

Pursuant to Article 4, item 3) and Article 14, paragraph 1, item 11) 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, 40/2015 – CC decision and 44/2018) and Article 21, paragraph 3 and Article 28, paragraph 7 of the Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010 and 14/2015), the Executive Board of the National Bank of Serbia hereby adopts

DECISION ON TEMPORARY MEASURE REGARDING THE CALCULATION OF BANK CAPITAL

1. This Decision stipulates a temporary measure and activities regarding the calculation of bank capital, in accordance with the decision governing capital adequacy of banks, which a bank may apply in calculating capital in the current circumstances in the international financial market.

2. During the period of application of this Decision, a bank may exclude from the calculation of Common Equity Tier 1 capital the amount of temporary regulatory adjustment arrived at by applying the following formula:

$$A = a \times f,$$

where:

A = amount of temporary regulatory adjustment;

a = amount of unrealised gains/losses based on the change in value of debt instruments measured at fair value through other comprehensive income in accordance with the International Financial Reporting Standard 9 – Financial instruments (hereinafter: IFRS 9);

f = deduction factor equalling 0.50 on the reporting dates of 31 March and 30 June, and 0.25 on the reporting dates of 30 September and 31 December.

The unrealised gains/losses from paragraph 1 hereof shall be determined as the relevant part of the account 823 balance in accordance

with the Decision on the Chart of Accounts and Contents of Accounts in the Chart of Accounts for Banks.

Debt instruments referred to in paragraph 1 hereof, within the meaning of this Decision, shall be debt securities issued by the Republic of Serbia, an autonomous province or a local government unit of the Republic of Serbia.

3. If it decides to apply the measure from Section 2 hereof, a bank shall send the notification and decision on the application of that measure to the National Bank of Serbia no later than five days before the expiration of the deadline for submitting the first report on bank capital in accordance with the decision governing the reporting on capital adequacy of banks.

A bank shall notify the National Bank of Serbia of its intention to cease to apply the measure from Section 2 hereof five days prior to adopting the decision on ceasing to apply the measure and shall submit a reasoned explanation for such decision.

A bank shall submit to the National Bank of Serbia the decision from paragraph 2 of this Section within three days from its adoption.

4. If on the reporting date there are unrealised losses based on the change in value of debt instruments measured at fair value through other comprehensive income in accordance with IFRS 9, in its report on bank capital submitted in accordance with the decision governing the reporting on capital adequacy of banks, the bank applying the measure from Section 2 hereof shall reduce the unrealised losses by the amount of temporary regulatory adjustment determined in accordance with that Section.

If on the reporting date there are unrealised gains based on the change in value of debt instruments from paragraph 1 hereof, in its report on bank capital from paragraph 1 hereof, the bank applying the measure from Section 2 hereof shall reduce the revaluation reserves and other unrealised gains by the amount of temporary regulatory adjustment determined in accordance with Section 2 hereof.

5. A bank applying the measure from Section 2 hereof shall submit to the National Bank of Serbia the following reports:

- 1) *Temporary report on bank capital* on the KAP-PR form (Annex 1);
- 2) *Report on unrealised gains/losses* on the NGD form (Annex 2).

A bank shall submit the reports from paragraph 1 hereof on a quarterly basis, no later than the 20th day of the month, with data as at the last day of the quarter, apart from the report as at 31 December of the current year, which shall be submitted by 5 March of the following year at the latest.

6. The content of the forms referred to in Section 5 hereof is laid down in Annexes 1 and 2, which are printed along with this Decision and integral to it.

7. A bank shall disclose data in the reports from Section 5 hereof accurately and fully, in accordance with regulations.

8. A bank may apply the measure from Section 2 hereof in the manner prescribed by this Decision – by 31 December 2024.

9. This Decision shall be published in the RS Official Gazette and enter into force on 30 June 2022.

NBS Executive Board No 74

29 June 2022

Belgrade

Chairperson

Executive Board of the National Bank of
Serbia

Governor

National Bank of Serbia

Dr Jorgovanka Tabaković, sign.