

Pursuant to Article 128r, paragraph 5 of the Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010, 14/2015 and 19/2025) and Article 15a, paragraph 1 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, 44/2018 and 19/2025), the Executive Board of the National Bank of Serbia hereby issues the following

D E C I S I O N

ON MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES OF BANKS

Introductory provisions

1. This Decision lays down detailed conditions of calculating the minimum requirement for own funds and eligible liabilities of banks, as well as the conditions subject to which eligible liabilities of banks are included in the calculation of this requirement and detailed criteria for determining this requirement.

2. For the purpose of this Decision, the following terms shall have the following meaning:

1) *eligible liabilities* means the liabilities and capital instruments that do not fulfil the conditions for inclusion in the calculation of Common Equity Tier 1, Additional Tier 1 or supplementary capital of a bank in accordance with the decision regulating capital adequacy of banks and that are not excluded from the scope of the bail-in tool in accordance with Article 128q, paragraph 3 of the Law on Banks (hereinafter: Law);

2) *qualifying eligible liabilities*, unless they are explicitly excluded from that category in accordance with Section 3 of this Decision, shall include the following:

– eligible liabilities that fulfil, as applicable, the conditions of Section 4, Section 21, paragraph 2 or Section 22, paragraph 1, item 1) of this Decision,

– supplementary capital instruments with a residual maturity of at least one year, to the extent that they do not fulfil the conditions for inclusion in the calculation of supplementary capital in accordance with the decision regulating the capital adequacy of banks;

3) *subordinated qualifying eligible liabilities* means qualifying eligible liabilities that fulfil at least one of the following criteria:

– the contractual provisions governing these liabilities specify that, in the event of a bankruptcy procedure against the bank, the claim on the principal amount of these liabilities ranks below claims arising from any of the

liabilities excluded from the write-down or conversion in accordance with Article 128q, paragraph 3 of the Law and liabilities excluded from qualifying eligible liabilities in accordance with Section 3 of this Decision,

– the provisions of the law on bankruptcy and liquidation of banks specify that, in the event of a bankruptcy procedure against the bank, the claim on the principal amount of these liabilities ranks below claims arising from the liabilities excluded from the write-down or conversion in accordance with Article 128q, paragraph 3 of the Law and liabilities excluded from qualifying eligible liabilities in accordance with Section 3 of this Decision,

– the instrument is issued by a bank which does not have any liabilities excluded from the write-down or conversion in accordance with Article 128q, paragraph 3 of the Law or excluded from the qualifying eligible liabilities in accordance with Section 3 of this Decision, that rank *pari passu* or junior to qualifying eligible liabilities;

4) *liquidation entity* means a bank or a banking group member in respect of which the resolution plan provides that the entity is to be wound up under bankruptcy or liquidation procedure or a resolution group member that is not a resolution entity, and in respect of which the resolution plan does not provide for the application of write-down and conversion of own funds and eligible liabilities;

5) *financial instruments, derivatives* (derivative financial instruments), *debt instruments* (debt securities), and *retail client* shall have the meanings laid down in the law regulating the capital market.

Qualifying eligible liabilities

3. The following eligible liabilities of banks shall be excluded from qualifying eligible liabilities:

1) liabilities arising from the part of insured deposits, within the meaning of the law regulating deposit insurance, which exceeds the insured level;

2) liabilities arising from sight deposits and deposits with the maturity of less than one year;

3) liabilities that arise by virtue of a relationship between the bank or any of its subordinated companies (as collateral provider) and another person (as beneficiary, i.e. collateral taker), where collateral is provided and ownership rights are transferred;

4) liabilities to members of the resolution group that are not resolution entities, regardless of their maturities, except where those liabilities rank below ordinary unsecured liabilities in the bankruptcy procedure; in cases where that exception applies, the National Bank of Serbia shall assess whether the

amount of qualifying eligible liabilities and own funds referred to in Section 22, paragraph 1 of this Decision is sufficient to support the implementation of the preferred resolution strategy;

5) liabilities that arise from derivatives;

6) liabilities that arise from financial instruments with embedded derivatives, other than liabilities that fulfil the conditions set out in paragraph 3 hereof.

Debt instruments containing early redemption options exercisable at the discretion of the issuer or of the creditor, and debt instruments with variable interest derived from a broadly used market reference rate, shall not be considered as debt instruments with embedded derivatives referred to in paragraph 1, item 6) hereof.

By way of derogation from paragraph 1, item 6) hereof, liabilities that arise from debt instruments with embedded derivatives (such as structured financial instruments) may be included in qualifying eligible liabilities if, in addition to the conditions set out in Section 4 of this Decision, they meet at least one of the following conditions:

1) the principal amount of the liability arising from the debt instrument is known at the time of issue, is fixed or increasing, and is not affected by an embedded derivative feature, and the total amount of the liability arising from the debt instruments, including the embedded derivative, can be valued on a daily basis by reference to a liquid two-way market for an equivalent instrument without credit risk;

2) the debt instrument includes a contractual term that specifies that the value of the claim in cases of bankruptcy, liquidation or resolution of the issuer is fixed or increasing, and does not exceed the initially paid-up amount of the liability.

Debt instruments referred to in paragraph 3 hereof, including their embedded derivatives, shall not be subject to any netting provision/agreement and shall not be valued on a net basis.

The liabilities referred to in paragraph 3 hereof shall only be included in the amount of qualifying eligible liabilities with respect to the part of the liability that corresponds to the principal amount referred to in item 1) or to the fixed or increasing amount referred to in item 2) of that paragraph.

4. Eligible liabilities of the bank that are not excluded in accordance with Section 3 of this Decision may be included in qualifying eligible liabilities if they satisfy the following conditions:

- 1) the financial instruments based on which the liabilities arose were directly issued by the bank and/or the bank directly concluded the contracts under which these liabilities were assumed, and the liabilities are fully paid up;
- 2) the creditor in respect of these liabilities is not the bank or a member of the same resolution group as the bank, or a person in which the bank holds significant participation within the meaning of the Law;
- 3) the bank did not directly or indirectly fund investment in these financial instruments and/or liabilities;
- 4) the liabilities are neither secured, nor subject to a guarantee or any other collateral that enhances the seniority of the claim by the bank, subordinated company of the bank, parent company of the bank or its subordinated companies or another person related to these persons;
- 5) the liabilities are not subject to netting agreements that would undermine the bank's capacity to absorb losses in resolution;
- 6) the remaining maturity of the liabilities shall be one year or longer;
- 7) the principal of financial instruments and/or liabilities, in accordance with the conditions of their issuance and/or contract, can be reduced or repaid early and the financial instruments may be redeemed or repaid only subject to prior consent of the National Bank of Serbia, in accordance with Section 7 of this Decision;
- 8) the provisions governing the liabilities do not indicate explicitly or implicitly that the liabilities could be reduced, redeemed or repaid prior to their maturity, other than in the case of bankruptcy or liquidation of the bank or in the case of the prior consent of the National Bank of Serbia referred to in Section 7 of this Decision, and the bank has not otherwise provided an indication of this possibility prior to or at the time of issuing the instruments based on which these liabilities arise;
- 9) the provisions governing the liabilities do not give the creditor the right to accelerate the future payment of interest or principal, other than in the case of bankruptcy or liquidation of the bank;
- 10) the level of interest or dividend payments, as applicable, due on the liabilities does not depend on the credit standing of the bank or its parent company;
- 11) the relevant contractual documentation and, where applicable, the prospectus related to the issuance of financial instruments contain an explicit provision under which the creditor agrees that this liability may be written down or converted and agrees to any reduction, conversion or annulment of the principal or the amount outstanding as a consequence of the measures taken by the National Bank of Serbia in accordance with the Law.

For the purposes of paragraph 1, item 1) hereof, only the parts of the liabilities that are fully paid up may be included in qualifying eligible liabilities of

the bank, provided that they fulfil other conditions from that paragraph as well.

For the purposes of paragraph 1, item 6) hereof, where a contract or a financial instrument based on which the liabilities arose includes a creditor redemption or repayment option exercisable prior to contractual maturity, the maturity shall be defined as the earliest possible date on which the creditor can request redemption or repayment.

Where the contractual provisions governing the liabilities include an incentive for the bank to redeem the financial instrument or repay the liabilities prior to contractual maturity, the maturity referred to in paragraph 1, item 6) hereof shall be the earliest possible date on which the bank can exercise that option.

Where it is only the bank that has the right to redeem a financial instrument or repay liabilities prior to contractual maturity, but where the contractual provisions governing the liability do not include any incentive for such redemption or repayment, and do not include any option for redemption or repayment by the creditor prior to contractual maturity, the maturity referred to in paragraph 1, item 6) hereof shall be defined as the contractual maturity.

The National Bank of Serbia shall adopt guidelines to regulate in detail the cases of direct and indirect funding referred to in paragraph 1, item 3) hereof, the forms and types of redemption or repayment incentives referred to in paragraphs 4 and 5 hereof, and the content of the provision referred to in paragraph 1, item 11) hereof.

5. The bank intending to include the liabilities referred to in Section 2, item 2), indent 1 of this Decision in qualifying eligible liabilities shall notify the National Bank of Serbia thereof beforehand and provide the following documentation:

1) documentation relating to the issuance of the financial instrument and/or occurrence of the liabilities, and other documents proving that the liabilities do not fall into any of the categories excluded from qualifying eligible liabilities in accordance with Section 3 of this Decision and that they fulfil the conditions referred to in Section 4, Section 21, paragraph 2 or Section 22, paragraph 1, item 1) of this Decision, as applicable;

2) an overview of fulfilment of the conditions set out in Section 4, Section 21, paragraph 2 or Section 22, paragraph 1, item 1) of this Decision, as applicable, with reference to appropriate documentation;

3) description of the accounting treatment of the liabilities;

4) information about the payout rank of the liabilities in accordance

with the law governing bankruptcy and liquidation of banks;

5) calculation of the amount of own funds and qualifying eligible liabilities and the calculation of the minimum requirement for own funds and eligible liabilities on the last day of the month preceding the submission of the notification referred to in this paragraph, without including these liabilities in the calculation;

6) projection of the calculation of the amount of own funds and qualifying eligible liabilities and of the calculation of the minimum requirement for own funds and eligible liabilities for the period of at least one year after the inclusion of these liabilities in the calculation;

7) evidence of payment of fee in accordance with the decision of the National Bank of Serbia on uniform fees charged for services provided by the National Bank of Serbia.

The National Bank of Serbia shall assess the fulfilment of the conditions referred to in paragraph 1, item 1) hereof based on the documentation provided by the bank and other documentation it deems necessary for making this assessment, within 60 days from the day of receiving duly completed documentation, after which it shall notify the bank of its decision.

Where a bank has submitted the notification referred to in paragraph 1 hereof prior to concluding a contract or issuing a financial instrument under which it assumes the liabilities, the National Bank of Serbia shall assess the fulfilment of all conditions referred to in item 1) hereof, other than the condition set out in Section 4, paragraph 1, item 1) of this Decision that these liabilities are fully paid up. The assessment of fulfilment of these conditions shall be valid in the period necessary to carry out the activities relating to concluding a contract or issuing a financial instrument which may not exceed one year from the day of submitting the notification referred to in paragraph 1 hereof.

In the case referred to in paragraph 3 hereof, after concluding the contract or issuing financial instruments, the bank shall submit to the National Bank of Serbia the signed and/or final versions of these documents, as well as evidence that funds have been paid up.

6. Where qualifying eligible liabilities of a bank cease to meet the conditions referred to in Section 4, Section 21, paragraph 2 or Section 22, paragraph 1, item 1) of this Decision, the bank shall immediately exclude such liabilities from the calculation of the minimum requirement for own funds and eligible liabilities and notify the National Bank of Serbia thereof.

Reduction of qualifying eligible liabilities

7. The bank shall notify the National Bank of Serbia if it intends to reduce the value or to redeem or repay qualifying eligible liabilities prior to the date of their contractual maturity (hereinafter: reduction of qualifying eligible liabilities).

The National Bank of Serbia shall grant consent for the bank to reduce qualifying eligible liabilities referred to in paragraph 1 hereof if one of the following conditions is met:

1) before or at the same time as the reduction of qualifying eligible liabilities, the bank replaces the liabilities referred to in paragraph 1 hereof with own funds instruments or qualifying eligible liabilities of equal or higher quality at terms that are sustainable for the income capacity of the bank, taking into account the bank's profitability in stress situations, and that, where applicable, do not impose higher costs on the bank than the costs of the financial instruments and/or liabilities being replaced;

2) following the reduction of the qualifying eligible liabilities, the own funds and qualifying eligible liabilities of the bank exceed the minimum requirement for own funds and eligible liabilities specified by the National Bank of Serbia in the decision referred to in Section 17 of this Decision;

3) the partial or full replacement of the qualifying eligible liabilities with own funds instruments is necessary to ensure compliance with own funds requirements laid down in the Law and the decision regulating capital adequacy of banks.

Along with the notification referred to in paragraph 1 hereof, the bank shall provide the following documentation:

1) an explanation of the rationale for reducing qualifying eligible liabilities;

2) information about whether the notification is based on the fulfilment of the conditions referred to in items 1), 2) or 3), paragraph 2 hereof;

3) present and projected level and composition of own funds and qualifying eligible liabilities of the bank in the three years after the reduction of qualifying eligible liabilities;

4) assessment of the impact of the reduction of qualifying eligible liabilities on compliance with the minimum requirement for own funds and eligible liabilities expressed as a percentage of the total risk exposure amount and of the total exposure amount included in the calculation of the leverage ratio and with the combined capital buffer requirement in the three years after the reduction of qualifying eligible liabilities;

5) where the bank's application relates to the case referred to in paragraph 2, item 1) hereof, information about:

– residual maturity of the qualifying eligible liabilities being

replaced, and the maturity of own funds instruments or eligible liabilities replacing them,

- the payout ranks of the qualifying eligible liabilities being replaced, and of the own funds instruments or qualifying eligible liabilities replacing them, in accordance with the law regulating bankruptcy and liquidation of banks,

- the cost of the own funds instruments or qualifying eligible liabilities replacing these liabilities,

- the planned timing of issuance of own funds instruments or qualifying eligible liabilities and/or of concluding a contract under which the qualifying liabilities are assumed, for the purpose of replacing the liabilities,

- impact on the bank's profitability;

6) an evaluation of the risks to which the bank is or might be exposed, in particular whether the level of own funds and qualifying eligible liabilities ensures an appropriate coverage of such risks, including outcomes of stress tests on main risks evidencing potential losses in different scenarios;

7) where the bank's notification relates to the case referred to in paragraph 2, item 3) hereof, evidence that the partial or full replacement of the qualifying eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements defined in accordance with the Law and the decision governing capital adequacy of banks;

8) any other information considered relevant by the National Bank of Serbia for the purpose of granting the consent referred to in paragraph 2 hereof.

Along with the notification referred to in paragraph 1 hereof, the bank which is a liquidation entity, and to which the National Bank of Serbia determined a minimum requirement for own funds and eligible liabilities in an amount that does not exceed the loss absorption amount referred to in Section 10, paragraph 6 of this Decision, shall also provide the information referred to in paragraph 3, items 1) and 2) hereof.

The bank shall submit the notification referred to in paragraph 1 hereof to the National Bank of Serbia at least three months before notifying creditors under qualifying eligible liabilities of the intention to carry out the actions to which the notification relates, but it may not notify the creditors thereof before being granted prior consent of the National Bank of Serbia to carry out these actions. The bank may submit the notification referred to in paragraph 1 hereof within a deadline shorter than three months, if the National Bank of Serbia assesses that this is justified by the circumstances of the given case.

The National Bank of Serbia shall assess the fulfilment of the conditions referred to in paragraph 2 hereof and notify the bank thereof within 60 days

from the day of receiving the notification referred to in paragraph 1 hereof.

The prior consent referred to in paragraph 2 hereof shall be valid in the period needed to carry out the action referred to in that paragraph, which may not exceed one year.

Additional conditions relating to investment by retail clients in subordinated qualifying eligible liabilities

8. A person in the retail clients category may invest in financial instruments that are subordinated qualifying eligible liabilities of the bank which are not supplementary capital instruments referred to in Section 2, item 2), indent 2 of this Decision, only where the following conditions are fulfilled:

1) the bank has previously performed a suitability and appropriateness test of the investment by the retail client and/or it has collected and analysed the necessary information regarding their knowledge and experience in relation to investment in this type of liabilities and about their financial situation, including their ability to bear any losses relating to these liabilities, achieve their investment objectives and their risk tolerance;

2) based on the analyses referred to in item 1) hereof, the bank can document that investment in the liabilities referred to in this paragraph is suitable for the retail client;

3) the bank shall provide the retail client regularly, on a durable medium, with reports on their investment in the specific liabilities, including data on communication with that investor and any costs associated with the investment.

Where the conditions set out in paragraph 1 hereof are fulfilled and the financial instrument portfolio of that retail client does not, at the time of investment, exceed EUR 500 000 in the dinar equivalent value at the official middle exchange rate of the National Bank of Serbia, the bank shall ensure, on the basis of the information provided by the retail client in accordance with paragraph 3 hereof, that both of the following conditions are met at the time of the investment:

1) the retail client does not invest an amount exceeding 10% of that client's financial instrument portfolio in the liabilities referred to in paragraph 1 hereof;

2) the initial investment amount invested in one or more liabilities of the bank referred to in paragraph 1 hereof is at least EUR 10,000 in the dinar equivalent value at the official middle exchange rate of the National Bank of Serbia.

The bank shall ensure that the retail client referred to herein provides accurate information on their financial instrument portfolio, including any investment in liabilities referred to in paragraph 1 hereof.

For the purposes of paragraphs 2 and 3 hereof, the financial instrument portfolio of the retail client referred to herein shall include cash deposits and financial instruments, other than those that have been given as collateral.

Criteria for determining the minimum requirement for own funds and eligible liabilities

9. For the purpose of applying the criteria referred to in Article 128r, paragraph 3, item 1) of the Law, the National Bank of Serbia shall assess the resolvability of the bank in accordance with Article 128e of the Law to establish whether the bank can be resolved by the application of the available resolution tools, including, where appropriate, the bail-in tool, and/or by initiating the bankruptcy or liquidation procedure, in a way that meets the resolution objectives.

10. In order to apply the criteria laid down in Article 128r, paragraph 3, item 2) of the Law, the National Bank of Serbia shall establish the amount of losses the bank should be able to absorb prior to and during its resolution (hereinafter: loss absorption amount) and the amount required to restore, after the loss absorption, the capital adequacy ratio and the leverage ratio to levels necessary to ensure further smooth operation of the bank and to sustain sufficient financial market confidence in the bank (hereinafter: recapitalisation amount).

For the purpose of calculating the minimum requirement for own funds and eligible liabilities expressed as a percentage of the bank's total risk exposure amount, the amounts referred to in paragraph 1 hereof shall be determined at the level of the amount necessary to meet the prescribed minimum capital adequacy ratio of the bank and/or the capital adequacy ratio determined by the National Bank of Serbia for the bank in accordance with the Law and the decision regulating capital adequacy of banks.

By way of derogation from paragraph 2 hereof, the National Bank of Serbia may increase the recapitalisation amount by the amount of the combined capital buffer requirement determined in accordance with the decision referred to in paragraph 2 hereof, reduced by the amount of the countercyclical capital buffer applicable to such bank, and/or by an amount higher or lower than this requirement, if it assesses that such amount is

necessary and/or sufficient to achieve and sustain financial market confidence in the bank, to ensure continuity of key functions and access to funding without recourse to extraordinary financial support, other than from the Bank Resolution Fund in accordance with the Law, after the application of the resolution measures and tools for an appropriate period which shall not exceed one year.

The recapitalisation amount determined in accordance with paragraph 2 hereof may also be adjusted downwards if the National Bank of Serbia determines that a lower amount would be sufficient to sustain financial market confidence in the bank and to ensure continuity of critical functions and access to funding without recourse to extraordinary public financial support within the meaning of the Law, other than contributions from the Bank Resolution Fund in accordance with the Law, after the application of the resolution measures and tools.

For the purpose of calculating the minimum requirement for own funds and eligible liabilities expressed as a percentage of exposures included in the calculation of the leverage ratio, the amounts referred to in paragraph 1 hereof shall be determined at the level of the amount needed to comply with the prescribed leverage ratio of the bank and/or the higher leverage ratio determined for the bank by the National Bank of Serbia in accordance with the Law and the decision regulating capital adequacy of banks.

Where a bank is a liquidation entity, the recapitalisation amount shall equal zero, except where the National Bank of Serbia determines that a certain recapitalisation amount is needed to ensure financial system stability and prevent contagion to the financial system, including with regard to the financing capacity of the insurance deposit fund to enable unhindered payment of all insured deposits.

11. When applying the criteria referred to in Article 128r, paragraph 3, item 3) of the Law, the National Bank of Serbia shall assess which eligible liabilities of the bank are reasonably likely to be excluded from the bail-in tool or transferred in full using other resolution tools based on the resolution plan.

After identifying the liabilities referred to in paragraph 1 hereof, the National Bank of Serbia shall ensure that the bank has sufficient own funds and other eligible liabilities for the purposes of loss absorption and for achieving the amount of recapitalisation without write-down and/or conversion of the liabilities referred to in that paragraph, in a manner which does not compromise the principles laid down in Article 128b, paragraph 1, items 2) and 3) of the Law.

12. For the purposes of applying the criteria referred to in Article 128r, paragraph 3, item 4) of the Law, the National Bank of Serbia shall take into account the outcomes of the supervisory review and evaluation process referred to in Article 119 of the Law with regard to the bank's size, business model, funding model and risk profile.

For the purpose of calculating the minimum requirement for own funds and eligible liabilities as a percentage of the bank's total risk exposure amount, the outcomes of the process referred to in paragraph 1 hereof shall be taken into account by the National Bank of Serbia when making any adjustments to the loss absorption and recapitalisation amounts, in order to ensure that the requirement adequately reflects risks affecting resolvability arising from the bank's size, business model, funding model and risk profile.

13. When applying the criteria referred to in Article 128r, paragraph 3, item 5) of the Law, the National Bank of Serbia shall take into account the amount which the deposit insurance fund is likely to contribute to the financing of the resolution procedure in accordance with Article 128z of the Law.

14. When applying the criteria referred to in Article 128r, paragraph 3, item 6) of the Law, the National Bank of Serbia shall determine whether the failure of the bank would pose a risk to the stability of the financial system of the Republic of Serbia in accordance with that Article, unless the bank has been designated as systemically important.

Determining the minimum requirement for own funds and eligible liabilities

15. By applying the criteria referred to in Article 128r, paragraph 3 of the Law and Sections 9 to 14 of this Decision, the National Bank of Serbia shall calculate the minimum requirement for own funds and eligible liabilities as the amount equal at least to the sum of the loss absorption and the recapitalisation amounts, expressed as percentages of:

- 1) the total risk exposure amount of the bank calculated in accordance with the decision regulating capital adequacy of banks;
- 2) the total exposure measure included in the calculation of the leverage ratio, calculated in accordance with the decision regulating capital adequacy of banks.

16. When determining the minimum requirement for own funds and eligible

liabilities, the National Bank of Serbia may prescribe that a part of the requirement shall be met using own funds and subordinated qualifying eligible liabilities.

When making the decision referred to in paragraph 1 hereof, the National Bank of Serbia shall take into account in particular:

1) non-subordinated qualifying eligible liabilities have the same payout ranking within the meaning of the law governing bankruptcy and liquidation of banks as certain liabilities excluded from the application of write-down and conversion referred to in Articles 128g and 128q of the Law, based on Article 128q, paragraphs 3 or 6 of the Law;

2) there is a risk that, as a result of application of write-down and conversion referred to in Articles 128g or 128q of the Law to non-subordinated liabilities, creditors under these liabilities incur greater losses than they would incur in case of a bankruptcy procedure over the bank;

3) the amount of own funds and other subordinated qualifying eligible liabilities is not sufficient to ensure that the creditors referred to in item 2) hereof do not incur losses above the level of losses that they would otherwise have incurred in case of a bankruptcy procedure over the bank.

The National Bank of Serbia shall assess the risk referred to in paragraph 2, item 2) hereof when it determines that the amount of the liabilities that are excluded or reasonably likely to be excluded from the application of write-down and conversion in accordance with Article 128q, paragraphs 3 or 6 of the Law totals more than 10% of the qualifying eligible liabilities within the same payout rank.

17. The National Bank of Serbia shall determine, by virtue of a decision, the minimum requirement for own funds and eligible liabilities, calculated and expressed in accordance with Section 15 of this Decision, when drawing up or updating the resolution plan of the bank and/or the banking group.

The National Bank of Serbia shall determine the minimum requirement for own funds and eligible liabilities on an individual basis to a bank that is not part of a resolution group, and to a bank that is a subordinated company of a resolution entity and is not itself a resolution entity.

The National Bank of Serbia shall determine the minimum requirement for own funds and eligible liabilities at the consolidated resolution group level for a bank that is a resolution entity of a resolution group.

For the purpose of determining the requirement referred to in paragraph

3 hereof, the National Bank of Serbia shall issue guidelines to prescribe the manner of estimation of the additional own funds requirements and capital buffer requirements, where these requirements are not determined for a resolution entity of the resolution group at the consolidated resolution group level.

18. The National Bank of Serbia shall determine the requirement referred to in Section 17, paragraph 3 of this Decision by accordingly applying the criteria set out in Sections 9 to 14 of this Decision and Section 15 of this Decision, in particular on the basis of:

1) the need to ensure that the resolution group may be resolved by applying the resolution tools to the resolution entity, including, as applicable, the bail-in tool, in a way that meets the resolution objectives;

2) the need to ensure, as applicable, that the resolution entity and its subordinated companies that are not resolution entities and that are not liquidation entities, have sufficient own funds and qualifying eligible liabilities to ensure that, if the bail-in tool or the write-down and conversion measures were to be applied to own capital and eligible liabilities, losses could be absorbed and the capital adequacy ratios of these entities could be restored to a level necessary to enable them to continue operating in line with regulations.

19. If the bank needs to undertake some activities in order to comply with the minimum requirement for own funds and eligible liabilities, the National Bank of Serbia shall set, by virtue of the decision referred to in Section 17 of this Decision, the time period within which the bank is required to comply with the requirement, which may include transitional periods in order to ensure consistent and linear achievement of full compliance.

When setting the periods referred to in paragraph 1 hereof, the National Bank of Serbia shall take into account in particular:

1) the prevalence of deposits and the absence of debt instruments in the bank's funding model;

2) the bank's access to the capital markets for the purpose of issuing instruments or concluding contracts based on which qualifying eligible liabilities arise;

3) the extent to which the bank relies on capital to meet the minimum requirement for own funds and eligible liabilities.

If the bank fails to comply with the minimum requirement for own funds and eligible liabilities after the expiry of the final or transitional period referred to in paragraph 1 hereof, the National Bank of Serbia may request the bank to

submit the compliance action plan, specifying the manner of and deadlines for achieving such compliance.

If the bank fails to submit the action plan referred to in paragraph 3 hereof within the deadline set by the National Bank of Serbia or the National Bank of Serbia assesses that the submitted action plan is not appropriate for achieving compliance within the time periods referred to in that paragraph, the National Bank of Serbia shall consider an extension of the compliance time period, in case there are justified reasons for this, or the issuing of a decision in accordance with Article 128f of the Law.

Manner of complying with the minimum requirement for own funds and eligible liabilities

20. A bank that is not part of the resolution group shall comply with the requirement referred to in Section 17, paragraph 2 of this Decision on an individual basis, using own funds calculated in accordance with the decision regulating the capital adequacy of banks and qualifying eligible liabilities referred to in Section 4 of this Decision.

21. A bank that is a resolution entity of a resolution group shall comply with the requirement referred to in Section 17, paragraph 3 of this Decision at the consolidated resolution group level.

The bank referred to in paragraph 1 hereof shall comply with the requirement referred to in Section 17, paragraph 3 of this Decision also using the liabilities of its subordinated company that is part of the same resolution group, where the creditor is an existing shareholder of that subordinated company that is not part of the same resolution group, provided that the following conditions are met:

- 1) the liabilities fulfil the conditions referred to in Section 22, paragraph 1, item 1) of this Decision;
- 2) the application of write-down or conversion referred to in Article 128g of the Law in relation to those liabilities does not affect the controlling participation of the resolution entity in that subordinated company;
- 3) the amount of those liabilities does not exceed the amount determined by subtracting:
 - the amount of the requirement referred to in Section 17, paragraph 2 of this Decision determined for that subordinated company,
 - the sum of the liabilities of that subordinated company where the creditor is a resolution entity either directly or indirectly through other entities in the same resolution group and the amount of own funds that meets the

requirements referred to in Section 22, paragraph 1, item 2) of this Decision.

22. The bank that is a subordinated company of a resolution entity and is not a resolution entity itself shall meet the requirement referred to in Section 17, paragraph 2 hereof on an individual basis using:

1) eligible liabilities that fulfil the following conditions:

- the creditor under these liabilities is a resolution entity, either directly or indirectly through other entities in the same resolution group or an existing shareholder that is not part of the same resolution group, as long as the application of write-down or conversion in accordance with Article 128g of the Law does not affect the controlling participation of the resolution entity in the subordinated company referred to in this paragraph,

- they do not belong to the liabilities that are excluded in accordance with Section 3 of this Decision and they meet the conditions referred to in Section 4 of this Decision, other than the requirements referred to in paragraph 1, item 2) of that Section,

- in accordance with the law regulating bankruptcy and liquidation of banks, claims arising from these liabilities rank below the liabilities that do not meet the conditions referred to in indent 1 hereof and the liabilities which do not meet the conditions for inclusion in the calculation of own funds,

- write-down and conversion can be applied to the liabilities in accordance with Article 128g of the Law in a manner that is consistent with the resolution plan of the resolution group, in particular by not affecting the controlling participation of the resolution entity in the subordinated company referred to in that paragraph;

2) own funds, as follows:

- Common Equity Tier 1 capital, and

- other own funds the holders and/or creditors of which are entities that are included in the same resolution group or persons that are not included in the same resolution group as long as the application of write-down or conversion to these own funds items in accordance with Article 128g of the Law does not affect the controlling participation of the resolution entity in the subordinated company referred to in this paragraph.

The subordinated company referred to in paragraph 1 hereof shall deduct from the amount of its qualifying eligible liabilities the amount of its investment in own funds and qualifying eligible liabilities instruments where these financial instruments were issued by an entity that is not a resolution entity and not a liquidation entity but that complies with the minimum requirement for own funds and eligible liabilities in the manner laid down in paragraph 1 hereof and is part of the same resolution group as this subordinated company.

For the purpose of paragraph 2 of this Section, qualifying eligible liabilities shall mean the liabilities referred to in paragraph 1, item 1) of this Section, and own funds – own funds referred to in item 2) of that paragraph.

23. The National Bank of Serbia may waive the application of Section 22, paragraph 1 of this Decision to the subordinated company, provided that the following conditions are met:

1) the subordinated company and the resolution entity referred to in Section 22, paragraph 1 of this Decision were established in the Republic of Serbia and are part of the same resolution group;

2) the resolution entity referred to in Section 22, paragraph 1 of this Decision complies with the requirement referred to in Section 17, paragraph 3 of this Decision;

3) there are no current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities of the resolution entity referred to in Section 22, paragraph 1 of this Decision to the subordinated company referred to in that paragraph, if it has been determined for this subordinated company that the conditions for initiating the resolution procedure referred to in Article 128h of the Law have been fulfilled, in particular where resolution measures and tools have been applied to such resolution entity;

4) the resolution entity referred to in Section 22, paragraph 1 hereof satisfies the regulatory requirements of the National Bank of Serbia regarding the management of the subordinated company referred to in that paragraph, and has declared that it guarantees the commitments entered into by the subordinated company or that the risks in the subordinated company are of no significance;

5) the same risk identification, measurement and/or evaluation and control procedures of the resolution entity referred to in Section 22, paragraph 1 of this Decision apply to the subordinated company referred to in that paragraph;

6) the resolution entity referred to in Section 22, paragraph 1 hereof holds more than 50% of the voting rights attached to shares in the capital of the subordinated company or has the right to appoint or remove a majority of the members of the management bodies of the subordinated company.

24. Where the conditions referred to in Section 23, items 1) and 2) of this Decision are met, the National Bank of Serbia may permit the subordinated company referred to in Section 22, paragraph 1 of this Decision to meet the requirement referred to in Section 17, paragraph 2 of this Decision in full or in part with a guarantee provided by the resolution entity, which fulfils the following

conditions:

- 1) the guarantee is provided for at least an amount that is equivalent to the amount of the requirement which it substitutes;
- 2) the guarantee is triggered when the subordinated company is unable to settle its liabilities as they fall due, or it has been determined for the subordinated company that conditions have been met for initiating the resolution procedure referred to in Article 128h of the Law;
- 3) the guarantee is collateralised through a financial collateral agreement in accordance with the law regulating financial collateral, for at least 50% of its amount;
- 4) the collateral backing the guarantee fulfils the requirements relating to eligible collateral in the form of financial assets laid down in the decision regulating capital adequacy of banks and its value is sufficient, following appropriate haircuts, to cover the amount collateralised referred to in item 3) hereof;
- 5) the collateral backing the guarantee is unencumbered and, in particular, is not used as collateral to back any other guarantee;
- 6) the maturity of the collateral fulfils the maturity condition referred to in Section 4, paragraph 1, item 6) of this Decision;
- 7) there are no legal, regulatory or operational barriers to the transfer of the collateral from the resolution entity to the subordinated company, including where resolution measures and tools are applied to the resolution entity.

For the purpose of implementing paragraph 1, item 7) hereof, the National Bank of Serbia may request the resolution entity to provide an independent written and reasoned legal opinion or to otherwise satisfactorily demonstrate that there are no legal, regulatory or operational barriers to the transfer of collateral referred to in that provision.

Transitional and closing provisions

25. For the eligible liabilities that fulfilled the conditions for inclusion in qualifying eligible liabilities until the application date of this Decision, the bank shall verify the fulfilment of the conditions for inclusion in the qualifying eligible liabilities laid down in this Decision – by the application date of this Decision.

The eligible liabilities that do not fulfil the conditions laid down in this Decision for inclusion in qualifying eligible liabilities and which, until the application date of this Decision, fulfilled the conditions for inclusion in

qualifying eligible liabilities, may be included by the bank in the calculation of these liabilities until 31 December 2025.

As of 1 January 2026, the bank may include the eligible liabilities referred to in paragraph 2 hereof in qualifying eligible liabilities as follows:

- 1) until 31 December 2026 – up to 80% of the qualifying eligible liabilities;
- 2) until 31 December 2027 – up to 60% of the qualifying eligible liabilities;
- 3) until 31 December 2028 – up to 40% of the qualifying eligible liabilities;
- 4) until 31 December 2029 – up to 20% of the qualifying eligible liabilities;
- 5) until 1 January 2030 – 0% of the qualifying eligible liabilities.

26. The bank shall comply with the minimum requirement for own funds and eligible liabilities determined by the decision referred to in Section 17 of this Decision as follows:

- 1) until 31 December 2016 – with 70% of the requirement from this paragraph;
- 2) until 31 December 2027 – with 80% of the requirement from this paragraph;
- 3) until 31 December 2028 – with 90% of the requirement from this paragraph;
- 4) until 31 December 2029 – with 100% of the requirement from this paragraph.

27. This Decision shall repeal the Decision on the Minimum Requirement for Capital and Eligible Liabilities of a Bank (RS Official Gazette, Nos 30/2015, 78/2017 and 116/2023).

28. This Decision shall enter into force on the eighth day from its publication in the RS Official Gazette and shall apply as of 1 October 2025.

NBS EB NO 40
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.