possible conflict of interest;
- devote enough time for active fulfillment 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.
- assess the efficiency of 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 SB Internal Audit Division.;
- give proposals for good corporate governance;
- take no participation in everyday management of SB.

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 seven terms.
- not being a close family member (relative in first level in vertical or horizontal line) of an executive or managing director of persons in the situations described above.

As well as not having any other relationship with the Bank and/or the associated companies that could interfere with the exercise of independent judgment in carrying out their responsibilities.

When appointing members of the Supervisory Board 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 Supervisory Board and other relevant bodies.

The responsibilities of the Supervisory Board are the following:

- 1 Approves SB business policy and development plan,
- 2 Appoints and dismisses members of SB Board of Directors,
- 3 Appoints and dismisses members of SB Risk Management Committee,
- 4 Approves SB financial plan/ Budget,
- 5 Approves the establishment and 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 the Shareholders Assembly,
- 11 Reviews the reports on 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 balance sheet 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 NBRM,
- 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 procedures and the efficiency of operations of the Internal Audit Division and reviews its reports,
- 22 Reviews the supervisory reports, other reports submitted by the NBRM, 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 SB operations and submits written opinion thereon to 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 operations of the Audit Committee.

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

## 1.2. Audit Committee

SB Audit Committee consists of five members, appointed or dismissed by the Shareholders Assembly, where majority are members of the Supervisory Board and the rest are independent ones. During 2012 with the amendments of the SB Statute on the SA meeting held in December 2012, the term of office was determined to two years. As of December 31, 2012 the Audit Committee members are:

- Antonio Veljanov, Chairman of the Audit Committee (appointed as Chairman on the 32nd Audit Committee meeting held on 17 December, 2012);
- Panagiotis Karandreas, Deputy Chairman of the Audit Committee (appointed as Chairman on the 32nd Audit Committee meeting held on 17 December, 2012);
- Anastasios Lizos, member;
- Vladimir Kandikjan, member; and
- Vladimir Filipovski, member.

At its 29th meeting held on 25.05.2012, the Shareholders Assembly appointed Mr. Anastasios Lizos (member from the Supervisory Board) and Mr. Vladimir Filipovski (independent member) as new members of the Audit Committee of SB and determined the termination of the term of office to the members of the Audit Committee Mr. Ioannis Kiriakopoulos and Ms. Zorica Bozinovska Lazarevska.

<sup>14</sup> In February 2013 the amendments of the Law on Banks entered into force that amended the threshold regarding the Supervisory Board approval of the related party transactions from 1 million to 3 million MKD. Following this amendments of the Law on the next annual SA meeting a proposal for amendment of the SB Statute shall be submitted it to be harmonized with the new amendments of the Law on Banks.

At its 29th meeting held on 25.05.2012, the Shareholders Assembly appointed Mr. Anastasios Lizos (member from the Supervisory Board) and Mr. Vladimir Filipovski (independent member) as new members of the Audit Committee of SB and determined the termination of the term of office to the members of the Audit Committee Mr. Ioannis Kiriakopoulos and Ms. Zorica Bozinovska Lazarevska. In accordance with the Banking Law, their appointment entered into force after the date the appointed member from Supervisory Board received relevant approvals from the Governor of the NBRM on his appointment as Supervisory Board member.

The Audit Committee responsibilities are as follows:

- 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 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 operations,

- 8 to review 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 four members, appointed and/or dismissed by the Supervisory Board, as follows: Chief Executive Officer and Chairman of the Board of Directors, Chief Corporate Officer, Chief Retail, Financial and Operations Officer and Chief Risk Officer. During 2012 with the amendments of the SB Statute on the SA meeting held in December 2012, the term of office was determined to two years. As of 31 December 2012, the Board of Directors members were:

- 1 Gligor Bishev, Chief Executive Officer and Chairman of the Board of Directors;
- 2 Toni Stojanovski, Chief Risk Officer and member of the Board of Directors;
- 3 Diomidis Nikoletopoulos, Chief Retail, Financial and Operations Officer and member of the Board of Directors; and
- 4 Theodoulos Skordis, Chief Corporate Officer and member of the Board of Directors.

On the Supervisory Board meeting held 15th of October 2012 the CEO/Chairman of the Board of Directors was re-appointed on the same position. In the first half of December 2012, the Governor of the NBRM approved the re-appointment of Mr. Gligor Bishev as Chief

Executive Officer and Chairman of the Board of Directors for another term of office.

Members of the SB Board of Directors, in addition to the requirements stipulated with the Banking Law, shall have the following qualifications:

- 1 university degree,
- 2 at least 6-year successful work experience in finance or banking or 3-year work experience as a person with special rights and responsibilities in a bank with activities corresponding to those in the bank in which they are appointed.
- 3 knowledge of laws and other regulations related to banking.

The Board of Directors responsibilities are the following:

- 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 promotion of SB operations,
- 5 to appoint and dismiss the persons with special rights and responsibilities pursuant to the provisions under the Banking Law and SB 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 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, SB Statute and acts.

### 1.4. Risk Management Committee

The SB Risk Management Committee is consisted of 9 members, appointed and/or dismissed by the Supervisory Board. During 2012 with the amendments of the SB Statute on the SA meeting held in December 2012, the term of office was determined to two years. As at 31 December 2012 the members of the SA Risk Management Committee are as follows:

- 1 Gligor Bishev - CEO and Chairman of the Board of Directors of SB, Chairman;
- 2 Toni Stojanovski - Chief Risk Officer of SB and member of the Board of Directors of SB, member;
- 3 Diomidis Nikoletopoulos - Chief Retail, Financial and Operations Officer and member of the Board of Directors, member;
- 4 Theodoulos Skordis - Chief Corporate Officer of SB and member of the Board of Directors;
- 5 Vlado Treneski - Manager of Corporate Banking Division;
- 6 Mirjana Trajanovska - Manager of Treasury Division;
- 7 Mirko Avramovski - Manager of Collection Division;

8 \_\_\_\_\_ - Manager of Risk Management Division; and

9 Risto Hadzi Mishev - Chief Economist of SB.

Members of the Risk Management Committee, in addition to the requirements stipulated with the Banking Law, shall have minimum three-year experience in the area of finance or banking.

The responsibilities of RMC are the following:

- 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 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 assesses SB risk management systems,
- 5 determines short-term 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, SB Supervisory Board, and at least once every three months, SB Audit Committee, on the changes in SB risk positions, changes in the risk management strategies, the risk management effects on SB performances, as well as the undertaken measures and instruments for hedging the 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, determined with the Statute, are SB Credit Committees with the following, structure, and authorities, as of December 31, 2012:

1. Executive Corporate Credit Committee (ECCC): it consists of 5 members as follows:

- 1 Gligor Bishev - CEO and Chairman of the Board of Directors of SB, Chairman
- 2 Constantinos Vossikas - Head of NBG Group International Credit Division, member
- 3 Toni Stojanovski - Chief Risk Officer of SB and member of the Board of Directors of SB, member
- 4 Theodoulos Skordis - Chief Corporate Officer of SB and member of the Board of Directors, member
- 5 Theodore Saidanis - Head of Section, NBG International Activities Division, member.

The members are elected without limitation of the term of office.

The ECCC decides on credit exposure towards single subject (legal entity or individual) for financing in the amount from EUR 3.000.001 up to EUR 10.000.000. All financing that exceeds EUR 10.000.001 OR 10% of SB own funds shall be approved by SB Supervisory Board. ECCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

2. Credit Committee (CC): it consists of 5 members as follows:

- 1 Gligor Bishev - CEO and Chairman of the Board of Directors of SB, Chairman
- 2 Toni Stojanovski - Chief Risk Officer of SB and member of the Board of Directors of SB, member
- 3 Theodoulos Skordis - Chief Corporate Officer of SB and member of the Board of Directors, member
- 4 Vlado Treneski - Manager of Corporate Banking Division of SB, member.
- 5 Ioannis Tzimos, - Assistant Director in Group International Credit Division, member with a decision-making authority determined in accordance with the applicable credit policy.

The members are elected without limitation of the term of office.

The members are elected without limitation of the term of office.

The CC, decides on credit exposure toward single subject (legal entity or individual) in the amount from EUR 500.001 up to EUR 3.000.000. CC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

3. Commercial Clients Credit Committee (CCCC): it consists of 4 members as follows:

- 1 Toni Stojanovski - Chief Risk Officer of SB and member of the Board of Directors of SB, Chairman
- 2 Theodoulos Skordis - Chief Corporate Officer of SB and member of the Board of Directors, member
- 3 Vlado Treneski - Manager of Corporate Banking Division of SB, member
- 4 Goce Vangelovski - Manager of Underwriting Division of SB, member

The members are elected without limitation of the term of office.

The CCCC decides on credit exposure toward single subject - legal entity from EUR 100.001 up to EUR 500.000 and toward single subject - individual from EUR 100.001 up to EUR 500.000 CCCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

4. Small Banking Business Credit Committee (SBCC): it consists of 4 members as follows:

- 1 Diomidis Nikolettopoulos - Chief Retail, Financial and Operations Officer of SB and member of the Board of Directors of SB, Chairman
- 2 Tatjana Kalajdzieva - Manager of Sales and Branch Network Division, member
- 3 Milica Caparovska - Manager of Product Management Division, member
- 4 Dejan Stamatov - Manager for Special Issues - Risk Management Function, member

The members are elected without limitation of the term of office.

The SBCC decides on credit exposure toward single subject - legal entity in the amount up to EUR 100,000. SBCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

Lower approval levels can be determined with decisions of the Supervisory Board.

5. Retail Credit Committee (RCC): consists of 5 members as follows:

- 1 Diomidis Nikolettopoulos - Chief Retail, Financial and Operations Officer of SB and member of the Board of Directors of SB, Chairman
- 2 Milica Caparovska - Manager of Product Management Division of SB, member

3 Emilija Stojanova - Assistant Manager of Retail Credit Risk Division of SB, member

4 Tatjana Kalajdzieva - Manager of Sales and Branch Network Division, member

5 Violeta Zatenko - Manager of Retail Underwriting Department of SB, member.

The members are elected without limitation of the term of office.

The RCC decides on credit exposure toward single subject - individual in the amount up to EUR 100,000. RCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

Lower approval levels can be determined with decisions of the Supervisory Board.

The Credit Committees shall operate in accordance with the Procedures for operation of each of the Committees. Members of the Credit Committees shall be persons with special rights and responsibilities in SB or other persons or employees of SB, which are evaluated as sufficiently knowledgeable and experienced in the credit area in question.

## 2. Organizational Structure

As of 31 December 2012, the Bank was organized in 19 divisions, as follows: Internal Audit Division, Treasury Division, Human Resources Division, Corporate Banking Division, Underwriting Division, Workout Division,

Product Management Division, Sales and Branch Network Division, Risk Management Division, Collections Division, Retail Credit Risk Division, Legal Division, Information Technology Division, Accounting Division, Budgeting and Financial Reporting Division, Payment Operations Division, Loan Administration Division, Administrative Support Division, and Business Processes and Organization Division, and independent units directly accountable to the Board of Directors performing the Compliance and Information Security functions. Stopanska Banka branch network was organized in 64 units (branches and sub-branches) in total. SB has no subsidiaries.

## 3. Shareholders Structure

As of 31 December 2012 the initial capital (basic capital) consisted of 17,460,180 ordinary shares at the nominal value of MKD 201.1 per share and 227,444 preferred shares at the nominal value of MKD 400.00 per share, distributed as follows: National Bank of Greece S.A. - Athens with 94.6%, and 5.4% of the total number of shares held by other shareholders. One ordinary share bears the right to one vote in the Shareholders Assembly of SB and preferred shares do not bear the right to vote in the Shareholders Assembly. The major shareholder of SB - National Bank of Greece represented by the total of 6 members and other two independent members constitute SB Supervisory Board.

## 4. Corporate Governance Code

The Corporate Governance Code was prepared in accordance with the NBRM Decision on the 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, last annual review of the same was performed at the Shareholders Assembly held on May 25, 2012.

## 5. Conflict of Interest Policy

The policy for conflict resolution is determined in accordance with the Banking Law 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 shall also include interests of the related parties 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 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. The persons 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 shall be submitted to SB Supervisory Board and Board of Directors, indicating the reason underlying the conflict between the personal and SB interest.

If the person conceals the existence of a conflict of interests, the NBRM and any other party which has 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. The said remuneration was adjusted from EUR 200 per month to EUR 400 per month with the Shareholders Assembly Decision on determining remuneration of the members of the Supervisory Board of Stopanska Banka AD Skopje (A.D. No. 249/12.12.2012). In accordance with NBG Board of Directors Decision passed at the meeting held on 28 September 2006, all officers of NBG SA Athens who participate in the Boards of Banks or companies within NBG 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.

In 2012, total gross amount of MKD 248.491.373 was paid to total of 238 persons with special rights and responsibilities including the members of the Board of Directors as remuneration package (salary of MKD 244.141.991 and rewards MKD 4.349.382).

At the end of 2012 the total credit exposure to persons with special rights and responsibilities and the persons related to them amounts to MKD 307.914.420.

## 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 796 foreign correspondent banks and 33 Nostro accounts with 27 first class foreign banks as well as 34 Loro accounts of 7 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 ...<http://www.bankersalmanac.com/private/mbkhof.aspx>  
DEUTSCHE BUNDESBANK, FRANKFURT/MAIN ...  
COMMERZBANK AG, FRANKFURT/MAIN ... <http://www.bankersalmanac.com/private/mbkhof.aspx>  
UNICREDIT BANK 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 ...  
<http://www.bankersalmanac.com/private/mbkhof.aspx>  
THE ROYAL BANK OF SCOTLAND NV, 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 .

## BRANCH NETWORK & CONTACTS

### HEAD OFFICE

11 Oktomvri 7, 1000 Skopje  
PO.box 582 tel. +382 02 3295-295  
Fax +389 02 3114-503  
Telex +51 226 sbank mb  
Cable STOPBANKA; SWIFT CODE STOB MK 2X  
REUTERS DIALING CODE SBRM  
REUTERS MONITOR PAGE SBMA  
E-mail: [sbank@stb.com.mk](mailto:sbank@stb.com.mk)  
<http://www.stb.com.mk>

## BRANCHES OF STOPANSKA BANKA AD - SKOPJE

### Branches Skopje

#### **Avtokomanda**

Jani Lukrovski No. 5,  
1000 Skopje  
Tel. 02/3171-366  
Fax 02/3171-476

#### **Aerodrom**

Jane Sandanski blok 3,  
Iamela 6, 1000 Skopje  
Tel. 02/2465-053  
Fax 02/2465-062

#### **Aluminka**

Partizanska No. 70b,  
1000 Skopje  
Tel. 02/3074-338  
Fax 02/3061-720

#### **Bitpazar**

Krste Misirkov No. 61a,  
1000 Skopje  
Tel. 02/3231-128  
Fax 02/3231-134

#### **Bunjakovec**

Partizanski odredi No. 17 lok. 25,  
1000 Skopje  
Tel. 02/3225-865  
Fax 02/3233-391

#### **Butel**

Aleksandar Urdarevski Nn,  
1000 Skopje  
Tel. 02/2658-102  
Fax 02/2658-101

#### **Veropulos**

T. Gologanov No. 76,  
1000 Skopje  
Tel. 02/3070-316  
Fax 02/3074-978

#### **Vero center**

Bul. Koco Racin and Bul.  
Kuzman Josifovski Pitu, 1000  
Skopje  
Tel. 02/3222-289  
Fax 02/3222-284

#### **Vizbegovo**

Kacanicki Pat, 1000 Skopje  
Tel. 02/2655-544  
Fax 02/2655-543

#### **Gjorce Petrov**

Gjorce Petrov No. 54,  
1000 Skopje  
Tel. 02/2051-066  
Fax 02/2051-056

#### **Dracevo**

Ratko Mitrovic No. 95,  
1000 Skopje  
Tel. 02/2792-123  
Fax 02/2792-136

#### **Ilinden**

Street 2 No. 4, 1000 Skopje  
Tel. 02/2573-661  
Fax 02/2573-663

#### **Jane Sandanski**

Jane Sandanski No. 24,  
1000 Skopje  
Tel. 02/3166-575  
Fax 02/2452-311

#### **Kapistec**

Naroden front, TC Beverli Hils,  
parcela 82, del 7, zgrada 1,  
vlez 1, 1000 Skopje  
Tel. 02/3221-923  
Fax 02/3221-924

#### **Karpos 4**

Partizanski odredi No. 125,  
1000 Skopje  
Tel. 02/3064-202  
Fax 02/3064-204

#### **Kisela Voda**

Sava Kovacevic No. 14,  
zgrada 1, vlez 1 1000 Skopje  
Tel. 02/2770-370  
Fax 02/2770-355

#### **Kliniki**

Vodnjanska No. 20, 1000 Skopje  
Tel. 02/3223-047  
Fax 02/3223-047

#### **Majka Tereza**

Makedonija No. 16,  
1000 Skopje  
Tel. 02/3238-821  
Fax 02/3215-074

#### **Makpetrol**

M. Hadzivasilev No. 4,  
1000 Skopje  
Tel. 02/3112-904  
Fax 02/3213-141

#### **Madjari**

Blagoja Stevkovski - place  
Selo, 1000 Skopje  
Tel. 02/2535-620  
Fax 02/2535-618

#### **Mladina**

11 Oktomvri No. 7,  
1000 Skopje  
Tel. 02/3295-136  
Fax 02/3295-251

#### **Novo Lisice**

Vidoe Smilevski- Bato No 55/1,  
1000 Skopje  
Tel. 02/2435-752  
Fax 02/2435-734

#### **Porta Vlae**

G. Petrov No.1 zgr. B1 vlez 1  
lokal 12, 1000 Skopje  
Tel. 02/2040-632  
Fax 02/2045-681

#### **Topansko Pole**

Tr. Cent V. Glavinov,  
1000 Skopje  
Tel. 02/2613-995  
Fax 02/2614-018

#### **Shopping center - ground floor**

11 Oktomvri No. 7,  
1000 Skopje  
Tel. 02/3295-331  
Fax 02/3295-426

#### **Crnice**

Ognen Prica, 1000 Skopje  
Tel. 02/3224-085  
Fax 02/3224-078

#### **Cair**

Hristijan Todorovski Karpos  
No. 5, 1000 Skopje  
Tel. 02/2614-405  
Fax 02/2614-403

#### **Cento**

Juznomoravska Brigada,  
1000 Skopje  
Tel. 02/2521-851  
Fax 02/2521-852

### Other branches

#### **Berovo Branch**

M. Tito, 2330 Berovo  
Tel. 033/471-159  
Fax 033/471-240

#### **Pehchevo Branch**

Boris Kidric, 2326 Pehchevo  
Tel. 033/441-116  
Fax 033/441-116

#### **Gevgelija Branch**

Plostad Sloboda,  
1480 - Gevgelija  
Tel. 034/210-015  
Fax 034/211-863

#### **Bogdanci Branch**

M. Tito No. 85,  
1484 - Bogdanci  
Tel. 034/221-118  
Fax 034/ 221-118

#### **Gostivar Branch**

Ilindenska No. 23,  
1230 - Gostivar  
Tel. 042/215-404  
Fax 042/213-172

#### **Gostivar Sub-Branch**

Brakja Ginovski,  
1230 - Gostivar  
Tel. 042/213-050  
Fax 042/218-051

#### **Debar Branch**

Veljko Vlahovic No.146,  
1250 - Debar  
Tel. 046/831-148  
Fax 046/831-005

#### **Delchevo Branch**

Orce Nikolov,  
2320 - Delchevo  
Tel. 033/411-454  
Fax 033/413-199

#### **M. Kamenica Branch**

M. Tito, 2304 Kamenica  
Tel. 033/431-415  
Fax 033/431-415

#### **Kavadarci Branch**

Ilindenska No.1, 1430  
Kavadarci  
Tel. 043/410-065  
Fax 043/412-108

#### **Kichevo Branch**

Bul.Osloboduvanje No.9,  
6250 Kichevo  
Tel. 045/221-347  
Fax 045/221-489

#### **Kochani Branch**

M. Tito 44, 2300 Kochani  
Tel. 033/ 272-602  
Fax 033/ 274-072

#### **Krushevo Branch**

Ilindenska,  
7520 Krushevo  
Tel. 048/477-130  
Fax 048/477-901

#### **Radovish Branch**

22 Oktomvri,  
2420 Radovish  
Tel. 032/635-512  
Fax 032/ 635-283

#### **Resen Branch**

M. Tito, 7310 - Resen  
Tel. 047/451-147  
Fax 047/452-063

#### **Sveti Nikole Branch**

M. Tito, 2220 Sveti Nikole  
Tel. 032/443-944  
Fax 032/443-477

#### **Strumica Branch**

Leninova 19, 2400 - Strumica  
Tel. 034/348-403  
Fax 034/348-390

#### **Novo Selo Branch**

M. Tito No. 49,2434  
Novo Selo  
Tel. 034/355-422  
Fax 034/355-422

#### **Valandovo Branch**

6-ti Noemvri No. 42,  
1460 - Valandovo  
Tel. 034/383-310  
Fax 034/382-424

#### **AstraSub-Branch**

M. Tito, 2400 - Strumica  
Tel. 034/348-511  
Fax 034/348-515

**Struga Branch**

M. Tito 54, 6330 - Struga  
Tel. 046/781-801  
Fax 046/781-365

**Veles Branch**

M. Tito, 1400 - Veles  
Tel. 043/235-199  
Fax 043/234-052

**Shtip Branch**

Josif Kovachev 8, 2000 -  
Shtip  
Tel. 032/393-266  
Fax 032/391-034

**Bitola Branch**

M. Tito, 7000 Bitola  
Tel. 047/222-247  
Fax 047/203-336

**Demir Hisar Branch**

Bitolska, 7240 Demir Hisar  
Tel. 047/275-850  
Fax 047/275-840

**Ohrid Branch**

Kuzman Josifovski Pitu,  
6000 Ohrid  
Tel. 046/260-277  
Fax 046/260-299

**Turisticka Sub-Branch**

Bul.Turistickalamela 3,  
6000 Ohrid  
Tel. 046/257-831  
Fax 046/257-830

**Probishtip Branch**

Jakim Spirov 3, 2210  
Probishtip  
Tel. 032/483-129  
Fax 032/484-228

**Tetovo Branch**

Marshal Tito No. 32,  
1200 Tetovo  
Tel. 044/332-664  
Fax 044/331-646

**Tetovo Sub-Branch**

29 Neomvri, 1200 Tetovo  
Tel. 044/342-462  
Fax 044/342-463

**Kumanovo Branch**

Paztizanska No.2, 1300  
Kumanovo  
Tel. 031/437-582  
Fax 031/437-581

**Kriva Palanka  
Sub-Branch**

Marshal Tito No. 183, 1330  
Kriva Palanka  
Tel. 031/437-582  
Fax 031/437-581

**Negotino Branch**

Jane Sandanski No .2,  
1440 - Negotino  
Tel. 043/361-036  
Fax 043/ 361-766

**Vinica Branch**

Marshal Tito No .6,  
2310 - Vinica  
Tel. 033/363-133  
Fax 033/361-388

**Prilep Branch**

Kuzman Josifovski No. 41,  
7500 Prilep  
Tel. 048/420-856  
Fax 048/420-857

**Prilep center Branch**

Bul. Marksova, 7500 Prilep  
Tel. 048/429-752  
Fax 048/429-751



INDEPENDENT  
AUDITOR'S  
REPORT

*To the Shareholders Assembly and Supervisory Board of Stopanska Banka AD - Skopje*

We have audited the accompanying financial statements of Stopanska Banka AD - Skopje, which comprise the balance sheet as at 31 December 2012, and the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and the 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 the accounting legal regulations implemented in the Republic of Macedonia and the regulations of the Central Bank of RM, as well as for the internal control relevant for preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Auditing Standards and Auditing Law of the Republic of Macedonia. 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.

The audit involves performing procedures to obtain

audit evidence about the amounts and disclosures in the financial statements. Selected procedures depend on the auditor's judgment, including the assessment of risks from material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the 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. The 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 of Stopanska Banka AD - Skopje for the year ended on 31 December 2012, have been prepared, in all material respects, in accordance with the accounting legal regulations applied in the Republic of Macedonia.

Deloitte DOO

Skopje, 3 April 2013

Lidija Nanus  
Manager  
Chartered Auditor

Aleksandar Arizanov  
Chartered Auditor

**INCOME STATEMENT**

for the period from January 1, 2012 to December 31, 2012  
(In thousands of Denars)

	Notes	2012	2011
Interest income		4.634.327	4.494.952
Interest expense		(2.066.489)	(2.302.664)
<b>Net interest income</b>	6	<b>2.567.838</b>	<b>2.192.288</b>
Fee and commission income		1.025.772	945.138
Fee and commission expense		(84.388)	(91.136)
<b>Net fee and commission income</b>	7	<b>941.384</b>	<b>854.002</b>
Trading income, net	8	51.477	30.720
Trading income from other financial instruments recorded at fair value, net	9	-	-
Foreign exchange gains/(losses), net	10	106.507	133.796
Other operating income	11	219.219	213.413
Share in the profit of associates	24	-	-
Impairment losses on financial assets, net	12	(1.039.086)	(743.531)
Impairment losses on non-financial assets, net	13	(74.051)	(6.100)
Personnel expenses	14	(714.768)	(731.202)
Depreciation and amortization	15	(168.399)	(187.862)
Other operating expenses	16	(1.090.320)	(1.108.210)
Share in the loss of associated companies	24	-	-
<b>Profit tax</b>		<b>799.801</b>	<b>647.314</b>
Income tax expense	17	(4.322)	(17.569)
<b>Net profit for the year</b>		<b>795.479</b>	<b>629.745</b>
<b>Earnings per share</b>	41		
Basic earnings per share (in MKD)		45,56	36,07
Diluted earnings per share (in MKD)		45,56	36,07

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

The financial statements were approved by the Board of Directors of the Bank on 28 January, 2013 and adopted by the Bank's Supervisory Board.

Signed on behalf of Stopanska Banka AD - Skopje:

Mr. Gligor Bishev, Ph.D. Chief Executive Officer  
Chairman of the Board of Directors

Mr. Diomidis Nikolettopoulos Chief Retail, Finance and Operations Officer  
Member of the Board of Directors

Mr. Toni Stojanovski, MSc. Chief Risk Officer,  
Member of the Board of Directors

Mr. Theodoulos Skordis, Chief Corporate Officer  
Member of the Board of Directors

## BALANCE SHEET

As at December 31, 2012 (In thousands of Denars)

	Notes	2012	2011
<b>ASSETS</b>			
Cash and cash equivalents	18	23.937.430	21.669.816
Trading financial assets	19	181.051	141.828
Financial assets at fair value through Income Statement determined as such at initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Placements with, and loans to banks	22.1	296.295	123.280
Loans to customers	22.2	45.597.846	44.225.670
Investments in securities	23	3.394.746	1.835.680
Investments in associates	24	-	-
Receivables for income tax (current)	30.1	4.884	7.536
Other receivables	25	214.365	223.731
Collateralized assets	26	-	-
Assets acquired through foreclosure proceedings	27	686.216	802.975
Intangible assets	28	85.053	106.650
Property and equipment	29	952.629	1.018.988
Deferred tax assets	30.2	-	-
Non-current assets held for sale and group for sale	31	-	-
<b>Total assets</b>		<b>75.350.515</b>	<b>70.156.154</b>
<b>LIABILITIES</b>			
Trading financial liabilities	32	-	-
Financial liabilities at fair value through Income Statement determined as such at initial recognition	33	-	-
Derivative obligations held for risk management	21	-	-
Deposits from banks and financial institutions	34.1	264.962	146.172
Deposits from customers	34.2	59.255.539	56.701.616
Issued debt securities	35	-	-
Loans payable	36	2.518.847	832.501
Subordinated debt	37	2.777.163	2.780.212
Special reserve and provisions	38	139.386	152.823
Income tax payable (current)	30.1	-	-
Deferred tax liabilities	30.2	-	-
Other liabilities	39	672.806	613.995
Liabilities directly related to group of assets for sale	31	-	-
<b>Total liabilities</b>		<b>65.628.703</b>	<b>61.227.319</b>

## BALANCE SHEET

As at December 31, 2012 (In thousands of Denars)

	Notes	2012	2011
<b>EQUITY</b>			
Share capital	40	3.511.242	3.511.242
Share premier		-	-
Registered shares		-	-
Other equity instruments		-	-
Revaluation Reserves	40	(2.560)	(58)
Other Reserves	40	831.373	831.373
Retained earnings		5.381.757	4.586.278
<b>Total equity and reserves</b>		<b>9.721.812</b>	<b>8.928.835</b>
<b>Total liabilities and equity and reserves</b>		<b>75.350.515</b>	<b>70.156.154</b>
Contingent liabilities	42	10.666.889	11.347.905
Contingent assets	42	-	-

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

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Chairman of the Board of Directors

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Chief Retail, Finance and Operations Officer  
Member of the Board of Directors

Mr. Toni Stojanovski, MSc. Chief Risk Officer,  
Member of the Board of Directors

Mr. Theodoulos Skordis, Chief Corporate Officer  
Member of the Board of Directors

## STATEMENT OF CASH FLOWS

for the period from January 1, 2012 to December 31, 2012 (In thousands of Denars)

	Note	2012	2011
<b>Cash flows (used in)/ generated from operating activities</b>			
<b>Profit before taxation</b>	-	799.801	647.314
Adjustments for:	-	-	-
Depreciation of:	-	-	-
- intangible assets	15/28	40.435	38.661
- property and equipment	15/29	127.964	149.201
Gain on sale of:			
- intangible assets		-	-
- property and equipment	11	(2.495)	(2.619)
- assets acquired through foreclosures	11	-	(17.461)
Loss on sale of:			
- intangible assets		-	-
- property and equipment		-	-
- assets acquired through foreclosures	16	-	4.717
Interest income	6	(4.634.327)	(4.494.952)
Interest expense	6	2.066.489	2.302.664
Net trading expense / (income)	8	(51.477)	(30.720)
Value adjustment of financial assets, on a net basis			
- <i>Additional value adjustment</i>	12	1.396.643	1.265.911
- Release of value adjustment	12	(357.557)	(522.380)
Impairment loss of non-financial assets, on a net basis:			
- Additional impairment loss	13	74.051	6.100
- Release of impairment loss		-	-
Special reserves:			
- additional provisions	38	26.708	67.606
- release of provisions	38	(40.145)	(76.548)
Dividend income	-	(4.520)	(3.070)
Share in profit/(loss) of associates	-	-	-
Other rectifications - gains from sale of available for sale assets	11	(5.000)	-
Interest receipts		4.635.192	4.480.057
Interest paid		(2.083.487)	(2.306.758)
<b>Operating profit before changes in operating assets</b>		<b>1.988.275</b>	<b>1.507.723</b>
(Increase)/decrease of operating assets:			
Trading assets		(39.223)	(20.966)
Derivative assets held for risk management		-	-
Due from banks and financial institutions		(173.208)	(2.931)
Loans to customers		(2.389.378)	(2.706.853)
Pledged assets		-	-

## STATEMENT OF CASH FLOWS (continued)

for the period from January 1, 2012 to December 31, 2012 (In thousands of Denars)

	Note	2012	2011
Assets acquired through foreclosure proceedings		116.759	35.014
Reserve requirements in foreign currency		199.566	(61.069)
Obligatory deposit with NBRM in accordance with special legislative		(24.369)	-
Other receivables		(11.094)	(40.108)
Deferred tax assets		-	15.504
Non-current assets held for sale and group for sale		-	-
Increase/(decrease) of operating liabilities:			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Deposits from banks and financial institutions		118.790	(2.174.041)
Deposits from customers		2.553.923	3.194.448
Other liabilities		58.811	111.006
Liabilities directly related to group of assets for sale		-	-
<b>Net cash flows (used in)/ generated from operating activities before tax</b>		<b>2.398.852</b>	<b>(142.273)</b>
(Paid)/Return on income tax		(1.670)	(4.800)
<b>Net cash flows (used in)/ generated from operating activities</b>		<b>2.397.182</b>	<b>(147.073)</b>
<b>Cash flows from investing activities</b>			
(Investments in securities)		(2.891.449)	(677.060)
Inflows from sale of investments in securities		1.336.957	1.817.874
		-	-
(Outflows for investments in subsidiaries and affiliates)		-	-
Inflows from sale of investments in subsidiaries and affiliates		-	-
(Acquisition of intangible assets)		(18.838)	(20.369)
Inflows from sale of intangible assets		-	-
(Acquisition of property and equipment)		(36.138)	(52.895)
Inflows from sale of property and equipment		2.599	2.619
(Outflows for non-current assets held for sale)		-	-
Inflows from non-current assets held for sale		-	-
(Other outflows from investing activities)		-	-
Other inflows from investing activities		1.802	3.765
<b>Net cash flows from investing activities</b>		<b>(1.605.067)</b>	<b>1.073.934</b>

## STATEMENT OF CASH FLOWS (continued)

for the period from January 1, 2012 to December 31, 2012 (In thousands of Denars)

	Note	2012	2011
<b>Cash flows from financing activities</b>			
(Repayment of issued debt securities)		-	-
Inflows from issued debt securities		-	-
(Repayment of loan payables)		(192.275)	(71.829)
Increase in loan payables		1.875.572	425.748
(Repayment of issued subordinated debt)		-	-
Inflows from issued subordinated debt		-	-
Inflows from issued shares/equity instruments within the period		-	-
(Acquisition of registered shares)		-	-
Sold registered shares		-	-
(Paid dividends)		(6,555)	(8.139)
(Other outflows from financing activities)		-	-
Other inflows from financing activities		-	-
<b>Net cash flows from financing activities</b>		<b>1.676.742</b>	<b>345.780</b>
Effects from adjustment of value of cash and cash equivalents		(26.046)	
Effects from foreign exchange gains/losses of cash and cash equivalents			
Net-increase/(decrease) of cash and cash equivalents		2.442.811	1.272.641
Cash and cash equivalents as at January 1		18.786.841	17.514.200
Cash and cash equivalents as at December 31		<b>21.229.652</b>	<b>18.786.841</b>

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

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**STOPANSKA BANKA AD - SKOPJE**  
member of NBG group

On your side

