

Pursuant to Article 63, paragraph 4 and Article 102, paragraph 8 of the Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010, 14/2015 and 19/2025), Article 15, paragraph 1 and Article 64, paragraph 2 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012, 14/2015 and 40/205 – CC decision, 44/2018 and 19/2025), the Executive Board of the National Bank of Serbia issues the following

D E C I S I O N

ON DETAILED TERMS AND MANNER OF PERFORMING BANK SUPERVISION AND SPECIAL BANK AUDIT

Introductory provisions

1. This Decision sets out detailed terms and manner of performing prudential bank supervision (hereinafter: bank supervision) in accordance with the Law on Banks (hereinafter: the Law) and other law entrusting to the National Bank of Serbia the authority to perform bank supervision, as well as detailed terms and manner of conducting special audit.

2. By bank supervision, the National Bank of Serbia shall assess the safety and soundness of a bank's operations, and/or the adequacy of a bank's market conduct, in particular:

1) the financial condition, business policy and strategy of a bank, as well as the impact of changes in a bank's business policy, strategy or volume of operations on its financial condition and risk profile;

2) the adequacy of a bank's governance and organisational structure, as well as the adequacy and reliability of a bank's system of internal controls;

3) risks to which a bank is exposed or may be exposed in its operations, and the coverage and reliability of the established system for managing those risks, in particular the adequacy and reliability of the internal capital adequacy and liquidity assessment processes and their consistent implementation and results;

4) a bank's capital adequacy vis-à-vis the risks a bank is exposed or may be exposed to in its operations and the established system for managing those risks;

5) the adequacy and accuracy of reports a bank submits to the National Bank of Serbia and of data and information the bank is required to publish;

6) whether a bank operates in compliance with the Law and regulations of the National Bank of Serbia adopted pursuant to the Law;

7) whether a bank operates in compliance with the provisions of other law entrusting to the National Bank of Serbia the authority for performing bank supervision and regulations adopted pursuant to that law, including regulations governing financial and payment services (consumer protection area), and the prevention of money laundering, terrorist financing and financing the proliferation of weapons of mass destruction, and/or other regulations whose application by banks is supervised by the National Bank of Serbia;

8) whether a bank operates in compliance with prudent banking standards and sound corporate governance practices, and/or whether it in any way jeopardises the bank's safety and soundness or rights and interests of consumers, depositors and other bank clients;

9) whether the human, material and other resources, as well as the risk management system of the bank are set up so as to ensure that regulations are properly implemented when providing services to consumers and that consumers are treated with due professional care, i.e. in accordance with the principle of conscientiousness and fairness and good business customs.

Manner of performing supervision

3. The National Bank of Serbia shall exercise bank supervision pursuant to its annual plan and/or on an ad hoc basis, subject to discretionary judgement informed by the risk-based approach.

The National Bank of Serbia shall exercise bank supervision as off-site and on-site supervision.

The National Bank of Serbia shall exercise off-site supervision by examining reports and other written and electronic documentation that the bank submits to the National Bank of Serbia pursuant to regulations and/or at the National Bank of Serbia's request in accordance with the Law and other operational data of the bank available to the National Bank of Serbia.

The National Bank of Serbia shall exercise on-site supervision by inspecting business books, other written and electronic documentation of the bank or its clients, and the bank's IT system.

The National Bank of Serbia shall exercise on-site supervision at the head office and all organisational parts and premises of the bank (branches, branch offices, facilities where certain equipment is stored, etc.), or of persons which are related by proprietary, management and business relationships to the supervised bank.

The data and documentation from paragraph 4 of this Section may be copied for the purpose of supervision by the National Bank of Serbia.

Off-site and on-site supervision are also carried out by interviewing the bank's management and employees, and/or taking written statements from those persons.

The talks from paragraph 7 of this Section may be audio recorded if:

- 1) the manager or the employee interviewed in the off-site supervision procedure has given prior consent;
- 2) the manager or the employee interviewed in the on-site supervision procedure has been notified in advance about the audio recording, orally or in writing.

If the manager or the employee from paragraph 8, item 1) of this Section refuses to consent to the audio recording of the interview without a justifiable reason, the National Bank of Serbia shall take this into account when assessing the bank's conduct in the supervision process within the meaning of Article 109a of the Law, as well as within the assessment of the criteria from Article 116 of the Law.

The National Bank of Serbia may supervise any member of a banking group in the manner specified in this Section.

Persons authorised to carry out on-site supervision

4. On-site supervision of bank operations shall be conducted by employees of the National Bank of Serbia designated by the decision of the Governor of the National Bank of Serbia (hereinafter: Governor) or a person authorised by the Governor.

The decision referred to in paragraph 1 of this Section may also designate a person other than an employee of the National Bank of Serbia to take part in an on-site supervision procedure if, owing to his expertise, such person can assist the employees from that paragraph.

Authorised persons of a foreign regulatory authority which supervises the activities of members of the same banking group that the bank is a member of, may take part in bank on-site supervision, in accordance with the memorandum of understanding concluded between the National Bank of Serbia and such authority.

The bank and/or other supervised persons, as well as the subject of on-site supervision, shall be stated in the decision referred to in paragraph 1 of this Section.

The on-site supervision procedure shall be initiated by the adoption of the decision from paragraph 1 of this Section.

The Governor or a person authorised by the Governor may supplement or amend the decision from paragraph 1 of this Section in the course of on-site supervision of a bank.

The employee from paragraph 1 of this Section and authorised persons from paragraphs 2 and 3 of that Section (hereinafter: authorised persons) shall make a report on the findings of the conducted on-site supervision.

Report on supervision

5. The report on supervision shall be made about the findings of the conducted supervision of a bank and/or about the irregularities in the bank's operations established in the course of supervision, except in case of concluding a supervision agreement referred to in Article 107a of the Law.

By way of exception from paragraph 1 of this Section, if the bank has informed the National Bank of Serbia about the irregularities in its operation in the course of the off-site supervision procedure, the National Bank of Serbia shall not make a report on supervision, but may take against the bank measures from Article 110, paragraph 1 of the Law, and/or some of the measures from Articles 113 to 115, in accordance with the criteria from Article 116 of the Law.

The off-site supervision procedure following the compiling of the report on supervision shall be accordingly subject to the provisions of this Decision pertaining to on-site supervision of a bank.

6. Irregularities in a bank's operations (hereinafter: irregularities) shall be bank's actions contrary to the provisions of the Law, regulations governing financial and payment services, regulations governing prevention of money laundering, terrorism financing and financing the proliferation of weapons of mass destruction, regulations of the National Bank of Serbia or other law and/or regulation, prudent banking standards, sound corporate governance practices and/or bank's actions otherwise jeopardising its soundness or rights and interests of consumers, depositors or other clients, and where measures referred to in Article 109 and Articles 113 to 115 of the Law are concerned – also when it is probable, due to rapidly deteriorating financial condition, including deteriorating liquidity situation, increasing level of leverage, non-

performing loans or concentration of exposures, that the bank is likely to soon act contrary to the provisions of the Law, regulations of the National Bank of Serbia or other law and/or regulation.

7. The National Bank of Serbia shall deliver the report on supervision to the supervised bank, which may file its objections within the deadline determined by the National Bank of Serbia, not shorter than 10 days from the delivery of such report.

The bank shall submit to the National Bank of Serbia objections to the report on supervision from paragraph 1 of this Section signed by the presidents of the bank's managing and executive boards.

In cases where after the verification of statements presented in the bank's objections from paragraph 2 of this Section it has established that the factual state is significantly different from the one stated in the report on supervision, the National Bank of Serbia shall prepare and submit to the bank a supplement to the report on supervision.

The National Bank of Serbia shall not consider the bank's objections to the report on supervision relating to factual changes that occurred after the completion of supervision (after the cut-off date) but may take them into account when imposing measures under the Law.

8. The National Bank of Serbia shall render a decision on termination of the supervision procedure if no irregularities have been established in the report on supervision, or if less important irregularities have been established, or if the bank, in its objections submitted within the timeframe specified by the Law, has successfully disputed all findings in the report on supervision or has successfully disputed some of the findings so that the remaining irregularities represent less important irregularities.

The National Bank of Serbia may render a decision on termination of the supervision procedure if the bank, within the deadline prescribed for the submission of objections to the report on supervision, has submitted evidence that the detected irregularities have been removed or that some of the irregularities have been removed so that the remaining irregularities represent less important irregularities.

The decisions from paragraphs 1 and 2 of this Section shall be delivered to the bank.

Decision on temporary measures

9. If the National Bank of Serbia issues a decision on temporary measures pursuant to Article 109 of the Law, such decision shall be effective until the imposing of measures referred to in Article 110, paragraph 1 or Article 113 of the Law, or until the rendering of a decision on termination of the procedure under such decision on temporary measures, and/or until the termination of the supervision procedure.

The decision on temporary measures may be amended and/or supplemented if the National Bank of Serbia assesses that there are justifiable reasons for that or that new facts emerged following its adoption.

Letter of warning

10. A letter of warning from Article 111 of the Law shall be issued to a bank in whose operations irregularities were detected that have not had a significant and direct impact on its financial condition and/or operations but may have such impact unless eliminated.

A letter of warning shall also be issued to a bank in whose operations and/or actions irregularities were detected in the implementation of regulations which until the time of issuance of the letter of warning did not result in significant consequences for a large number of consumers but could have had.

A letter of warning shall state the timeframe for eliminating the irregularities and the timeframe in which the bank is required to submit to the National Bank of Serbia the report on eliminated irregularities, with evidence enclosed.

The National Bank of Serbia shall examine if the bank removed the detected irregularities after the expiry of the timeframe referred to in paragraph 3 of this Section, or before the expiry of such timeframe if it receives a notification from the bank about the removal of irregularities.

11. The National Bank of Serbia shall terminate the supervision procedure in a bank to which it issued a letter of warning when it ascertains that the detected irregularities have been removed within the timeframe specified in the letter of warning, i.e. it may terminate the procedure if the irregularities have been removed or have been largely removed.

If the irregularities from paragraph 1 of this Section have not been removed or have not been largely removed, the National Bank of Serbia shall take a new

measure against the bank from that paragraph pursuant to Article 110, paragraph 1 of the Law, and/or some of the measures from Articles 113 to 115 of the Law, in accordance with the criteria laid down in Article 116 of the Law.

Decision on orders and measures

12. The National Bank of Serbia shall issue a decision imposing orders and measures in accordance with Article 112 of the Law.

The bank shall notify the National Bank of Serbia of the implementation of orders and measures referred to in paragraph 1 of this Section, in the manner and within the deadlines specified in the decision referred to in that Section.

The National Bank of Serbia shall supervise the implementation of orders and measures specified in the decision referred to in paragraph 1 of this Section after the expiry of the deadline for their implementation, or prior to the deadline expiry if it receives the notification from the bank that the orders were implemented.

The decision referred to in paragraph 1 of this Section may also designate a management body or its member to be responsible for the implementation of orders and measures stipulated in that decision.

The Governor or a person authorised by the Governor may, by virtue of a decision, authorise some employees of the National Bank of Serbia to verify and monitor on a daily basis the implementation of orders and measures imposed by the decision from paragraph 1 of this Section.

13. If the National Bank of Serbia establishes that a bank has implemented all orders and measures from the decision referred to in Section 12, paragraph 1 of this Decision or that the irregularities because of which those orders and measures had been imposed were removed to such extent that the remaining irregularities represent less important irregularities, it shall terminate the supervision procedure.

If it establishes that the irregularities from paragraph 1 of this Section were not removed, the National Bank of Serbia shall take against such bank a new measure under Article 110, paragraph 1 of the Law, and/or some of the measures from Articles 113 to 115 of the Law, in accordance with the criteria laid down in Article 116 of the Law.

If the National Bank of Serbia establishes that the bank on which some of the measures referred to in Article 110, paragraph 1 of the Law were imposed has committed a new irregularity or its financial condition deteriorated after the cut-off date, the National Bank of Serbia may take against such bank a new measure under Article 110, paragraph 1 of the Law, and/or some of the measures from Articles 113 to 115 of the Law, in accordance with the criteria laid down in Article 116 of the Law.

Early intervention measures

14. The National Bank of Serbia may, without prejudice to the undertaken measures referred to in Sections 10 and 12 of this Decision, issue a decision imposing on a bank one or more measures referred to in Article 113, paragraph 1 of the Law, in accordance with the criteria laid down in Article 116 of the Law.

The decision referred to in paragraph 1 of this Section shall specify a deadline by which a bank is required to comply with the measures from that decision and to supply to the National Bank of Serbia appropriate evidence thereof.

15. Once it determines that the bank has timely complied with the measures from Section 14, paragraph 1 of this Decision and that the irregularities because of which those measures had been imposed were removed or were removed to such extent that the remaining irregularities represent less important irregularities, the National Bank of Serbia may terminate the supervision procedure. Otherwise, the National Bank of Serbia shall impose on the bank another measure from Section 14, paragraph 1 of this Decision, and/or one of the measures referred to in Article 110 of the Law, in accordance with the criteria laid down in Article 116 of the Law.

Where a significant deterioration of a bank's financial condition has occurred or serious infringements of law, regulations of the National Bank of Serbia and other regulations or the bank's articles of association, and the National Bank of Serbia determines that measures taken in accordance with Article 113 of the Law would not be sufficient to remedy the bank's condition, it may require, by virtue of a decision, the removal and/or the replacement of all or some members of the bank's management bodies, key function holders and other persons holding managing positions in the bank, in accordance with Article 114 of the Law.

When it has assessed that the removal and/or the replacement of all or some members of the bank's management bodies, key function holders and other persons holding managing positions in the bank from paragraph 2 of this Section are insufficient to remedy the bank's situation, the National Bank of Serbia shall issue a decision on the appointment of one or more temporary

administrators of the bank and introduce temporary administration in the bank, in accordance with the decision governing the conditions and manner of temporary administration in a bank.

Fine

16. For the purposes of imposing a fine on a bank or a member of the bank's managing and/or executive board, in accordance with Article 117, paragraph 1 of the Law, the bank shall submit to the National Bank of Serbia, at its request, the data on division of authorities and responsibilities for activities falling within the scope of competence of the managing and/or executive board determined by the articles of association and internal regulations of the bank, the bank's income in the previous business year, average salaries of members of the managing and/or executive board for the period specified in the request of the National Bank of Serbia and other appropriate data.

17. A bank shall submit to the National Bank of Serbia the evidence of payment of the fines referred to in Section 16 of this Decision to the National Bank of Serbia's account by no later than within the timeframe defined in the decision imposing the fine.

The obligation in respect of a fine imposed on a member of a bank's managing and/or executive board, including former members of these boards, may not be paid from the assets of the bank.

If the bank has paid the fine instead of the members of the bank's managing and/or executive boards, pursuant to Article 117, paragraph 11 of the Law, it shall submit to the National Bank of Serbia, within eight days following the expiry of the timeframe stipulated in paragraph 1 of this Section, the evidence of payment from that paragraph and take all the necessary measures to collect the amount of the fine from that person and submit the evidence of such collection to the National Bank of Serbia.

If the obligation in respect of the fine referred to in this Section is not paid within the timeframe stipulated by the decision imposing the fine, the National Bank of Serbia shall have the right to charge default interest on the amount of that debt.

In the case from paragraph 4 of this Section, the National Bank of Serbia shall directly enforce the collection by transferring the amount of the fine from the bank's account held with the National Bank of Serbia.

Revocation of operating licence

18. The National Bank of Serbia shall issue a decision to revoke a bank's operating licence in cases stipulated in Article 130, paragraph 1 of the Law, and/or may also issue such decision in cases referred to in paragraph 2 of that Article.

Diagnostic examination

19. For the purposes of collection, processing and analysis of needed data, the National Bank of Serbia may carry out bank diagnostics by directly inspecting its business books and other documentation, in accordance with Article 101b of the Law.

The authorised persons shall prepare a report on completed diagnostics which shall not be delivered to the bank.

Delivery of acts in connection with the exercise of bank supervision

20. Once the decisions, reports on supervision, other acts and other communications in connection with the exercise of bank supervision are submitted to the bank, they shall be considered to have been submitted to the members of the bank's management bodies and no proof to the contrary shall be admissible.

Bank supervision at the request and for the purposes of government authorities and institutions

21. Provisions of this Decision shall accordingly apply to the supervision of a bank exercised by the National Bank of Serbia at the request and for the purposes of procedures of other competent domestic government authorities and institutions, on which the National Bank of Serbia shall prepare a report to be submitted to the authority/institution in question.

Detailed terms and manner of conducting special audit

22. If it assesses that specific data regarding a bank's business need to be gathered, analysed and processed for the purposes of exercising bank supervision and these data are not covered by the report on the audit of the bank's annual financial statements, the National Bank of Serbia may order the bank to engage an external auditor to conduct a special audit of the financial statements of the bank and member of the banking group or specific parts thereof, as well as to conduct other types of audit, and/or examination of

particular business processes and data on the operations of these persons (hereinafter: special audit).

The National Bank of Serbia shall determine the subject of special audit and in accordance with the subject it may determine additional criteria which the auditor from the list referred to in Article 52, paragraph 3 of the Law must fulfil so that the bank may select such auditor to conduct special audit, including the cost of engagement and operational, technical and staff capacities of the auditor.

The National Bank of Serbia may assess the fulfilment of criteria laid down in paragraph 2 of this Section on its own, or it may order the bank to engage an external auditor by applying those criteria.

Transitional and final provisions

23. Bank supervision procedures initiated before the application date of this Decision, in accordance with the Decision on Detailed Terms and Manner of Performing Bank Supervision and Special Bank Audit (RS Official Gazette, Nos 30/2015, 1/2020 and 77/2023) shall be completed pursuant to the provisions of that Decision.

24. As of the application date of this Decision, the Decision on Detailed Terms and Manner of Performing Bank Supervision and Special Bank Audit (RS Official Gazette, Nos 30/2015, 1/2020 and 77/2023) shall cease to be valid.

25. This decision shall enter into force on the eighth day following its publication in the RS Official Gazette and shall apply as of 1 October 2025.

NBS EB No 29
12 June 2025

B e l g r a d e

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

Dr Jorgovanka Tabaković, sign.