

EXECUTIVE SUMMARY REPORT

of operations of the Audit Committee for the year 2011

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

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1. Introduction

1.1. **Introduction** – The Audit Committee of Stopanska Banka AD - Skopje (the Bank) submits this Report in accordance with valid internal and external regulation, for the purpose of informing the Bank's Supervisory Board and Shareholders' Assembly regarding the operations of the Audit Committee (the Committee) and the activities it performed during the period of 2011.

During 2011, change in the membership structure of Audit Committee was introduced 27th Shareholders Assembly meeting held on 27.07.2011. Namely, the Shareholders Assembly os SB appointed Mr. Ioannis Kyriakopoulos and Mr. Panagiotis Karandreas as new members of the Audit Committee of SB and determined the termination of the term of office of the members of the Audit Committee Mr. Dimitrios Frangetis and Mr. Anastasios Lizos. In accordance with the Law on Banks the appointment of the new members entered into force from the date the Governor of the Central Bank issued relevant consents for their appointment as Supervisory Board members.

During the period under review, the Committee held eight meetings attended by majority of its members, as follows:

- **Ms. Z. Bozinovska Lazarevska**, Ph.D. – Chairman, Professor at the Faculty of Economics in Skopje;
- **Mr. A. Veljanov**, Certified Auditor – Member, Audit Partner at Moore Stephens Ltd - Skopje;
- **Mr. V. Kandikjan**, Ph.D. – Member, Professor at the Faculty of Law in Skopje;
- **Mr. A. Lizos** – Member, Head of Section "A", International Activities Division of NBG
(*member of the Audit Committee till 23.09.2011*)
- **Mr. D. Frangetis** – Member, Chief Credit Officer at NBG
(*member of the Audit Committee till 23.09.2011*)
- **Mr. I. Kyriakopoulos**¹ – Member, Deputy General Manager of International at NBG
- **Mr. P. Karandreas** –Member, Head of Sector "B" of International Activities Division of NBG

2. Scope of Work Performed

The Audit Committee is generally charged with the tasks of supervising the work of internal and external auditors, reviewing the results of such audits and, in particular, the efficiency and effectiveness of the Bank's regulation and practices for financial reporting, as well as the adequacy and efficiency of the Bank's system of internal controls.

¹ The member submitted his resignation from the position Superviosry Board member at the beginning of 2012.

The Committee reviewed the following major items on the agendas of the respective meetings held in 2011.

2.1. Independent External Audit:

- Review and approval of procedure for selection of independent external audit firms regarding the annual audit of the Bank's financial statements for the year 2011;
- Review of Financial Statements and financial packages of the Bank as of 31 December, 2010 for consolidation purposes;
- Review of Financial Statements of the Bank as of 30 June, 2011;
- Review of Financial Statements of the Banks as of 30 September, 2011;

2.2. Internal Audit:

- Review of Internal Audit Division Activity Reports for all respective quarters of the year 2011;
- Review and approval of the Annual Report of operations of the Internal Audit Division for the year 2011;
- Review and approval of Revised Annual Plan of activities of the Internal Audit Division for the year for 2011;

2.3. Audit Committee:

- Review and approval of Audit Committee Plan for the year 2011;
- Review and approval of Audit Committee Reports to the Supervisory Board;
- Self-evaluation of the Committee's performance regarding its operations in 2011.

3. Self-Evaluation

In order to assess its efficiency and effectiveness, identify the potential gaps and ensure that the work performed complies with prescribed duties in the Audit Committee Charter, members of the Committee have performed self-evaluation of their activities for the year 2011.

The relevant findings have shown that continuous emphasis should be given to regular monitoring and overview of Bank's operations, where the accent should remain on risk monitoring as well as regular review and inquiry of management and the external auditors. The attention should be given to the following issues:

- Frequent communication and meetings with external auditors and management, especially regarding review of current areas of high risks;
- Regular review and inquiry of management, especially concerning financial reporting issues and Internal Audit Findings and Recommendation database status;
- Review of significant judgmental areas (such as: valuation of assets and liabilities, shareholders' equity and reserves, and commitments and contingencies);
- Legal matters that may have a significant impact on the Financial Statements.

April 2012, Skopje

For and on behalf of the Audit Committee

Zorica Bozinovska Lazarevska – Chairperson