

Based on Article 15, paragraph 1 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004 and 44/2010) and Article 15, paragraph 6, Article 18, paragraph 6, Article 26, paragraph 9, Article 66, paragraph 6, Article 71, paragraphs 4 and 5, Article 72, paragraph 2, Article 75, paragraph 5, Article 94, paragraph 3, paragraph 4, item 3 and paragraph 5, Article 131, paragraph 3, Article 132, paragraph 5 and Article 133, paragraph 7, and with reference to Article 134 of the Law on Banks (RS Official Gazette, Nos 107/2005 and 91/2010), the Executive Board of the National Bank of Serbia hereby issues

**DECISION**  
**ON IMPLEMENTING THE PROVISIONS OF THE LAW ON BANKS**  
**RELATING TO GRANTING OF A PRELIMINARY BANK FOUNDING**  
**PERMIT, BANK OPERATING LICENCE AND CONSENTS BY THE**  
**NATIONAL BANK OF SERBIA, AS WELL AS THE PROVISIONS**  
**RELATING TO THE ESTABLISHMENT OF CRITERIA FOR DEFINING A**  
**FIRST-CLASS BANK**

1. This Decision sets forth the conditions and manner of implementing the provisions of the Law on Banks (hereinafter: the Law) based on which the National Bank of Serbia grants a preliminary bank founding permit and a bank operating licence, prior consent to the acquisition of own shares, consent to the bank's articles of association, and/or amendments and supplements to the bank's articles of association and the founding act, consent to the appointment of the members of the bank's managing and executive board, and consent to the acquisition of ownership and merger of banks, as well as the provisions based on which the National Bank of Serbia establishes the criteria for defining a first-class bank in the process of voluntary termination of bank operations and issues consent to the assumption of rights and obligations of a bank under administrative management or a bridge bank.

**I. DETAILED CONDITIONS AND MANNER OF ISSUING A PRELIMINARY BANK FOUNDING PERMIT**

2. The founders of a bank shall file with the National Bank of Serbia an application for a preliminary bank founding permit (hereinafter: preliminary permit), and enclose the following therewith:

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<sup>1</sup> Section 34 of this Decision ceases to have effect as of the entry into force of the Decision on Detailed Terms and Conditions for Inviting and Selecting Bids for Acquisition and/or Sale of Shares, Assets and Liabilities of a Bank under Resolution (RS Official Gazette, No 30/2015), i.e. as of 1 April 2015.

- 1) data on the founders, their respective contributions, and the number, type and nominal value of the shares they are acquiring;
- 2) founding act;
- 3) proposed articles of association;
- 4) statement declaring that the pecuniary portion of initial capital will be paid to the temporary account with the National Bank of Serbia;
- 5) statement declaring that the non-pecuniary assets will be transferred to the bank's initial capital;
- 6) data on all persons holding participation in the bank and grounds of such participation;
- 7) names and data regarding the qualifications, experience and business reputation of the nominated members of the bank's managing and executive board;
- 8) the bank's proposed program of activities for the period of three years and proposed business policy for the year in which the bank is to be founded;
- 9) proposed procedures for risk management and internal control;
- 10) if the bank is to be founded as a subsidiary of a foreign bank or other foreign financial sector person that is subject to supervision by a foreign regulatory body, evidence that the competent regulatory body of the home country has granted approval to the foreign bank or other foreign financial sector entity regarding participation in the establishment of a bank in the Republic of Serbia, or evidence that no such approval is necessary under the regulations of such country;
- 11) if the founder is a foreign bank or foreign financial sector entity subject to supervision and/or monitoring by the home country regulatory body, evidence that requirements specified by the Law have been met;
- 12) letter of authority for the person to cooperate with the National Bank of Serbia in the process of granting a preliminary permit;
- 13) other data and documents requested by the National Bank of Serbia.

**Data on the founders of the bank, their respective contributions and the number, type and nominal value of shares they are acquiring**

3. Data on the founders of the bank, the amount of their contributions (pecuniary and/or non-pecuniary) and number, type and nominal value (absolute and in percentages) of shares that they are acquiring, shall be submitted to the National Bank of Serbia for the purpose of assessing the solvency of bank founders.

The National Bank of Serbia shall assess the solvency of each founder who is to hold a participation in the bank, and it may also assess the solvency of any other founder of the bank.

As regards the solvency of domestic or foreign legal entity, the National Bank of Serbia shall assess:

- the financial position of such entity and its ability to provide additional capital, unless such entity is a bank, a foreign bank, an international financial organization or other legal entity which has been awarded in the latest ranking no less than BBB- long-term credit rating as graded by Standard&Poor's or Fitch and/or Baa3 issuer rating as graded by Moody's;
- business reputation of such entity based on its overall business achievements and management of other legal entities, its ability to manage risks in its operations and to exert, in the capacity of a founder, a long-term positive influence on the bank's operations, as well as based on other data;
- whether investment and management of ownership stakes in banks represent its strategic aim clearly visible from its business policy or business practice.

As regards the solvency of domestic or foreign natural person, the National Bank of Serbia shall assess:

- ownership status of such person, and/or shall determine the amount of own pecuniary assets, the origin of those assets and whether their amount is equivalent to no less than the amount of planned investment in the bank's initial capital;
- business reputation of such person based on biography, personal, professional and moral integrity, qualifications and experience, track record in discharging management or supervisory duties in legal entities, as well as other data, and ability to manage risks in operations and to exert, in the capacity of a founder, a long-term positive influence on the bank's operations.

For the purposes hereof, own pecuniary assets shall not include borrowed funds.

Should the National Bank of Serbia obtain data pointing to facts which are or could be connected with money laundering or terrorism financing, within the meaning of the law on the prevention of money laundering and terrorism financing, it shall notify in writing thereof the administration for the prevention of money laundering.

4. Founder of the bank, domestic or foreign natural person, shall submit to the National Bank of Serbia the following:

- professional resume containing information on his work experience and qualifications;
- certificate issued by the competent body confirming that such person has not been convicted of any criminal and commercial offences by

final judgment, as well as that no criminal offence and/or commercial offence proceeding has been instituted against him;

- information showing whether such person is a member of any administration, management and supervisory body and whether he is the owner of any legal entity, as well as the absolute and percentage amounts of his ownership and/or participation in such legal entity;

- data on his ownership status, and/or own assets (real estate, participation in the capital of other legal entities, pecuniary deposits in banks, the name and head office of those banks, etc.), together with appropriate evidence of ownership and origin of such assets;

- the most recent certificate issued by the competent body confirming full settlement of all tax liabilities;

- statement declaring such person's indebtedness with domestic and foreign legal entities and natural persons, specifying the names of such entities and persons and the amount of debt;

- certified copy of ID card, showing personal identification number – for domestic natural person, and/or certified copy of passport showing passport number, date and the country of issuance, as well as passport expiry date - for foreign natural person;

- other documents deemed necessary by the National Bank of Serbia.

5. Founder of the bank, domestic or foreign legal entity, shall submit to the National Bank of Serbia the following:

- certified copy of the decision on entry into the register of business entities, and/or certificate of incorporation with the relevant body, together with information on the owners of such legal entity – down to the last natural person holding a participation in such entity, and the absolute and percentage amounts of his ownership and/or participation in such entity, as well as on the members of administration and management, and/or supervisory bodies of such legal entity and its owners;

- report on the audit of such entity's financial statements for the two previous years prepared by certified auditor, and financial statement of such entity for at least one reporting period of the current year;

- summary of the legal entity's business activities in the previous two years and activity plan for the current and/or next year;

- information on whether such legal entity holds ownership and/or participation in any other legal entity and since when, the percentage amounts of its ownership and/or participation in the capital of other legal entity as at the day preceding the submission date of the application for preliminary permit, as well as whether other legal entity has realized any profit based on such ownership and/or participation in the course of the previous two years and if so, the amount of that profit;

- statement on such entity's total indebtedness with domestic and foreign legal entities and natural persons, specifying those entities and persons and the amount of debt;
- other documents deemed necessary by the National Bank of Serbia.

If that bank's founder is a domestic or foreign legal entity which is a member of a corporate or a banking group, in addition to the documents specified in paragraph 1 hereof, it shall be obliged to submit to the National Bank of Serbia the following:

- data on the structure of such group;
- data on persons holding a controlling participation in such group;
- audit report on consolidated financial statements of the group for the past two years, prepared by certified auditor;
- information on the type of activities performed by the group and its members;
- expected mutual influence between the bank, banking group whose member the bank is to become, and members of the group;
- procedures of the banking group for risk management, internal audit and internal control.

6. Domestic and foreign legal entities and natural persons shall authorize in writing the banks with which they hold their assets and/or use for their operations to disclose any information regarding their operations and/or the balance of their accounts with such banks to the National Bank of Serbia when requested.

The letters of authority referred to in paragraph 1 of this Section shall be submitted together with the documentation referred to in Sections 4 and 5 of this Decision.

7. Should the bank's founder be a bank, a foreign bank, an international financial organization or other legal entity which has been awarded in the latest ranking no less than BBB- long-term credit rating as graded by Standard&Poor's or Fitch and/or Baa3 issuer rating as graded by Moody's, it shall submit the following documentation to the National Bank of Serbia:

- a full list of its owners, including their main details;
- evidence of its rating, together with the opinion of the rating agency;
- certified auditor's report on the audit of its financial statements for the previous two years, and financial statement for at least one reporting period of the current year;
- other documents deemed necessary by the National Bank of Serbia.

Should the founder of the bank be an international financial organization which has no rating or which has not been ranked as specified in paragraph 1 hereof, it shall submit the following documents to the National Bank of Serbia:

- a full list of its owners, including their main details;
- its articles of association or any other regulation governing its organization and operations;
- data on any banks and other financial organizations and/or institutions headquartered outside the Republic of Serbia in which it holds participation, as well as main data on the business achievements of such banks, other financial organizations and/or institutions;
- summary of its business activities in the past three years;
- plan of activities for the next year;
- certified auditor's report on the audit of its financial statements for the two previous years, and financial statement for at least one reporting period of the current year;
- other documents deemed necessary by the National Bank of Serbia.

Should the bank's founder be a foreign legal entity whose securities are quoted on stock exchanges in OECD countries, it shall submit to the National Bank of Serbia the following:

- a full list of persons holding participation in such foreign legal entity, including their main details;
- evidence of its stock exchange quotation;
- documents prescribed by Section 5, paragraph 1, indents 2-6 of this Decision.

If the founder of the bank is a domestic or foreign legal entity providing investment services to third parties and involved in investment or management of investment funds, such entity shall submit to the National Bank of Serbia the data and documentation prescribed by Section 5 of this Decision – for legal entities providing the founder with the funds to be paid in as the initial capital of the bank, and, if it deems necessary, the National Bank of Serbia may require those data and documentation for the founder as well. If the founder provides the funds to be paid in the initial capital of the bank directly, it shall submit the data and documentation set out in Section 5 of this Decision that relate to itself.

If the founder of the bank is the Republic of Serbia, the documents to be submitted to the National Bank of Serbia shall include the decision issued by the Government of the Republic of Serbia on the participation in bank's founding, specifying the amount of pecuniary assets to be paid in as the initial capital and the value of any non-pecuniary assets to be included in the initial capital, as established by authorized appraiser.

If the bank's founders are local government units or legal entities established by the Republic of Serbia, the documentation to be submitted to the National Bank of Serbia shall include the documentation prescribed by Section 5, paragraph 1, indents 2-6 of this Decision.

8. Should there be any change in data presented in the application for preliminary permit after such application has been submitted and before the National Bank of Serbia has issued the permit, the founder shall promptly inform the National Bank of Serbia of such change and shall submit new data.

#### **Bank's founding act**

9. Bank's founding act shall contain elements, and/or data prescribed by the Law and shall be signed by all founders of the bank. If the founders are legal entities, the founding act shall be signed by persons who represent them, and such signatures shall be certified by the seal, unless legal entities come from a country where such manner of certification is not legally required. Place and date of signing the founding act have to be stated in the founding act. The sheets of the founding act are to be bound in such a way so as to prevent any subsequent removal and replacement.

#### **Bank's proposed articles of association**

10. Proposed articles of association shall contain elements and/or data prescribed by the Law.

#### **Statement by the bank founder that the pecuniary portion of the initial capital shall be paid to the temporary account with the National Bank of Serbia**

11. Statement by the bank founder that the pecuniary portion of the initial capital shall be paid to the temporary account with the National Bank of Serbia shall be given on an individual basis, and shall contain the date and signature of the founder; if the bank founder is a legal entity, the signature is to be certified by such legal entity's seal, unless the legal entity comes from a country where such manner of certification is not legally required. The statements shall contain the exact amount of contribution of each founder.

**Statement by the bank founder that the non-pecuniary assets shall be transferred to the bank's initial capital**

12. Statement by the bank founder that the non-pecuniary assets shall be transferred to the bank's initial capital shall be given on an individual basis, and shall contain the date and signature of the founder. If the bank founder is a legal entity, the signature is to be certified by such legal entity's seal, unless the legal entity comes from a country where such manner of certification is not legally required.

Along with the statement specified in paragraph 1 hereof, a document which proves that the founder owns things and/or rights invested shall also be submitted, as well as a report on the assessment of their value prepared by an authorized appraiser, in compliance with the law governing business companies.

Immovables, and/or movables that represent the founding contribution shall not be encumbered with mortgage, and/or right of pledge, which is substantiated by a certificate issued by the relevant body.

**Data on all persons holding participation in the bank and grounds on which such participation was acquired**

13. Data on all persons holding participation in the bank and grounds on which such participation was acquired shall be data necessary for determining the fulfillment of legally prescribed requirements for the acquisition of participation in the bank, namely:

- whether such persons shall hold a qualified, significant or controlling participation;
- grounds on which the participation is acquired;
- data submitted in line with Sections 3-8 of this Decision.

**Names and data relating to the qualifications, experience and business reputation of nominated members of the bank's managing and executive board**

14. The list of names of the nominated members of the bank's managing and executive board shall be submitted together with documents prescribed by Sections 28 and 29 of this Decision.

**The bank's proposed program of activities for the next three years and proposed business policy for the year in which the bank is to be founded**

15. The bank's proposed program of activities for the next three years shall, in particular, specify the operations such bank shall engage in, expected sources of funds, target group of clients, planned sources of funds for increasing the bank's capital, plan for the expansion of operations and branch network of the bank, as well as the projections of balance sheet and income statement for the year in which such bank is founded.

Proposed business policy of the bank for the year in which the bank is founded shall, in particular, contain the terms and conditions to be applied in acquiring and providing funds, especially deposits and credit facilities (maturity, interest, loan security instruments), terms and conditions for making credit facilities available to related parties, i.e. persons related to the bank, and measures to be taken in the event of any liquidity problems.

**Proposed procedures for risk management and internal control of the bank**

16. Proposed procedures for risk management shall determine the identification, measurement and assessment of risks, as well as management of risks in compliance with regulations, standards and banking practices.

Proposed procedures from paragraph 1 hereof shall specify activities under the purview of the risk management organizational unit and scope of authority and/or responsibilities of the members of staff performing the bank's risk management activities in such organizational unit.

Proposed procedures for internal control of a bank should enable ongoing monitoring and measurement of risks which may have an adverse impact on the realization of the bank's business objectives, as well as control and consistent application of all internal procedures relating to risk management, and should specify the manner in which these risks are to be monitored and measured, as well as the scope of authority and responsibilities of the members of staff in charge of the bank's system of internal controls.

Proposed procedures should provide for regular reporting and the manner of such reporting to the bank's bodies and competent regulatory body on risk management.

**Evidence that the competent regulatory body of the home country has granted approval for participation in establishment of a bank, and/or evidence that no such approval is necessary**

17. Evidence that the competent regulatory body of the home country has granted a foreign bank or other foreign financial sector entity the approval for participation in the founding of a bank in the Republic of Serbia shall be understood to mean the confirmation of this regulatory body on the approval granted to the foreign bank or the mentioned persons based on which they can be founders of a bank in the Republic of Serbia.

Evidence confirming that the approval referred to in paragraph 1 hereof is not necessary under the regulations of the home country if the bank is established as a subsidiary of a foreign bank or other foreign financial sector entity shall be understood to mean the confirmation of the competent regulatory body of the home country that no such approval is necessary.

**Evidence that the requirements prescribed by the Law are met if the bank founder is a foreign bank or foreign financial sector entity subject to supervision and/or monitoring by the home country regulatory body**

18. Evidence that the requirements prescribed by the Law are met, if the bank founder is a foreign bank or a foreign financial sector entity subject to supervision and/or monitoring by the home country regulatory body shall be understood to mean an excerpt from such country's regulations confirming that supervision and/or monitoring on a consolidated basis is conducted by such regulatory body or the certificate of such regulatory body on conducting supervision and/or monitoring on a consolidated basis.

**Letter of authority for the person to cooperate with the National Bank of Serbia in the process of granting a preliminary permit**

19. Letter of authority for the person to cooperate with the National Bank of Serbia in the process of granting a preliminary permit shall contain date and signatures of all founders; if the bank founder is a legal entity, the signature is to be certified by such legal entity's seal, unless the legal entity comes from a country where such manner of certification is not legally required. The letter of authority shall also contain the address and telephone of the authorized person.

**II. DETAILED CONTENTS OF EVIDENCE AND DATA SUBMITTED BY BANK FOUNDERS TOGETHER WITH THE APPLICATION FOR THE BANK OPERATING LICENSE**

20. After obtaining a preliminary permit, bank founders shall submit an application to the National Bank of Serbia for the issue of a bank operating license together with the following:

1) evidence of payment of the pecuniary portion of initial capital, evidence of transfer of non-pecuniary assets into the initial capital of the bank, as well as statement regarding the origin of such assets;

2) evidence that they have provided appropriate business premises, acquired and prepared equipment for unimpeded business activities of the bank, that the premises meet legal requirements regarding technical resources, work safety, and protection and improvement of the environment, as well as that the premises and equipment enable access to all relevant data and information required for the conduct of supervisory function by the National Bank of Serbia;

3) evidence that the founders have engaged an external auditor from the list specified in Article 52, paragraph 3 of the Law;

4) data on the organizational structure and human resource capacity of the bank;

5) letter of authority for the person to cooperate with the National Bank of Serbia in the process of issuing a bank operating license.

**Evidence of payment of the pecuniary portion of initial capital, evidence of transfer of non-pecuniary assets into the initial capital of the bank, and statement regarding the origin of such assets**

21. Bank founders shall submit evidence that pecuniary portion of the initial capital has been paid to the temporary account of the National Bank of Serbia, along with evidence that non-pecuniary assets have been transferred to the bank's initial capital. In addition to both pieces of evidence, the founders shall submit a statement regarding the origin of such assets. The statements shall be given on an individual basis, and shall contain the date and signature of the founders; if the founder is a legal entity, such signature shall be certified by the legal entity's seal, unless the legal entity comes from a country where such manner of certification is not legally required.

**Evidence that appropriate business premises have been provided and that equipment required for unimpeded operation of the bank has been procured and prepared**

22. Evidence that the appropriate business premises have been provided shall be understood to mean:

– documentation showing the manner in which business premises have been provided – whether the premises are owned by the bank or leased, provided that the period of such lease is no less than three years;

– evidence that such business premises meet the requirements set by the law in respect of technical resources, work safety and protection and improvement of the environment (e.g. decision of the competent body in inspection supervision procedure, etc).

Evidence on the procured and prepared equipment required for unimpeded operations of the bank shall be understood to mean:

– specification of the needed equipment, more specifically, computer equipment, program support in line with activities the bank is to perform, etc.;

– documentation showing the manner in which the equipment has been provided – whether the equipment is owned by the bank based on the founding contribution, or through other legal actions, upon which appropriate documentation is to be submitted (e.g. contract, decision, etc.).

#### **Evidence on engaging an external auditor**

23. Evidence on engaging an external auditor from the list established by the National Bank of Serbia in line with the Law shall be understood to mean an enactment confirming that the bank founders have engaged an external auditor from the list of external auditors established and published by the National Bank of Serbia.

#### **Data on the organizational structure and human resource capacity of the bank**

24. Data on organizational structure shall be understood to mean the proposed organizational chart of the bank.

Data on bank's human resource capacity shall be understood to mean the proposed classification of all jobs including evaluation by qualifications and length of service for each job post, as well as the staffing plans and schedules which fully cover the planned expansion of bank's activities and organizational network.

#### **Letter of authority for the person to cooperate with the National Bank of Serbia in the process of issuing a bank operating license**

25. Letter of authority for the person to cooperate with the National Bank of Serbia in the process of issuing of bank operating license shall be understood to mean a letter of authority given in the manner prescribed by Section 19 of this Decision.

### **III. CONDITIONS AND MANNER OF GRANTING PRIOR CONSENT TO THE ACQUISITION OF OWN SHARES**

26. Together with elaborated application for prior consent to the acquisition of own shares, the bank shall submit the following:

1) data on the type, number and total value of own shares to be issued, as well as on the total number and value of all shares broken down by type of shares;

2) data on terms at which such shares of the bank are offered in the secondary market and terms at which the bank would be willing to purchase them;

3) statement on the type and estimated costs of the damage that would be incurred by the shareholders if the bank failed to purchase its own shares;

4) statement of the president of the bank's executive board confirming that earnings from the previous years have not been used for the acquisition of own shares.

In cases when own shares are acquired on grounds of inheritance, legal succession or other manner beyond the bank's will, the bank shall, instead of submitting the application referred to in paragraph 1 hereof, notify the National Bank of Serbia of the acquisition of such shares, specifying the manner and/or grounds for their acquisition, as well as the information on their type, number and total value.

#### IV. CONDITIONS AND MANNER OF GRANTING CONSENT TO BANK'S ARTICLES OF ASSOCIATION AND/OR AMENDMENTS AND SUPPLEMENTS TO THE ARTICLES OF ASSOCIATION

27. Along with the application for consent of the National Bank of Serbia to its articles of association and/or proposed articles of association, the bank shall submit the following:

– articles of association adopted by the bank's assembly, or proposed by the bank's managing board, containing all the elements prescribed by Article 14, paragraph 2 of the Law;

– decision of the bank's assembly or proposal of the managing board's decision.

Along with the application for consent to the amendments and supplements to the bank's articles of association, and/or proposed amendments and supplements to the bank's articles of association, the bank shall submit:

– amendments and supplements to the articles of association, and/or proposed amendments and supplements to the articles of association, and decision of the bank's competent body adopting and/or determining such amendments and supplements;

- consolidated version of the bank's articles of association containing the proposed amendments and supplements.

Along with the application for consent to amendments and supplements to the bank's founding act, the bank shall submit the following:

- amendments and supplements to the founding act, and/or proposed amendments and supplements to the founding act, and decision of the competent body adopting and/or determining such amendments and supplements;

- consolidated version of the bank's founding act containing the proposed amendments and supplements.

If the proposed amendments to the bank's founding act imply a change of its head office location, in addition to the documentation referred to in paragraph 3 of this Section, the bank shall submit the documentation prescribed by Section 22, paragraph 1 of this Decision.

The bank shall submit to the National Bank of Serbia the consolidated version of its articles of association and/or founding act within three days from the adoption by the bank's assembly of amendments and supplements to which the National Bank of Serbia granted its consent.

#### V. DETAILED CONDITIONS FOR GRANTING PRIOR CONSENT TO THE APPOINTMENT OF MEMBERS OF THE BANK'S MANAGING BOARD

28. Along with the application for the National Bank of Serbia's prior consent to the nomination of a member of the bank's managing board, the bank shall submit the following documents:

- proposed decision and/or decision of the bank's competent body appointing the member of the managing board;

- copy of ID card and/or passport showing personal identification number, place of residence, document number, date of issue and expiry, and name of the issuer;

- declaration by the nominated person that there are no reasons from Article 72, paragraph 3, item 1 of the Law to refuse the application;

- declaration by the nominated person that he is not a member of a management body of another bank or an employee of any bank;

- declaration by the nominated person that he meets the conditions prescribed for a person independent of the bank – if nominated as a member independent of the bank;

- business resume of the nominated person, containing data on his qualifications and work experience and/or previous engagements;

- a certificate issued by the competent body showing that the nominated person has not been convicted of a criminal offence by final judgment and pronounced an unconditional prison sentence or has not been convicted by final judgement of a criminal offence which makes him unsuitable for exercising the function of a member of the bank's managing board;
- letter of recommendation containing well-argued opinion on the expertise, abilities and moral characteristics of the nominated person;
- evidence that the nominated person has completed in the country or abroad at least first level academic studies (Bachelor's degree) lasting no less than four years;
- data on the composition of the managing board referred to in Article 71 of the Law (number of members, number of persons independent of the bank, information about the person proficient in Serbian if the managing board is composed exclusively of foreign natural persons, number of members with appropriate experience in the field of finance);
- other documents deemed necessary by the National Bank of Serbia.

Based on documents and evidence from paragraph 1 hereof and other available data, the National Bank of Serbia shall assess whether the person referred to in that paragraph has a good business reputation relative to his total work experience and engagements, and/or management of other legal entities or supervision of those entities (e.g. whether he was convicted of an economic misdemeanour/contravention by final judgment, with special emphasis on the type of misdemeanour/contravention and/or their frequency, and/or whether any proceeding regarding economic misdemeanour/contravention is currently under way).

Good business reputation referred to in paragraph 2 of this Section shall be understood to mean that the person nominated to be a member of the bank's managing board has personal, moral and professional integrity, professional qualifications and ability to manage the bank's business risks.

In addition to the evidence from paragraph 1 hereof, for the person referred to in Article 71, paragraph 6 of the Law, the following shall be submitted:

- evidence of at least three years of experience in a management position in a financial sector entity, or
- evidence of at least six years of experience in the field of finance and banking and showing that such person has distinguished himself as an expert or scientific researcher in such fields.

Evidence from paragraph 4, indent 1 hereof shall mean that in the period specified therein the nominated person was a member of a managing

body of a financial sector entity, or that he managed operations of a financial sector entity significant for the performance of such entity's core activity, or that he provided advisory services to the managing body of such entity or participated in the drafting of its business policy.

Evidence from paragraph 4, indent 2 hereof shall mean that by working in the field of banking and finance in the period specified therein such person has built a professional and personal reputation.

Evidence proving that the nominated member of the bank's managing board has at least six years of experience in a management position in a financial sector entity, within the meaning of Article 72, paragraph 4 of the Law, shall mean evidence of such person's experience acquired by working in bodies managing a business entity or its parts, providing that the entity performs such type of financial operations and in such volume that it may be assumed that the nominated person will live up to the requirements of banking operations, or shall mean evidence of the experience of such person in providing advisory services in those bodies.

If the persons nominated for members of the bank's managing board are exclusively foreign natural persons, in addition to the application from paragraph 1 hereof, the bank shall submit evidence of proficiency in the Serbian language and certificate of permanent residence in the Republic of Serbia for at least one nominated member. Proficiency in Serbian shall mean such command of the language that enables banking correspondence and performance of relevant activities that the person is nominated for, and shall be evidenced by a proficiency certificate issued by a languages school, and/or certificate of passed Serbian language proficiency test issued by the competent institution of higher education (in accordance with the curriculum).

A person independent of the bank within the meaning of paragraph 1, indent 5 hereof shall be a person not employed by the bank, member of the banking group to which the bank belongs or by the bank's shareholder, and holding no direct or indirect ownership in those entities.

The letter of recommendation from paragraph 1, indent 8 hereof shall be given by at least two persons who made a name for themselves in banking and finance, other than managers of the bank for whose managing board the person is nominated, or managers of the member of the banking group to which such bank belongs; persons who may write a letter of recommendation for the nominated person shall be persons who manage (or managed) another bank or a financial sector entity, scientific researchers, university professors, persons who manage (or managed) bodies in charge of supervision over banks and financial sector entities and who had an opportunity to form an opinion on the abilities and professional and moral

characteristics of the nominated person through business and personal contacts.

If the person nominated for a member of the bank's managing board is a person who managed a bank or financial sector entity outside the territory of the Republic of Serbia, the National Bank of Serbia may request from the supervisory authority of the country where such bank or financial sector entity is registered to provide information whether any corrective measures or measures aimed at ensuring compliance with the law and other regulations have been pronounced against the bank or financial sector entity during the management incumbency of the nominated person, and/or information whether the nominated person was responsible for any omissions in their operations.

If professional qualifications of a person nominated for a member of the bank's managing board are to be evidenced by a diploma and/or other proof of completed studies and it can not be reliably ascertained that the professional qualifications are appropriate, the National Bank of Serbia may request from the bank to submit a relevant degree recognition certificate issued by the competent educational institution in the Republic of Serbia.

The bank shall submit to the National Bank of Serbia decision of the bank's assembly on the appointment of a member of the managing board within three days following the rendering of such decision.

Along with the application for the National Bank of Serbia's prior consent to the re-nomination of the member of the bank's managing board (re-appointment), the bank shall submit the following documents:

- proposed decision and/or decision of the bank's competent body re-appointing the member of the managing board;
- a certificate issued by the competent body showing that the nominated person has not been convicted of a criminal offence by final judgment and pronounced an unconditional prison sentence or has not been convicted by final judgement of a criminal offence which makes him unsuitable for exercising the function of the member of the bank's managing board;
- information on the total number of meetings of the bank's managing board in the year preceding the year in which the application from this paragraph was submitted, along with the copies of minutes from those meetings based on which it may be concluded that the person re-nominated for a member of the bank's managing board had attended those meetings, and/or took part in the decision-making process in at least four managing board meetings that were held at the bank's head office located in the territory of the Republic of Serbia;

– other documents deemed necessary by the National Bank of Serbia.

Based on documents at its disposal and the documents from paragraph 14 of this Section, as well as based on other available data, the National Bank of Serbia shall assess the business reputation of a person re-nominated for a member of the bank's managing board as set out in paragraphs 2 and 3 of that Section.

To ensure timely provision of consent to the re-appointment, i.e. to ensure continuity in the work of the bank's managing board, the bank shall submit the application from paragraph 14 of this Section to the National Bank of Serbia at least 30 days before the end of the term in office of the person re-nominated.

The bank shall submit to the National Bank of Serbia the decision of the bank's assembly on the re-appointment of a member of the managing board within three days following the rendering of such decision.

#### VI. DETAILED CONDITIONS FOR GRANTING PRIOR CONSENT TO THE APPOINTMENT OF MEMBERS OF THE BANK'S EXECUTIVE BOARD

29. Together with the application for prior consent of the National Bank of Serbia to the appointment of a member of the executive board, the bank shall enclose documentation and evidence prescribed under Section 28 hereof for the person nominated for a member of the bank's managing board. However, evidence from paragraph 5 of that Section shall also mean that the nominated person has managed personnel, general or other affairs in a financial sector entity for at least three years – provided the bank's executive board to which such person is nominated consists of no less than three members and the bank's articles of association or other enactment envisage such distribution of responsibilities among its members and the nominated person is assigned to be responsible for the above activities.

If the bank's executive board is made up exclusively of foreign natural persons, the application and documentation from paragraph 1 hereof shall be supported by evidence of proficiency in the Serbian language for at least one person in accordance with Section 28, paragraph 8 hereof and a certificate of his permanent residence in the Republic of Serbia.

The National Bank of Serbia shall assess business reputation of the person from paragraph 1 hereof as set out in Section 28, paragraphs 2 and 11 of this Decision, based on the documentation and evidence prescribed by

that Section for the person nominated for a member of the bank's managing board.

For the purposes of evaluation of the work experience of the person from paragraph 1 hereof, the bank shall submit to the National Bank of Serbia documents and evidence prescribed by Section 28 of this Decision for the person nominated for a member of the bank's managing board.

The provisions of Section 28, paragraphs 14–17 of this Decision shall accordingly apply to the re-appointment of a member of the bank's executive board.

The bank shall submit to the National Bank of Serbia decision of the bank's managing board on the appointment or re-appointment of a member of the bank's executive board, copy of such person's employment contract, as well as proof of having a place of residence in the Republic of Serbia - no later than three days following the rendering of such decision.

#### VII. PRIOR CONSENT REGARDING THE ACQUISITION OF OWNERSHIP

30. Prior to direct or indirect acquisition of ownership in a bank, which provides 5% to 20%, over 20% to 33%, over 33% to 50% and over 50% of voting rights, each person shall apply for the National Bank of Serbia's consent to the acquisition of such ownership.

The application referred to in paragraph 1 hereof shall be submitted by the acquirer of ownership or person authorized by the acquirer.

The applicant referred to in paragraph 1 hereof shall enclose with the application the documentation referred to in Sections 4–7 and 17 and 18 of this Decision.

The application referred to in paragraph 1 hereof shall contain data on the type of shares to be acquired, as well as on the amount of participation to be acquired, within the meaning of Article 94, paragraph 1 of the Law, i.e. data on whether the acquired ownership in the bank carries 5% to 20%, over 20% to 33%, over 33% to 50% and over 50% of voting rights.

If the acquirer intends to acquire over 33% and/or 50% of voting rights in the bank, the National Bank of Serbia shall in addition to documentation from paragraph 3 hereof evaluate the acquirer's plan of activities for the next two years and/or next five years. These plans shall specify in particular a clearly defined business strategy, and/or objectives and actions regarding the bank whose shares are acquired.

As provided by the provisions of the Law relating to the acquisition of ownership, a person is understood to hold indirect ownership in a bank, if the direct owner has acquired the bank's shares on behalf of such person, or if such person acts with the direct owner as a single acquirer within the percentage of the direct owner's stake in the bank, as well as in other cases where the National Bank of Serbia assesses that there is a possibility for such person to exercise ownership rights in the bank effectively by using the ownership of the direct owner.

When several persons act as a single acquirer in cases determined by the Law, in the procedure of granting consent from Article 94 of the Law, the National Bank of Serbia shall assess compliance with the acquisition eligibility requirements for each individual person constituting the acquirer concerned.

The bank shall be obliged to regularly provide and update documents on changes in the ownership structure of shareholders holding participation in such bank.

#### VIII. ESTABLISHING THE CRITERIA FOR DEFINING A FIRST-CLASS BANK IN THE PROCESS OF GRANTING CONSENT TO THE BANK'S DECISION ON TERMINATION OF OPERATIONS

31. Along with the application for the National Bank of Serbia's consent to the bank assembly's decision on termination of the bank's operations, the bank shall submit the said decision, as well as unconditional, irrevocable and payable on first demand bank guarantee, issued by a first-class bank in the amount that guarantees the coverage of all obligations of the bank in favour of the Deposit Insurance Agency (hereinafter: Agency), as well as other documents demanded by the National Bank of Serbia and needed for the consideration of the application.

A first-class bank from paragraph 1 hereof shall be a bank which has been awarded in the latest ranking no less than BBB- long-term credit rating as graded by Standard&Poor's or Fitch and/or Baa3 issuer rating as graded by Moody's.

#### IX. GRANTING OPERATING LICENSE AND CONSENT REGARDING BANK'S STATUS CHANGES

32. Together with the application for operating license for a bank which is founded by merger, the merging banks shall submit documentation prescribed by Article 132, paragraph 2 of the Law, as well as:

1) letter of authority for the person to cooperate with the National Bank of Serbia in the process of issuing a bank operating license, which has to be dated and signed by the presidents and members of the executive boards of merging banks, with their signatures certified by seal;

2) founding act, which shall in addition to the elements prescribed by the Law, contain the following:

- names and head office addresses of merging banks;
- legal succession of the bank founded by merger in respect of all rights and obligations of merging banks;
- data on the manner of entering into books the business changes arising in the period between the date of conclusion of the merger contract (founding act) and the date of compiling the balance sheet, and/or the date of the bank's entry into the register of business entities.

33. A bank to be merged with another bank shall request a merger consent from the National Bank of Serbia and enclose documentation pursuant to Article 133 of the Law, as well as the reports from Article 51 of the Law as at the day the merger is set to take place.

#### X. SUBMISSION OF PRESCRIBED DOCUMENTATION AND EVIDENCE OF THE PAYMENT OF FEES AND CHARGES

35. Prescribed documents submitted in compliance with this Decision shall be presented in the original or certified copy, which shall not be older than six months.

The documents from paragraph 1 hereof shall be in the Serbian language and if they are written in a foreign language, the original or certified copy of such document shall be submitted along with certified translation in the Serbian language rendered by sworn-in-court translator, except for the auditor's report and financial statements from Section 7, paragraph 1, indent 3 of this Decision.

36. Pursuant to this Decision, the applicants shall submit to the National Bank of Serbia, together with the prescribed documentation, evidence of payment of the fee in accordance with the decision on uniform fees charged for services provided by the National Bank of Serbia, as well as evidence of payment of the republic administrative fee in accordance with the law governing republic administrative fees.

37. The bank shall submit to the business registers agency an application for registration of any change requiring the National Bank of Serbia's consent

in accordance with the Law and this Decision, as well as the relevant proof thereof to the National Bank of Serbia.

#### XI. TRANSITIONAL AND CLOSING PROVISIONS

38. The procedures initiated in accordance with the Decision on Implementing the Provisions of the Law on Banks Relating to Granting of a Provisional Bank Founding Permit and Subsequent Issuing of a Full Operating License to a Bank, as well as on Implementing Specific Provisions Relating to Granting Approvals of the National Bank of Serbia (RS Official Gazette, Nos 51/2006 and 129/2007) until the entry into force hereof – shall be completed in accordance with the provisions of this Decision.

39. As of the entry into force of this Decision, the Decision on Implementing the Provisions of the Law on Banks Relating to Granting of a Provisional Bank Founding Permit and Subsequent Issuing of a Full Operating License to a Bank, as well as on Implementing Specific Provisions Relating to Granting Approvals of the National Bank of Serbia (RS Official Gazette, Nos 51/2006 and 129/2007) shall cease to be valid.

40. This decision shall enter into force on the day following its publication in the RS Official Gazette.

NBS EB No 36  
10 June 2011  
B e l g r a d e

Chairman  
of the NBS Executive Board  
G o v e r n o r  
National Bank of Serbia

Dr Dejan Soskic, sign.