

A scenic view of Belgrade, Serbia, featuring the Victor statue on the Kalemegdan Fortress and the city skyline in the background.

Serbian banking market entrance

KPMG d.o.o. Beograd

—
July 2020

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Welcome to Serbian banking market

Quick facts about local banking market



COMPETITIVE MARKET

No. of banks	No. of employees	No. of branches	Total assets (MEUR)	Total equity (MEUR)	CAR	ROE	ROA	C/I	LCR	L/D
26	23,101	1,018	32,312	5,637	23%	10%	2%	67%	213%	80%

Note: Data as of 30 June 2019; Source: www.nbs.rs

Options for entering Serbian banking market at the moment:

Local regulation allows **three options** for entering Serbian banking market. Each of these options has its own strengths and weaknesses.

In following pages we have provided brief explanation for each of them. We tended to stay brief, highlight most important aspects and provide valuable insights.

These are the options:

1. Establish new bank	2. Acquire one of the local banks	3. Cross border activities with representative office in Serbia
Full flexibility to set-up everything. Starting capital required.	Start with existing client base and resources	Low on required resources
Fully licensed bank	Fully licensed bank	No license or only representative office
Takes some time.	You can start soon.	You can start today.

KPMG provides various transaction related services which include:

- Pre-transactional services (research, analysis, regulatory advisory, etc.)
- Transactional services (due diligence, valuation, etc.)
- Post-transactional services (audit, financial advisory, tax advisory, legal advisory, etc.)



Option 1

Start-up the business



Set-up procedure explained in eight simple steps



Activity



Time needed



How can we assist you?

1. Let's start with the set-up!		Manage the whole project (PMO) Quick win: This will ensure fulfillment of all prescribed terms and conditions with minimum resources, efforts and time possible.
2. Application for preliminary bank founding permit Note on Regulation Licensing procedure is defined mostly by: <ul style="list-style-type: none">▪ Law on Banks▪ Decision on Implementing the Provisions of the Law on Banks Relating to Granting of Preliminary Bank Founding Permit, Bank Operating License and Consents and Approvals by the National Bank of Serbia▪ Other relevant laws and NBS decisions	Time needed for preparation can vary significantly.	Prepare/assist in preparation of: <ul style="list-style-type: none">✓ <i>foundation act</i> and proposed <i>articles of association</i> (statute);✓ <i>business policy and strategy</i> of the bank for the period of three years;✓ <i>programme of activities</i> for the first business year;✓ <i>risk management strategy and policies</i> and proposed <i>capital management strategy</i>;✓ other statutory documentation. Quick win: Not only that we prepare them but we ensure that documents are fully complied with relevant local regulation.
3. Decision of NBS and Receiving preliminary bank founding permit	NBS has 90 days after receiving complete application (could be more due to incomplete documentation)	Manage relationship with NBS. This includes regular communication with NBS, our participation in all meetings with NBS and advisory services through the whole process. Quick win: We have strong relationship with regulatory bodies. We know their prescribed rules, but implied ones as well.
4. Application for bank operating license	Bank has only 60 days for preparing everything and applying for operating license	Prepare/assist in preparation of: <ul style="list-style-type: none">✓ documentation regarding capital;✓ documentation regarding business premises and equipment;✓ documentation regarding IT;✓ documentation regarding selection of external auditor;✓ organization and systematization rulebooks and schemes;✓ other documentation.
5. Decision of NBS and Receiving operating license	NBS has 30 days after receiving complete application. (could be more due to incomplete documentation)	
6. Founding assembly and adoption of acts	Bank has only 30 days for organizing founding assembly and all related activities	Organize founding assembly We will ensure that all acts are properly prepared/adopted, and we will assist you with submission of documentation to NBS.
7. Receiving consents from NBS (to acts of the founding assembly, acquisition of ownership, management appointment)	NBS has 60 days after receiving complete application. (could be more due to incomplete documentation)	
8. Registration in APR	Bank has 30 days for registration	Help you with the registration From this moment on the legal entity starts to exist.

We've done it!
Let's start doing business...

You need to provide **only 10.0 MEUR** as share capital and probably **additional 0.5 – 1.0 MEUR** more for starting up the business.

Leave the rest to us. Let us guide you...

Post transaction services

A good introduction to universe of requirements that will face bank after the successful transaction is by explaining in brief requirements for **internal and external controls**. The Bank is subject to external controls (supervisor and audit) and **system of internal controls** (internal audit, risk management and compliance). Without going into too much details note that this has huge impact on **processes, internal regulation, resources** (HR, IT and other), **organization, methodologies** and **results**.

Example / Organization and internal acts impact

- From organizational perspective, the Bank is **obliged to have specialized organizational units for each part of the system of internal controls**, i.e. organizational units that will serve as internal audit function, risk management function and compliance function. Bank has to ensure that **no conflict of interest** is present between front and middle & back office up to the level of executive board members. **Minimal authorities and hence responsibilities** for each function of system of internal controls **are prescribed** by the Law on Banks and by specific decisions of NBS. Also, from the internal regulation perspective, there are prescribed **minimal requirements in terms of strategic documents** (risk appetite, strategies, plans, budgets, policies) **and operative documents** (procedures, manuals, etc.).

How can we help you?





Option 2

Acquire one of the locals



Buying one of the local banks

Activity	Time needed	How can we assist you?
1. Let's start with the set-up!		<p> Manage the whole project (PMO) Quick win: This will ensure fulfillment of all prescribed terms and conditions with minimum resources, efforts and time possible.</p>
2. Find perfect candidates	Time needed for the activity can vary significantly.	<p> One of the pre-transactional services that we provide is comprehensive and in depth analysis of banks in Serbia in order to find perfect candidates for acquisition.</p>
3. Analysis of Selling materials	Time needed for the activity can vary significantly.	<p> We will provide deep analysis of Teasers and Information Memorandums potential candidates have prepared.</p>
4. Due Diligence (both financial (including tax) and legal), Valuation of opportunity Deal Structure	Time needed for the activity can vary significantly	<p> KPMG has expertise in providing financial, tax and legal DD services covering the whole process:</p> <ul style="list-style-type: none"> ▪ Initial assessment, ▪ Market evaluation, ▪ Pricing valuation, ▪ Deal structure, ▪ Due diligence, ▪ Synergies and integration analysis.
5. Bid and Negotiate	Time needed for the activity can vary significantly	<p> KPMG assists in</p> <ul style="list-style-type: none"> ▪ Negotiations on financial and legal terms ▪ Maximize value for buyer ▪ Get to a successful outcome on time ▪ Support during the whole period from signing to closing of transaction (analysis of the Target's operations and assistance with the NBS approval)
6. Signing - Closing	Time needed for the activity can vary significantly	
7. NBS preliminary permit	NBS has 60 days after receiving complete application (could be more due to incomplete documentation)	<p> Manage relationship with NBS. Quick win: This includes regular communication with NBS, our participation in all meetings with NBS and advisory services through the whole process.</p> <p>Prepare/assist in preparation of necessary documentation (including program of activities for the first business year)</p> <p>Quick win: We have strong relationship with regulatory bodies. We know their prescribed rules, but implied ones as well.</p>
8. Inform NBS share purchase	The buyer has 15 days after acquiring shares to inform NBS.	

Serbian banking sector has been going through the process of consolidation over the past years, with intensive M&A activities. There are **26 banks at the moment** in Serbia and there are opportunities for buying one of them.



Option 3

Do it cross- border



Performing cross-border operations

Cross-border business

One of the options certainly is cross-border business. This option requires the least of resources, however it is subject to many limitations and could involve some regulatory and legal risks if not approached correctly.

In case you decide on cross-border operations we would strongly suggest that you carefully analyze FX regime rules and other regulation that is linked to cross-border business. Based on our previous experience on preparing cross-border catalogues we know that this could be quite challenging task.

Depending on the scale of desired operations in Serbia we would certainly advise that you assess possibility for establishing representative office here in Serbia. Since there are rules for marketing, using brand name and word of "bank", contacting prospect and existing clients, providing them products and services could be easier with registered legal entity here in Serbia.

FX regime

In Serbia the local currency is Serbian Dinar. Currently RSD/EUR exchange rate equals around 118 (middle exchange rate of NBS). This rate has been rather stable in last few years. It is formed freely, but still it is controlled by NBS in way that excessive oscillations imply NBS action to ensure financial stability.

Representative office

Although cross-border activities could be performed without opening representative office we believe that significant/material presence on the Serbian market would surely require it.

Through representative office you could establish solid relationship with the National bank of Serbia, perform necessary research and analysis of potential opportunities in the market.

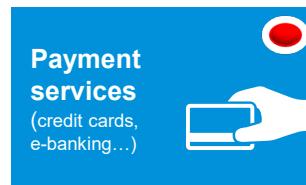
Finally, this option could be used as transitional step towards fully licensed operations in Serbia.

Process for opening the representative office in Serbia is similar to the one we provided for bank set-up but less demanding.



What cross-border opportunities could be explored?

In case you opt for cross-border business we believe that opportunities could be further explored for following products/services:



Main regulatory challenges?

Due to fact that these are FX related activities, and bearing in mind previously stated about FX regime in Serbia, these activities are closely monitored by the NBS and other regulatory bodies.

Thus, it is reasonable to expect some regulatory and legal challenges on the way, but still we believe that with our help this could be doable. Green and Red circles represent our preliminary assessment on where more difficulties should be expected (red/more difficulties, green/less difficulties) in order for your better understanding of our regulatory landscape in terms of cross-borders.

KPMG

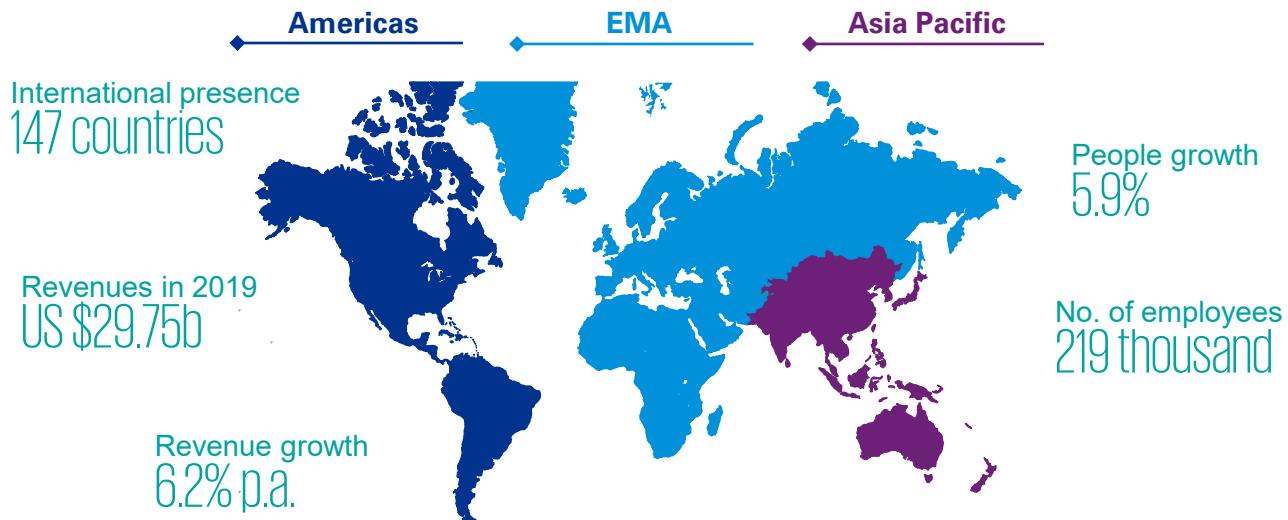
KPMG landscape



Our Competence - Who We are

KPMG Global

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG is organized in three geographical segments:



KPMG in Serbia

KPMG opened its office in Belgrade in August 1996 and operates in Serbia under the name KPMG d.o.o. Beograd. Organizationally, KPMG d.o.o. Beograd is a member of KPMG in the Central and Eastern European region. KPMG has built a strong national practice based on Serbian professionals who combine local knowledge and experience with international know-how.

The Serbian practice has extensive experience in providing a full range of business advisory services to local industrial and government clients, foreign investors, banks and financial institutions, funding agencies and other companies operating in Serbia. The Country Head of KPMG Serbia is Uroš Ačanski (Senior Partner).

KPMG d.o.o. Beograd currently has over 255 employees, including 14 Licensed Certified Auditors, 3 Certified Internal Auditors, 1 Licensed Certified Public Accountant and 2 Licensed Certified Accountants in accordance with Serbian legislation. In addition, our employees hold over 40 international professional certificates issued by ACCA, ICAEW, ICAO, CIA, CFAI, ACFE, GARP, PMI, ISACA, SGS and EXIN.

Advisory

- Mergers & Acquisitions
- Acquisition Due Diligence
- Vendor Due Diligence
- Risk Consulting
- Introduction of reporting package
- Valuations
- Model Audit
- Model Review
- Forensic Accounting
- Project Financing

Tax

- Corporate and Business Tax Services
- Global Tax Services
- State and Local Taxes
- Property Taxes
- Indirect Taxes
- Tax Services provided to Individuals
- Legal services

Audit

- Audit in accordance with IFRS
- Audit in accordance with local regulations
- Review of financial statements
- Diagnostic study
- IFRS training

Our clients in financial sector

KPMG d.o.o. Beograd is a leader in consulting of financial sector in Serbia and in Montenegro.

The practice has rich experience in providing advisory services to the entire spectrum of banking customers, leasing companies, government bodies, foreign investors, insurance companies and other financial institutions, agencies and other companies that operate in Serbia and in Montenegro.

KPMG d.o.o. Beograd team responsible for clients in the financial sector currently has about 30 employees, including one partner, one director, one senior manager and three managers.

Our clients in banking sector in Serbia & Montenegro 2019/2020

Clients	Services	Services
Banca Intesa a.d. Beograd	Serbia	Audit
Banka Poštanska štedionica a.d. Beograd	Serbia	Advisory
Bank of China a.d. Beograd	Serbia	Advisory
Credit Agricole Banka Srbija a.d. Novi Sad	Serbia	Advisory
Erste Bank a.d. Novi Sad	Serbia	Advisory
Eurobank a.d. Beograd	Serbia	Audit
Expobank a.d. Beograd	Serbia	Advisory
Intesa Leasing d.o.o. Beograd	Serbia	Audit
Komercijalna banka a.d. Beograd	Serbia	Advisory
National bank of Serbia	Serbia	Audit
Nova banka a.d. Podgorica	Montenegro	Advisory
Opportunity banka a.d. Novi Sad	Serbia	Audit
ProCredit Bank a.d. Beograd	Serbia	Audit
Porsche Leasing SCG d.o.o. Beograd	Serbia	Advisory
Raiffeisen banka a.d. Beograd	Serbia	Advisory
Sberbank Srbija a.d. Beograd	Serbia	Advisory
Podgoricka banka a.d. Podgorica	Montenegro	Advisory
Mobi banka a.d. Beograd	Serbia	Advisory
UniCredit Bank Srbija a.d. Beograd	Serbia	Advisory



Why KPMG

We believe that it would
be due to...



Selection criteria for advisors vs. KPMG

Skill/ability	Selection criteria for advisors	How does KPMG compare?
Contacts	Knowing the potential buyer is not enough, his personal number should be in advisors phonebook.	KPMG has high-level personal contacts in buyers' organizations at key decision maker positions.
Bargaining skills	Advisors' bargaining skills coupled with negotiation strategies should bring a result above expectation.	KPMG has done a series of transactions at exceptional price multiples under pre-committed exclusivity agreements
Being a partner to the client	An advisor does not take over the sale process, he partners the seller to identify best exit strategy.	At all times KPMG will be a partner and try to understand how it feels in the sellers shoes to pursue the best possible result.
Marketing skills	The network of industry contacts should be region relevant, reliable and as wide as possible.	KPMG corporate finance network in Europe only involves 1000+ professionals across 31 countries.
Commitment	An advisor should be able to pick up a call or reply to an urgent email even if time zone difference is +12.	KPMG 24/7 availability to the client is supported by up-to-date technology.
Spot presence	Being available remotely is usually not enough. On the spot presence is luxury, yet a must for advisor.	Since there are local offices in almost each and every country in CEE, KPMG simply is on the spot if the client is in need.
Relevant experience	The track record is impressive only if transactions are relevant and carried out without subcontractors.	KPMG team comprises professional people with thorough industrial expertise for a wide range of industries.
Technical skills	Solving unexpected problems during execution stage should be a routine exercise for an advisor	KPMG is a leading firm in due diligence work and data room management. We undertake some 1200 projects annually.
Performance remuneration	An advisor should be remunerated well if and only if he has done a good job.	Reputation for KPMG is not just a word. We share our clients opinion that only value-added work is worth the compensation.



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