

Pursuant to Article 128g, paragraph 8 and Article 128q, paragraph 8 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 19/25), the Executive Board of the National Bank of Serbia hereby issues the following

D E C I S I O N
ON DETAILED REQUIREMENTS FOR THE WRITE-DOWN AND
CONVERSION OF CAPITAL INSTRUMENTS AND ELIGIBLE LIABILITIES
OF BANKS

1. This Decision lays down detailed requirements for the write-down and conversion of capital instruments and eligible liabilities of the bank and/or bank under resolution by applying the measure referred to in Article 128g of the Law on Banks (hereinafter: Law), as well as detailed requirements for and manner of write-down and conversion of eligible liabilities of the bank under resolution by applying the bail-in tool.

2. The National Bank of Serbia may write down and convert relevant capital instruments and eligible liabilities of the bank either:

1) independently of the resolution tools, in case this measure is applied before initiating the resolution procedure;

2) in combination with one or more resolution tools, in case this measure is applied after initiating the resolution procedure, but the write-down and conversion are performed before applying the relevant resolution tool.

3. The write-down and conversion of relevant capital instruments of the bank referred to in Section 2 of this Decision shall apply to all capital instruments that qualify for inclusion in the calculation of the bank's capital in the full amount, regardless of whether they were included by the bank in the calculation of capital and in what amount.

4. Where the resolution entity holds indirectly, through other entities in the same resolution group, the relevant capital instruments subject to the measure of write-down and conversion or is a creditor under eligible liabilities of that bank, the measure of write-down and conversion shall be applied to such bank and at the level of its parent undertaking or at the level of other parent undertakings that are not resolution entities, so that the losses are effectively passed on to the resolution entity, and the resolution entity recapitalises the bank to which the measure of write-down and conversion applies.

5. The National Bank of Serbia may write down and convert eligible liabilities of the bank independently of the resolution tools only if such liabilities meet the conditions prescribed for qualifying eligible liabilities of a bank that is a subsidiary company of a resolution entity and is not a resolution entity itself by the decision regulating the minimum requirement for own funds and eligible liabilities of banks, except for the condition that the remaining maturity of these liabilities shall be one year or longer.

6. When applying Article 128t of the Law, the following shall be taken into consideration:

1) no shareholder or creditor of the bank shall be worse off than if the bankruptcy procedure had been initiated against the bank, which means that the total value of shares and claims remaining to the shareholder and/or creditor after the write-down and conversion may not be lower than the amount such shareholder and/or creditor would have received in the bankruptcy procedure;

2) creditors ranking equally in the bankruptcy procedure in accordance with the law regulating bankruptcy and liquidation of banks shall be treated in the same way.

For the purpose of applying paragraph 1, item 2) hereof, the valuation carried out in accordance with Article 128i of the Law shall contain the total amount to be received by each payout rank of creditors in the event of the bankruptcy procedure and the percentage share of each of the creditors falling within the same payout rank in that amount in proportion to the level of their claims.

7. Capital instruments of a bank that is a subordinated company shall not be written down to a greater extent and/or converted on worse terms than equally ranked capital instruments in accordance with the law regulating bankruptcy and liquidation of banks and/or than claims based on initial capital that are settled from the surplus of the distribution estate in accordance with the law – which are written down or converted at the level of the parent company of the bank.

8. The National Bank of Serbia may apply different conversion rates to different classes of shareholders and creditors if this is necessary in order to achieve resolution objectives, taking into account the provisions of Section 6, paragraph 1 of this Decision.

9. The National Bank of Serbia shall prescribe the manner of determining appropriate compensation to creditors affected by the application of different conversion rates to different categories of capital instruments and liabilities,

taking into account Section 6, paragraph 1, item 1) of this Decision.

The National Bank of Serbia shall set the conversion rates so that, for each shareholder or creditor of the bank, the expected value of their claims – including claims based on capital instruments within the meaning of the decision regulating capital adequacy of banks (hereinafter: capital instruments) – after the application of write-down or conversion is at least equal to the value of the claims that would have been realised if the bankruptcy procedure had been initiated against the bank, as follows:

- 1) for any creditor whose claim has been wholly converted to equity, the estimated value of the capital instrument they receive should be at least as large as their expected claim recovery in case of bankruptcy against the bank;
- 2) for any creditor whose claim has been partially converted to equity, the expected value of the capital instrument they receive should be at least as large as their expected claim recovery in case of bankruptcy, less the estimated value of their remaining claim after conversion;
- 3) in the case of conversion of eligible liabilities or other instruments to equity, the estimated value of the received capital instrument may be either higher, lower or equal to the value of such claim or instrument.

Where the total estimated value of equity to be received by the affected creditors following the write-down and conversion is greater than or equal to the estimated amount of claims, different conversion rates shall not be applied for the purpose of application of Section 6, paragraph 1, item 1) of this Decision. By contrast, if the total estimated value of equity referred to in this paragraph is lower than the estimated amount of claims, the National Bank of Serbia shall apply different conversion rates.

10. In setting the conversion rates, the National Bank of Serbia shall ensure in particular that:

- 1) shareholders of the bank under resolution bear first losses;
- 2) creditors of the bank under resolution bear losses after the shareholders in accordance with the order of priority of their claims in the normal bankruptcy procedure against the bank;
- 3) creditors that would fall within the same payout rank in the normal bankruptcy procedure are treated in an equitable manner, unless otherwise regulated by the law governing bankruptcy and liquidation of banks.

The National Bank of Serbia shall set the conversion rates by applying Section 6, paragraph 1, item 2) of this Decision.

If the application of resolution measures and tools would result in losses for a class of creditors, and/or in the value of their claims (including in respect of capital instruments) being lower than the value of claims of such class before resolution, the National Bank of Serbia shall not perform the conversion of other eligible liabilities and instruments or it shall set a lower conversion rate.

11. Where the independent valuation of the value of assets and liabilities of the bank referred to in Article 128i of the Law has determined that the value of total assets of the bank is negative or zero, by virtue of the decision on the write-down or conversion referred to in Article 128g of the Law, and/or the decision on initiating the resolution procedure referred to in Article 128j of the Law envisaging the application of the bail-in tool, the National Bank of Serbia shall fully cancel the bank's shares or transfer them to creditors whose claims are subject to the application of this measure and/or tool, depending on other measures that are taken.

Where the value of total assets referred to in paragraph 1 of this Section is positive, by virtue of the decision on the write-down and conversion referred to in Article 128g of the Law and/or the decision on initiating the resolution procedure referred to in Article 128j of the Law envisaging the application of the bail-in tool, the National Bank of Serbia shall significantly reduce the nominal value of the shares and other relevant rights of the bank's shareholders, so that their total value does not exceed the value of total assets referred to in that paragraph and/or it shall transfer them to the creditors whose claims were affected by the application of this measure and/or tool.

When considering whether to cancel and/or transfer the shares and/or other Common Equity Tier 1 instruments, in the case referred to in paragraph 1 of this Section (with or without a significant reduction of value), the National Bank of Serbia shall take into account all specificities of these shares or other instruments (such as specific voting rights, stock exchange listing, etc.).

12. After the write-down and conversion of relevant capital instruments and eligible liabilities referred to in Section 2, item 2) of this Decision, the National Bank of Serbia shall ensure that an independent valuation referred to in Article 128w of the Law is performed and that the safeguards referred to in that Article are implemented, where applicable.

13. This Decision shall repeal the Decision on Detailed Terms of Conversion of Supplementary Capital Items of a Bank and/or Bank under Resolution and Detailed Terms and Manner of Write-down and Conversion of Liabilities of a Bank Under Resolution (RS Official Gazette, No 30/2015).

14. 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 44
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.