

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 39 paragraph (1) of the Law on Financial Conglomerates (OGM 24/25, 14/26), the Council of the Central Bank of Montenegro, at its meeting held on 27 February 2026, passed the following

**DECISION
ON THE METHOD OF CALCULATING CAPITAL ADEQUACY AT THE LEVEL OF
THE FINANCIAL CONGLOMERATE**

I. BASIC PROVISION

Subject matter

Article 1

This Decision prescribes the method of calculating capital adequacy at the level of financial conglomerate the most important part of which are credit institutions, financial institutions, ancillary service undertakings and leasing companies (hereinafter: the banking sector).

II. OWN FUNDS CALCULATION

**Elimination of multiple recognition and the creation of own funds
within a group**

Article 2

Own funds which result directly or indirectly from transactions between the entities within the same financial conglomerate shall not be included when calculating the supplementary capital requirements at the level of a financial conglomerate.

Transferability and availability of own funds

Article 3

(1) Own funds recognised at the level of a credit institution, that exceed those needed to meet solvency requirements as specified in Article 7 of this Decision, shall not be included in the calculation of the own funds of a financial conglomerate, or of the sum of the own funds of each entity in a financial conglomerate, unless there is no legal, regulatory or practical impediment to the transfer of the funds between entities in the financial conglomerate.

(2) When submitting the results of the calculation and the relevant data for the calculation to the Central Bank of Montenegro (hereinafter: the Central Bank) as a competent

coordinator, a credit institution that is responsible for the calculation of supplementary capital requirements shall confirm and provide evidence of the compliance with paragraph (1) of this Article.

Banking sector specific own funds

Article 4

(1) Own funds recognised in the banking sector shall not include:

- 1) Common Equity Tier 1, Additional Tier 1 or Tier 2 items within the meaning of regulations governing capital adequacy of credit institutions;
- 2) basic own-fund items of entities subject to the requirements of the law governing capital market where those items are classified in Tier 1 or in Tier 2 capital in accordance with that law.

(2) Own funds specified in paragraph (1) of this Article may be used exclusively for the coverage of risks arising from the banking sector, and shall not be taken into account as eligible for the coverage of risks of the other financial sector within the financial conglomerate.

Deficit of own funds at the financial conglomerate level

Article 5

(1) Where there is a deficit of own funds at the financial conglomerate level, only own funds items that are eligible under the sectoral regulations for both the banking sector and the insurance sector shall be used to meet that deficit, in particular:

- 1) Common Equity Tier 1 capital items, Additional Tier 1 capital items and Tier 2 items laid down in accordance with the regulation governing capital adequacy of credit institutions;
- 2) basic own-fund items for insurance undertakings classified in the appropriate categories of capital (Tier 1 capital, additional capital and Tier 2 capital) in accordance with the regulations governing insurance, where the inclusion of those items is not limited by the separate regulation governing insurance.

(2) Capital items referred to in paragraph (1) of this Article used to meet the deficit of own funds at the level of the financial conglomerate must be truly available and transferable in accordance with Article 3 paragraph (2) of this Decision.

Consistency of implementation

Article 6

A credit institution and the mixed financial holding company in a financial conglomerate referred to in Article 1 of this Decision shall apply the selected calculation method for supplementary capital requirements in a consistent manner, unless the Central Bank as the competent coordinator approves otherwise.

Solvency requirement

Article 7

- (1) Solvency requirement, within the meaning of this Decision, shall be capital requirements and capital requirements above the statutory minimum as defined in the law governing the operations of credit institutions, including the requirement arising from the internal capital adequacy assessment process, combined buffer requirement and other measures imposed by the Central Bank that result in the increase in capital requirements.
- (2) Capital requirements and the requirements related to the solvency at the level of financial conglomerate referred to in Article 1 of this Decision shall be calculated in the manner prescribed by the law governing the operations of credit institutions.

Treatment of cross-sector holdings

Article 8

- (1) Holdings of financial conglomerate entities referred to in Article (1) of this Decision in the insurance sector entities, which are deducted from capital pursuant to the sectoral regulations, shall not create supplementary capital requirements at the level of the financial conglomerate.
- (2) Where the treatment referred to in paragraph (1) of this Article results in the change of expected loss amounts under the Internal Ratings Based approach in accordance with the regulation governing capital adequacy of credit institutions, the amount equivalent to that change shall be added to the own funds of the financial conglomerate.

Notional own funds and notional solvency requirements for non-regulated financial sector entities

Article 9

- (1) Where a mixed financial holding company has a holding in the non-regulated financial sector entity, the notional own funds and the notional solvency requirements for that entity shall be calculated in accordance with the regulations governing the operations of credit institutions, where the banking sector is the most important sector in the financial conglomerate.
- (2) For a non-regulated financial sector entity other than the entity referred to in paragraph (1) of this Article, i.e. other than the entity in which the mixed financial holding company has a holding, the notional own funds and the notional solvency requirements shall be calculated according to the banking sector regulations where it is the closest financial sector of the non-regulated financial sector entity.
- (3) The determination of the closest financial sector referred to in paragraph (2) of this Article shall be based on the range of financial activities of the relevant entity and the extent to which it carries out those activities (e.g. sector in which an entity predominantly performs the activity, to which it has the highest exposure in economic terms, in which it

would be classified as a regulated entity, etc), and if it is not possible to clearly identify the closest financial sector, the sectoral regulations of the most important sector in the financial conglomerate shall be used.

III. CAPITAL ADEQUACY CALCULATION METHODS

Accounting consolidation method

Article 10

(1) Own funds of the financial conglomerate shall be calculated on the basis of consolidated financial statements.

(2) The supplementary capital requirements for own funds referred to in paragraph (1) of this Article shall be calculated as the positive difference between:

- 1) the own funds of the financial conglomerate calculated on the basis of the consolidated position of the group, determined in accordance with the sectoral regulations, and
- 2) the sum of solvency requirements for each different financial sector in the group.

(3) For the calculation of own funds of the banking-led financial conglomerate, the following shall apply to unconsolidated investments:

- 1) unconsolidated significant investments held in a financial sector entities, which belong to the insurance sector shall be fully deducted from the financial conglomerate's own funds;
- 2) other unconsolidated investments in the insurance sector entities shall be fully deducted from the financial conglomerate's own funds in accordance with relevant sectoral regulations governing the insurance activity.

(4) Any own funds item issued by an entity in a financial conglomerate and held by another entity in that financial conglomerate shall be deducted from the conglomerate's own funds if not already eliminated in the accounting consolidation process.

(5) An entity which is a jointly controlled entity for the purpose of the relevant accounting framework shall be included in the calculation in accordance with sectoral regulations on proportional consolidation or the inclusion of proportional shares.

(6) Where asset or liability values are subject to regulatory value adjustments and the deductions in accordance with regulation governing the capital adequacy of credit institutions, the asset or liability values used for the purpose of the calculation of the supplementary capital adequacy requirements shall be those attributable to the relevant entities under that regulation, excluding assets and liabilities attributable to other entities of the financial conglomerate.

(7) Where calculation of a threshold or limit is required by sectoral regulations, the threshold or limit at financial conglomerate level shall be calculated on the basis of the

consolidated data of the financial conglomerate and after deductions required by paragraphs (3) and (4) of this Article.

(8) For the purpose of calculating thresholds and limits, regulated entities subject to consolidated supervision at the level of the banking group shall be considered together.

(9) Regulated entities that are not subject to the consolidated supervision shall calculate thresholds and limits on an individual basis in accordance with the sectoral regulations.

(10) When summing the relevant sectoral solvency requirements there shall be no additional adjustments other than those laid down in Article 8 of this Decision or sectoral regulations.

(11) The Central Bank shall, as a coordinator, check the application of the accounting consolidation method and may require corrections of the calculations in the case of irregularities or inconsistencies.

Deduction and aggregation method

Article 11

(1) Where deduction and aggregation method is used, own funds of regulated entities in the financial conglomerate shall be calculated on the basis of the financial statements of each of the entities in the group.

(2) Where the own funds of a regulated entity are subject to a regulatory value adjustments pursuant to the relevant sectoral regulations, one of the following treatments shall apply:

- 1) the filtered net amount shall be added to the book value of participations if the filtered amount increases own funds;
- 2) the filtered net amount shall be deducted from the book value of participations if the filtered amount decreases own funds.

(3) For banking-led or investment-led financial conglomerates, significant investment in financial sector entities, which belong to the insurance sector and which are not a participation shall be fully deducted from the own funds of the entity holding the instrument, in accordance with sectoral regulations.

(4) Intra-group investments in any capital instruments that are eligible as own funds, taking into account relevant sectoral limits, shall be deducted or excluded from the own funds calculation.

(5) Supplementary capital requirement shall be calculated as the positive difference between:

- 1) the sum of the own funds of each regulated and non-regulated financial sector entity in the financial conglomerate; and
- 2) the sum of:

- prescribed solvency requirements for each regulated and non-regulated financial sector entity in the group calculated in accordance with the sectoral regulations, and
- the book value of the participations in other entities of the group.

(6) The calculation of supplementary capital adequacy requirements referred to in paragraph (5) of this Article shall be carried out on the basis of the applicable deduction and aggregation method by applying the following the formulae:

$$scar = \sum_{i=1}^{G_{fin}} x_i (OF_i) - \left(\sum_{i=1}^{G_{fin}} (REQ_i) + \sum_{j=1}^G (BV_j) \right)$$

$scar \geq 0$

where:

scar – capital adequacy requirements;

OF_i - own funds;

i - regulated and non-regulated financial sector entity in the financial conglomerate;

REQ_i - the sum of solvency requirements;

G - group;

BV_j - book value;

j - participations in other entities of the group.

(7) The Central Bank, as the coordinator, shall check the application of deduction and aggregation method, and may require the corrections of the calculations in the case of irregularities or inconsistencies, as well as additional data or recalculation.

Combined method

Article 12

(1) The Central Bank may approve the application of the combined method for the calculation of capital adequacy only if:

- 1) it is not reasonably feasible to apply either accounting consolidation method as referred to in Article 10 of this Decision to all entities or deduction and aggregation method as referred to Article 11 of this Decision to all entities within a financial conglomerate, in particular because one or more entities are outside the scope of consolidation, or because they are established in a third country and it is not possible to obtain sufficient information to apply those methods; or
- 2) the entities which would apply accounting consolidation method or deduction and aggregation method on an individual basis are collectively of negligible interest with respect to the objectives of supervision of regulated entities in a financial conglomerate.

(2) All regulated entities which are not referred to in paragraph (1) of this Article shall apply accounting consolidation method or deduction and aggregation method.

(3) Where the Central Bank grants authorisation for the application of the method referred to in paragraph (1) of this Article, that method shall be applied consistently.

(4) The Central Bank may withdraw authorisation for applying the combined method if the reasons referred to in paragraph (1) of this Article cease to exist.

IV FINAL PROVISION

Entry into force

Article 13

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 no. 0101-1771-9/2026
Podgorica, 27 February 2026

**CHAIRPERSON
GOVERNOR**

Irena Radović, m.p.