

Pursuant to Article 128g, paragraph 8 and Article 128q, paragraph 8 of the Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010 and 14/2015) 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 and 14/2015), the Executive Board of the National Bank Serbia hereby issues

D E C I S I O N
**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**

1. This decision sets forth detailed terms of conversion of supplementary capital items of a bank and/or bank under resolution by applying the measure from Article 128g of the Law on Banks (hereinafter: the Law), detailed terms and manner of write-down and conversion of liabilities of a bank under resolution by applying the bail-in tool, as well as the conditions of using funds provided for resolution for the purposes specified in Article 128q, paragraph 7 of the Law, in case when some eligible liabilities of a bank under resolution are excluded from the write-down or conversion.

2. Supplementary capital items of a bank and/or bank under resolution shall be written down and/or converted to bank's shares which may be included in the bank's core capital by applying the measure referred to in Article 128g of the Law – but only if the bank's losses cannot be covered from its core capital, and to the extent required to achieve the resolution objectives or to the extent of the capacity of the relevant capital items, whichever is lower.

In the write-down and conversion referred to in paragraph 1 of this Section, the National Bank of Serbia shall strive to ensure that all creditors of the same class are treated in an equitable manner in accordance with the order of priority of their claims in bankruptcy procedure pursuant to the law governing bankruptcy and liquidation of banks and insurance companies.

In doing the write-down and determining the rate of conversion of supplementary capital items, the National Bank of Serbia shall make sure that the total value of shares and receivables remaining in the shareholder's and the creditor's possession after the application of the measure referred to in paragraph 1 of this Section are not lower than the amount such shareholder

and/or creditor would have been expected to receive in the bankruptcy procedure.

The assessment referred to in paragraph 3 of this Section shall be based on the valuation performed in accordance with Article 128i of the Law, stipulating the total amount that each class of creditors would have been expected to receive if the bank were placed under bankruptcy, and the percentage share of each creditor from the same class in the total amount proportionate to their receivables.

The write-down and conversion referred to in paragraph 1 of this Section shall be applied to all items eligible for inclusion in the calculation of the bank's supplementary capital in full amount, irrespective of whether the bank included them in the calculation of supplementary capital and in what amount.

3. If the independent valuation of assets and liabilities of a bank referred to in Article 128i of the Law established that the value of total bank's assets is negative or zero, the National Bank of Serbia shall, by virtue of a decision on the write-down or conversion from Article 128g of the Law, decision on initiating the resolution procedure from Article 128j of the Law, and/or decision on the application of the bail-in tool – fully cancel the bank's shares or transfer them to creditors who bear losses through the application of this measure, and/or tool, depending on other measures taken.

If the value of total assets referred to in paragraph 1 of this Section is positive, the National Bank of Serbia shall, by virtue of a decision on the write-down and conversion from Article 128g of the Law, decision on initiating the resolution procedure from Article 128j of the Law, and/or decision on the application of the bail-in tool – significantly dilute the nominal value of shares and other respective rights of bank shareholders, so that their total value does not exceed the value of total assets from that paragraph, and/or transfer them to creditors who bear losses through the application of this measure, and/or tool.

4. In the write-down and conversion of liabilities of a bank under resolution in accordance with Article 128t, paragraph 4 of the Law, the National Bank of Serbia shall equitably allocate the losses among shareholders and creditors by reducing the amounts of core and supplementary capital items, subordinated and other eligible liabilities to the same extent pro rata to their value, except where the National Bank of Serbia fully or partially excludes some eligible liabilities from the write-down or conversion in accordance with Article 128q, paragraph 6 of the Law.

The reduction referred to in paragraph 1 of this Section shall accordingly be subject to the provisions of Section 2, paragraphs 2–5 of this Decision.

5. If the National Bank of Serbia has fully or partially excluded some eligible liabilities from the write-down or conversion pursuant to Article 128q, paragraph 6 of the Law and if the losses that would have been covered by the write-down or conversion of these liabilities are not fully transferred to other creditors, the funds of the Republic of Serbia provided for bank resolution may be used for the purposes specified in paragraph 7 of that Article in accordance with the decision on ensuring financial support funds referred to in Article 128y, paragraph 5 of the Law.

6. This Decision shall be published in the “RS Official Gazette” and shall come into force on 1 April 2015.

NBS EB No 23
26 March 2015

B e l g r a d e

Chair
of the Executive Board
of the National Bank of Serbia
G o v e r n o r
National Bank of Serbia

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