

Pursuant to Article 128r, paragraph 5 of the Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010, 14/2015 and 19/2025), 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) and Section 4, paragraph 6 and Section 17, paragraph 4 of the Decision on Minimum Requirement for Own Funds and Eligible Liabilities of Banks (RS Official Gazette, No 51/2025), the Executive Board of the National Bank of Serbia hereby issues the following

G U I D E L I N E S

FOR IMPLEMENTING SOME PROVISIONS OF THE DECISION ON MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES OF BANKS

Introductory provision

1. For the purpose of implementing some provisions of the Decision on Minimum Requirement for Own Funds and Eligible Liabilities of Banks (hereinafter: Decision), these Guidelines shall prescribe in more detail:

- 1) the cases of direct and indirect funding of investment in financial instruments and other eligible liabilities of the bank;
- 2) the form and nature of incentives to redeem or repay financial instruments and other eligible liabilities of the bank prior to their maturity;
- 3) content of the provision defining the creditor's consent with regard to the bank's liabilities referred to in Section 4, paragraph 1, item 11) of the Decision;
- 4) manner of estimation of additional own funds requirements and capital buffer requirements of the resolution entity at the resolution group consolidated level.

Cases of direct and indirect funding of investment in eligible liabilities of a bank

2. Direct funding of investment in eligible liabilities of the bank referred to in Section 4, paragraph 1, item 3) of the Decision shall refer to situations where the bank has granted a loan or other funding to a creditor, which the creditor uses for investment in financial and other instruments that represent eligible liabilities of the bank and/or for placement of funds that gives rise to an eligible liability of that bank.

Direct funding referred to in paragraph 1 hereof shall also include funding granted for purposes other than investment in instruments and/or liabilities of the bank referred to in that paragraph, if the bank is funding a

person that is a related person of the bank within the meaning of the Law on Banks (hereinafter: Law).

By way of derogation from paragraph 2 hereof, the situation referred to in that paragraph shall be considered neither direct nor indirect funding where the bank can demonstrate the following:

- 1) the funding is realised at similar conditions as usual funding of other persons (not related to the bank);
- 2) the capacity of the persons related to the bank to regularly settle their liabilities to the bank in respect of such funding does not rely on interest income from these liabilities or their sale and/or transfer to third persons.

3. Indirect funding of investment in financial instruments and/or eligible liabilities of the bank referred to in Section 4, paragraph 1, item 3) of the Decision shall include the following cases in particular:

- 1) a legal person in which the bank holds controlling participation, or a person which is included together with the bank in consolidation for the purposes of supervision of the banking group on a consolidated basis by the National Bank of Serbia or in consolidation in accordance with the law governing accounting, funds the acquisition of instruments and/or placement of funds that gives rise to eligible liabilities of the bank, at their issuance and/or placement or thereafter;

- 2) a person that is protected by a guarantee, by the use of a credit derivative or that is secured in some other way so that the credit risk is transferred to the bank or to a person in which the bank holds controlling participation or to a person which is included together with the bank in consolidation for the purposes of supervision of the banking group on a consolidated basis by the National Bank of Serbia or in consolidation within the meaning of the law governing accounting, funds the acquisition of instruments and/or placement of funds that gives rise to these liabilities, at their issuance and/or placement or thereafter;

- 3) the bank funds a person who passes the funding on to the ultimate creditor for the acquisition of instruments and/or placement of funds that give rise to these liabilities, at their issuance and/or placement or thereafter.

The funding referred to in paragraph 1 hereof shall be deemed indirect if neither the creditor referred to in that paragraph nor the person referred to in item 2) of that paragraph is a person which is included together with the bank in consolidation for the purposes of supervision of the banking group on a consolidated basis by the National Bank of Serbia or in consolidation in accordance with the law governing accounting.

Indirect funding of eligible liabilities of the bank referred to in Section 4, paragraph 1, item 3) of the Decision shall also include the instances of intragroup circular funding, which means the following in particular:

1) the bank has granted a loan or other funding to the person referred to in paragraph 1, item 1) hereof through another person referred to in that item, that is used for the acquisition of instruments and/or invested in eligible liabilities of the bank;

2) funds are granted to the person referred to in paragraph 1, item 1) hereof through another person referred to in that item, for a purpose other than investment in eligible liabilities of the bank, and the bank cannot demonstrate that the conditions set out in Section 2, paragraph 3 of these Guidelines have been fulfilled.

4. When establishing whether the bank funded investment in instruments and/or liabilities, the amount to be considered shall be net of any individually assessed allowances for impairment and provisions for losses on off-balance sheet items.

Form and nature of incentives to redeem or repay eligible liabilities of the bank

5. Incentives for the bank to redeem or repay liabilities prior to their maturity within the meaning of Section 4, paragraphs 4 and 5 of the Decision refer to all elements and features of the instruments and liabilities that provide, at the date of issuance and/or conclusion of the contract, an expectation that the instrument or the liability is likely to be redeemed or repaid prior to maturity; these incentives shall include:

1) a call option combined with an increase in the credit spread of the instrument and/or the liability if the call is not exercised;

2) a call option combined with a requirement or an investor option to convert the instrument or the liability into a Common Equity Tier 1 instrument where the call is not exercised;

3) a call option combined with a change in the reference rate where the credit spread over the second reference rate is greater than the initial rate minus the swap rate at the start of application of the second reference rate;

4) a call option combined with an increase in the amount redeemed or repaid in the future;

5) a remarketing option combined with an increase in the credit spread of the instrument and/or the liability or a change in reference rate where the credit spread over the second reference rate is greater than the initial rate that is replaced minus the swap rate at the start of application of the second reference rate, where the instrument and/or liability is not remarketed;

6) marketing of the instrument and/or the liability in a way which

suggests to creditors that the bank will redeem the instrument and/or repay the liability.

Content of the provision from Section 4, paragraph 1, item 11) of the Decision

6. In order to include eligible liabilities of the bank in qualifying eligible liabilities within the meaning of fulfilment of the conditions referred to in Section 4, paragraph 1, item 11) of the Decision, the relevant contractual documentation and/or terms of issuance of the relevant instrument shall contain the following:

1) a statement by the creditor confirming that he is aware and agrees that the liability of the bank may be subject to write-down, conversion or annulment of the principal or the amount outstanding as a consequence of the resolution measures and tools applied by the National Bank of Serbia in accordance with the Law;

2) a description of the powers of the National Bank of Serbia in relation to the application of resolution measures and tools, particularly of its powers to write down or convert a specific liability in accordance with the Law;

3) a statement by the creditor that he is aware and agrees:

– that the creditor is bound by the consequences of application of the National Bank of Serbia's powers to write down or convert liabilities in accordance with the Law, including the reduction of the principal or the outstanding amount of the liability which comprises accrued but unpaid interest, and the conversion of this liability into shares or other equity instruments of the bank;

– that the National Bank of Serbia is empowered, in order to exercise its write-down and conversion powers in accordance with the Law, to annex or terminate the contract concluded by the bank, and that the creditor is bound by such amended contract;

– that the National Bank of Serbia may issue shares or other equity instruments of the bank or transfer them to the counterparty as a result of exercising its write-down or conversion powers;

4) a statement by the creditor that he is aware and agrees that the provision referred to in this Section relates to his consent that the liability that is subject to the law of another country may be written down or converted, and that, by virtue of this provision, the creditor agrees to any reduction, conversion or annulment of principal or the amount outstanding as a consequence of the measures taken by the National Bank of Serbia in accordance with the Law, independently of any other agreements, arrangements or deals between the counterparties in relation to the subject matter of the relevant contract.

Manner of estimation of additional own funds requirements and capital buffer requirements of the resolution group

7. Where the National Bank of Serbia has not determined an additional own funds requirement to a resolution entity at the resolution group consolidated level for the purpose of determining the minimum requirement for own funds and eligible liabilities of this entity, the additional own funds requirement for such entity shall be estimated in accordance with the provisions hereof.

Where the total risk exposure amount of the resolution entity at the resolution group consolidated level differs by 5% or less from the total risk exposure amount of the ultimate parent company at the banking group consolidated level, the minimum requirement for own funds and eligible liabilities of this entity shall be determined using the additional own funds requirement imposed on the ultimate parent company of that banking group.

The additional own funds requirement imposed on the bank at the resolution group consolidated level accounting for the largest proportion of the risk exposure of that group shall be used as the additional own funds requirement of the resolution entity at the resolution group consolidated level, where all of the following applies:

- 1) the total risk exposure amount of the entity differs by more than 5% from the total risk exposure amount of the ultimate parent company at the banking group consolidated level;
- 2) the total risk exposure amount of the entity is equal to, or differs by less than 5% from, the individual total risk exposure of the bank at the resolution group consolidated level accounting for the largest proportion of the total risk exposure of that group;
- 3) the additional own funds requirement of the bank at the resolution group consolidated level accounting for the largest proportion of the total risk exposure amount of the group is greater than zero.

Where paragraphs 2 and 3 hereof do not apply and none of the entities that are part of the resolution group are subject to a higher additional own funds requirement than the additional own funds requirement imposed on the ultimate parent company at the banking group consolidated level, the additional own funds requirement imposed on the ultimate parent company at the banking group consolidated level, subject to the adjustments referred to in Section 8 of these Guidelines, shall be used as an estimation of the additional own funds requirement of the resolution entity at the resolution group consolidated level.

Where paragraphs 2 and 3 hereof do not apply and one or more of the entities that are part of the resolution group are subject to a higher additional own funds requirement than the additional own funds requirement imposed on

the ultimate parent company at the banking group consolidated level, the higher of the following shall be used as an estimation of the additional own funds requirement of the resolution entity at the resolution group consolidated level:

- 1) the additional own funds requirement imposed on the ultimate parent company at the banking group consolidated level subject to the adjustments referred to in Section 8 of these Guidelines;
- 2) the sum of the products of the additional own funds requirements of the entities of the resolution group and the respective individual total risk exposure amounts of these entities divided by the sum of the individual total risk exposure amounts of these entities.

For the purposes of the calculation referred to in paragraph 5, item 2) hereof, where the National Bank of Serbia did not impose an additional own funds requirement on a resolution group entity on an individual basis, the additional own funds requirement of that entity shall be zero.

8. For the purposes of estimation of the additional own funds requirement in accordance with Section 7, paragraph 4 and paragraph 5, item 1) of these Guidelines, the National Bank of Serbia shall adjust the estimation in the following cases:

- 1) some of the risks or elements of risk for the coverage of which the National Bank of Serbia imposed the additional own funds requirement on the ultimate parent company at the banking group consolidated level are not present in the resolution group concerned;
- 2) some risks or elements of risk for the coverage of which the National Bank of Serbia imposed no additional own funds requirements on the ultimate parent company at the banking group consolidated level are present in that resolution group.

The adjustments referred to in paragraph 1 hereof shall not be made where the National Bank of Serbia has assessed that there is no significant risk relating to entities or activities of banking group members that are not part of the resolution group.

9. The National Bank of Serbia shall use as an estimation of the combined capital buffer requirement of the resolution entity at the resolution group consolidated level the sum of the capital buffer requirements determined in accordance with the decision regulating capital adequacy of banks, as estimated in accordance with paragraphs 2 to 4 hereof.

The National Bank of Serbia shall use as an estimation of the capital conservation buffer requirement at the resolution group consolidated level the

capital conservation buffer requirement imposed on the ultimate parent company at the banking group consolidated level.

The National Bank of Serbia shall use as an estimation of the capital buffer requirement for a systemically important bank of the resolution entity at the resolution group consolidated level the capital buffer requirement for a systemically important bank imposed on the ultimate parent company at the banking group consolidated level. Where the capital buffer requirement for a systemically important bank has also been set at another level of consolidation than at the group level, the National Bank of Serbia shall use as an estimation of that requirement the capital buffer requirement for a systemically important bank set at the level of consolidation that is the closest, in terms of total risk exposure amount, to the resolution group.

The National Bank of Serbia shall use as an estimation of the systemic risk capital buffer requirement for the resolution entity at the consolidated resolution group level the systemic risk capital buffer requirement imposed on the ultimate parent company at the banking group consolidated level. Where the systemic risk buffer has also been set at another level of consolidation than at the group level, the National Bank of Serbia shall use as an estimation of that requirement the systemic risk buffer requirement set at the level of consolidation that is the closest, in terms of total risk exposure amount, to the resolution group.

10. These Guidelines shall enter into force on the eighth day from their publication in the RS Official Gazette and shall apply as of 1 October 2025.

NBS EB No 54
10 July 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.