

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 125 paragraph (9) 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 RECOVERY PLANS OF CREDIT INSTITUTIONS

Article 1

In the Decision on Recovery Plans of Credit Institutions (OGM 127/20, 19/22), in Article 2 paragraph (1) items 4) and 5) shall be amended to read:

- “4) **critical functions** mean activities, services or operations the discontinuance of which in Montenegro or any of the Member States, is likely to lead to the disruption of services that are essential to the real economy or to disrupt financial stability due to the size, market share, external and internal interconnectedness, complexity or cross-border activities of a credit institution or group, with regard to the transferability of those activities to another person;
- 5) **core business lines** mean business and associated services which represent material sources of revenue, profit or franchise value for a credit institution or for a group to which a credit institution belongs;”.

Item 10) shall be amended to read:

- “10) **significant credit institution** means any credit institution defined, in accordance with the Law on Credit Institutions (hereinafter: the Law) as other systemically important credit institution (O-SICI), as well as any credit institution whose average amount of assets at the end of previous three business years stated in the audited annual financial statements exceeds EUR 250,000,000.”.

At the end of the item 11) the full stop shall be replaced by semi-colon and two new items shall be added, worded as follows:

- “12) **overall recovery capacity** means the capability of a credit institution or a group of credit institutions to fully restore its financial position following a significant deterioration;
- 13) **Member State** means a Member State of the European Union and a signatory state of the Agreement on the European Economic Area. ”.

Article 2

In Article 4 paragraph (1) item 2), the Montenegrin words translated as “critical” and “core” shall be replaced by other Montenegrin words, with no relevance to the English translation.

Article 3

In Article 5 paragraph (1) item 2), the words: “external auditor” shall be deleted.

Article 4

In Article 6 paragraph (3), after the words: “complexity of the business operations of that credit institution”, a comma and the following shall be added: “and, where possible, replace them with other indicators belonging to the same category which are of more relevance for that credit institution”.

Article 5

Article 7 shall be amended to read:

“Capital indicators

Article 7

(1) Capital indicators referred to in Article 6 paragraph (1) item 1) of this Decision shall include at least:

- 1) Common Equity Tier 1 capital adequacy ratio;
- 2) total capital adequacy ratio;
- 3) leverage level, and
- 4) minimum requirement for own funds and eligible liabilities (MREL).

(2) When choosing capital indicators, a credit institution shall take into account indicators that will indicate in a timely manner a significant actual or likely future decrease in capital and an increase in leverage.

(3) A credit institution shall include indicators referred to in paragraph (2) of this Article into the Internal Capital Adequacy Assessment Process (ICAAP) and its existing risk management framework.

(4) The capital indicators thresholds must be calibrated based on the credit institution’s risk profile and on the time needed to activate the recovery measures, taking into consideration the recovery capacity resulting from those measures, and how quickly the capital situation may change, given the credit institution's individual circumstances, and, where possible, replace them with other indicators belonging to the same category which are more relevant for that credit institution.

(5) A credit institution shall set capital indicators at a level above that of total capital requirements, including the combined capital buffer requirement.”.

Article 6

In Article 8 paragraph (1) shall be amended to read:

“(1) In the framework of liquidity indicators, a credit institution shall include as a minimum:

- 1) daily liquidity ratio;
- 2) ten-day liquidity ratio;
- 3) liquidity coverage ratio (LCR) - in all currencies in total;
- 4) net stable funding ratio (NSFR);
- 5) share of liquid assets in total assets. “.

In paragraph (3), after the words: “complexity of the business operations”, a comma and the following shall be added: “and, where possible, replace them with other indicators belonging to the same category which are more relevant for that credit institution”.

After paragraph (4) three new paragraphs shall be added, worded as follows:
“(5) Internal liquidity indicator thresholds should be calibrated on the basis of the credit institution’s risk profile, and should take into account how quickly the liquidity situation may change, given the credit institution's individual circumstances, the time needed to activate the recovery measures and consider the recovery capacity resulting from those measures.

(6) Internal liquidity indicator thresholds should be calibrated in a manner providing a sufficient distance from the level of a breach of the prescribed liquidity requirements.

(7) Liquidity indicators should also cover other potential liquidity and funding needs, in particular the funding sources by the members of the banking group to which that credit institution belongs and those stemming from off-balance-sheet items.”.

In paragraph (5), the Montenegrin words translated as “internal liquidity adequacy assessment process” shall be replaced by other Montenegrin words, with no relevance to the English translation.

Current paragraph (5) shall become paragraph (8).

Article 7

In Article 9 before paragraph (1) a new paragraph shall be added, worded as follows:
“(1) Profitability indicators must capture any credit institution’s income-related aspect that could lead to a rapid deterioration in its financial position through lowered retained earnings or losses impacting on the own funds of the credit institution.”.

In paragraph (1), the word “indent” shall be replaced with the following “item”.

In paragraph (2), after the words: “complexity of the business operations”, a comma and the following shall be added: “and, where possible, replace them with other indicators belonging to the same category which are more relevant for that credit institution”.

Current paragraphs (1), (2), and (3) shall become paragraphs (2), (3), and (4).

Article 8

In Article 10 before paragraph (1) a new paragraph shall be added, worded as follows:
“(1) Asset quality indicators should measure and monitor the changes in the asset quality of the credit institution in a manner that enables timely recognition of the moment when asset quality deterioration requires consideration of taking actions described in the recovery plan.”.

In paragraph (1) the words: “the growth rate of bad loans in total loans and the coverage of these loans by value adjustments” shall be replaced by the following: “the gross non-performing exposures to total gross exposures ratio, ratio of gross non-performing exposures growth rate, and coverage of gross non-performing exposures by value adjustments”.

In paragraph (2) the words: “bad loans” shall be replaced by the following: “gross non-

performing exposures”.

In paragraph (3) the Montenegrin words translated as “asset quality indicators” shall be replaced by other Montenegrin words, with no relevance to the English translation, and after the words: “complexity of business operations”, a comma and the following shall be added: “and, where possible, replace them with other indicators belonging to the same category which are more relevant for that credit institution”.

Current paragraphs (1), (2), and (3) shall become paragraphs (2), (3), and (4).

Article 9

In Article 11 paragraph (1) item 1), the word: “equity” shall be replaced by the following: “capital”.

Article 10

Article 14 shall be amended to read:

“Monitoring of indicators in the recovery plan

Article 14

(1) A credit institution shall establish an adequate system of regular monitoring of selected indicators and adopt an internal act containing the dynamics and the manner of monitoring, as well as the procedure for reporting on indicators.

(2) A credit institution shall, upon a Central Bank’s request, provide it with values for its recovery plan indicators, at least on a monthly basis, even if those values have not changed.

(3) Within the meaning of paragraph (1) of this Article, a credit institution shall consider using progressive metrics (“traffic light approach”) in order to inform the management board of the credit institution that such indicator thresholds could potentially be reached.

(4) Reaching the threshold for indicator values do not constitute automatic implementation of the envisaged recovery measure, but only points to the need to start an internal escalation process to decide on whether measures envisaged by the recovery plan should be implemented or not.

(5) If a credit institution, through regular monitoring, determines that the selected indicators have reached the threshold determined for taking measures from the recovery plan, it shall notify the management board thereof within one business day (internal escalation), and the management board of the credit institution shall make a decision on taking or refraining from taking measures from the recovery plan within five business days, and notify the Central Bank of that decision without delay.

(6) If the management board of a credit institution reaches a decision referred to in paragraph (5) of this Article to refrain from taking measures from the recovery plan, the credit institution shall explain such decision in detail in the notification to the Central Bank.

(7) The management board of a credit institution may reach a decision on undertaking the options from the recovery plan even if the established indicators have not reached the

threshold determined for taking measures from the recovery plan, and the credit institution shall notify the Central Bank thereof without delay.

(8) Where a credit institution has reached a decision to take measures in accordance with the recovery plan and/or additional recovery measures that were not envisaged by the recovery plan, it shall, along with the notification, provide the Central Bank with an action plan based on potential credible and feasible recovery measures that may be implemented in the severe financial distress situation, and a time plan to reach the indicator thresholds set out in the recovery plan.”.

Article 11

In Article 15 paragraphs (1) and (2), the Montenegrin word translated as “critical” shall be replaced by another Montenegrin word, with no relevance to the English translation.

Article 12

In Article 16 paragraph (1) item 1) indents 3 and 4 and in item 2), the Montenegrin word translated as “critical” shall be replaced by another Montenegrin word, with no relevance to the English translation.

In item 3) indent 3, the words: “risk control” shall be replaced by the following: “risk management”.

Article 13

In Article 17 paragraph (5), the comma at the end of the paragraph shall be replaced by a full stop.

Article 14

In Article 18 paragraph (6) item 2) the Montenegrin word translated as “critical” shall be replaced by another Montenegrin word, with no relevance to the English translation.

Article 15

In Article 27 paragraph (1) the Montenegrin word translated as “adopt” shall be replaced by another Montenegrin word, with no relevance to the English translation.

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

In paragraph (3) the words: “risk control” shall be replaced by the following: “risk management”.

In paragraph (4), after the words: “recovery plans execution”, a comma and the following shall be added: “as well as notify the management and supervisory boards of the credit institution thereof”.

Article 16

In Annex 1 Table 1: **CATEGORIES OF RECOVERY PLAN INDICATORS**, the words: **“Categories subject to rebuttable presumption”** shall be replaced by the following: **“Additional indicators”**.

Tables 2 and 3 shall be amended to read:

“Table 2: RECOVERY PLAN INDICATORS¹”

Indicator name	Early warning threshold	Recovery plan options trigger threshold*
1. Capital indicators		
a) Common equity Tier 1 adequacy ratio **		
b) total capital adequacy ratio		
c) leverage ratio		
d) MREL and TLAC (where applicable)		
2. Liquidity indicators		
a) daily liquidity ratio		
b) ten-day liquidity ratio		
c) liquidity coverage ratio (LCR) in all currencies total		
d) net stable funding ratio (NSFR)		
e) liquid assets / total assets ratio		
3. Profitability indicators		
a) return on assets (ROA)		
b) return on capital (ROE)		
c) significant losses arising from operational risk		
d) core income / overhead expenses		
e) other income / total income		
4. Risk indicators		
a) non-performing loans / total loans		
b) growth rate of gross non-performing loans		
c) coverage of gross non-performing exposures by value adjustments		
5. Market-based indicators		
a) credit rating (negative credit rating or credit rating downgrade)		
c) stock price variation		
6. Macroeconomic indicators		
a) GDP growth projection		

¹ For each indicator, a credit institution may clarify that it is not adequate, in which case it is necessary to replace it with another indicator that is more adequate for the credit institution.

b) unemployment rate		
c) change in interest rates		

*If the credit institution has determined several levels for different options, please enter the level at which the first option is triggered.

**If the credit institution has explained why it does not apply this indicator, please enter "N/A - not applicable" in the column "Recovery plan options trigger threshold".

*** A credit institution adds rows for additional recovery plan indicators that it has identified, which are not listed in the table.

Table 3: EXAMPLE OF ADDITIONAL RECOVERY PLAN INDICATORS

Additional recovery plan indicators
1. Capital indicators
a) Retained earnings and reserves / total capital
b) Adverse information on the financial position of significant counterparties
2. Liquidity indicators
a) Concentration of liquidity and funding sources
d) Contractual maturity mismatch
e) Available unencumbered assets
3. Profitability indicators
a) Cost-income ratio (Operating costs / Operating income)
b) Net interest margin
4. Asset quality indicators
a) Gross non-performing exposures minus value adjustments / equity
b) Total gross exposure / gross non-performing exposures
c) Growth rate of impairments on financial assets
d) Gross non-performing exposures by significant geographic or sector concentration
e) Restructured exposure / Total exposure
5. Market-based indicators
a) Price to book ratio
b) Reputational threat to the institution or significant reputational damage
6. Macroeconomic indicators
a) Rating under negative review or rating downgrade of sovereigns
b) Growth rates of total loans in the Montenegrin market

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Article 17

This Decision shall enter into force on the eighth day following that of its publication in the "Official Gazette of Montenegro".

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

**CHAIRPERSON
GOVERNOR,**

Irena Radović m.p.

Decision number: 0101-5891-12/2025

Podgorica, 25 July 2025