

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17, 125/23) and Article 117 of the Law on Credit Institutions (OGM 72/19, 8/21, 24/25), the Council of the Central Bank of Montenegro, at its meeting held on 25 July 2025, passed the following

DECISION
AMENDING THE DECISION ON THE CRITERIA AND THE MANNER OF
CLASSIFICATION OF ASSETS AND CALCULATION OF PROVISIONS FOR
POTENTIAL LOAN LOSSES OF A CREDIT INSTITUTION

Article 1

In the Decision on the Criteria and the Manner of Classification of Assets and Calculation of Provisions for Potential Loan Losses of a Credit Institution (OGM 127/20, 140/21), in Article 6 paragraph (9) the words: "EUR 500,000" shall be replaced by the following: "EUR 1,000,000".

Article 2

In Article 17 after paragraph (9) a new paragraph shall be added, worded as follows: "(10) For the purposes of paragraph (3) item 2) of this Article, a credit institution shall only consider future income increases if there is justified reason to expect that those increases will occur, as well as the possibility to demonstrate a conservative approach in evaluating the extent to which it will consider future income increases of the debtor."

Article 3

In Article 18 paragraph (1) the words: "Article 197 paragraphs (7) and (10)" shall be replaced by the following: "Article 218 paragraphs (7) and (10)".

In paragraph (2) the words: "Article 197 paragraph (14)" shall be replaced by the following "Article 218 paragraph (15)".

Article 4

In Article 21 paragraph (2) item 2) at the end of indent 4 the word: "and" shall be deleted.

In indent 5 a full-stop at the end of the indent shall be replaced by semi-colon and the following shall be added: "and".

After indent 5 a new indent shall be added, worded as follows:

" - loan is not in default."

Article 5

In Article 22 paragraph (2) at the end of item 6) a full stop shall be replaced by a semi-colon and a new item shall be added, worded as follows:

“7) loan is not in default.”

Article 6

In Article 23 paragraph (2) at the end of item 6) a full stop shall be replaced by a semi-colon and a new item shall be added, worded as follows:

“7) loan is in default.”

Article 7

In Article 24 paragraph (2) at the end of item 4) a full stop shall be replaced by a semi-colon and a new item shall be added, worded as follows:

“5) loan is in default.”

Article 8

In Article 25 paragraph (2) at the end of item 2) a full stop shall be replaced by a semi-colon and a new item shall be added, worded as follows:

“3) loan is in default.”

Article 9

In Article 26 paragraph (1) a full stop at the end of paragraph shall be replaced by comma and the following shall be added: “or a credit institution shall not be required to examine the criteria referred to in Article 218 paragraph (1) item 2) of the Decision on Capital Adequacy when determining the fulfilment of the default requirements.”

Article 10

In Article 27 before paragraph (1) a new paragraph shall be added, worded as follows: “(1) Investment project finance means the funding of the debtors’ activities involved in the project realisation, where the repayment of the loan of the debtor primarily depends on the cash flow generated by that project, and the entire project assets serves as a collateral for a loan that a credit institution has granted for funding that project.”.

In paragraph (4) the words: “paragraph (1) shall be replaced by the following: “paragraph (2).”

Current paragraphs (1) to (5) shall become paragraphs (2) to (6).

Article 11

In Article 29 before paragraph (1) four new paragraphs shall be added, worded as follows:

“(1) Loan restructuring means a concession by a credit institution towards a debtor that is experiencing or is likely to experience difficulties in meeting its financial commitments, whereat such a concession may entail a loss for the lending credit institution and shall refer to either of the following actions:

- 1) a modification of the terms and conditions of a debt obligation, where such modification would not have been granted had the debtor not experienced difficulties in meeting its financial commitments;
- 2) a total or partial refinancing of a debt obligation, where such refinancing would not have been granted had the debtor not experienced difficulties in meeting its financial commitments.

(2) The difficulties experienced by a debtor in meeting its financial commitments shall be assessed at debtor level, taking into account all the legal persons in the debtor's group which are included in the accounting consolidation of the group, and natural persons who control that group.

(3) A credit institution shall be deemed to have restructured a loan in particular in the following situations:

- 1) new contract terms are more favourable to the debtor than the previous contract terms, where the debtor is experiencing or is likely to experience difficulties in meeting its financial commitments;
- 2) new contract terms are more favourable to the debtor than contract terms offered by the same credit institution to debtors with a similar risk profile at that time, where the debtor is experiencing or is likely to experience difficulties in meeting its financial commitments;
- 3) the exposure under the initial contract terms was classified as non-performing before the modification to the contract terms or would have been classified as non-performing in the absence of modification to the contract terms;
- 4) the measure results in a total or partial cancellation of the debt obligation;
- 5) the credit institution approves the exercise of clauses that enable the debtor to modify the terms of the contract and the exposure was classified as non-performing before the exercise of those clauses, or would be classified as non-performing were those clauses not exercised;
- 6) at or close to the time of the granting of debt, the debtor made payments of principal or interest on another debt obligation with the same credit institution, which was classified as a non-performing exposure or would have been classified as non-performing in the absence of those payments;
- 7) the modification to the contract terms involves repayments made by taking possession of collateral, where such modification constitutes a concession.

(4) The following circumstances may indicate that the credit institution has restructured a loan:

- 1) the initial contract was past due by more than 30 days at least once during the three months prior to its modification or would be more than 30 days past due without modification;
- 2) at or close to the time of concluding the credit agreement, the debtor made payments of principal or interest on another debt obligation with the same credit institution that was past due by 30 days at least once during the three months prior to the granting of new debt;

- 3) the credit institution approves the exercise of clauses that enable the debtor to change the terms of the contract, and the exposure is 30 days past due or would be 30 days past due were those clauses not exercised.

Current paragraphs (1) to (3) shall become paragraphs (5) to (7).

Article 12

In the heading of Article 33 the word: "Treatment" shall be replaced by the following: "Prudential treatment".

Article 13

In Article 35 paragraph (1) item 3) the words: "Article 197" shall be replaced by the following: "Article 218", and after the semi-colon the words: "and/or" shall be deleted.

A full stop at the end of item 4) shall be replaced by a semi-colon and three new items shall be added, worded as follows:

- " 5) an exposure under probation pursuant to Article 37 paragraph (2) of this Decision, where additional forbearance measures are granted or where the exposure becomes more than 30 days past due;
- 6) an exposure in the form of a commitment that, were it drawn down or otherwise used, would likely not be paid back in full without realisation of collateral;
- 7) an exposure in form of a financial guarantee or other form of surety that is likely to be called by the beneficiary of the guarantee, including where the underlying guaranteed exposure meets the criteria to be classified as non-performing."

In paragraph (3) the introductory sentence after the word: item" the following shall be added:

"that was not subject to restructuring"

In item 1) the he words: "Article 197" shall be replaced by the following: "Article 218"

Article 14

In the heading of Article 36 after the word: "Classification of" the following shall be added: "non-performing", and after the word: "performing" the following shall be added: "restructured".

In paragraph (1) after the word: "performing" the following shall be added: "restructured", and before the word: "period" the following shall be added: "recovery."

In paragraph (2) in the introductory sentence, before the word: "period" the following shall be added: "recovery"

In paragraph (3) in the introductory sentence, before the word: "period" the following shall be added: "the recovery", after the word: "Article" the following shall be added: "non-performing", the word: "category" shall be replaced by the word: "group", and after the word: "performing" the following shall be added: "restructured".

In paragraph (4) words: “that is not more than 30 days past due” shall be replaced by the following: “for which there is no a liability that is matured more than 30 days”.

Article 15

In Article 37 paragraph (1) item 1) after the words: “performing loans” the following shall be added: “and there is no liability on that loan that is matured more than 30 days;”

In paragraph (2) the word: “category” shall be replaced by the following: “group”, and after the word: “performing” the following shall be added: “restructured”.

Article 16

After Article 37, a new Article shall be added, worded as follows:

“Prudential treatment of impairment of non-performing exposures

Article 37a

(1) For the purposes of prudential treatment of non-performing exposures, and the calculation of deductions referred to in Article 19 item 14) of the Decision on Capital Adequacy, a credit institution shall determine the applicable amount of insufficient coverage separately for each non-performing exposure to be deducted from Common Equity Tier 1 items by subtracting the amount determined in item 2) of this paragraph from the amount determined in item 1) of this paragraph, where the amount referred to in item 1) exceeds the amount referred to in item 2) of this paragraph:

- 1) the sum of:
 - the unsecured part of each non-performing exposure, if any, multiplied by the applicable factor referred to in paragraph (4) of this Article; and
 - the secured part of each non-performing exposure, if any, multiplied by the applicable factor referred to in paragraph (5) of this Article;
- 2) the sum of the following items provided they relate to the same non-performing exposure:
 - specific credit risk adjustments;
 - AVA determined in accordance with Articles 17 and 126 of the Decision on Capital Adequacy;
 - other own funds reductions as laid down in the Decision on Capital Adequacy;
 - for credit institutions calculating risk-weighted exposure amounts using the IRB Approach, the absolute value of the amounts deducted pursuant to Article 19 item 4) of the Decision on Capital Adequacy which relate to non-performing exposures, whereby the absolute value attributable to each non-performing exposure is determined by multiplying the amounts deducted pursuant to Article 19 item 4) of the Decision on Capital Adequacy by the contribution of the expected loss amount for the non-performing exposure to total expected loss amounts for defaulted or non-defaulted exposures, as applicable;
 - where a non-performing exposure is purchased at a price lower than the amount owed by the debtor, the difference between the purchase price and the amount owed by the debtor; and

- amounts written-off by the credit institution since the exposure was classified as non-performing.

(2) The unsecured part of a non-performing exposure referred to in paragraph (1) item 1) indent 1 of this Article corresponds to the difference between the accounting value of the exposure and the secured part of the exposure, if any.

(3) The secured part of a non-performing exposure referred to in paragraph (1) item 1) indent 2 of this Article shall be that part of the exposure which, for the purpose of calculating own funds requirements pursuant to Part Three Title II of the Decision on Capital Adequacy, is considered to be covered by a funded credit protection or unfunded credit protection or fully and completely secured by mortgages on immovable property.

(4) For the purposes of paragraph (1) item 1) indent 1 of this Article, the following factors shall apply:

- 1) 0,35 for the unsecured part of a non-performing exposure to be applied during the period between the first and the last day of the third year following its classification as non-performing;
- 2) 1 for the unsecured part of a non-performing exposure to be applied as of the first day of the fourth year following its classification as non-performing.

(5) For the purposes of paragraph (1) item 1) indent 2 of this Article, the following factors shall apply:

- 1) 0,25 for the secured part of a non-performing exposure to be applied during the period between the first and the last day of the fourth year following its classification as non-performing;
- 2) 0,35 for the secured part of a non-performing exposure to be applied during the period between the first and the last day of the fifth year following its classification as non-performing;
- 3) 0,55 for the secured part of a non-performing exposure to be applied during the period between the first and the last day of the sixth year following its classification as non-performing;
- 4) 0,70 for the part of a non-performing exposure secured by immovable property pursuant to Part Three Title II of the Decision on Capital Adequacy or if it is a residential loan guaranteed by an eligible protection provider as referred to in Article 239 of the Decision on Capital Adequacy, to be applied during the period between the first and the last day of the ninth year following its classification as non-performing;
- 5) 0,80 for the part of a non-performing exposure secured by other funded or unfunded credit protection pursuant to Part Three Title II of the Decision on Capital Adequacy to be applied during the period between the first and the last day of the seventh year following its classification as non-performing;
- 6) 0,80 for the part of a non-performing exposure secured by immovable property pursuant to Part Three Title II of the Decision on Capital Adequacy or if it is a residential loan guaranteed by an eligible protection provider as referred to in Article 239 of the Decision on Capital Adequacy, to be applied during the period between

the first and the last day of the eighth year following its classification as non-performing;

- 7) 1 for the part of a non-performing exposure secured by other funded or unfunded credit protection pursuant to Part Three Title II of the Decision on Capital Adequacy to be applied as of the first day of the eighth year following its classification as non-performing;
- 8) 0,85 for the part of a non-performing exposure secured by immovable property pursuant to Part Three Title II of the Decision on Capital Adequacy or if it is a residential loan guaranteed by an eligible protection provider as referred to in Article 239 of the Decision on Capital Adequacy, to be applied during the period between the first and the last day of the ninth year following its classification as non-performing;
- 9) 1 for the part of a non-performing exposure secured by immovable property pursuant to Part Three Title II of the Decision on Capital Adequacy or if it is a residential loan guaranteed by an eligible protection provider as referred to in Article 239 of the Decision on Capital Adequacy, to be applied as of the first day of the tenth year following its classification as non-performing.

(6) By way of derogation from paragraph (5) of this Article, the following factors shall apply to the part of the non-performing exposure guaranteed or insured or counter-guaranteed by an eligible protection provider referred to in Article 239 paragraph (1) items 1) to 5) of the Decision on Capital Adequacy, unsecured exposure to which would be assigned a risk weight of 0% under the Standardised Approach for credit risk:

- 1) 0 for the secured part of the non-performing exposure to be applied during the period between one year and seven years following its classification as non-performing; and
- 2) 1 for the secured part of the non-performing exposure to be applied as of the first day of the eighth year following its classification as non-performing, unless the eligible protection provider agreed to pay in full all obligations the debtor has to the credit institution in accordance with the original repayment plan, where the secured part of the non-performing exposure is assigned a factor 0.

(7) By way of derogation from paragraph (4) of this Article, where an exposure has, between one year and two years following its classification as non-performing, been granted a forbearance measure, the factor applicable in accordance with paragraph (4) of this Article on the date on which the forbearance measure is granted shall be applicable for an additional period of one year.

(8) By way of derogation from paragraph (5) of this Article, the part of the non-performing exposure guaranteed or insured by an official export credit agency shall not be subject to the requirements of this Article.

(9) By way of derogation from paragraph (5) of this Article, where an exposure has, between two and six years following its classification as non-performing, been granted a forbearance measure, the factor applicable in accordance with paragraph (5) of this Article on the date on which the forbearance measure is granted shall be applicable for an additional period of one year.

(10) The provisions of paragraphs (8) and (9) of this Article shall only apply in relation to the first forbearance measure that has been granted since the classification of the exposure as non-performing.”.

Article 17

After article 38 the heading of Chapter VI shall be amended to read: “TRANSITIONAL AND FINAL PROVISION” and a new Article shall be added, worded as follows:

“Transitional provision for the prudential treatment of non-performing exposures

Article 38a

(1) By way of derogation from Article 33 of this Decision, a credit institution shall not calculate the amount of estimated and potential losses for on- and off- balance sheet items that are considered to be non-performing assets, if those exposures originated after 1 January 2022.

(2) By way of derogation from Article 37a of this Decision, a credit institution shall not calculate the lacking amount of coverage for non-performing exposures originated before 1 January 2022.

(3) For the purposes of paragraphs (1) and (2) of this Article, for the exposures that originated before 1 January 2022 and to which a credit institution has modified the terms by increasing the exposure to a debtor, these exposures shall be deemed to be originated as of the day of application of such modification starter to apply.”

Article 18

This Decision shall enter into force on the eighth day following that of its publication in the “Official Gazette of Montenegro”, and it shall apply as of 1 January 2026.

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

Decision number: 0101-5891-20/2025
Podgorica, 25 July 2025

**CHAIRPERSON
GOVERNOR**

Irena Radović, m.p.