

Stopanska Banka AD - Skopje

AUDIT COMMITTEE Rules of Procedure

December, 2020

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I. GENERAL PROVISIONS

- (1) The Rules of Procedure of the Audit Committee of Stopanska Banka AD – Skopje (hereinafter: AC; Stopanska Banka, SB or the Bank; and The Rules) shall regulate the manner of operations of the Audit Committee as legally prescribed body of the Bank.
- (2) When carrying its responsibilities, the AC takes into consideration the interests of the concerned parties and maintains good cooperation with the National Bank and other regulatory bodies.
- (3) The Rules are prepared in accordance with the local legislation, the “Decision on good corporate governance rules for bank” and the Statute of SB, while also properly incorporating the NBG corporate governance standards.
- (4) If there are any matters, which are not dealt with in these Rules, or there are any matters in these Rules that are inconsistent with any law, bylaws or the Statute of the Bank, the superior act shall prevail.
- (5) All members of the AC are obliged to maintain secrecy on all confidential information that were presented and/or discussed in the AC meeting, or were acquired in any other way during the exercise of their capacities as members of the AC of the Bank, especially on business secrets and audit findings. The confidentiality obligation shall also apply after the termination of their term of office as AC members for as long as the Bank has an interest in maintaining the information a secret.
- (6) Each member of the AC is obliged to protect the interests of Stopanska Banka. Each member shall immediately disclose to the Chair of the AC (through the Cabinet) any conflicts of interest, in accordance with the Policy for conflict of interest of senior managers of SB and should, insofar as possible, avoid any activities that could lead to conflict of interest or other incompatibilities with their mandates as members of the AC.

II. PURPOSE OF THE AUDIT COMMITTEE

- (1) The Audit Committee is constituted as statutory committee of Stopanska Banka AD – Skopje in order to assist the Supervisory Board of the Bank in fulfilling its oversight responsibility to the shareholders and other stakeholders relating to:
 - (i) the financial reporting process and the integrity of the financial statements,
 - (ii) the external audit process,
 - (iii) the effectiveness of the internal controls,
 - (iv) the performance of the Internal Audit Division,
 - (v) the compliance of SB with the regulations related to accounting standards and the financial statements,
 - (vi) other responsibilities determined with the Statute of SB and the local regulation.

- (2) For its operations, the Audit Committee reports to the Supervisory Board on a quarterly basis.

III. COMPOSITION

- (1) The Audit Committee is composed of five members, appointed by the Supervisory Board with two years term of office. Three of the members are elected from among the members of the Supervisory Board, while two are independent members and at least one member must be chartered/certified auditor.
- (2) The members of the Audit Committee should fulfil the appropriateness criteria as set out by the regulatory framework in force, whereas the size and collective knowledge of the Committee should reflect the business model and the financial condition of the Bank. An employee of the external audit company that is selected as external auditor may not be a member of the Audit Committee.
- (3) Each member of the Audit Committee must have a university degree and knowledge of the regulations for banking, good corporate governance and should have appropriate experience ensuring safe and sound management of Stopanska Banka. They should also be knowledgeable in SB operations and its products and services, the risks that the Bank is exposed to, the internal control systems and the accounting and audit.
- (4) The Chairman and Vice-Chairman of the Audit Committee are appointed with unanimous consent of its members.
- (5) To perform his or her role effectively, each Committee member should be provided with appropriate briefing related to the responsibilities of Committee membership as well as the Bank's activities, operations, and risks.
- (6) Audit Committee members are entitled to appropriate remuneration for their membership and contribution, which is determined by the Supervisory Board, following the proposal by the Remuneration Committee and approved by the Shareholders Assembly.
- (7) The Bank Secretary acts as Secretary of the Audit Committee as well.

IV. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

- (1) To carry out its tasks the Audit Committee undertakes the following duties and responsibilities:
 - A. *Financial Statements and related disclosures*
 1. Reviews the integrity of the financial statements of the Bank and makes sure that the disclosed financial information on SB operations is accurate and transparent as specified by the accounting regulations and international accounting standards;
 2. Reviews the integrity of the quarterly financial statements of the Bank in accordance with the IFRS standards for the consolidation purposes of the NBG Group;
 3. Oversees compliance issues of the Bank, especially issues relevant to the main scope of the Audit Committee;
 4. Meets with the management and the external auditor to discuss the audited financial statements and the auditor's findings, if any;

5. Adopts the accounting policies and, if needed, urges prompt action by management to rectify any serious identified deficiencies in the accounting records and processes of the Bank;

B. *External Audit*

1. Proposes to the Supervisory Board the selection of external audit company as well as the termination of the concluded agreement. The Audit Committee should provide for appropriate rotation of the external audit company. Specifically, it should ensure that the same external audit company will not conduct more than five successive audits of the annual financial statements;
2. Monitors the audit process and assesses the work of the external audit company;
3. Ensures that significant findings and recommendations made by the external auditors are received and discussed on a timely basis and ensures that management addresses the recommendations by the external auditor. If needed, Audit Committee may submit proposal to the Supervisory Board regarding specific areas where additional controls by the external auditor may be required;

C. *Internal Audit*

1. Review the activities and organizational structure of the internal audit function and ensure no unjustified restrictions or limitations of scope of the activity are made;
2. Monitors the operations and assesses the efficiency of the Internal Audit Division;
3. Reviews the Annual Internal Audit Plan and the Internal Audit Charter, before the Supervisory Board approves it;
4. Taking into consideration consent from the NBG Group Chief Audit Executive and in compliance with the provisions of the NBG Group Governance Policy, recommends to the Supervisory Board the appointment and dismissal of the Internal Audit Division Manager. It also evaluates the work of the IAD Manager at least on an annual basis as part of the overall annual evaluation of the IAD performance upon consultation with NBG Group CAE.
5. Ensures that the Internal Audit Division has the appropriate skillset and capacity to audit and evaluate the effectiveness of the internal control framework, as defined with the regulatory framework and Internal Audit Division Charter.
6. Reviews Internal Audit Division Activity Report on a quarterly basis, with key findings and ensures that the top management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliances and other important issues identified by Internal Audit Division;
7. If needed, meets separately and independently with the Internal Audit Division Manager to discuss any matters that the AC or the auditors consider should be discussed privately;

D. *Internal controls, risk management, and regulatory compliance*

1. Reviews and makes assessment of the internal control systems in order to ensure adequacy and appropriateness of the internal controls within the Bank;
2. Reviews the annual report of the Internal Audit Division on the adequacy and efficiency of the system of internal controls;
3. Reviews the semi-annual and annual Compliance Reports before the reports are submitted to the Supervisory Board;
4. Reviews the summary reports of the operations of the Risk Management Committee on quarterly basis;
5. Monitors the implementation and review the Bank's Code of Ethics for financial professionals, and the Whistleblowing Policy;

6. Receives notifications related to identified frauds, if deemed necessary and in accordance with the Anti-Fraud Policy of SB;
7. Reviews any significant findings arising from the regulatory authorities' controls.

V. MODUS OPERANDI OF THE AUDIT COMMITTEE

- (1) The Audit Committee meets on a regular quarterly basis, and on an extraordinary basis if required or requested by the Supervisory Board, and keep minutes of its proceedings and report to the Supervisory Board on the same frequency. With the assistance of the Secretary, the Chairman of the Committee shall specify the agenda, the frequency and the length of meetings, and ensure the Committee's effectiveness in discharging its duties. Any member may suggest items on the agenda for consideration. In the event of resignation, absence or impediment, the Chairman shall be replaced by the Vice Chairman, if any, or the senior (by date of appointment) member of the Committee. At the beginning of each calendar year, the Committee prepares its Annual Plan for operations;
- (2) The Committee may meet with physical presence, by video or teleconference call should its Chairman so decide. The Chairman may also ask the Committee to decide on certain documents through written consent;
- (3) The Chairman of the AC invites other persons at its meetings, if deemed necessary.
- (4) The Audit Committee forms quorum and convenes when at least three members are present. A member's participation in a meeting by video link or audio link shall be deemed valid for these purposes. Decisions shall be valid if taken by simple majority vote of the total members. In the event of a draw, the Chairman's vote shall be decisive; if the Chairman is absent, the Vice Chairman's vote is decisive. Should a decision on any item of the Committee's agenda not be taken unanimously, the minority views shall be recorded in the minutes. Member attendance at Committee meetings shall be disclosed in the annual report on corporate governance.
- (5) The Committee meetings shall be convoked by the Secretary of the Committee at the request of the Chairman. Each member of the Committee shall be given written notice of the venue, time and date of each meeting. The agenda of items to be considered at each meeting, together with supporting documents, will normally be supplied to each member and the at least three (3) calendar days in advance of the meeting.
- (6) The Committee may delegate specific responsibilities and authorities to one or more individual Committee members, within the purview of its responsibilities and authorities, insofar as this is permitted by applicable legislation, in general, and there is no conflict of interest.
- (7) Quarterly, or more frequently if deemed necessary, the Committee prepares and submits to the Supervisory Board reports on its activities. Moreover, the Committee conducts a performance self-assessment on an annual basis, as part of the Annual Performance Self-Assessment of the Supervisory Board and its Committees. The results of this evaluation of the Committee are disclosed in the Annual Report on Corporate Governance.

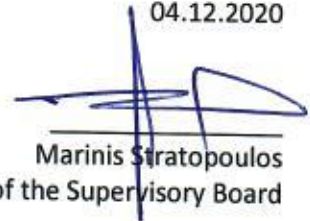
VI. FINAL PROVISIONS

- (1) The Audit Committee shall at least once a year review its own performance and composition in order to ensure it is operating in maximum effectiveness and recommends any changes it consider necessary to the Supervisory Board for approval.
- (2) The Rules of Procedure shall be reviewed when deemed necessary, but at least on two-year basis.
- (3) These Rules of Procedure enters into force on the day are approved by the Supervisory Board.
- (4) Upon entry into force of these Rules of Procedure, the actual Audit Committee Rules adopted on 13.12.2018 cease to be valid.



Antonio Veljanov
Chairman of the Audit Committee

04.12.2020



Marinis Stratopoulos
Chairman of the Supervisory Board

18.12.2020

Document Change History

Version No.	Prepared by	Approved by	Date of Approval	Description of amendments
1	Chairman's Office	Supervisory Board	23.01.2009	
2	Chairman's Office	Audit Committee, Supervisory Board	07.12.2018; 13.12.2018	New Charter in compliance with the local regulations and NBG standards.
3	Chairman's Office	Audit Committee, Supervisory Board	04.12.2020; 18.12.2020	Regular review on 2-year basis. Besides some minor technical changes in the text, no amendments are proposed.