



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 64, paragraph 1, item 22 of the Law on National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 3/02, 51/03, 85/03, 40/04 and 129/06) and Article 106 paragraph 2 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/2007), the National Bank of the Republic of Macedonia Council adopted the following

DECISION

on the scope of audit of the bank's operations and annual financial statements ("Official Gazette of the Republic of Macedonia" no. 146/2007)

I. GENERAL PROVISIONS

1. This Decision sets out the scope of audit of the banks' operations and annual financial statements conducted by the audit company.
2. The bank's audit shall be conducted as specified by the Audit Law, the Banking Law, the International Audit Standards and the IFAC's (International Federation of Accountants) Code of Ethics for Professional Accountants, the provisions of this Decision and other audit regulations and practices.

II. SCOPE OF AUDIT OF A BANK

3. The audit referred to in item 1 of this Decision shall include audit of the bank's operations and annual financial statements prepared by the bank on the basis of applicable accounting regulations (hereinafter: bank audit).
4. After the bank audit, the audit company shall work out Bank's Financial Statements Report, i.e. an opinion on whether the banks' annual financial statements have been prepared in consistence with the applicable accounting regulations, whether the financial statements provide realistic and impartial understanding or whether they impartially present, from all material aspects, the bank's condition on the date of financial statements and results from operations 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, the bank's audited financial statements, (Income Statement, Balance Sheet, Statement on Changes in Equity, Cash Flow Statement and Notes to Financial Statements), drawn up in line with 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 supervisory board and board of directors,

6.2. Review of adjustments in the bank's financial statements advised by the audit company, grouped into adjustments accepted by the bank, respectively recognized in the financial reports, and adjustments unaccepted by the bank,

6.3. Reports the bank submits to the National Bank for supervisory purposes as of the date of financial statements for the current year that refer to capital adequacy, open foreign exchange position, credit risk, liquidity risk, interest rate risk, operational risk 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.

6.4. Annex including at least:

6.4.1. Description of the bank's policies and procedures for maintaining capital adequacy, the capital adequacy ratio on the date of financial statements, description of the bank's internal procedures (if any) for monitoring and assessment of the required amount of own funds in line with the type and volume of its activities and whether such determined capital adequacy ratio has been observed,

6.4.2. Description of the bank's risk management systems, i.e. description of the adopted bank's risk management policies and risk identification, measurement and control procedures, if any, including recommendations of the audit company concerning risk management. The audit company shall state whether the bank has applied internal methodologies for determining the internal exposure limits to risks and whether such limits have been observed. It shall also indicate the measures taken by the bank against any potential non-compliance with the legally or internally set limits, taking into account at least the credit risk, interest rate risk arising from the banking book, currency risk, market risk, liquidity risk, operational risk, concentration risk, capital investment risk and real estate investment risk. In addition, it shall also indicate the exposure concentration with respect to country risk; concentration of assets and liabilities to certain entities and the risk arising thereof; description of risks arising from activities related to the bank's ancillary services companies. The audit

company shall provide a description of the level and changes in the impairment and of the allocated special reserve,

6.4.3. Description of the maintenance of business books, the adequacy of bank's accounting policies and procedures, and measurement of the on-balance sheet and off-balance sheet assets and liabilities, including recommendations, if any, of the audit company,

6.4.4. Description of the compliance of the bank's operations with the regulations governing the supervisory function of the National Bank. If the audit company becomes aware of considerable irregularities and inconsistencies with the regulations, it shall indicate them in this part of the Report, including the measures, if any, the bank undertook for overcoming of such inconsistencies,

6.4.5. Description of accuracy and completeness of the reports referred to in item 6.3., the bank submits to the National Bank Supervision Department (pertaining to capital adequacy, open foreign exchange positions, credit risk, liquidity risk, interest rate risk, operational risk and other risks subject to special reporting defined by the National Bank), through an evaluation on whether they have been compiled as specified by the National Bank,

6.4.6. Assessment of the internal control systems and opinion on whether the internal audit operates as defined by the Banking Law, and the advancement recommendations, if any, given by the audit company,

6.4.7. Assessment of the information security with respect to its compliance with the bank's operations and objectives, data protection and control systems in place, with the audit company indicating the methodology underlying the information security assessment, and providing improvement recommendations, if appropriate. The audit company should provide a commentary on whether the bank has prepared and implemented information security policies and procedures,

6.4.8. Description of the accuracy and completeness of data the bank is required to publish as defined by the Decision on publishing reports and data by the bank,

6.4.9. Description of the measures and actions undertaken by the bank for the purposes of observing the measures imposed by the National Bank ,

6.4.10. Description of the bank's anti-money laundering systems and adherence to the respective regulations,

6.4.11. Brief description of financial activities of the bank in line with the founding and operating license granted by the Governor of the National Bank, by highlighting activities listed in the founding and operating license, which have not been launched by the bank yet,

6.4.12. The questionnaires attached to this Decision filled in by the audit company.

II.1 Audit of a banking group

7. When auditing the operations and financial statements of a banking group, the audit company shall also audit:

7.1. The 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 underline the change, indicate the reasons behind such change and present the effects of such change on the consolidated financial statements,

7.2. The effects of consolidation,

7.3. Description of the banking group composition, indicating the following for each group members: the 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 or companies that audited the banking group members and the auditor's opinion on their financial statements,

7.5. List of other financial institutions and bank's ancillary service companies 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. Assessment of the banking group's risk management systems by describing the adopted risk management policies and risk identification, measurement and control procedures, including recommendations, if any, of the audit company concerning risk management.

III. COOPERATION AND REPORTING

8. The audit company shall submit to the National Bank the Report (opinion) referred to in item 4, the financial statements referred to in item 5, and the elements specified under item 6 of this Decision, by April 30 of the current year for the preceding year.

9. If the bank accept the adjustments of the annual financial statements (in relation to item 6.2 of this Decision), it shall make the respective changes in

its business books within the period specified for submission of the monthly report on the stock and flow of all accounts for June 30 of the current year.

10. The National Bank shall not accept the Audit Report provided that it has not been set up on impartial facts on the bank's financial standing and that the Report, and the elements referred to in items 5 and 6 of this Decision, have not been drawn up as defined by the Banking Law and this Decision.
11. The bank shall, within 15 days upon adoption of the Report by the meeting of shareholders, publish the Audit Report on the operations and financial statements, as follows:
 - on 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 under item 5 of this Decision. They shall be posted on the bank's website till 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 under item 5 of this Decision, without the Notes.

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

12. The bank shall submit to the National Bank a copy of the announcement in the daily newspaper referred to in item 11 of this Decision within 5 days after the announcement.

IV. TRANSITIONAL AND CLOSING PROVISIONS

13. This Decision shall also apply to foreign bank branches and savings houses.
14. This Decision shall enter into force on the eighth day from the date of its publishing in "Official Gazette of the Republic of Macedonia", and shall apply to financial statements as of December 31, 2008.

D no. 02-15/XI-1/2007
November 29, 2007
Skopje

Petar Goshev, MSc.
Governor

President
of the National Bank of the Republic of
Macedonia Council

QUESTIONNAIRES

(with reference to item 6.4.12 of this Decision)

The following questionnaires shall be completely filled in,
and the audit company shall not be limited only to questions indicated in these
questionnaires.

Column "comment" shall also state the reference to the document referred to in items
5, 6 and 7 of this Decision, which elaborates in more details the specific question.

	Own funds and capital adequacy	YES	NO	Comment
1	Does the bank have a policy in place for maintenance of own funds?			
2	Is this policy regularly reviewed?			
3	Have the bank adopted procedures for monitoring the level of own funds, with respect to present and future needs, depending on the volume and risk level of bank's activities?			
4	Have the bank set an internal capital adequacy ratio on individual and consolidated basis (if the bank is a parent entity)?			
5	Have the bank maintained the internally set capital adequacy ratio?			
6	Have the own funds been calculated as defined by the methodology prescribed by the National Bank?			
7	Is the capital adequacy calculation in line with the methodology prescribed by the National Bank?			
8	Does the bank report to the National Bank on its own funds and capital adequacy ratio accurately and timely, on the date of financial statements?			
9	Does the bank have software as a support for composition of reports on calculation of the own funds and the capital adequacy ratio?			
10	Does the bank test (conduct simulations) of the effects of new investments on the capital adequacy ratio, prior to the adoption of any decision on large investments?			
11	Does the bank conduct stress tests of the capital adequacy?			
12	Does the bank invest in property it does not use for conducting its activities, except for the foreclosed one?			
13	Does the supervisory board approve the capital holdings and securities investments exceeding 5% of the bank's own funds?			
14	Does the bank's property in land, buildings, equipment and capital holdings in non-financial institutions exceed 60% of the bank's own funds?			
15	Does the aggregate amount of capital holdings of the bank in non-financial institutions exceed 30% of the bank's own funds?			

16	If the answer to questions 14 or 15 is YES, does the exceeding of limits occurred for the fact that the bank foreclosed some assets and failed to sell them within three years?			
17	Does any individual capital holding of the bank in non-financial institution exceed 15% of the bank's own funds?			
18	If the answer to question 17 is YES, does the exceeding of the limit arise from foreclosure of shares or parts which the bank failed to sell within three years after the foreclosure?			
19	Does the bank exert any control in non-financial institution?			
20	Does the bank hold over 5% of the shares of other bank or non-banking financial institution holding above 5% of the bank's total shares?			
21	Does the bank observe the measures imposed by the National Bank concerning the own funds and capital adequacy?			
22	Has any shareholder with qualified participation in the bank sold a portion of their shares thus reducing the participation below the threshold for which it was granted an approval by the National Bank, without notifying the National Bank thereon?			
23	Has the bank notified the National Bank on any change in the equity structure or on a new issue of shares?			
24	Have the bank shareholders notified the National Bank on any concluded agreements on retaining the voting rights arising from the shares in the bank within the set deadlines?			
25	Have the bank shareholders who acquired qualified participation in the bank applied for and obtained an approval by the National Bank?			
26	Are the regulations observed during the buyback of treasury shares?			
27	Does the bank's internal audit have audit procedures in place concerning the bank's own funds and capital adequacy?			
28	Is the internal audits frequency in this field in line with the volume of activities and the bank's exposure to risks?			
29	Are the recommendations provided by the internal audit observed?			
30	Does the bank provide for regular following of the regulations concerning the bank's own funds and capital adequacy?			

	Credit risk	YES	NO	Comment
	<i>The auditor shall, independently, adhering to the occupation rules, decide on the scope of audited assets items (on-balance sheet and off-balance sheet). The auditor shall elaborate the method of selecting clients of the bank included in the audit. The auditor shall also explain the bank's methodology for individual and group classification</i>			
1	Does the bank have lending strategy and credit risk			

	management policy and procedures in place?			
2	Is the bank's policy in line with the strategic objectives and plans, and does it define the core credit risk management principles?			
3	Are the policy and procedures regularly reviewed?			
4	Have the exposure approval authorizations been defined?			
5	Does the bank's staff involved in lending and in credit risk management, understand the credit policy and credit risk management policy and do they follow it?			
6	Have the bank applied the basic credit risk management processes - identification, measurement, evaluation, monitoring and mitigation?			
7	Are the bank's credit procedures defined and documented?			
8	Are the credit risk management policy and relevant procedures formally adopted?			
9	Does the bank monitor and manage the country risk?			
10	Is the credit risk managed independently, i.e. separately from other lending-related activities?			
11	Are the connected persons taken into account in the assessment of the credit risk of individual client?			
12	Have the bank made assessment of credit collaterals and does it have procedures for their foreclosure?			
13	Have the bank defined and observed the control procedures in the disbursement, i.e. collection of funds from clients?			
14	Is the contractual purpose of the extended credits controlled and monitored?			
15	Does the bank have a system in place for notification on extended credits, due claims, exemptions from the policies and procedures, exposure concentration, etc.?			
16	Does the individual exposure to a person and persons connected thereto exceed 25% of the bank's own funds?			
17	Does the bank exposure to subsidiary exceed 10% of the bank's own funds?			
18	Does the bank exposure to shareholder with qualified participation in the bank and to the persons connected thereto exceed 10% of the bank's own funds?			
19	Does the bank exposure to a person with special rights and responsibilities and to persons connected thereto exceed 3% of the bank's own funds?			
20	Does the total amount of exposures referred to in questions 17, 18 and 19 exceed 65% of the bank's own funds?			
21	Have the credits to the persons referred to in questions 17, 18 and 19, in the amount exceeding Denar 1 million each, been extended on the basis of a decision of the supervisory board?			
22	Are the lending terms that apply to the persons referred to in questions 17, 18 and 19 more favorable compared to the terms that apply to other bank's clients, at equal risk level?			
23	Does the total amount of large exposures (above 10% of the bank's own funds?) exceed eight times of the bank's own			

	funds?			
24	Does the bank have a system in place for monitoring of whether the extended credit has been used for purchasing shares in the bank?			
25	Have the bank approved credit collateralized by shares of the same bank?			
26	Does the bank have a proper system in place for determining and allocating the impairment of the exposure to credit risk, and for establishing the special reserve?			
27	Does the bank have procedures in place for collection of non-performing credits?			
28	Are the credit files kept in line with the regulations?			
29	Have the bank's internal audit adopted methodology for auditing credit function and credit risk management?			
30	Is the frequency of audit of the credit function, conducted by the bank's internal audit in line with the volume of credit operations and with the bank's exposure to credit risk?			
31	Does the internal audit have findings and recommendations for improving the credit risk management process?			
32	Are the internal audit recommendations observed?			
33	Does the bank have system in place for verification of the exposure to credit risk prior to the introduction of new products and services?			
34	Does the bank regularly follow the regulations concerning the credit risk management?			
35	Is the bank's credit function supported by software tools, particularly in relation with the assigned authorizations for approving exposures, and in accordance with the volume and complexity of the bank's business activities?			
36	Are the bank's procedures in line with the provisions of the Law on Consumer Protection in Consumer Loan Agreements?			

	Interest rate risk arising from banking book	YES	NO	Comment
1	Does the bank have policy in place for interest rate risk management?			
2	Is the bank's policy in line with the strategic objectives, and does it define the core interest rate risk management principles?			
3	Are the bank's policy for interest rate risk management and other internal procedures regularly improved and amended depending on the market conditions and the bank's volume of activities?			
4	Does the respective bank's staff understand the interest rate risk management policy and do they follow it?			
5	Does the bank apply the basic processes of interest rate management - identification, measurement and assessment, monitoring and control?			

6	Are the activities related to interest rate risk management separated from the trading activities within the bank's organizational structure?			
7	Does the bank have procedures in place for interest rate risk management and internal processes for monitoring such activities?			
8	Does the bank define limits for minimizing the interest rate risk?			
9	Does the bank have procedures in place and activities that apply in the case of non-compliance with the internal limits?			
10	Does the bank use derivatives for interest rate risk management?			
11	Does the bank conduct analyses of exposure to interest rate risk when launching new products?			
12	Does the bank's internal audit have methodology in place for auditing the bank's interest rate risk management?			
13	Is the frequency of internal audits concerning the interest rate risk in line with the exposure level and with the importance of this risk to the bank?			
14	Does the internal audit provide findings and recommendations for improving the interest rate risk management?			
15	Are the internal audit recommendations observed?			
16	Does the bank regularly follow the regulations concerning the interest rate risk management?			
17	Does the bank have information support in place for interest rate risk management which is in line with the volume and complexity of the bank's activities?			
18	Does the bank test the exposure to interest rate risk under extraordinary conditions (stress-scenarios)?			

	Liquidity risk	YES	NO	Comment
1	Does the bank have policy in place for liquidity risk management?			
2	Is the bank's policy in line with its strategic objectives, and does it define the core liquidity risk management principles?			
3	Are the bank's liquidity risk management policy and other internal procedures regularly improved and amended?			
4	Does the bank's staff, involved in liquidity risk management process, understand the liquidity risk management policy and do they follow it?			
5	Does the bank's board of directors participate in the activities related to liquidity risk management?			
6	Does the bank apply the basic processes of liquidity risk management - identification, measurement and assessment, monitoring and control?			
7	Does the bank plan and manage the cash flows, to prevent from lack of liquid assets?			

8	Does the bank set internal limits on the level of liquidity indicators defined in a bylaw?			
9	Does the bank have procedures in place for defining, applying and monitoring the internally set limits?			
10	Does the bank observe the liquidity risk restriction limits, if any?			
11	Does the bank, for the purposes of liquidity risk management review each most important foreign currency to the bank, individually?			
12	Does the bank have access to open irrevocable credit lines and other liquidity sources which may be used promptly in the case of liquidity shortage?			
13	Does the bank use liquidity support from the parent entity bank and/or from other members of the group?			
14	Does the bank use sources of funds under terms less favorable than those on the market?			
15	Does the bank monitor the level of core deposits?			
16	Is there a residual maturity match between the assets and liabilities, with respect to their expected maturity?			
17	Have the bank developed contingency scenarios and plan?			
18	Does the bank's internal audit have methodology in place for auditing the bank's liquidity risk?			
19	Does the frequency of internal audits correspond with the importance of the liquidity risk to the bank?			
20	Does the internal audit have findings and recommendations for improving the liquidity risk management?			
21	Are the internal audit recommendations observed?			
22	Does the bank have a system in place for verifying the exposure to liquidity risk when launching new products?			
23	Does the bank have information system in place to support the liquidity risk management, in line with the volume and complexity of the activities?			
24	Have a special body been formed in the bank responsible for asset and liabilities management?			
25	Does the bank monitor the deposit concentration?			
26	Does the bank have data on inactive deposits?			

	Market risks	YES	NO	Comment
1	Does the bank have policy and procedures in place for market risk management?			
2	Is the bank's policy in line with its strategic plan, and does it define the market risk management principles?			
3	Are the policy and procedures regularly reviewed and amended?			
4	Does the relevant bank's staff understand the market risk management policy and do they follow it?			
5	Does the bank apply the basic processes of market risk			

	management - identification, measurement and assessment, monitoring and control?			
6	Does the bank have a system in place that ensures timely and accurate notification to the management bodies on market positions?			
7	Is there a separation of obligations and responsibilities between the trading activities and market risk management?			
8	Are the authorizations related to foreign currency transactions precisely defined?			
9	Does the bank establish limits to the market risk and is there a system in place for detection of non-compliance with the limits?			
10	Does the bank have procedures in place related to the activities in the case of non-compliance with the limits to the market risk exposure?			
11	Do only authorized persons have access to the trading system, the records and other important documents?			
12	Does the bank have internal control system in place related to the trading?			
13	Does the bank use financial instruments for covering open positions which represent exposure to market risk?			
14	Does the bank monitor and analyze the development of the leading international financial markets and domestic financial markets, particularly markets on which it operates?			
15	Does the bank prepare daily reports on realized and unrealized trade gains and losses?			
16	Are these daily reports delivered on a daily basis to the persons authorized to make decisions on financial instruments?			
17	Is there an adequate investment diversification by type of instrument, issuer, market, segment and other?			
18	Does the bank assess the liquidity of individual financial instruments and the foreign currency prior to the purchase?			
19	Are the financial derivatives used for hedging of market risk exposure?			
20	Does the bank prepare daily reports on open foreign exchange positions by currency?			
21	Does the bank observe the legally set exposure limits by currency?			
22	Does the bank's internal audit have methodology in place for auditing the bank's market risk management?			
23	Is the frequency of internal audits in the area of market risk in line with the exposure level and the importance of the market risk to the bank?			
24	Does the internal audit prepare findings and recommendations for improving the market risk management of the bank?			
25	Are the internal audit recommendations observed?			
26	Does the bank have a system in place for examining the exposure to market risks in relation to new instruments,			

	when launching new products?			
27	Does the bank test the exposure to market risks under extraordinary circumstances (stress-scenarios)?			
28	Does the bank ensure regular following of the regulations concerning market risk management?			
29	Does the bank have information system in place for supporting the market risk management, in line with the volume and complexity of the activities?			

	Operational risk	YES	NO	Comment
1	Does the bank have policy in place for operational risk management?			
2	Is the bank's policy in line with its strategic plan, and does it define the core operational risk management principles?			
3	Does the policy clearly define the operational risk?			
4	Does the bank's policy define the basic processes of operational risk management - identification, measurement and assessment, monitoring and control?			
5	Are the bank's operational risk management policy and other internal procedures regularly reviewed and amended?			
6	Does the policy define the method of managing unexpected events that may cause large losses?			
7	Have the management board appointed a person or board for operational risk management?			
8	Does the bank's staff, involved in the operational risk management system, understand the operational risk management policy?			
9	Do the persons responsible for operational risk management have adequate experience and qualifications?			
10	Does the supervisory board approve the establishment and organization of the internal control system in the bank?			
11	Does the operational risk management policy include all components of possible losses from operational risk by type?			
12	Have the bank identified the external and internal factors that consist the exposure to operational risk?			
13	Does the bank identify the upper limit of tolerance to operational risk?			
14	Does the bank have procedures in place for operational risk management?			
15	Are the supervisory and management board regularly informed on the operational risk management process?			
16	Does the bank keep special records on losses that occurred from operational risk?			
17	Does the bank make assessment of the potential future losses from operational risk?			
18	Do the bank's policies and procedures describe the most essential elements and activities for control of the operational risk?			

19	Does the bank conduct analyses from the aspect of operational risk when launching new products/activities?			
20	Does the operational risk management include the bank's business units (windows, branches, etc.)?			
21	Does the operational risk management encompass the bank's ancillary service companies?			
22	Do the internal control systems encompass both the business units and the bank's ancillary service companies?			
23	Does the bank monitor the financial standing of the bank's ancillary service companies?			
24	Does the bank's internal audit have methodology in place for auditing the bank's operational risk management?			
25	Is the frequency of internal audits in the area of market risk in line with the operational risk exposure level?			
26	Does the bank's internal audit have its own findings and recommendations for improving the operational risk management?			
27	Are the internal audit recommendations observed?			
28	Does the bank have information system in place for supporting the operational risk management?			
29	Are the responsibilities for establishment, improvement and implementation of the information security policies and the business continuity plan clearly defined?			
30	Are the abovementioned policies and plan in line with the National Bank regulations?			
31	Has the bank ensured oversight of the continuity plan?			
32	Does the bank have a plan of activities in the case of discontinuity of services provided by the bank's ancillary service company?			
33	Are there clearly documented procedures for identification of the urgent situation where the plan could apply?			
34	Does the plan include procedures for transferring the business processes to alternative location?			

	Internal Audit	YES	NO	Comment
1	Has the supervisory board established an internal audit department?			
2	Does the bank have an internal audit as an independent organizational segment that functions separately from the other organizational units in the bank?			
3	Does the supervisory board arrange the organizational layout, rights, responsibilities and relations with other organizational parts in the bank, and the responsibilities of the manager of the internal audit department?			
4	Does the internal audit have policies and procedures in place for conducting the audit approved by the supervisory board?			
5	Are the internal control systems in the bank suitable and are they tested and reviewed periodically?			

6	Has the bank's board of directors ensured smooth functioning of the internal audit, i.e. has it provided an access of the internal audit department to the documentation and to the bank's staff, in order to perform its activities smoothly?			
7	Does the internal audit of the bank include: a) examination and assessment of the adequacy and efficiency of the internal control system? b) assessment of the implementation of the risk management policies? c) assessment of the information system design? d) assessment of the accuracy and reliability of the trade books and financial statements? e) examination of the accuracy, reliability and timeliness in the report, as specified by the regulations? f) examination of the observance of regulations, code of ethics, policies and procedures? g) assessment of the anti-money laundering systems? h) assessment of services provided to the bank by the bank's ancillary service companies? i) implementation of special purpose investigations? j) audit of the operations of the compliance officer/department?			
8	Is there at least one authorized auditor in the internal audit?			
9	Does the internal auditor also perform other tasks?			
10	Does the internal audit monitors the efficiency of the functioning of the internal control systems?			
11	Is the internal audit independent?			
12	Does the internal audit staff have an audit experience and knowledge?			
13	Does the internal audit prepare findings and recommendations from conducted audits?			
14	Does the internal audit examine the implementation of provided audits and recommendations?			
15	Does the internal audit include the bank's business units (branches, windows, etc.)?			
16	Does the internal audit include credit intermediaries of the bank at least as specified by the legally set dynamics?			
17	Does the internal audit examine the bank's ancillary service companies and the agreements concluded between the bank and such companies?			
18	Does the internal audit prepare internal audit reports at least in the volume and dynamics specified by the Banking Law?			
19	Does the internal audit submit the semiannual and annual report to the bank's supervisory board, board of directors and audit committee?			
20	Does the internal audit immediately notify 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?			
21	Does the internal audit immediately notify the bank's supervisory board if, during the audit, it identifies that the bank's board of directors fail to adhere to the regulations, general acts and internal procedures of the bank?			
22	Does the bank's board of directors undertake immediate actions for overcoming the deficiencies in the internal control system identified during the internal audit?			
23	Are the bank's control systems adequate to the size and volume of bank's activities and the volume and type of risks it has been exposed to?			
24	Are the control systems controlled, tested and improved regularly?			
25	Does the internal audit conduct regular audits and are they in accordance with the adopted plans for the overall bank's activities and in accordance with the volume and importance of the activities?			
26	Does the board of directors or the audit committee make assessment of the internal audit efficiency?			

	Corporate governance, compliance with regulations, other	YES	NO	Comment
1	Are the bank's bodies established as defined by the regulations?			
2	Are the criteria for persons with special rights and responsibilities fulfilled?			
3	Is the bank's board of directors fully aware of the risks the bank is exposed to in its operations?			
4	Is there a formal segregation of duties between the members of the board of directors and the persons with special rights and responsibilities who perform management function in the bank?			
5	Does the board of directors make assessment of the efficiency of the persons with special rights and responsibilities who perform management function in the bank?			
6	Does the board of directors make periodical self assessment?			
7	Is there a Code of Ethics and is it followed?			
8	Is the board of directors included in the bank's operational activities?			
9	Does the board of directors manage to carry out the planned activities and results?			
10	Is there a staff training plan in the bank?			
11	Does the bank keep records on lawsuits?			
12	Does the bank have updated data on shareholders and connected persons?			
13	Are the bank's acts in consistence with the regulations?			
14	Have the bank's board of directors appointed compliance			

	officer/officers or established a compliance department?			
15	Do the bank's compliance officer/officers have adequate experience and qualifications?			
16	Is the compliance officer/department independent in the performance of operations within their competence and do they perform only compliance-related activities?			
17	Do the compliance officer/officers submit monthly reports to the board of directors, i.e. quarterly reports to the bank's supervisory board?			
18	Does the bank show significant violations of the regulations in its operations?			
19	Are the statements (on the date of financial statements) the bank submits to the National Bank for supervisory purposes accurate and timely?			
20	Are there adequate procedures for ensuring compliance?			
21	Are the decisions and measures imposed by the Governor observed?			
22	Does the bank have anti-money laundering procedures in place and have they been applied?			
23	Is the bank's staff aware of the anti-money laundering procedures?			
24	Does the bank have annual and strategic plans and objectives?			
25	Are there internal control procedures in place in the bank concerning procurements?			