



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 47, paragraph 1, item 6 of the Law on National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12 and 43/14) and Article 106 paragraph 4 of the Banking Law (Official Gazette of the Republic of Macedonia No. 67/07, 90/09, 67/10 and 26/13), the National Bank of the Republic of Macedonia Council adopted the following

DECISION

on the scope of audit of bank's annual financial statements and operations (Official Gazette of the Republic of Macedonia No. 116/14)

I. GENERAL PROVISIONS

1. This Decision sets out the scope of audit of bank's annual financial statements and operations, conducted by an audit company.

2. The audit referred to in item 1 shall be conducted in accordance with the Audit Law (Official Gazette of the Republic of Macedonia No. 158/10, 135/11, 188/13 and 43/14), the Banking Law (Official Gazette of the Republic of Macedonia No. 67/07, 90/09, 67/10 and 26/13), this Decision and other audit regulations and practices.

II. SCOPE OF BANK AUDIT

3. The audit referred to in item 1 of this Decision shall include audit of bank's annual financial statements prepared by the bank on the basis of applicable accounting regulations and the bank's operations (hereinafter: bank audit).

4. After the bank audit, the audit company shall work out a Bank's Financial Statements Report, i.e. an opinion on whether the bank's annual financial statements have been prepared in consistence with the applicable accounting regulations, whether the financial statements provide realistic and impartial view or whether they impartially present, from all material aspects, the bank's financial standing on the date of financial statements and operating results and cash flows for the year ended on the date of financial statements.

5. The audit company shall enclose with the Report (opinion) referred to in item 4 of this Decision, bank's audited financial statements (income statement, statement of comprehensive income, balance sheet, statement of changes in equity

and reserves, cash flow statement and notes to financial statements), drawn up under the applicable accounting regulations.

6. The audit company shall also enclose the following with the Report (opinion) referred to in item 4 of this Decision and to the financial statements referred to in item 5 of this Decision:

6.1. Letter of the audit company to the bank's management board.

6.2. Review of adjustments in bank's financial statements advised by the audit company, grouped into adjustments accepted by the bank, respectively recognized in the financial statements, adjustments unaccepted by the bank and a review of unfulfilled requirements for disclosure in the financial statements.

6.3. Review of the level of materiality of financial statements as a whole, materiality levels for particular classes of transactions, account balances and disclosures (if any) and the materiality for performing audit, which are determined and applied by the auditor during the bank audit.

6.4. Reports the bank submits to the National Bank of the Republic of Macedonia (hereinafter: the National Bank) for supervisory purposes as of the date of financial statements that refer to capital adequacy, open foreign exchange position, credit risk, liquidity risk, interest rate risk in the banking book and other risks subject to special reporting defined by the National Bank. These reports shall be prepared by the bank and shall be in compliance with the financial statements referred to in item 5 of this Decision. In the case of adjustments of the annual financial statements, the differences shall be specially recognized.

6.5. Annex including at least:

6.5.1. Description of the process of determining the internal capital for covering risks in accordance with the risk profile of the bank and/or its environment, the capital adequacy rate as of the date of the financial statements, the required capital adequacy ratio and activities of the bank to achieve and maintain the required level of own funds and the required capital adequacy ratio (capital plan), and any recommendations of the audit company related to the management of the bank's capital,

6.5.2. Description of the bank's risk management system, i.e. description of the risk management strategy and policies, risk management organization, internal regulations for risk identification, measurement, or assessment, control or reduction, and monitoring, stress testing rules, rules for launching new product/system in the bank, rules for using outsourcing, established reporting system, with any recommendations of the audit company for risk management. The audit company shall state the internal limits of exposure to certain risks and if such limits are observed, as well as measures taken by the bank in case of noncompliance

with the legally or internally set limits. It shall include at least risks covered by the risk management regulations of the National Bank, as well as other material risks the bank is exposed to,

6.5.3. Description of bank's methodology for classifying client and/or credit exposures on an individual and group basis, any differences in the level of impairment/special reserve provisions on the date of financial statements between audit company and the bank (on an individual and group basis), bank's methodology for evaluating foreclosed assets and any differences in the level of impairment losses, evaluation of the significant items of trading book, significant write-offs, and significant litigations,

6.5.4. Description of the compliance of the bank's operations with the regulations (bank's compliance). If the audit company becomes aware of considerable irregularities and inconsistencies with the legislation and bank's internal regulations, it shall indicate them in this part of the annex, including any bank's measures to overcome such inconsistencies,

6.5.5. Description of accuracy and completeness of the reports referred to in item 6 subitem 6.4 of this Decision, submitted by the bank to the National Bank for supervisory purposes,

6.5.6. Description of the functioning of the internal control systems and the performance of the internal audit function in accordance with the regulations and any recommendations for improvement,

6.5.7. Description of the information security with respect to its compliance with the bank's operations and objectives, protection of data and control systems in place as well as any recommendations for improvement. The audit company should provide a commentary on whether the bank has adopted and implemented information security policies and internal regulations,

6.5.8. Description of the accuracy and completeness of data the bank is required to publish as defined by the National Bank regulation on publishing reports and data by the bank,

6.5.9. Description of the bank's anti-money laundering system.

6.5.10. Description of significant changes in the legal and organizational structure of the bank, significant changes in the scope and structure of financial activities of the bank, and description of the cases and the reasons for sudden resignation of a person with special rights and responsibilities from the bank,

6.5.11. Questionnaires that are attached to this Decision and constitute its integral part, filled-in and signed by the audit company.

7. Audit of the annual financial statements and of the operations of a banking group should include:

7.1. Description of the applied consolidation method. In the case the parent entity of the banking group changed the consolidation method in the year of auditing the financial statements and the operations, the auditor shall emphasize the change, indicate the reasons behind such change and present the effects of such change on the consolidated financial statements,

7.2. Effects of consolidation,

7.3. Description of the banking group composition, indicating the following for each group member: name, head office, prevailing activity, amount of assets and equity, share of the parent entity in the total number of shares and in the voting shares of each member of the banking group,

7.4. Name of the audit company/companies that audited the banking group members and the auditor's opinion on their financial statements,

7.5. List of other financial institutions and ancillary banking service undertakings which are subordinated entities in the banking group, but are not part of the consolidation for supervisory purposes, indicating the reasons behind their exemption from the consolidation,

7.6. Description of the banking group's risk management systems by describing the adopted risk management policies and internal regulations for risk identification, measurement or assessment, control or reduction, and monitoring, including any audit company's recommendations for risk management.

III. COOPERATION AND REPORTING

8. The audit company shall submit the Report (opinion) referred to in item 4 of this Decision, the financial statements referred to in item 5 of this Decision and the elements of item 6 of this Decision, in accordance with the provisions of the Banking Law.

9. If the bank accepts the adjustments in the annual financial statements of item 6 subitem 6.2 of this Decision, it shall make respective changes in its business books within the period specified for submission of the monthly report on the stock and flow of all accounts as of June 30 of the current year.

10. The bank shall, within 15 days upon adoption of the Report by the bank's General Meeting of Shareholders, publish the Audit Report on the annual financial statements, as follows:

- at its website, it shall publish the Report (opinion) of the audit company referred to in item 4 of this Decision and the financial statements stated in item 5 of this Decision. They shall be posted on the bank's website at least until the publishing of the Report for the next year.
- in at least one daily newspaper, it shall publish the Report (opinion) of the audit company referred to in item 4 of this Decision and the financial statements stated in item 5 of this Decision, without the Notes to the financial statements.

The bank subject to consolidated supervision shall publish the Audit Report on consolidated basis, as specified under paragraph 1 of this item, within 15 days upon adoption of the Report by the general meeting of shareholders of the parent entity of the banking group.

11. The bank shall submit to the National Bank a copy of the announcement in the daily newspaper referred to in item 10 paragraph 1 indent 2 of this Decision within five days after the announcement.

IV. TRANSITIONAL AND CLOSING PROVISIONS

12. The provisions of this Decision that apply to banks shall also apply to foreign bank branches and savings houses.

13. Once this Decision enters into force, it shall supersede the Decision on the scope of audit of the bank's operations and annual financial statements (Official Gazette of the Republic of Macedonia No. 146/07).

14. This Decision shall enter into force on the date of publication in the Official Gazette of the Republic of Macedonia.

D No. 02-15/VIII-1/2014

31 July 2014

Skopje

Dimitar Bogov

Governor

Chairman

**of the National Bank of the Republic
of Macedonia Council**

QUESTIONNAIRES

	Equity, own funds and capital adequacy	YES	NO	Comment¹
1.	Has the bank established a process of determining the internal capital for covering risks it is or might be exposed to in its operations?			
2.	Does the process of determining the internal capital cover all material risks to which the bank is or may be exposed to in its operations?			
3.	Has the bank established a process of determining the internal capital on individual and consolidated basis (if the bank is a parent entity)?			
4.	Does the bank conduct stress testing to determine the impact of shocks on capital adequacy?			
5.	Does the bank take into consideration the results from stress tests in determining the internal capital for covering individual risks and the total internal capital?			
6.	Has the bank developed a capital plan to achieve and maintain the required level of own funds, i.e. the necessary capital adequacy (if required to develop such a plan under the risk management regulations of the National Bank)?			
7.	Does the bank review the process of establishing internal capital, including all internal regulations that document its implementation?			
8.	Has the bank's internal audit established internal regulations for evaluating the process of determining internal capital, the achievement and maintenance of the level of own funds and the required capital adequacy of the bank, as well as the accuracy and reliability of the report on the process of determining internal capital in accordance with the risk management regulations of the National Bank?			
9.	Is the capital adequacy calculated as prescribed by the methodology of the National Bank?			
10.	Does the bank invest in and acquire property that it does not use for conducting its activities, except the foreclosed property?			
11.	Does the supervisory board approve the acquisition of equity holdings and the purchase of securities exceeding 5% of the bank's own funds?			

¹ In the column "Comment", the audit company may provide more detailed explanation of individual questions.

12.	Does the bank's property in land, buildings, equipment and equity holdings in non-financial institutions exceed 60% of the bank's own funds?			
13.	Does the aggregate amount of equity holdings of the bank in non-financial institutions exceed 30% of the bank's own funds?			
14.	Does any individual equity holding of the bank in non-financial institution exceed 15% of the bank's own funds?			
15.	Does the bank exercise control in a non-financial institution, excluding ancillary banking service undertakings?			
16.	Does the bank hold over 5% of the shares of another bank or non-banking financial institution holding above 5% of the bank's total shares?			
17.	Has any shareholder with qualified participation in the bank sold a portion of his/her shares thus reducing the participation below the threshold for which s/he was granted an approval by the National Bank, without notifying the National Bank thereon?			
18.	Has the bank notified the National Bank on any change in the equity structure or on a new issue of shares?			
19.	Is there an agreement pooling the bank shareholders' voting rights from their shares in the bank?			
20.	Are transactions in own shares executed in accordance with the regulations?			
21.	Does the bank's internal audit have internal regulations in place concerning the bank's own funds and capital adequacy?			
22.	Is the internal audits frequency in this field in line with the volume of activities and the bank's exposure to risks?			
23.	Does the internal audit prepare findings and recommendations from conducted audits in this area?			
24.	Are the recommendations provided by the internal audit observed?			

Completed by²: _____

Signature _____

² Please indicate the audit company's officer/officers who completed the questionnaire.

	Credit risk	YES	NO	Comment
1.	Does the bank have policy and internal regulations in place for credit risk management?			
2.	Are credit risk management policies and internal regulations adopted by the appropriate authority?			
3.	Does the credit risk management policy include general rules for the organization of credit risk management; does it provide application of the risk management strategy, i.e. is it consistent with the bank's business policy and development plan?			
4.	Do credit risk management policy and internal regulations cover stages of credit risk identification, measurement, control or reduction, and monitoring?			
5.	Are the credit risk management policy and internal regulations of the bank regularly reviewed?			
6.	Has the bank established an organizational structure with clearly defined responsibilities and lines of accountability, cooperation and exchange of information in credit risk management?			
7.	Do the bank's employees involved in the process of approving and monitoring loans, and in credit risk management, understand the credit policy and internal regulations and do they follow them?			
8.	Are the obligations of individuals and organizational units responsible for credit risk management and the persons and organizational units responsible for taking credit risk clearly defined?			
9.	Does the bank have country risk management system in place?			
10.	Does the bank provide assessment of the market value of collateral on credit exposure in accordance with regulation?			
11.	Is the use of approved loans controlled and monitored in terms of their intended use based on signed contracts?			
12.	Does the bank have a reporting system in place for reporting on at least: <ul style="list-style-type: none"> - the structure of total credit exposure - the total credit exposures to connected entities - the exposure to higher credit risk - the migration of credit exposures from one risk category to another within a specified period, - the credit exposures approved on the basis of allowable exceptions 			

	<ul style="list-style-type: none"> - the results of stress testing - the refinanced claims - the restructured claims - the written off claims - the level and trends of impairment and special reserve - the collected non-performing and written off credit exposures? 			
13.	Does the system provide timely and accurate reporting to the management and supervisory bodies on the bank's exposure to credit risk?			
14.	Does the exposure to an entity and entities connected thereto exceed 25% of the bank's own funds?			
15.	Does the exposure to bank's subsidiary exceed 10% of the bank's own funds?			
16.	Does the exposure to a shareholder with qualified participation in the bank and the entities connected thereto exceed 10% of the bank's own funds?			
17.	Does the exposure to a person with special rights and responsibilities and to entities connected thereto exceed 3% of the bank's own funds?			
18.	Does the total exposure to the persons/entities referred to in questions 15, 16 and 17 exceed 65% of the bank's own funds?			
19.	Have the loans and other types of exposure to the persons/entities referred to in questions 15, 16 and 17 exceeding Denar 3 million, been extended on the basis of a decision of the bank's supervisory board?			
20.	Are the terms of the loans and all other forms of exposures to the persons/entities referred to in questions 15, 16 and 17 more favorable compared to the terms that apply to other bank's clients, at equal risk level?			
21.	Does the total amount of large exposures (above 10% of the bank's own funds) exceed eight times of the bank's own funds?			
22.	Has the bank approved any loan or established another form of exposure which is used to purchase shares in the same bank?			
23.	Has the bank approved any loan or established another form of exposure by a pledge of shares issued by the same bank?			
24.	Does the bank, when classifying the client and/or credit exposure, take into consideration the creditworthiness, repayment regularity and collateral?			
25.	Does the bank, when determining the client's			

	creditworthiness, take into account any effects by persons/entities connected to the client?			
26.	Does the bank evaluate the creditworthiness of the client at the time of approval of the credit exposure, at least once in six months or more often in case of emergence of any general indicators of impairment (only for client- legal entity) and at the restructuring or refinancing?			
27.	Does the bank have an adequate system in place for determining impairment/special reserve?			
28.	Does the bank document the method of determining the collateral value, i.e. does the bank properly include the collateral value in the calculation of the present value of expected future cash flows?			
29.	Does the bank document the date of inclusion of the collateral value in the calculation of the present value of expected future cash flows?			
30.	Does the bank have internal regulations in place for defining, identifying and monitoring exposures to higher credit risk and taking actions for recovery of these exposures?			
31.	Has the bank defined any allowable exceptions and procedure for their approval in its internal regulations?			
32.	Has the bank determined and applied specific criteria for granting loans in foreign currencies and in Denars with FX clause?			
33.	Has the bank established quantitative limits on the amount of each loan in foreign currency and/or in Denars with FX clause and on the share of credit exposure in foreign currency and in Denars with FX clause in the total credit exposure of the bank?			
34.	Does the bank keep credit file for each client containing information on the identity, creditworthiness, regularity in repayment of liabilities of the client and the quality of collateral?			
35.	Has the bank's internal audit adopted internal regulations for auditing credit function and credit risk management?			
36.	Is the frequency of internal audits of credit risk consistent with the volume of lending and the bank's exposure to this risk, as well as with the established system of risk management?			
37.	Does the internal audit provide findings and recommendations for improving the quality of credit function and the credit risk management system?			
38.	Are the internal audit recommendations observed?			
39.	Does the bank conduct documented analysis when launching a new product or service to assess their impact on the exposure to credit risk and the process of risk			

	management?			
40.	Does the bank perform stress testing of credit risk exposure?			
41.	Are the bank's procedures consistent with the provisions of the Law on Consumer Protection in Consumer Loan Agreements?			

Completed by³: _____

Signature _____

³ Please indicate the audit company's officer/officers who completed the questionnaire.

	Interest rate risk in the banking book	YES	NO	Comment
1.	Has the bank established a policy and internal regulations for managing interest rate risk in the banking book?			
2.	Are policy and internal regulations for managing interest rate risk in the banking book adopted by an appropriate authority?			
3.	Does the bank's policy for managing interest rate risk in the banking book include general rules for the organization of managing interest rate risk in the banking book, does it ensure application of the risk management strategy or is it aligned with the bank's business policy and development plan?			
4.	Do policy and internal regulations for managing interest rate risk in the banking book include the stages of risk identification, measurement or evaluation, control and monitoring?			
5.	Are the bank's policy for managing interest rate risk in the banking book and other relevant internal regulations regularly reviewed depending on the market conditions and the bank's volume of activities?			
6.	Do the bank's employees involved in the process of managing interest rate risk in the banking book understand the policy and internal regulations for managing this risk and do they follow them?			
7.	Has the bank defined any internal limits of exposure to interest rate risk in the banking book to minimize any adverse effects on the income and own funds?			
8.	Has the bank defined any allowable exceptions and procedure for their approval in its internal regulations?			
9.	Has the bank been using any financial instruments to hedge the interest rate risk in the banking book (derivatives)?			
10.	Are activities to hedge interest rate risk in the banking book within the organizational structure of the bank segregated from the trading book activities?			
11.	Does the bank conduct documented analysis when launching a new product or service to assess their impact on the exposure to interest rate risk in the banking book and the process of risk management?			
12.	Does the bank's internal audit have internal regulations in place for auditing the management of interest rate risk in the banking book?			
13.	Is the frequency of internal audits of the interest rate risk in the banking book consistent with the bank's exposure to this risk and with the established risk management system?			

14.	Does internal audit also include assessment of assumptions and techniques used by the bank to measure interest rate risk in the banking book?			
15.	Does the internal audit provide findings and recommendations for improving the system for managing interest rate risk in the banking book?			
16.	Are the internal audit recommendations observed?			
17.	Does internal audit cover the measures taken by the bank if the change in the economic value of the banking book as a result of exposure to the interest rate risk is equal to or greater than 20% compared to its own funds?			
18.	Does the bank have reporting system in place for managing interest rate risk in the banking book which is in line with the volume and complexity of the bank's activities?			
19.	Does the system provide timely and accurate management reporting on the bank's exposure to interest rate risk in the banking book?			
20.	Does the bank conduct stress testing of the exposure to interest rate risk in the banking book?			

Completed by⁴: _____

Signature _____

⁴ Please indicate the audit company's officer/officers who completed the questionnaire.

	Liquidity risk	YES	NO	Comment
1.	Does the bank have policy and internal regulations in place for liquidity risk management?			
2.	Are the policy and internal regulations for liquidity risk management adopted by an appropriate authority?			
3.	Does the bank's liquidity risk management policy include general rules for the organization of liquidity risk management, does it ensure application of the risk management strategy, i.e. is it aligned with the bank's business policy and development plan?			
4.	Does the liquidity risk management policy and internal regulations in place include the stages of risk identification, measurement, control or reduction, and monitoring?			
5.	Are the policy and internal regulations for liquidity risk management regularly reviewed?			
6.	Do the bank's employees involved in liquidity risk management process understand the liquidity risk management policy and internal regulations and do they follow it?			
7.	Has the bank defined any internal limits on liquidity ratios within its internal regulations and does it apply and observe such limits?			
8.	Has the bank defined any internal liquidity indicators within its internal regulations?			
9.	Has the bank defined any allowable exceptions and procedure for their approval in its internal regulations?			
10.	Has the bank defined any limits on internal liquidity indicators within its internal regulations and does it apply and observe such limits?			
11.	Does the bank, for the purposes of managing liquidity risk, monitor liquidity by individual foreign currencies that have a significant impact on the overall bank's liquidity?			
12.	Does the bank have access to open irrevocable credit lines or other liquidity sources which may be used promptly and unconditionally in the case of liquidity shortage?			
13.	Does the bank use any liquidity support from the parent entity and/or other members of the group?			
14.	Does the bank use any sources of funding under terms less favorable than those on the market?			
15.	Does the bank monitor the level of core deposits?			
16.	Does the bank monitor the concentration of sources of funding?			
17.	Has the bank developed contingency plan for liquidity risk			

	management?			
18.	Is the contingency plan for liquidity risk management periodically revised following the changes in internal and external operating environment of the bank?			
19.	Does the bank's internal audit have internal regulations in place for auditing liquidity risk management?			
20.	Is the frequency of internal audits of liquidity risk consistent with the bank's exposure to this risk and the established liquidity management system?			
21.	Does the internal audit provide findings and recommendations for improving the liquidity risk management system?			
22.	Are the internal audit recommendations observed?			
23.	Does the bank conduct documented analysis when launching a new product or service to assess their impact on the liquidity risk exposure and the process of liquidity risk management?			
24.	Does the bank have reporting system in place for liquidity risk management that suits the volume and complexity of the bank's activities?			
25.	Does the system provide timely and accurate management reporting on the bank's exposure to liquidity risk?			
26.	Does the bank conduct stress testing for liquidity risk exposure?			
27.	Has the bank established a special body responsible for asset and liabilities management?			
28.	Does the bank have data on inactive deposits?			
29.	Can the bank provide information on depositors and their deposits insured in the Deposit Insurance Fund?			

Completed by⁵ _____

Signature _____

⁵ Please indicate the audit company's officer/officers who completed the questionnaire.

	Market risk	YES	NO	Comment
1.	Does the bank have policy and internal regulations in place for market risk management?			
2.	Are policies and internal regulations for market risk management adopted by an appropriate authority?			
3.	Does the bank's market risk management policy contain general rules for the organization of market risk management, does it ensure application of the risk management strategy, and is it consistent with the bank's business policy and development plan?			
4.	Do the market risk management policy and internal regulations include stages of market risk identification, measurement, control or reduction, and monitoring?			
5.	Are the market risk management policy and internal regulations regularly reviewed?			
6.	Do the bank's employees involved in market risk management process understand the market risk management policy and internal regulations and do they follow them?			
7.	Are there segregation of duties and responsibilities between the processes of managing and taking market risk for positions that are part of the trading book within the organizational structure of the bank?			
8.	Are employees and bodies involved in the approval process of the market risk exposures different from those authorized to record transactions?			
9.	Do only authorized persons have access to the trading system, the records and to important documents?			
10.	Has the bank defined any market risk exposure limits within its internal regulations and is there a system for determining noncompliance of such limits?			
11.	Has the bank defined any allowable exceptions and procedures for their approval within its internal regulations?			
12.	Does the bank have internal control system in place within the trading system?			
13.	Does the bank use any financial instruments to protect against market risk exposure (derivatives)?			
14.	Does the bank prepare any daily reports on realized and unrealized trade gains and losses?			
15.	Are these daily reports delivered in due course to the persons authorized to make decisions on financial instruments that expose the bank to market risk?			
16.	Does the bank conduct documented analysis when launching new instruments to assess their impact on the			

	market risk exposure and the process of market risk management?			
17.	Is there adequate diversification of market risk exposure by type of instrument, issuer, market, segment and other?			
18.	Does the bank assess liquidity of individual financial instruments or foreign currency prior to the investment decision making?			
19.	Does the bank prepare daily reports on open currency positions by currency?			
20.	Does the bank's internal audit have internal regulations in place to audit bank's market risk management?			
21.	Does the frequency of internal audits of market risk is consistent with the level of the bank's exposure to this risk and the market risk management system in place?			
22.	Does the internal audit provide findings and recommendations for improving the market risk management system?			
23.	Are the internal audit recommendations observed?			
24.	Does the bank conduct stress testing of market risk exposure?			
25.	Does the bank have market risk management reporting system in place which suits the volume and complexity of the bank's activities?			
26.	Does the system ensure timely and accurate management reporting on the bank's exposure to market risk?			

Completed by⁶: _____

Signature _____

⁶ Please indicate the audit company's officer/officers who completed the questionnaire.

	Operational risk	YES	NO	Comment
1.	Does the bank have policy and internal regulations in place for operational risk management?			
2.	Are policies and internal regulations for operational risk management adopted by an appropriate authority?			
3.	Does the bank's operational risk management policy contain general rules for the organization of operational risk management, does it ensure application of risk management strategy, and is it consistent with the bank's business policy and development plan?			
4.	Do the bank's policy and internal regulations for operational risk management include stages of risk identification, assessment, control or reduction, and monitoring?			
5.	Does the operational risk management policy contain definition of all types of operational risks the bank is exposed to or may be exposed to?			
6.	Are the bank's operational risk management policy and internal regulations regularly reviewed?			
7.	Do the bank's employees involved in the operational risk management system understand the operational risk management policy and internal regulations and do they observe them?			
8.	Has the bank established a system for monitoring and recording the number, size and other relevant data for the significant losses incurred from operational risk?			
9.	Does the bank keep special records on losses incurred from operational risk?			
10.	Does the bank keep records on litigations?			
11.	Does the bank conduct documented analysis when launching new product/activity/system to assess their impact on the exposure to operational risk and the risk management process?			
12.	Does the operational risk management system also include the bank's business units (windows, branches, etc.)?			
13.	Does the operational risk management system encompass ancillary banking service undertakings?			
14.	Does the bank's internal audit have internal regulations in place for auditing operational risk management?			
15.	Is the frequency of internal audits concerning the operational risk in accordance with the level of banks' exposure to this risk and the established risk management system?			
16.	Does the bank's internal audit provide findings and recommendations for improving the operational risk			

	management system?			
17.	Are the internal audit recommendations observed?			
18.	Does the bank have a reporting system for operational risk management in place, compatible to the volume and complexity of the bank's activities and which should at least generate reports required by the risk management regulations of the National Bank?			
19.	Does the system provide timely and accurate management reporting on the bank's exposure to operational risk?			
20.	Are the responsibilities for establishing, improving and implementing the business continuity plan and the contingency plan clearly defined?			
21.	Are the business continuity plan and the contingency plan consistent with the National Bank's regulations?			
22.	Has the bank included in the business continuity plan any activities that would be undertaken in the event of business discontinuity of the ancillary banking services undertakings?			
23.	Does the business continuity plan include procedures for transferring business processes to secondary location?			

Completed by⁷: _____

Signature _____

⁷ Please indicate the audit company's officer/officers who completed the questionnaire.

	IT risk	YES	NO	Comment
1.	Does the bank have a policy and internal regulations in place for establishing, improving and implementing information security and IT risk management?			
2.	Do the bank's IT risk management policy and internal regulations include stages of risk identification, assessment, control or reduction, and monitoring?			
3.	Do the IT risk management internal regulations fully define standards for managing information resources (system software, database, computer network)?			
4.	Are the implemented administrative, technical and physical controls sufficient to reduce high IT risks?			
5.	Does the security incidents management system provide timely and accurate reporting to the bank's bodies?			
6.	Does the bank use an appropriate system for providing an audit trail?			
7.	Are there deviations from the IT plans that are critical for the achievement of the bank's strategic objectives?			
8.	Is there an adequate organizational structure in the IT management and appropriate segregation of duties among system administrators?			
9.	Does the bank's internal audit properly control the established general IT controls?			
10.	Does the IT risk management system also encompass ancillary service undertaking that process financial transactions and keep banking data stored on the main banking application?			
11.	If the bank uses an ancillary service undertaking for the main banking application, is there a contract signed in accordance with the requirements of the regulation?			
12.	Has the ancillary service undertaking submitted an audit report to the bank or has the internal audit department verified the company's systems?			
13.	Does the e-banking system meet the requirements for further confirmation of the identity of end users and non-repudiation of transactions?			
14.	Has the e-banking system been tested by an independent trained team?			
15.	Is there a process in place for managing information security updates?			
16.	Is there a process in place for managing changes in IT systems?			

Completed by⁸: _____

Signature _____

⁸ Please indicate the audit company's officer/officers who completed the questionnaire.

	Internal audit	YES	NO	Comment
1.	Has the bank's supervisory board established an internal audit department?			
2.	Is the internal audit an independent organizational unit that operates separately from the other organizational units in the bank?			
3.	Does the bank's supervisory board define the organizational structure, rights, responsibilities and relations with other organizational parts in the bank, and the responsibility and the requirements for assigning a manager of the internal audit department?			
4.	Does the internal audit have policies and procedures in place for conducting audit approved by the bank's supervisory board?			
5.	Does the internal audit perform regular audits and are they in accordance with the annual plan of activities of the departments, which has been approved by the supervisory board?			
6.	Has the bank's board of directors ensured smooth functioning of the internal audit department, i.e. has it provided an access of the internal audit department to the documentation and to the bank's employees, in order to perform its activities smoothly?			
7.	Does the bank's internal audit include: <ul style="list-style-type: none"> - assessment of the internal control systems adequacy and efficiency, - assessment of the implementation of risk management policies, - assessment of the reporting system design, - assessment of the accuracy and reliability of the commercial books and financial statements, - examination of the accuracy, reliability and timeliness in the report, as specified by the regulations, - monitoring of the compliance with the regulations, the Code of Conduct, policies and procedures, - assessment of the anti-money laundering systems, - assessment of services provided to the bank by the ancillary banking service undertakings? 			
8.	Is at least one employee in the internal audit department a certified auditor?			
9.	Does the internal auditor also perform other tasks?			
10.	Does the internal audit examine the implementation of findings and recommendations?			

11.	Does the internal audit also include the bank's business units (branches, windows, etc.)?			
12.	Does the internal audit cover credit intermediaries of banks?			
13.	Does the internal audit conduct auditing of ancillary banking service undertakings and the agreements concluded between the bank and such companies?			
14.	Does the internal audit prepare internal audit reports at least in the volume and by the dynamics specified by the Banking Law and bylaws adopted pursuant to this law?			
15.	Does the internal audit submit the semiannual and annual report on operations to the bank's supervisory board, board of directors and audit committee?			
16.	Does the internal audit immediately report to the bank's supervisory board and board of directors, if, during the audit, it identifies non-adherence to the risk management standards which is likely to result in deterioration of the bank's liquidity or solvency?			
17.	Does the internal audit immediately report to the bank's supervisory board if, during the audit, it identifies that the bank's board of directors fails to adhere to the regulations, general acts and internal procedures of the bank?			
18.	Does the bank's board of directors undertake actions for overcoming the deficiencies in the internal control system identified during the internal audit?			
19.	Does the audit committee evaluate the internal audit efficiency?			

Completed by⁹: _____

Signature _____

⁹ Please indicate the audit company's officer/officers who completed the questionnaire.

	Corporate governance, bank's compliance, other	YES	NO	Comment
1.	Has the bank established a risk management strategy, business policy and development plan as well as annual financial plans?			
2.	Are the bank's bodies established as defined by the regulations?			
3.	Are the criteria for persons with special rights and responsibilities fulfilled?			
4.	Does the board of directors evaluate the efficiency of the persons with special rights and responsibilities in the bank, i.e. of the managers in the bank?			
5.	Does the supervisory board make self-assessment of its operations from the aspect of individual members and jointly at least once a year and does it report to the bank's General Meeting of Shareholders thereon?			
6.	Is the compliance officer/compliance department independent in the performance of its duties?			
7.	Does the bank have a policy in place for remunerating the members of the board of directors, other persons with special rights and responsibilities who perform management function and of the employees of the bank?			
8.	Can the remuneration policy encourage high risk taking?			
9.	Does the compliance officer/ compliance department perform only compliance-related activities?			
10.	Does the bank's compliance officer i.e. head of compliance department submit a monthly report to the board of directors, i.e. quarterly report to the bank's supervisory board?			
11.	Are there appropriate internal regulations in place for monitoring the bank's compliance?			
12.	Does the bank have internal regulations for anti-money laundering in place?			
13.	Are the bank's employees aware of the ant-money laundering internal regulations and do they follow them?			
14.	Does the bank have internal regulations in place that ensure compliance with the regulations concerning conflicts of interest?			

Completed by¹⁰: _____

Signature _____

¹⁰ Please indicate the audit company's officer/officers who completed the questionnaire.