S T O P A N S K A B A N K A AD – S K O P J E

ANNUAL REPORT

2010

Skopje, March 2011

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

Key Financial Highlights

in EUR million

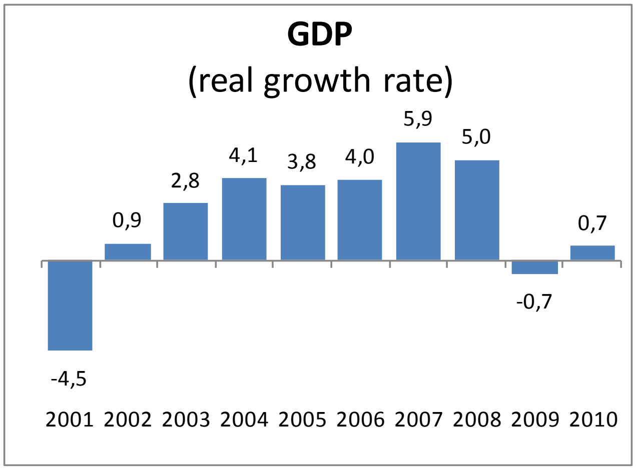
	2009	2010	% change
Income Statement indicators			
Net Interest Income	42.9	38.5	-10.2%
Net Commissions Income	13.9	14.7	5.8%
Total Income	61.5	57.4	-6.7%
Operating expenses	32.5	32.6	0.1%
Personnel Expenses	12.1	12.2	0.8%
Net Operating Income	29.0	24.9	-14.2%
Impairment losses (net)	17.0	10.6	-37.9%
Pre Tax Profit	12.0	14.3	19.2%
Net Profit	11.9	14.2	19.8%
Balance Sheet indicators	**2009**	**2010**	**% change**
Total Assets	1,075.0	1,109.8	3.2%
Equity (Tier 1)	124.9	138.3	10.7%
Subordinated debt (Tier 2)	45.2	45.2	0.0%
Toatal Capital (Tier 1 & Tier 2)	170.1	183.5	7.9%
Regulatory capital	158.2	168.3	6.4%
Loans to customers (net)	682.3	690.1	1.2%
Total loans (gross)	746.0	753.9	1.1%
Retail loans	422.3	438.9	3.9%
Corporate Loans	323.7	315.1	-2.7%
Provisions	63.7	63.8	0.1%
Total Deposits	846.8	870.0	2.7%
Retail deposits	603.3	684.3	13.4%
Corporate Deposits	243.5	185.7	-23.8%
Financial ratios	**2009**	**2010**	**change**
Net Interest Margin	4.5%	3.9%	-60bp
Cost income ratio	49.8%	55.6%	580bp
ROA	1.2%	1.4%	20bp
ROE	9.8%	11.2%	120bp
Loans to Deposits ratio (gross)	88.1%	86.7%	-144bp
Capital Adequacy ratio	17.25%	17.81%	56bp
Operational Indicators			
Number of Units	69	66	-3
Number of Personnel (eop)	1142	1067	-75

Economic Environment

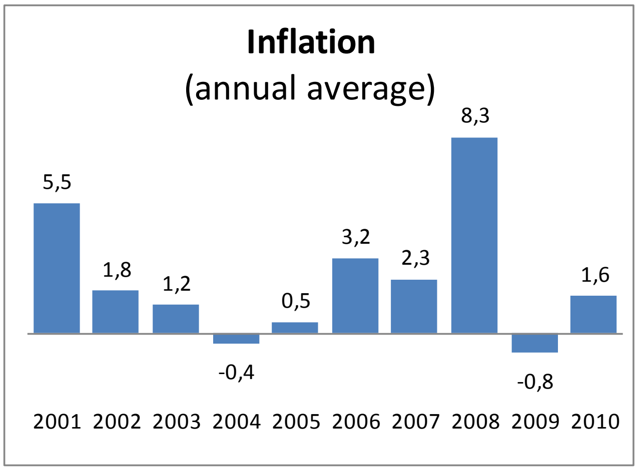
Steady and sluggish export driven recovery started in 2010. Sharp reduction of current account deficit and mild fiscal deficit contributed to exchange rate stability. Such environment enabled the central bank to begin loosening its nominal policy interest rate. Despite the decreased interest rate margins and rise in NPLs, the banking sector remained sound, liquid and posted strong capital adequacy.

Stimulus packages in matured market economies generated sluggish recovery of the global economic activity. However, in most developed economies the financial institutions, firms, and households are still undergoing the process of rebalancing, contributing for weak recovery of the private consumption, especially the real estate consumption.

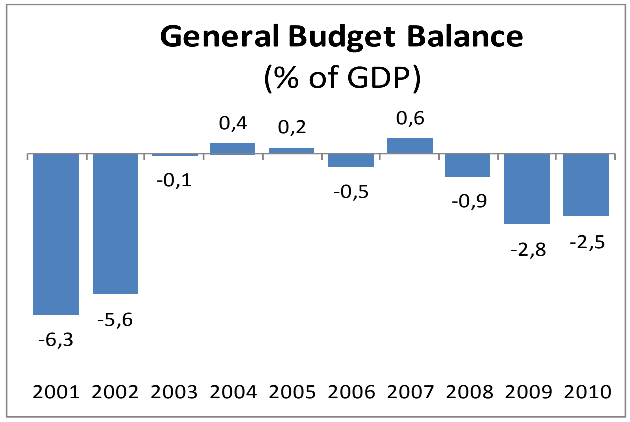
Year 2010 saw the beginning of a recovery in the domestic economy. Namely, after the modest contraction in 2009, the economy registered slow but steady export driven recovery of the economic activity, resulting in GDP growth of 0.7%. The gradual rebound of the global demand in 2010, especially in the key export segments, was the main driver of the increased capacity utilization of the production base. Additionally, the government stimulus, provided by public investments, maintained the domestic demand in positive zone. On that note, the main carriers of the growth in 2010 were Construction, Metal industry and Financial intermediation.



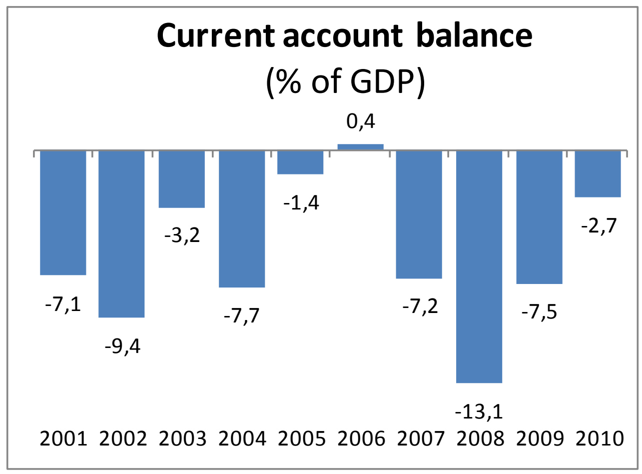
The increased economic activity and the rebound of inflationary pressures have increased the inflation rates, both globally and domestically. However, despite the higher imported inflation, the average inflation rate for the year as a whole was low, 1.6%, which is mainly due to the slow domestic demand recovery.



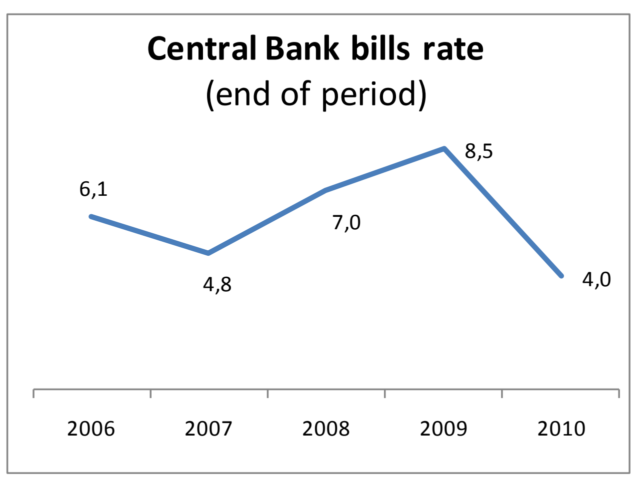
In contrast to most other countries in Europe, the public finances in country managed to maintain an appropriate balance between supporting the economic recovery and preserving low public debt. Consequently, in 2010, through significant expenditure cuts, the fiscal deficit narrowed to 2.5% of GDP from 2.8% in the previous year.



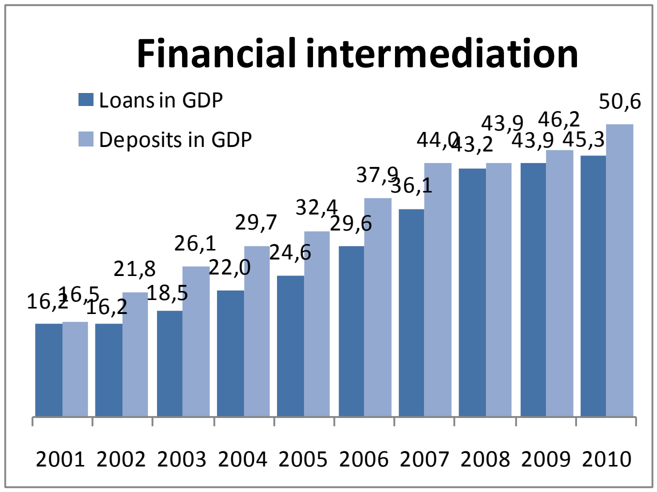
The improved global macroeconomic landscape caused international capital flows to expand during 2010. Consequently, the external sector of the domestic economy reported significant narrowing of the current account deficit which is estimated at 2.7% of GDP for the end of the year, compared to 7.5% in 2009. The reduction of the current account gap reflected the sharp increase in export, led by the gradual recovery of the global demand and the favorable terms of trade, in environment of relatively weak pressure from domestic demand on imports. Additionally, in 2010, the net-inflows from private transfers witnessed further increase, to around 19% of GDP, indicating significant reduction of external vulnerability of the country. On the capital and financial account side, the most significant capital inflows in 2010 were related to foreign direct investments, which although relatively low (3.2% of GDP), were sufficient to cover the current account deficit and to enable further accumulation of foreign exchange reserves.



In 2010, the favorable macroeconomic landscape for implementation of the monetary policy enabled the central bank to begin loosening its nominal policy interest rate. Namely, the relatively stable foreign exchange market, mirrored by outstanding export performance and strong inflows from private transfers, enabled foreign reserves to reach EUR 1.7 billion, maintaining appropriate import coverage. Consequently, in response to



more favourable external sector developments, in environment of negative output gap and low inflation, in 2010, the central bank reduced its policy rate from 9% in November 2009 to 4% in December 2010, which is historical minimum since the monetary independence of the country.



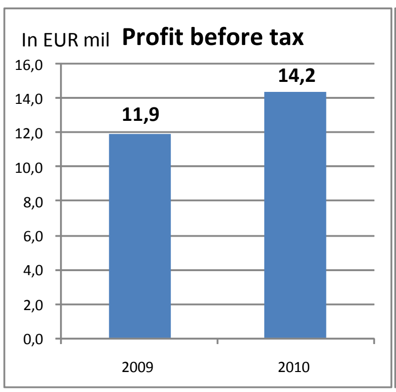
Despite the decreased interest rate margins and rise in NPLs, the banking sector remained sound, liquid and posted strong capital adequacy. Namely, during 2010 the growth of the deposit base has accelerated on the backdrop of further improvement in the macroeconomic setup, favourable external sector developments and stabilized risk perceptions of the economic agents. Consequently, the deposit base finished the year with 13.7% growth compared to 7.1% in 2009. Underlying the strong confidence in the domestic currency, such growth of the deposit base was mainly (68.6%) attributed to the local currency-denominated deposits which recorded an annual growth of 19.5%. This contributed to modest ease in the level of euroization of the deposit base from 48.5% in December 2009 to 46.8 in December 2010. In addition, the new legislation passed in 2010 introduced interest rate ceiling on the banking sector lending products based on the nominal policy rate of the Central bank. Such legislation, in combination with declining CB bills rate, influenced sharp decline of the banking sector lending rates, resulting in decreased interest rate margins. However, the lending activity of the banking sector accelerated the growth to 7.1% compared to 3.5% in the previous year. Consequently, the loans to deposits ratio drop below 90% (89.5%).

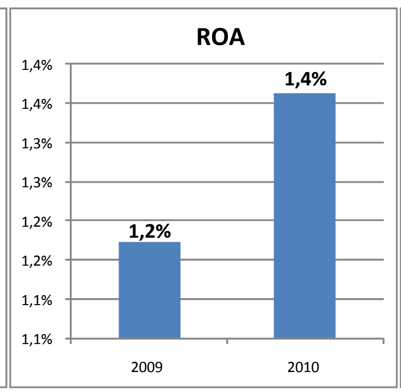
Review of 2010 Activities

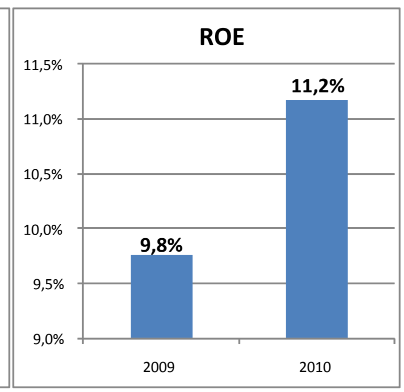
Financial Performance

The prudent risk management secured the stability and soundness of the bank while the balanced growth of the loan portfolio accompanied by the efficient management of the funding sources ensured growing return for our shareholders

In the challenging market condition, Stopanska banka AD-Skopje (SB) dedicated its efforts on preservation of strong liquidity and capital base, safeguarding of loan portfolio quality and containment of the operating cost. Thus, SB remained well-capitalized, deposit-funded and highly liquid, which enabled delivering of high quality support to its customers. At the end of the year, the bank recorded profit before taxes of EUR 14.3 million, exceeding the corresponding 2009 figure by 19.2%, while the bank's total assets reached EUR 1,109.8 million. Consequently, ROA stood at 1.4%, while ROE equalled 11.2%, indicating stable returns for shareholders. With the highest capital strength in the industry, which ensured capital adequacy of 17.8%, SB remained the most solid and trustworthy financial partner in the country.







Net Interest Income

In the course of 2010 the pressure from the legal framework, for lowering the interest rates in parallel to the central bank policy rate cuts, influenced sharp decline of the banking sector lending rates. At the same time, due to the cap of the interest rates, the banks were not allowed fully to integrate adequate risk premiums in their lending rates, which in combination with increased competition for depositors on the local market, resulted with an annual decline in the Bank's net interest margin by 60 b.p. down to 3.9%. As a result, the net interest income of the Bank receded to EUR 38.5 million.

Net Interest Income
in EUR million

	2009	2010	% change
Interest income	80.2	77.3	-3.6%
Interest expenses	37.4	38.8	3.9%
Net Interest Income	**42.9**	**38.5**	**-10.2%**

Interest income

Despite the modest growth of lending balances in 2010, the more pronounced downward adjustment in the lending rates resulted in lower interest income. Namely, during the reporting year, the Bank generated EUR 77.3 million interest income, which is 3.6% less than in 2009. Herein, the income related to the retail loans totaled EUR 50.2 million and kept the dominant position within the total interest income (64.9%). At the same time, the interest income earned on corporate loan book equaled EUR 18.2 million. Cautions approach to lending and increased investments in short term Central bank bills and Treasury bills were adequately affected in increased interest income from these sources.

Interest income
in EUR million

	2009	2010	% change
Interest income	**80.2**	**77.3**	**-3.6%**
Retail loans	49.4	50.2	1.7%
Corporate loans	23.6	18.3	-22.8%
Investment securities	2.0	1.1	-44.3%
Due from other banks	0.2	0.0	-89.5%
Treasury bills and other eligible bills	4.1	6.6	62.1%
Balances with central banks	1.0	1.2	17.6%

Interest expenses

Interest expenses went up by 3.9%, mainly driven by increased volumes of retail deposits and related interest expenses. The latest, registered growth of 15.5% in 2010 and kept the largest share within SB’s total interest expenses (80.2%). Despite the market conditions, such growth in interest expenses also reflects the higher volumes of more expensive deposits, such as deposits with long term maturity and local currency savings of citizens. Interest expenses related to corporate deposits dropped by 32.4% reaching EUR 4.7 million.

Interest expenses
in EUR million

	2009	2010	% change
Interest expenses	**37.4**	**38.8**	**3.9%**
Retail deposits	26.9	31.1	15.5%
Corporate deposits	6.9	4.7	-32.4%
Due to other banks	1.1	0.1	-93.1%
Other liabilities	2.1	1.7	-18.8%

Fee and Commissions Income

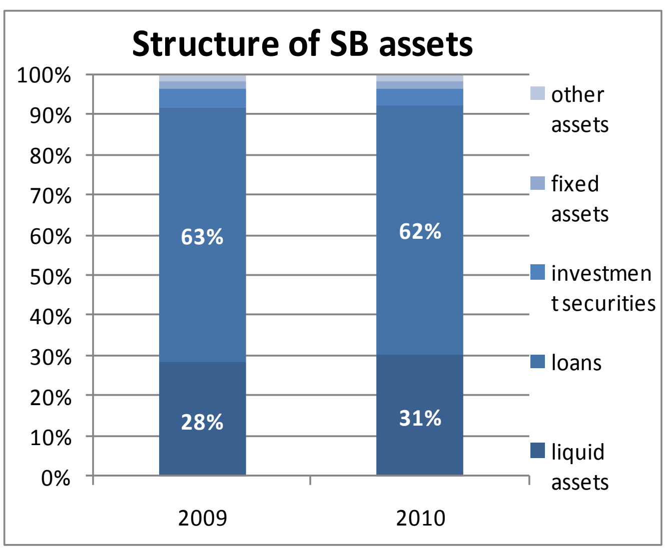
Increased volume of activities in 2010 contributed the net fees and commission income to reach EUR 14.7 million, exceeding the 2009 figure by 5.8%. Within this, the most significant contribution came from lending activities counting for half of the Bank's total fee income or EUR 7.3 million, and was higher by 9.8% than the previous year. The second largest fee and commission income item, representing 25.2% of total fee and commission income, relates to the income from transfer of funds, mainly driven by increased domestic payments operations, which registered an annual growth rate of 1.9%. In addition, due to the significantly increased volume of trade finance activities in 2010, the fee income generated on letters of credit and guaranties registered growth rate of 9.6% compared to 2009.

Net fees and commissions income
in EUR million

	2009	2010	% change
Net fees and commissions income	**13.9**	**14.7**	**5.8%**
brokerage	0.1	0.1	-29.2%
loans provided	6.7	7.3	9.8%
letters of guarantee	1.0	1.1	9.6%
transfer of funds	3.6	3.7	1.9%
deposits	1.4	1.3	-2.0%
others	1.2	1.2	4.0%

Assets and Liabilities

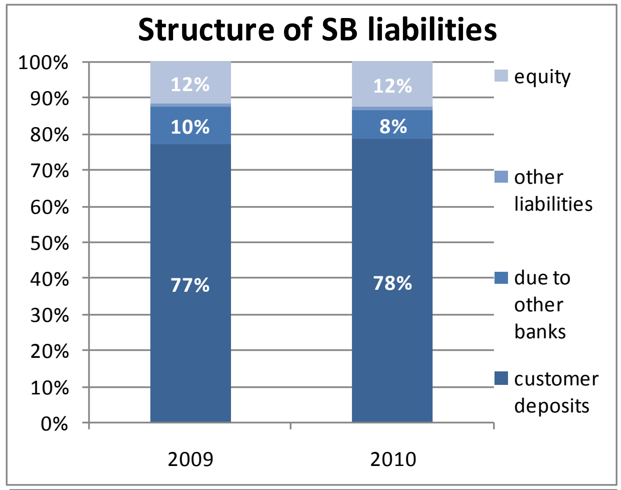
Assets

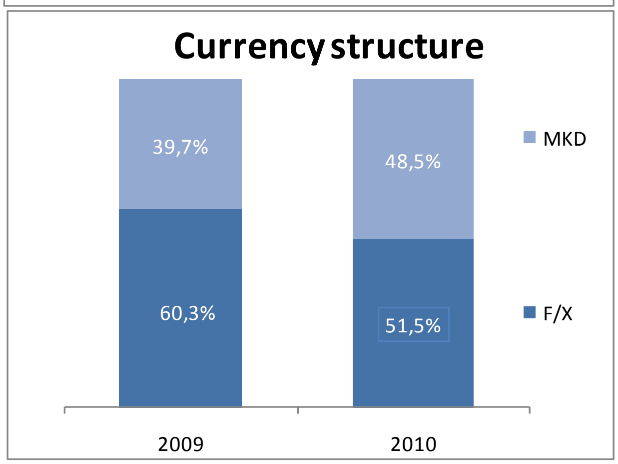


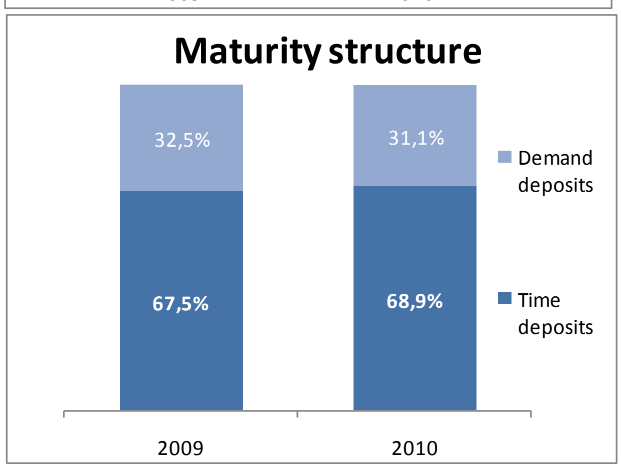
The Bank's total assets at the end of 2010 reached EUR 1,109.8 million, which is EUR 34.8 million or 3.2% more than the year before. Amid the high risks and uncertainties in 2010, the Bank continued rearranging its asset mix in favor of more liquid assets, pushing their share up to 31% of the total assets. Credit activity in 2010 was adjusted to provide an adequate level of loan support to our clients, but at the same time to safeguard the loan portfolio quality. Consequently, by the end of 2010 the total loan portfolio reached EUR 753.9 million, out of which EUR 315.1 million were extended to corporate customers, while retail exposures amounted to EUR 438.9 million.

In parallel with this, SB's focus during 2010 on maintaining high assets quality resulted in NPL ratio lower by 60 bps when compared to 2009, and 160 bps lower relative to the market average. In line with such developments, at the end of year the loans to deposits ratio dropped to 86.7% on gross basis, indicating strong credit potential for 2011.

Deposits and equity







At the end of 2010 the Bank's total borrowing (deposit and non-deposit) reached EUR 971.5 million, thus recording nominal annual growth of 2.3% entirely as a result of the continued development of the Bank's client deposit base. Evidently, customer deposits continued to be the main driving force of the enhanced financial potential of the Bank in 2010, with annual growth rate of 2.7% and EUR 23.2 million absolute increase against 2009 year-end. Herein, the households' deposits registered the most intensive increase with an annual rate of 13.9%, thus strengthening the dominant position in the total deposits with a share of 78.0%. The currency composition of the deposits base indicates significant increase in the share of local currency denominated deposits to 48.5% up from 39.7% in 2009, 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, with annual growth of EUR 30.3 million or 5.4%. Sustained positive trend in the deposit base growth towards longer-term maturities contributes to better balance sheet financing, hence indicating stable sources of funds for the Bank's continuous credit expansion.

SB's equity increased by 10.7% y/y resulting entirely from EUR 12.3 million accumulated on the reserves and retained earnings accounts. Hence, the total capital strength in the amount of EUR 183 million at the end of 2010 ensured sufficient capital adequacy and quality source of long-term funding.

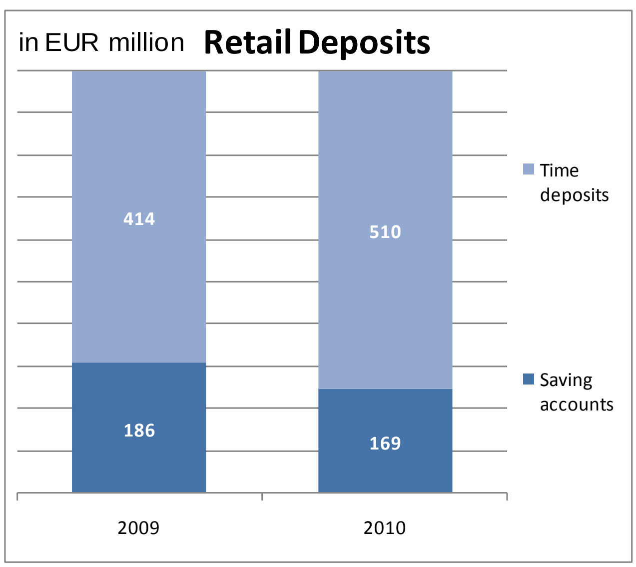
Retail Banking

SB successfully met its client's expectations in retail lending by offering wide product range with enhanced characteristics and alternative selling channels. This contributed to further strengthening of its leadership in retail lending.

During 2010, SB continued to dominate the domestic retail market with its wide product range and variety of unique selling channels. The growing market competition was overcome by enhanced product characteristics and investments in technology intensive infrastructure. As a result, the number of retail customers increased for additional 37 thousands or 4.5% when compared to 2009.

In the framework of our strategy to enhance the quality of client servicing, the Bank introduced a new organizational model and vertical line business reorganization. In accordance with the new organization, Stopanska banka established new client service roles in the branches such as: Relationship Officers for Small banking business, Relationship Officer for affluent clients as a special product segments and the Receptionist. According to the aforementioned, Stopanska banka AD – Skopje implemented modifications and adjustments to the policies, procedures and a whole new organizational structure that really puts the customer needs in the center of interest. The organizational changes were complemented with the introduction of advanced-technology-based services, such as: ATM banking – bill payment, fund transfer, mini statement, and mobile top-up. In addition, by improving the e-banking service and the ongoing preparation of the phone banking, Stopanska banka will become not only the largest bank by number of clients, but the most innovative and client oriented bank on the market, as well.

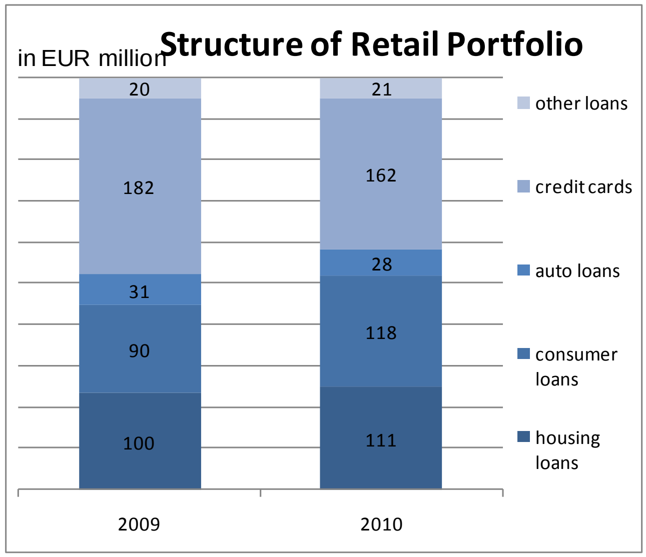
Retail deposits



Attracting new deposits was one of the strategic targets set, and successfully realized, by the Bank in the field of Retail Banking during 2010. Namely, SB opened over 81.000 new deposits in 2010 and the total balance of deposits reached EUR 684.3 million, exceeding the corresponding 2009 figure by 13.4%. Herein, the most significant contribution came from the increased time deposits, which annual growth rate reached 23.3%. The currency composition of the retail deposits reveals increased share of the local currency denominated deposits, to 41.2%, up from 35.7% in 2009, mainly reflecting the nation-wide trend in the household's saving preferences. Consequently, SB maintained market share of 29% during 2010.

Retail lending

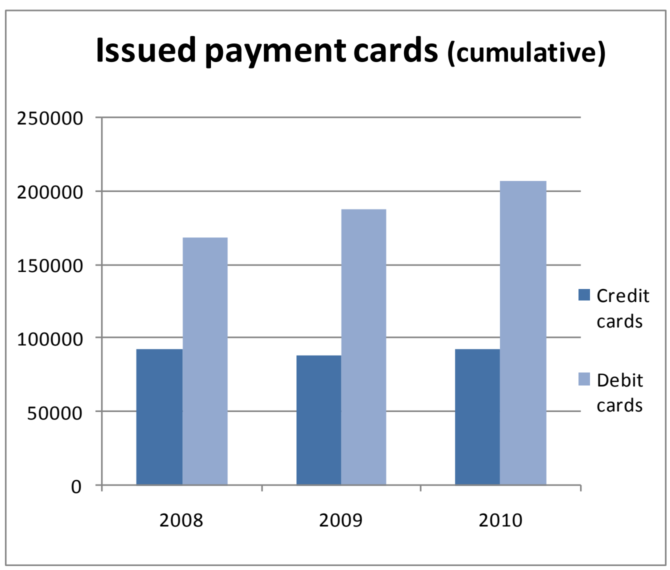
On the retail lending side, SB performed according to the market trend and maintained its market share of 38.8% with total outstanding balance of EUR 438.9 million. In 2010, the structure of the lending portfolio continued to favour the secured lending products, which is a strategy that SB has maintained since the beginning of the global economic crisis. With over 900 new Housing Loans approved in 2010, SB retained its market leadership within this segment with over 40% market share.



Due to the new legislation on used car sales in 2010, the automotive industry suffered a blow to the sales of new cars, which resulted in decrement of the sales of Auto Loans and contributed to negative trend of the portfolio, however the Bank managed to maintain its 45% market share.

The Consumer loan participates with 27% in the lending portfolio and it is consisted of the instalment unsecured loan sold through the branches but also through a constantly growing merchant network and the Line of credit with the unique characteristics. The Bank also maintains high market share of above 42% in this segment.

During 2010, the total number of Credit and Debit cards issued by SB numbered 299.887, which is a growth by 7.6% compared to 2009. The outstanding balances of credit cards with nearly 50% market share maintained its 2009 level in spite of the negative market trends. The "36 interest free installments scheme" with SB credit cards increased usage especially with the growth of merchants embracing this scheme. This scheme as well as the growing trust in card as a payment option increased the



volume of POS transactions (non-cash transactions) for credit cards by 23% and 30% for debit cards compared to 2009.
The planned novelties for 2011 will increase card utilization through the e-commerce and increase the acquiring with the launch of new card products.

Alternate channels

By the end of the year, in addition to the internet banking, SB introduced 24/7 availability of basic banking services through its nation-wide ATM network. The new services along with e-banking were branded under the well accepted i-bank logo at Group level. i-bank services include 24/7 ATM bills payment, monthly instalments and transfer of funds from one account to another within the Bank, by using a debit or credit card of SB. The reason behind implementing these services is to increase the card usage of both credit and debit users, to transform the ATMs in bank counters, thus, decreasing the waiting lines in the branches. The results of the first days of launching the ATM payment service gave optimism for the acceptance of the alternative services.

The e-banking service has grown over the years to become one of the most important channels for clients to use SB banking services. With the increased internet penetration the Bank continued developing and improving the service now offering a complete overview of client position – each deposit and lending product with details such as: interest rate, payment plan, list of payments, term details etc. The improvements have lead to a 35% increase in number of transactions compared to 2009 and 20% increase in the value of transactions. The number of clients also grew by 40% in both retail and corporate clients mainly due to the intensive training of sales staff and constant promotion of the service. The e-banking service is organized now under the i-bank brand along with the remaining services that provide the client the opportunity to choose both the time and the place for using SB banking services.

Corporate Banking

Deepening of the key existing partnerships with top performing companies while maintaining high portfolio quality

In 2010, corporate sector in the country witnessed the first signs of recovery from the great recession. However, despite the increased capacity utilization on the backdrop of the gradual rebound of the global demand in 2010, the profitability of the real sector remained week. Such market conditions did not prevent SB from continuing with its corporate banking operations in line with its long term strategic priorities. Namely, during 2010 SB offered full range of corporate banking services and products, providing incessant financial support to its customers. Furthermore, having in mind the importance of being closer to our clients, the Bank opened 3 Business centres, covering corporate clients within the country. Consequently, at the end of the year, the credit portfolio in the corporate segment totalled EUR 315.1 million. However, during a year of contained credit activity and negative risk perceptions, SB was actively focused on maintaining the assets quality and ensuring the reliability of its borrowers, through further improvement of the underwriting, monitoring and collection processes. This resulted with NPL ratio lower by 120 bps when compared to 2009.

In line with its medium-term strategy, SB during 2010 continued to provide active support to Small and Medium-Sized companies. Consequently, with disbursed EUR 98.1 million loans to small and medium size companies during 2010, SB remained one of the main market players in SME finance.

Despite the challenging market conditions in 2010, SB sustained and deepened the existing business relations with the very important segment of creditworthy large businesses. The expert knowledge, advanced IT solutions, capital size and synergies from membership in one of the largest financial groups in South East Europe, NBG Group, appeared to be the main drivers of SB's competitive advantage in dealing with big corporate clients. On that note, during 2010 SB clinched a number of major deals in this corporate segment. Among the most significant is the credit agreement signed with ELEM AD Skopje for an investment loan worth EUR 30 million intended for modernization of the Thermal Power Plant Bitola, as the major and most important energy source in the country. As a result, by the end of 2010, the total portfolio of large corporate loans reached EUR 167.4 million following disbursement of a total of EUR 116.7 million on the basis of new large approvals.

In total, during 2010, SB approved more than 5.400 corporate loans, while the total volume of newly approved loans reached EUR 223.5 million, exceeding the 2009 figure by 4.8%. In addition to the regular loan activity, in 2010 in the area of trade finance SB issued 1.122 letters of guarantee and letters of credit. Total volume of newly issued trade and finance instruments in 2010 reached EUR 81.6 million, implying 93.4% higher activity compared to 2009.

Risk Management

In light of still challenging macroeconomic environment and permanent aspiration of the management for stable and moderate risk profile, the sound and effective risk management remained the highest priority within the Bank.

A consistent and effective framework for risk identification, assessment, monitoring and control is in place, based on comprehensive risk management framework which 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, being supported by the Group Risk Management unit and authorities at the NBG Group level;

And Internal Audit, which provides the independent review function.

In the beginning of 2010, the Risk Management function was additionally strengthened by introducing the Chief Risk Officer function and implementing new risk management organization model.

The Chief Risk Officer is also member of the Board of Directors, indicating the involvement and importance of the risk management function in the overall operations of the Bank, both in strategic and tactical decision making.

Also, the risk management architecture was redesigned, in a way that besides the classical risk management role it considers higher involvement of the risk management function in everyday decision making; and contributes to wider, proactive and more comprehensive risk organization structure in the Bank. Nevertheless, the Bank's risk management organizational structure primarily ensures existence of clear lines of responsibility, efficient segregation of duties and prevention of conflicts of interest at all levels.

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:

- Protecting the Bank's reputation as leading and reputable financial institution in the country pursuing high corporate governance and ethical standards;
- Risk transparency: Supporting decision making processes at the bank level, by providing the necessary risk related perspective;
- Management responsibility: SB's business units are individually responsible for their results as well as for the risks associated with their operations. The risk management function contributes towards

improvement of the use and allocation of capital and enhance risk adjusted return on capital at the bank level by incorporating risk into business performance measures;

- Compliance: Ensuring consistency with best practices and compliance with regulatory, quantitative and qualitative, requirements at the bank and also at the group level.

Credit risk management

Credit risk is defined as the risk that the counterparty will be unable to meet its financial or other contractual obligations. During 2010, Stopanska Banka has revised the credit policies further enhancing the already robust framework of processes and internal controls designed to measure, manage, monitor and mitigate credit risks.

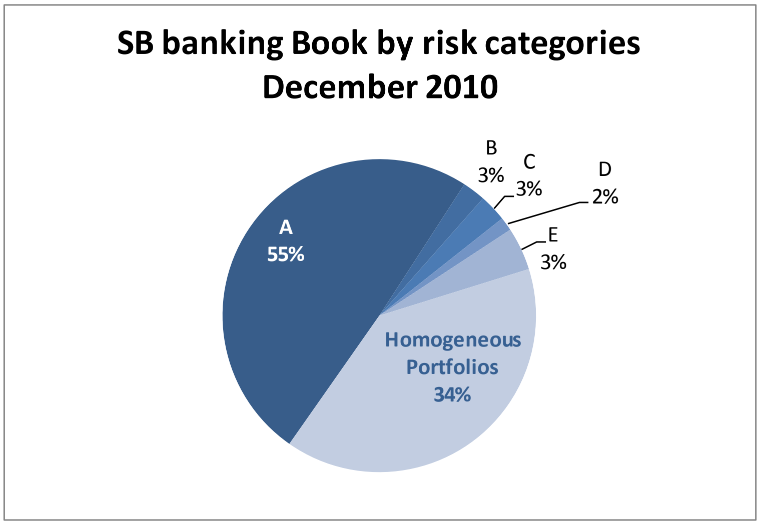
SB's credit policy of prudent lending emphasises a detailed risk assessment prior to any credit decision and common set of minimum standards for credit limit evaluation, approval, renewal and monitoring of credit exposures.

The risk assessment process of corporate and retail borrowers is standardized and facilitated by the use of special risk rating systems and statistical scoring models. The application of these risk management tools, based on various quantitative and qualitative data inputs and analysis, has contributed to systematisation of the risk identification process and a risk-controlled growth of specific sub-portfolios. Authorized Credit Approval Committees are established for the approval and renewal of the credit exposures.

Once a loan has been granted, an ongoing risk monitoring process takes place by assessing new information regarding the borrowers, both financial and non-financial. The bank monitors the creditworthiness and the credit behaviour of its borrowers on a continuous basis and projects its future trends. In case deviations are identified, credit management will be intensified, with a higher monitoring frequency and stricter level of monitoring for all conditions agreed upon. During 2010, as an addition to the established credit risk framework, a new concept of internal classification was introduced, aligned with the practices of NBG Group. The internal classification is an indicator of the borrower’s creditworthiness and the credit behaviour and implies a suitable monitoring strategy. In addition, the enhanced credit risk framework includes implementation of an Early Warning System with the purpose of producing lists of candidate clients for classification, on the basis of their transactional behaviour and financial status, further enabling the Bank to undertake measures and management strategies in the early stage of the client delinquency.

If it is probable that the debtor is unable to fulfil all its contractual obligations, these exposures are subject to impairment assessment and an allowance is made which is charged to P&L accounts. The impairment assessment is part of the Bank’s risk mitigation process. During 2010, in line with the international best practices, a new and enhanced impairment methodology and process was implemented, introducing participation from different levels of the Bank in the impairment assessment and the projections of the expected cash flows of the borrowers towards the Bank. The new methodology is supported by a software tool that contributes to automated and accurate impairment calculations.

Quality of credit portfolio



The impact of the global financial crisis has still been present in the domestic economy during 2010 and its effects on the companies and individuals have been visible through the trends of the Bank's Non Performing Loans portfolio within the country's banking sector. However, with intensive assessment and enhanced risk mitigation activities, as well as an efficiently organized collection function, the Bank managed to keep high level of quality of the credit portfolio. The Bank managed to keep the NPL ratio at 7.8% (on the portfolio since 2001), below the average of the country's banking sector, confirming again the Bank's determination to remain within the determined low risk profile and to allocate optimal amount of provision. Consequently, the provision coverage reached 97.9%, higher by 520 b.p. relative to previous year.

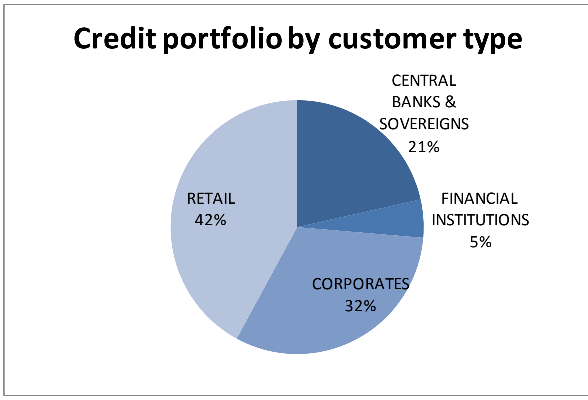
According to the central bank's Methodology, each credit risk exposure is classified in one of the five risk categories (A,B,C,D and E) or in a homogeneous groups on the basis of similar risk characteristics.

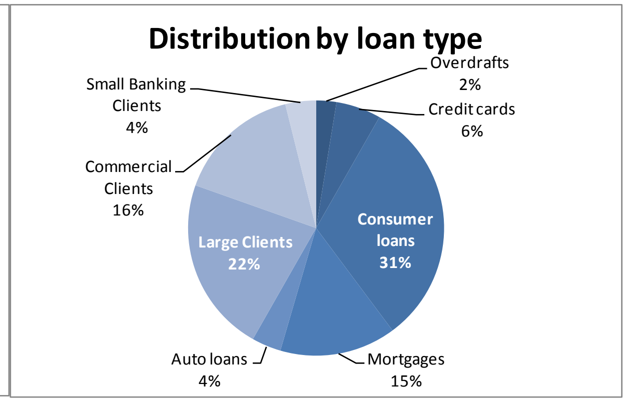
The share of the exposure classified in "A" and "B" low risk categories remained high, reflecting the prudent approach of the Bank in selecting new clients. Together with the retail exposure included in the homogeneous groups, that are also considered as low risk, they compose 92% of the total portfolio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

Concentration risks

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

The loan portfolio of SB remains widely dispersed across different types of borrowers, asset categories and number of industries, thus preventing excessive concentration risks. For that purpose, the Bank has introduced a set of limits that control the exposure of the Bank towards different types of borrowers, industry sectors, geographic location and type of collateral. The exposure limits are monitored on regular basis and all the conclusions are supported by adequate actions from the appropriate level of the Bank.





Liquidity risk management

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

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

During 2010 SB successfully maintained sufficient liquidity in order to meet its legal and transactional obligations, based on the existing framework for managing liquidity risk that encompasses:

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

Interest rate risk

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

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

SB has established a framework for interest rate risk management in order to minimize the effect of adverse movements of the market interest rates, as well as meet the regulatory requirements established in 2010 by the central bank. The framework encompasses risk factors and their estimation, measurement methodologies, stress testing methodology, IRRBB metrics and limits as to ensure that this risk is appropriately measured, monitored and managed.

SB started to develop the practical tools for effective management of the bank’s IRRBB exposure, where the bank’s positions are divided into three respective categories per type of interest rate: fixed, variable, and adjustable. In 2010 SB built a model to determine the expected re-pricing period of the products with adjustable interest rates, and developed a software solution for building the required regulatory reports.

With respect to the fulfilment of the regulatory requirements, as of 31.12.2010 the ratio of total net weighted position to the regulatory capital showed a value of 0.65%, which is well below the regulatory maximum of 20%.

Foreign exchange risk

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

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

Operational risk management

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

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

In 2010 SB has successfully finished the third cycle of Risk Control Self and Assessment process. During this process the correspondents revised the Bank's internal processes and the associated potential loss events, and gathered losses that have occurred during the year. Also, in accordance with the bank's operational risk profile, few action plans were initiated due to identified high exposure towards certain potential loss events, and due to materialized losses that were above the risk threshold defined in the ORM Framework.

In addition, SB allocated the gross income across business lines and obtained a preliminary capital charge for operational risk under standardized approach in accordance with the Business Line Mapping Policy. Furthermore, the bank also developed internal model for allocation of the gross income in accordance with the local regulatory requirements. Therefore, the Bank is ready to adopt the Standardized Approach and to determine the capital charge for operational risk.

Capital adequacy

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

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

The SB's regulatory capital as at 31.12.2010 was at the level of EUR 168.3 million (181,3 with profit from 2010 included) EUR 10.1 million higher than the previous year, out of which EUR 121.5 relates to Tier 1 and EUR 46.8 to Tier 2.

The SB capital adequacy ratio of 17.81% as at 31.12.2010 remained almost at the same level as of the end of the previous year and was well above the legally prescribed limit of 8% and the internal limit of 12%.

In the preceding year SB continued to be actively involved in NBG Group efforts intended at setting the ground for full compliance with the requirements of Basel II Capital Accord. With this regard, in line with the Pillar II, the Bank established a general framework for Internal Capital Adequacy Assessment Process (ICAAP). On that note, the calculated internal capital requirements indicate that the Bank has sufficient capital to cover all material risks to which it is exposed to in its business activities.

Stress test

During 2010 the Bank conducted various stress tests in order to analyse 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, currency risk, equity risk and operational risk, as well as scenarios that encompassed combination of the risks.

The applied stress test scenarios primarily examined the effects on the capital position of the Bank and the results showed that the capital adequacy ratio remained well above the regulatory minimum limit in all analyzed stress scenario, and consequently it provided evidence for high resilience of the Bank to eventual external shocks.

MIFID

Stopanska Banka is in the final stage of implementing the Markets in Financial Instruments Directive.

The MiFID is adopted by the European Commission aimed at providing harmonized regulation for investment services across the 30 member states of the European Economic Area (the 27 Member States of the European Union plus Iceland, Norway and Liechtenstein). Entities covered by the Directive are banks and firms that provide investment and ancillary services. The main objectives of the Directive are to increase competition and consumer protection in investment services.

Stopanska Banka, as part of NBG group during 2010 was fully dedicated to the Group efforts to follow the MiFID, therefore providing effective governance for compliance risk as a prerequisite for mitigating reputation risk.

Compliance, Anti Money Laundering and Combat Terrorist Financing activities

In the course of 2010, the activities for implementation of relevant 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 adequately conducted additional activities and undertook additional measures in order to comply with the amendments to regulations regarding Money Laundering Prevention (MPL) and Combat Terrorist Financing (CTF). Considering AML and CTF Activities, it is important to note that during last year, SB implemented the sophisticated MANTAS AML/CTF Software, as part of NBG Group permanent commitment to prevent Money Laundering and Terrorist Financing.

Accordingly, in the course of 2010, the Supervisory Board of SB adopted the revised text of the Compliance Policy and Procedures that are in accordance with the domestic regulations and the 10 Basel principles for Compliance and the Compliance function in banks.

According to the Annual Compliance Plan for 2010, the following main projects and activities were realized in the Compliance Department:

- Implementation of MANTAS AML Software;
- Adoption and update of several internal Policies and Procedures related to Compliance and AML/CFT activities, as per relevant amendments to the regulations made in 2010;

- Staff Training and introducing regular on-line AML/CTF trainings for SB's employees;
- Implementation of Know Your Client Brochure (KYC) that addresses SB's clients and SB's employees, etc.

This year, as was the case with last years, SB Compliance Department continues to carry out activities in order to achieve the following main objectives:

- 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 compliance with current regulations;
- 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.

CORPORATE GOVERNANCE REPORT 2010

In accordance with the Corporate Governance Code of SB (A.D. No. 186/23.4.2010) the Shareholders are hereby informed on the following:

1. Bank Bodies

1.1. Supervisory Board

During 2010 the Supervisory Board of SB operated with 8 members, out of which 2 independent ones. The term of office of the members was determined on four years since the day the members received approval on their appointment by the Governor of the Central Bank. The members of the Supervisory Board are the following:

1. Agis Leopoulos, **Chairman of the Supervisory Board of SB,** General Manager of International Activities Division, National Bank of Greece S.A. Athens;
2. Dimitrios Frangetis, **Member of the Supervisory Board of SB**, Assistant General Manager of International Activities Division, National Bank of Greece S.A. Athens;
3. Konstantinos Bratos, **Member of the Supervisory Board of SB**, Executive Manager for Corporate and Business Banking at United Bulgarian Bank, a member of National Bank of Greece Group, Sofia;
4. Antonios Karras, **Member of the Supervisory Board of SB,** Deputy Manager of International Activities Division, National Bank of Greece S.A. Athens;
5. Anastasios Lizos, **Member of the Supervisory Board of SB,** Head of Section "A" of International Activities Division, National Bank of Greece S.A. Athens;
6. Vladimir Kandikjan, **Member of the Supervisory Board of SB,** Professor, Faculty of Law "Justinianus Primus" - University "Cyril and Methody" Skopje;
7. Anelia Kasterlieva, **Member of the Supervisory Board of SB,** Principal Banker Financial Institutions, EBRD; Submitted her resignation on the post member of Stopanska banka AD – Skopje Supervisory Board during August 2010. In accordance with the Law on Securities, The Bank informed the public on the said resignation within the legally prescribed dead line.
8. Blagoja Nanevski, **Member of the Supervisory Board of SB,** Professor, Faculty of Economic, "NEOKOM" Skopje;

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

The appropriate qualifications for a Supervisory Board member are:

- university degree, at minimum;
- knowledge in the regulations in banking and/or finance area;

- knowledge in financial industry and environment the bank operates in experience contributing to stable, safe and efficient management and
- surveillance of the bank operations.

The member of the Supervisory Board should:

- be honest, competent, capable of giving independent assessment and have strong personal integrity;
- understand his/her role in the corporate governance and fulfil his/her supervisory role efficiently;
- know the bank's risk profile;
- know the regulations and take care of establishing and maintaining professional relations with the Central Bank and other competent supervisory and regulatory institutions;
- demonstrate loyalty and care for the bank;
- avoid conflict of interest, or possible conflict of interest;
- devote enough time for active fulfilment of his/her obligations;
- estimate the functioning of the bank's Board of Directors at least once a year, with the bank's business policy and operating plans being the initial basis. The written statement on the assessment results shall state the opinion for the fulfilment of the plans and the areas, or the parts of the plans that can be implemented more efficiently. Also, according to the remuneration policy, the written statement shall propose possible rewarding of the bank's Board of Directors;
- assesses the efficiency of its own operating, identify the weaknesses in the Supervisory Board activities and propose amendments on a periodical basis;
- hold regular meetings with the Board of Directors, Risk Management Committee, Audit Committee and the bank's Internal Audit Department.;
- give proposals for good corporate governance;
- take no participation in everyday management of the bank

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

- not being an executive or managing director of the Bank or an associated company, and not having been in such a position for the previous three years;

- not being an employee of the Bank or an associated company, and not having been in such a position for the previous three years;

- not receiving, or having received, significant additional remuneration from the Bank or an associated company apart from a fee received as independent member;

- not being a controlling shareholder or a shareholder with a shareholding of more than 5%, or a director or executive officer of such a shareholder;

- not having, or having had within the last year, a significant business relationship with the Bank or an associated company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship;

- not being or having been within the last three years, a partner or employee of the current or former external auditor of the Bank or an associated company;

- not having served on the board as a non-executive director for more than five terms and

- not being a close family member of an executive or managing director or of persons in the situations described above.

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

The responsibilities of the Supervisory Board are the following:

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

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

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

1.2. Audit Committee

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

1. Zorica Bozinovska Lazarevska;
2. Antonio Veljanov;
3. Dimitrios Frangetis;
4. Anastasios Lizos and
5. Vladimir Kandikjan.

The Shareholders Assembly on its 24 meeting held on 30/07/2010 appointed Mr. Dimitrios Frangetis – member of SB Supervisory Board as a member of the Audit Committee, thus the mandate of Mr. Konstantinos Bratos as member of SB Audit Committee was terminated.

The responsibilities of the Audit Committee are the following:

1. to review the financial statements of SB and make sure that the disclosed financial information on SB operations is accurate and transparent as specified by the accounting regulations and international accounting standards,
2. to review and make assessment of the internal control systems,
3. to monitor the operations and assess the efficiency of the Internal Audit Division,
4. to monitor SB audit process and assess the work of the audit company,
5. to adopt SB accounting policies,

6. to monitor the compliance of SB operations with the regulations related to the accounting standards and the financial statements,
7. to hold meetings with the Board of Directors, the Internal Audit Division and the audit company as to the identified non-compliances with the regulations and weaknesses in the bank's operations,
8. reviews the reports of the Risk Management Committee,
9. to propose an audit company and
10. to report to SB Supervisory Board on its operations at least once quarterly.

1.2. Board of Directors

In accordance with the Statute of SB the Board of Directors of SB consists of five members (Chairman of Board of Directors and four deputies) namely, Chief Executive Officer/Chairman of the Board of Directors, Chief Corporate Officer, Chief Retail Officer, Chief Risk Officer and Chief Financial and Operations Officer. As of December 31, 2010 the members of the Board of Directors are:

1. Gligor Bishev, Chief Executive Officer and Chairman of the Board of Directors;
2. Konstantina Panagiotopolou, Chief Retail Officer and member of the Board of Directors;
3. Toni Stojanovski, Chief Risk Officer and member of the Board of Directors (as of July 06, 2010);
4. Diomidis Nikoletopolous, Chief Financial and Operations Officer and member of the Board of Directors (as of July 30, 2010) and
5. Theodoulos Skordis, Chief Corporate Officer and member of the Board of Directors (as of December 20, 2010).

The responsibilities of the Board of Directors 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 promoting SB operations,
5. to appoint and dismiss the persons with special rights and responsibilities pursuant to the provisions under the Banking Law and this Statute,
6. to prepare SB business policy and development plan,
7. to prepare SB financial plan / Budget;
8. to compile a list of net debtors,
9. to prepare SB information security policy,
10. to prepare an annual report on the SB operations and submit it to the Supervisory Board,
11. to prepare a Code of Ethic of the bank, and

12. to perform other activities, in accordance with Law, this Statute and SB's enactments.

1.3. Risk Management Committee

As of December 31, 2010 the Risk Management Committee of SB consists of 9 members. The Members of the RMC are:

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 Finance and Operations Officer and member of the Board of Directors, member;
4. Konstantina Panagiotopoulou - Chief Retail Officer and member of the Board of Directors, member;
5. Theodulos Skordis - Chief Corporate Officer of SB and member of the Board of Directors
6. Vlado Treneski - Manager of Large Companies Division;
7. Mirjana Trajanovska - Manager of Treasury Division;
8. Mirko Avramovski - Manager of Collection Division;
9. Manager of Risk Management Division.

As stipulated by the Statute of Stopanska banka AD – Skopje, the members of the Risk Management Committee a persons designated on the following positions: Chief Executive Officer, Chief Risk Officer, Chief Finance and Operations Officer, Chief Retail Officer Manager of Large Companies Division, Manager of Treasury Division, Manager of Collection Division and Manager of Risk Management Division.

The responsibilities of the RMC are the following:

1. permanently monitors and assesses the risk level of SB, and identify the acceptable level of exposure to risks in order to minimize the losses as a result of the SB risk exposure,
2. establishes risk management policies and monitors their implementation,
3. follows the regulations of the Central Bank pertaining to the risk management and SB compliance with such regulations,
4. assess SB risk management systems,
5. determines short- and long-term strategies for managing certain types of risks SB is exposed to,
6. analyzes the reports on SB risk exposure developed by SB risk assessment units and proposes risk hedging strategies, measures and instruments,
7. monitors the efficiency of the internal control systems in the risk management,
8. analyzes the risk management effects on SB performances,

9. analyzes the effects of the proposed risk management strategies, as well as the proposed risk hedging strategies, measures and instruments,

10. informs, at least once a month, the SB Supervisory Board, and at least once every three months, the SB Audit Committee on the changes in SB risk positions, the changes in the risk management strategies, the risk management effects on SB performances as well as the undertaken measures and instruments for hedging risks and the effects thereof, and

11. reviews the transactions with the persons related to SB on a quarterly basis, and submits report to the Supervisory Board by 15th day in the month following the reporting period.

1.4. Other SB Bodies:

Other SB bodies are the SB Credit Committees as follows:

1. Executive Corporate Credit Committee (ECCC): it consists of 5 members, 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 exceed 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 the applicable credit policies and performs other activities determined with the decision of the Supervisory board;

2. Credit Committee (CC): it consists of 4 members, 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 the applicable credit policies and performs other activities determined with the decision of the Supervisory board;

3. Commercial Clients Credit Committee (CCCC): it consists of 4 members, 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 decision of the Supervisory board;

4. Small Banking Business Credit Committee (SBBCC): it consist of 3 members, on decides on credit exposure toward single subject – legal entity in amount up to EUR 100.000. SBBCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decision of the Supervisory board;

5. Retail Credit Committee (RCC): consists of 5 members, 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 decision of the Supervisory board;

2. Organizational Structure

As of December 31, 2010, the Bank is organized in 20 divisions as follows: Internal Audit Division, Treasury Division, Human Resources Division, Large Clients Division, Commercial Clients Division, Underwriting 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, Property Division and Business Processes and Organization Division and independent units directly accountable to the Board of Directors perform the Compliance and Information Security functions.

Stopanska Banka branch network is organized in 66 units (branches and sub-branches) in total. SB has no subsidiaries.

3. Shareholders Structure

As of December 31, 2010 the initial capital (basic capital) consists of 17,460,180 common shares in the nominal value of MKD 201.1 per share and 227,444 priority shares in the nominal value of MKD 400.00 per share, distributed as follows: National Bank of Greece S.A. – Athens with 94,6%, and 5.4 % of the total number of shares belong to other shareholders. One common share bears the right to one vote in the Shareholders Assembly of SB and priority shares do not bear the right to vote in the Shareholders Assembly.

On August 17, 2010 the international banking institutions: International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD) that together with National Bank of Greece (NBG), have entered as strategic shareholders in Stopanska Banka AD – Skopje in 2000, in accordance with their mutual agreement sold their shares to the majority shareholder NBG.

The block transaction was organized and executed in compliance with the rules for block transaction of the Stock Exchange, refers to about 21% of the Bank shares, where the purchase price per share was agreed to be approximately MKD 574 (nominal value per share 201,1). The total block of shares was purchased for amount of around EUR 35M.

By this transaction, the National Bank of Greece has become the holder of 94,6% of the shares in Stopanska Banka and additionally confirmed its long-term interest for presence in the market.

The major shareholder of SB – National Bank of Greece is represented by the total of 6 members in the Supervisory body, thus other board members (two) independent members constitute the SB Supervisory Board.

In 2010, in accordance with the Decision on allocation of profit for 2009, Shareholders assembly passed a Decision on the manner of calculating and disbursing dividend under the preferred shares of Stopanska Banka AD – Skopje for the year 2009. As per the said dividend Decision SB disbursed dividend under the preferred shares for the year 2009 in total amount of MKD 9.325.204,00 or gross amount of MKD 41,00 per share.

4. Corporate Governance Code

The Corporate Governance Code was prepared in accordance with the NBRM Decision on best principles of Corporate Governance in a Bank and international practices. The Shareholders Assembly adopted the Code on the 20th meeting held on December 23, 2008 and in accordance with the said NBRM Decision reviewed the same on the Annual Shareholders Assembly held in April 23, 2010.

5. Conflict of Interest Policy

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

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

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

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

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

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

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

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

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

6. Remuneration Policy

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

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

In 2010 a total of gross MKD 257.246 thousand was paid to the members of the Board of Directors and to the persons with special rights and responsibilities as remuneration package (salary MKD 247.735thousand and annual bonus MKD 9.511 thousand), where the basic criteria for rewarding annual bonuses was general achievements and contribution to the results in 2010 and overall SB operations.

During 2010 to persons with special rights and responsibilities exposure of 558,185 thousand MKD was approved.