

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17, 125/23) Article 167 paragraph (4) and Article 167a paragraph (6) 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
ON THE METHOD OF CALCULATING MAXIMUM DISTRIBUTABLE AMOUNT
OF CREDIT INSTITUTIONS**

Subject matter

Article 1

This Decision shall govern the method of calculating maximum distributable amount in connection with Common Equity Tier 1 capital, or the leverage ratio calculated by a credit institution that fails to meet the combined buffer requirement, or the leverage ratio buffer requirement, and notifying the Central Bank of Montenegro thereof.

**Calculation of maximum distributable amount in the case of failure to meet the
combined buffer requirement**

Article 2

(1) A credit institution that fails to meet the combined buffer requirement shall calculate the maximum distributable amount (hereinafter: MDA) in connection with Common Equity Tier 1 capital by multiplying the sum of profits referred to in paragraph (2) of this Article by the factor referred to in paragraph (3) of this Article.

(2) The sum of profits referred to in paragraph (1) of this Article shall be calculated by reducing the sum of the amounts referred to in items 1) and 2) of this paragraph by the amount referred to in item 3) of this paragraph, as follows:

- 1) any interim profits not included in Common Equity Tier 1 capital in accordance with the regulation governing capital adequacy of credit institutions (hereinafter: the Decision on Capital Adequacy), net of any distribution of profits or any payment resulting from any of the actions referred to in Article 167 paragraph (2) of the Law on Credit Institutions (hereinafter: the Law);
- 2) any year-end profits not included in Common Equity Tier 1 capital in accordance with the Decision on Capital Adequacy, net of any distribution of profits or any payment resulting from any of the actions referred to in Article 167 paragraph (2) of the Law;

3) amounts which the credit institution would be required to pay by tax if the profit items specified in items 1) and 2) of this paragraph were to be retained.

(3) The factor for the calculation of the MDA referred to in paragraph (1) of this Article shall be determined depending of the combined buffer requirement quartile to which Common Equity Tier 1 capital belongs which the credit institution does not use to meet any of the own funds requirements set out Article 134 paragraph (2) items 1) to 3) of the Law and the additional requirement for capital above the minimum requirement referred to in Article 281 paragraph (1) item 1) of the Law when addressing the risks other than the risk of excessive leverage, expressed as a percentage of the total risk exposure amount in accordance with paragraphs (4) and (5) of this Article.

(4) Common Equity Tier 1 capital referred to in paragraph (3) of this Article, expressed as a percentage of that capital and total risk exposure amount, shall be deemed to belong to a specific quartile of combined buffer requirement if it is within the bound of such quartile specified in the following table:

Quartile of the combined buffer requirement	Quartile bounds	Factor
First quartile	$0 \leq K \leq 0.25 * ZKB$	0
Second quartile	$0.25 * ZKB < K \leq 0.5 * ZKB$	0.2
Third quartile	$0.5 * ZKB < K \leq 0.75 * ZKB$	0.4
Fourth quartile	$0.75 * ZKB < K < ZKB$	0.6

Where:

- 1) K - means Common Equity Tier 1 capital expressed as percentage amount of that capital and total risk exposure amount;
- 2) ZKB - means the combined buffer requirement expressed as the percentage amount of that buffer and total risk exposure amount.

(5) Where the base that is different from total risk exposure amount is prescribed for the calculation of requirements for maintaining a certain capital buffer in accordance with the Law, a credit institution shall, when calculating ZKB, express the amount of Common Equity Tier 1 capital used to meet such buffer requirement as a percentage of that capital and total risk exposure amount.

(6) A credit institution shall calculate MDA using data on own funds and capital requirements based on which it has determined that it had failed to meet combined buffer requirements.

(7) A credit institution shall calculate the MDA using data for the balance as of the day of compiling latest reports on own funds and capital requirements which it has submitted to the Central Bank of Montenegro (hereinafter: the Central Bank).

(8) A credit institution shall reduce the MDA calculated in accordance with paragraphs (1) to (6) of this Article by each amount arising from any of the actions referred to in Article 167 paragraph (2) of the Law.

Calculation of maximum distributable amount in case of failure to meet the leverage ratio buffer requirement

Article 3

(1) Maximum distributable amount that the credit institution may pay in the case of failure to meet the leverage buffer requirement (hereinafter: L-MDA) shall be calculated by multiplying the sum of profits referred to in paragraph (2) of this Article by the factor referred to in paragraph (3) of this Article.

(2) The sum of profits referred to in paragraph (1) of this Article shall be calculated by reducing the sum of the amounts referred to in items 1) and 2) of this paragraph by the amount referred to in item 3) of this paragraph, as follows:

- 1) any year-end profits not included in Common Equity Tier 1 capital in accordance with the Decision on Capital Adequacy, net of any distribution of profits or any payment resulting from the actions referred to in Article 167a paragraph (4) of the Law;
- 2) any year-end profits not included in Common Equity Tier 1 capital in accordance with the Decision on Capital Adequacy, net of any distribution of profits or any payment resulting from the actions referred to in Article 167a paragraph (4) of the Law;
- 3) amounts which the credit institution would be required to pay by tax if the profit items specified in items 1) and 2) of this paragraph were to be retained.

(3) The factor for the calculation of L-MDA referred to in paragraph (1) of this Article shall be determined depending of the quartile of leverage ratio buffer requirement to which Tier 1 capital belongs which the credit institution does not use to meet any of the capital requirements set out Article 134 paragraph (2) item 4) of the Law and the additional requirements for capital above the minimum requirements referred to in Article 281 of the Law when addressing the risk of excessive leverage not sufficiently covered by Article 134 paragraph (2) item 4) of the Law, expressed as a percentage of the total exposure measure of the credit institution calculated in accordance with Part Five of the Decision

on Capital Adequacy governing the calculation of leverage ratio, and in accordance with paragraph (4) of this Article.

(4) Tier 1 capital referred to in paragraph (3) of this Article, expressed as the percentage of total exposure measure of the credit institution calculated in accordance with Part Five of the Decision on Capital Adequacy, shall be deemed to belong to a specific quartile of the leverage ratio buffer requirement, where it is within the bound of that quartile as established in the following table:

Quartile of the leverage ratio buffer requirement	Quartile bounds	Factor
First quartile	$0 \leq OK \leq 0.25 * ZBKFL$	0
Second quartile	$0.25 * ZBKFL < OK \leq 0.5 * ZBKFL$	0.2
Third quartile	$0.5 * ZBKFL < OK \leq 0.75 * ZBKFL$	0.4
Fourth quartile	$0.75 * ZBKFL < OK < ZBKFL$	0.6

Where:

- 1) OK - means Tier 1 capital expressed as percentage amount of total exposure measure calculated in accordance with the Decision on Capital Adequacy;
- 2) ZKBFL - means leverage ratio buffer requirement expressed as the percentage amount of total exposure measure calculated in accordance with the Decision on Capital Adequacy.

(5) A credit institution shall calculate L-MDA using data on own funds and capital requirements based on which it has determined that it had failed to meet leverage ratio buffer requirements.

(6) A credit institution shall calculate the L-MDA using data for the balance as of the day of compiling latest reports on own funds and capital requirements which it has submitted to the Central Bank, or as of the day when it has determined that it had failed to meet the leverage ratio buffer requirement, whichever is later.

(7) A credit institution shall reduce the L-MDA calculated in accordance with paragraphs (1) to (6) of this Article by each amount arising from the distribution or payment, or payment obligation referred to in Article 167a paragraph (4) of the Law.

Notifying the Central Bank

Article 4

(1) A credit institution that fails to meet the combined buffer requirement in accordance with Article 165 paragraph (4) of the Law and intends to distribute any of its distributable profits or undertake an action referred to in Article 167 paragraph (2) of the Law, shall notify the Central Bank thereof, and provide the following information:

- 1) amount of capital maintained by the credit institution, divided into:
 - Common Equity Tier 1 capital;
 - Additional Tier 1 capital; and
 - Tier 2 capital (only in the case of the calculation of maximum distributable amount in connection with Common Equity Tier 1 capital);
- 2) the amount of its interim and year-end profits;
- 3) the amount of MDA calculated in accordance with Article 2 of this Decision;
- 4) the amount of distributable profits the credit institution intends to allocate between the following:
 - dividend payments;
 - share buybacks,
 - payments on Additional Tier 1 instruments,
 - the payment of variable remuneration or discretionary pension benefits, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the credit institution failed to meet its combined buffer requirements.

(2) A credit institution shall, at the Central Bank's request, provide evidence that the MDA referred to in paragraph (1) item 3) of this Article and the amount of distributable profits referred to in paragraph (1) item 4) of this Article are calculated accurately.

(3) The provisions of paragraphs (1) and (2) of this Article shall apply *mutatis mutandis* to a credit institution that fails to meet the leverage ratio buffer requirement, and intends to distribute any of its distributable profits or undertake an action referred to in Article 167a paragraph (4) of the Law

Application to global systemically important credit institutions

Article 5

The provisions of Article 3 and Article 4 paragraph (3) of this Decision shall apply as of the day of Montenegro's accession to the European Union.

Entry into force

Article 6

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

Decision number
Podgorica, 25 July 2025

**CHAIRPERSON
GOVERNOR**

Irena Radović, m.p.