

No.	Date	Questions from	FAQ section	Question	Response
1	12.6.2020.	PWC	Guidelines on the selection of the AQR auditor	Within the section "Minimum conditions regarding the project manager", the experience of managing at least 2 AQR projects in the EU/EU or Western Balkan Countries is stated as one of the conditions that General/Operational Manager must meet. Can the participation of two different banks within the same AQR project in the review be considered as the fulfilment of the requirement, or is it necessary that these should be two different AQR projects (two different countries and/or years)?	The participation in the project of two different banks within the same AQR project can be considered the fulfilment of the stated condition.
2	12.6.2020.	PWC	Guidelines on the selection of the AQR auditor	Within the section "Minimum conditions regarding qualifications and operating capacity of the AQR auditor", it is stated that "experts comprising the team shall have at least two years of relevant work experience". Do "experts comprising the team" refer also to members of the team that will be engaged on technical tasks, such as data processing and/or data preparation from the financial statements of debtors that are included in the sample for further analysis? If so, is it necessary that those team members meet the condition to have at least two years of relative experience, and should they or their job resumes be included in the bids?	Each team member (regardless of the title and position within the team) who will be engaged in carrying out the AQR, must have at least two years of relevant work experience. The fulfilment of the criteria shall be evidenced by job resumes with signed statements by team members and the authorised person .
3	12.6.2020.	PWC	Guidelines on the selection of the AQR auditor	Are any limitations expected regarding the number of teams or the number of banks in which one manager or one team member can participate? If so, how many teams / banks?	<p>Guidelines do not specifically define such limitations. However, a potential auditor shall ensure sufficient resources to meet all work within the defined timelines and at satisfactory level. In accordance with the abovementioned, and as defined in Item 2 (Section "Information that potential auditors must provide as proof of capability"), potential auditors should also provide as a proof of capability, for the purposes of the selection, the following inter alia:</p> <ul style="list-style-type: none"> <li>- Details of the composition and number of members of the proposed team;</li> <li>- Detailed project plan on how the potential auditor proposes that the project be carried out as defined in the AQR Manual;</li> <li>- Details of how the potential auditor will ensure that the timeline is complied with and that the quality assurance process is established.</li> </ul> <p>The conclusion can be drawn from the aforesaid that if the auditor plans to hire certain team members for carrying out AQR in several banks, the auditor must demonstrate and prove through submitted project plans and other documentation that it has provided sufficient resources to complete all workblocks in all banks in which it will carry out the AQR within the defined time limits and at satisfactory level.</p>
4	12.6.2020.	PWC	Guidelines on the selection of the AQR auditor	What is the official language of the AQR project regarding the project documentation and auditor's reporting?	The official language of the AQR project will be Montenegrin language.
5	12.6.2020.	PWC	Guidelines on the selection of AQR auditor	Could you provide us with additional information regarding the expectations on the contractual arrangements, in particular: a) Does the CBCG plan to provide a template of the contract that will be used for the purposes of the AQR project, or is this up to the agreement between the commercial banks and the AQR auditors? b) Will there be a three-party agreement between the CBCG, bank and AQR auditor?	<p>a) the respective contract is subject of the agreement between the commercial bank and AQR auditor, and the CBCG will not provide the template</p> <p>b) such contract will not exist</p>
6	12.6.2020.	PWC	Guidelines on the selection of the AQR auditor	With a view to better planning of our resources, could you explain in more detail the topic of the projected quality assurance of the work of the AQR auditor, as stated in Item 3 of the Guidelines on the selection of the AQR auditor?	<p>The quality assurance system in general covers the quality assurance and monitoring of the progress, as two complementary processes which mutual goal is to ensure accurate and timely deliveries and reporting in standardised manner in all banks. Both processes are followed by the quality assurance system that envisages certain lines of defence.</p> <p>Teams of AQR auditors form the first line of defence and are responsible for accurate and timely reporting of AQR tasks in accordance with the agreed plan and guidelines issued by the CBCG and it Central team for project management (CTPM). AQR auditor should establish its (internal ) process of quality assurance aimed at ensuring accurate and timely deliveries and reporting.</p> <p>Other lines of defence will be formed by the CBCG teams and CTPM that will independently check the credibility of the AQR auditor's work, closely monitoring and overseeing their progress and making specific checks if needed.</p> <p>AQR Manual will contain more detail on the quality assurance process and monitoring of the progress.</p>
7	12.6.2020.	PWC	Guidelines on the selection of the AQR auditor	When can we expect that the AQR Manual to be delivered?	The AQR Manual is expected to be delivered at the beginning of August 2020.

8	12.6.2020.	PWC	Guidelines on the selection of the AQR valuer	Guidelines on the selection on the valuer define key tasks for the AQR valuer such as checks of the assessment / full valuation of collateral including real estates, investments in progress and other insurance. Do "investments in progress" and/or "other insurance" include asses which is not comprised of real estates like equipment, shares, equity investments, etc.?	Yes.
9	12.6.2020.	PWC	Guidelines on the selection of the AQR valuer	With regard to the minimum eligibility criteria that the AQR valuer must meet: a. Please state the name/code of registered activity in accordance with local regulations that should be observed by the AQR valuers (Is this an activity of the real estate agencies / Code "68.31 Activity of the Real Estate Agency")? b. What does the term "relevant engagements" mean and how many such engagements must have AQR valuers to qualify as eligible (is there a certain minimum)? c. How many full-time employees holding REV or MRICS certificates must AQR valuers have to be eligible (is there any minimum, i.e. does this refer to a minimum of 5 employees for appraisal activities)?	a. Yes, if the respective code of activity includes also the activities of real estate appraisals b. Relevant engagements are collateral valuations of banks in the last five (5) years from the date of the bid submission, there is no specific minimum c. It refers to a minimum of 5 employees engaged in the appraisal
10	12.6.2020.	PWC	Guidelines on the selection of the AQR valuer	With regard to the restrictions that have to be observed by the AQR valuers: a. According to the document, our understanding is that the AQR valuers that appraised more than 20% of portfolio of bank's collateral as at 31 December 2019 are in conflict, i.e. they are non-eligible. What does this 20% refer to? Does it include collaterals from loan portfolio or also assets taken over as the property of the bank? b. According to the document, our understanding is that the AQR valuers performed any appraisal services for the bank during 2019 and 2020 are in conflict. Does this refer only to valuers contracted by the bank? In other words, if a customer of a bank engaged a valuer to perform the appraisal for obtaining a loan, is such valuer in conflict?	a. It refers to collaterals from loan portfolio and assets taken in the ownership of the bank, cumulatively b. It refers to the valuers engaged by the bank or for the account of the bank, which includes also valuers engaged by clients to perform appraisers for obtaining loan with the respective bank
11	12.6.2020.	PWC	Guidelines on the selection of the AQR valuer	What if the local market does not have companies that would meet the eligibility criteria, minimum conditions and limitations for the selection of the valuers?	The possibility of establishing consortium of valuers as individual persons is envisaged
12	12.6.2020.	PWC	Guidelines on the selection of the AQR valuer	With regard to the minimum information/documentation to be submitted by the AQR valuers as a proof of capability: a. What detailed project plan is needed and at what stage, since that it will largely depend on the specific tasks assigned to an AQR valuer (e.g. review compared total valuation, desk work compared to on-site visit to the subject o the valuation; number, type and location of the property ...) b. Based on the documentation, AQR valuers shall submit a schedule of proposed fees by type of activity and type of appraised real estate. It may be difficult for the valuers to provide such schedules of the proposed fees before they know how many property will be assigned to them for the appraisal. Are they allowed to provide schedules of proposed fees as a range of fees? c. How do the requested schedules of proposed fees serve as a proof of capability? d. How will AQR valuers be paid for their services: directly by banks or indirectly by AQR providers? e. What does T5 document represent and what is its connection with minimum information/documentation required by the AQR valuer to prove their capability (it seems that such document is a form of valuation results as an end/product by the AQR valuers in the AQR process)?	a. Project plan should include activities of the AQR valuers in the established time limit of Workblocks 4 and 7, when the largest engagement of AQR valuers is expected, i.e. their readiness to submit appraisal results in accordance with the plan of the AQR auditor and the CBCG b. AQR valuer may submit schedule of proposed fees as stated in the document c. No, but they are required element d. AQR valuers will be paid by the AQR provider who will hire them e. A T5 document is a format that will be submitted by the CBCG and it serves in the AQR process to present the valuation results. For the purpose of avoiding misunderstanding, valuers will enter the appraised value and other necessary data into the T5 document, but they shall also at any time at the request of the CBCG submit entire document of the appraised value so that the quality assurance could be performed.
13	22.6.2020.	PwC	Guidelines on the selection of the AQR valuer	Having in mind the answer to the question no. 8, it can be concluded that real estate valuers are not eligible for the valuation of non-real estate assets. Can you specify who are eligible valuers for performing valuation of the remaining non-real estate assets?	These are valuers who are specialized in the types of collateral in question.
14	22.6.2020.	PwC	Guidelines on the selection of the AQR valuer	Having in mind the answers to questions 9 and 11, we want to ask two more questions: 1. Assuming that individuals form a consortium, how is the consortium supposed to meet the requirement which entails that an eligible valuer must be registered to perform the activity in question? 2. Can the consortium of valuers as individual persons also include valuers as individual persons from the Republic of Serbia (who do not have a registered activity/company, as well as individual valuers from Montenegro) who meet the minimum conditions and conditions regarding restrictions from the guidelines.	1. In case of a consortium of natural persons, licenses to perform the valuation activity shall be used instead of registration to perform the relevant activity. 2. The valuers must be registered to perform the relevant activity on the Montenegrin market in accordance with the relevant local laws and enabling regulation. Only persons from Montenegro can be in the consortium of valuers as individual persons.
15	22.6.2020.	PwC	Guidelines on the selection of the AQR valuer	Given the answers to questions 10a and 10b, our understanding is that all valuers engaged by the bank or for the account of the bank during 2019 and 2020 are in conflict. In this regard, we do not understand what the first requirement under the Limitations for Valuers refers to: "Qualified entities or in the case of a consortium all involved companies/valuers cumulatively valued more than 20% of the collateral portfolio of a given bank as of December 31, 2019". We believe that an illustrative example by the CBCG would significantly help the understanding of AQR auditors.	As stated in the Guidelines, valuers who valued more than 20% of the bank's collateral portfolio are in conflict, and in this regard, it is irrelevant whether they were hired by the client requesting the loan or by the bank itself, and our answer referred to that.
16	6.7.2020.	Erste banke AD Podgorica	General	With a view to better and timely preparation, we believe that it would be of utmost importance to obtain instructions regarding the AQR breakdown of portfolio (criteria for the classification of debtors into Corporate, Large SME, Retail SME, RRE...). Will the EBA definition be used or will it be adjusted, and when the banks can expect instructions for the breakdown at the earliest?	The AQR Manual (and the supporting instructions), which will contain all relevant information also with regard to the AQR breakdown of portfolio, is currently being drafted and its completion and submission for review to banks is envisaged for the beginning of August. Certain adjustments to local regulatory framework can be expected.

17	6.7.2020.	Erste banke AD Podgorica	General	Will the customer exposure include revocable off-balance sheet exposure?	The AQR Manual (and the supporting instructions), which will contain all relevant information also with regard to the exposures that will be subject to analysis, is currently being drafted and its completion and submission for review to banks is envisaged for the beginning of August.
18	6.7.2020.	Erste banke AD Podgorica	General	Will the deterioration of financial creditworthiness caused by the COVID-19 crisis and potentially threatened credit capacity of customers in 2020 have effects on the classification of customers as at 31 December 2019, bearing in mind that the specific credit decisions were passed at that time based on the financial projections with substantially better expectations than the current situation? (paying special attention to project financing that are, as a rule, approved exclusively based on the future projections)	Current conclusion is that the cut-off date (31 December 2019) will certainly not change. Consequently, the COVID-19 crisis (which is still current and which effects cannot be viewed yet) will not have an impact on the classification of customers as at 31 December 2019. The manner and the form of reviewing the impact of the COVID-19 crisis on the deterioration of the financial creditworthiness of debtors is certainly being considered.
19	6.7.2020.	Erste banke AD Podgorica	General	In order to prepare better and more adequately, are you in a position to tell us, in this phase, whether the exposures to State of Montenegro, as well as exposures secured by unconditional guarantees of the State of Montenegro, considering that such exposures are assigned 0% risk weight will be subject to the AQR?	We are currently in the phase of analysing and selecting the exposures that will be subject to the AQR, and in this moment, we are not in a position to give you a precise answer. Surely, the AQR Manual (and the supporting instructions) will contain all relevant information also with regard to the exposures that will be subject to the analysis.
20	06.07.2020	PWC	Guidelines on the selection of the AQR valuer	Bearing in mind the response to question no. 15, could you please confirm your understanding regarding the restrictions for the valuers: If a valuer has performed valuations for a bank during 2019 and 2020, the restriction is in place only if more than 20% of portfolio of bank's collateral has been valued, i.e. there is no conflict if the valuation is below 20%?	You have understood the response correctly.
21	06.07.2020	PWC	Guidelines on the selection of the AQR valuer	Could you please explain in more detail what does "20% of portfolio of bank's collateral" refer to. For example, a bank has a total placement of 100 million, secured by a total of 100 collaterals with total worth of 200 million. Does 20% refer to: 1) total placement, 2) number of collateral, 3) estimated value of collateral or 4) something else. Please provide an illustrative explanation.	20% refers to the estimated value of collateral in total portfolio of collateral and assets acquired through collection.
22	06.07.2020	PWC	Guidelines on the selection of the AQR valuer	With regards to question no. 17, is the portfolio of non-performing loans considered separately, or is it a part of the "portfolio of bank's collateral"?	For the purposes of this exercise, the portfolio of non-performing loans is considered together.
23	06.07.2020	PWC	Guidelines on the selection of the AQR valuer	With regards to question no. 17, whether and how real estate foreclosed by the bank is treated, since it is no longer a subject of security?	Acquired assets, i.e. real estates foreclosed by the bank are also observed together with the collaterals referred to in response under no. 17.
24	06.07.2020	PWC	Guidelines on the selection of the AQR valuer	Can valuers as natural persons be members of more than one consortium?	They can. However, it is the responsibility of AQR auditors and the valuers themselves to observe the deadlines for submitting the valuations within the AQR, i.e. to be engaged in accordance with their own capacities and possibilities.
25	07.07.2020	BDO	Guidelines on the selection of the AQR auditor	<p>Please provide an explanatio of the guidelines:</p> <p>In the Guidelines on the selection of the AQR auditor - Introduction - last paragraph it is stated : "Where the potential auditor comprises more than one entity (consortium) it shall provide all individual information for the purpose of viewing the fulfilment of the requirements of the Guidelines."</p> <p>The Guidelines on the selection of the AQR auditor, item 2 - the part referring to minimum conditions regarding qualifications of the AQR auditor - prescribes the conditions regarding the Project Manager (possess experience of participating in at least two AQRs in the European Union, in a managerial position in the past 8 years and currently performs activities as a "partner/director/principal" or any of their equivalents within the entity in question).</p> <p>Regarding the Operational Manager it is explicitly stated - that the Operational manager shall be employed on a permanent basis with the bidder or the office network of the company to which the potential auditor belongs.</p> <p>Since it is not defined in detail who can comprise a consortium - we would like to know if a consortium has to be comprised of multiple companies belonging to a single network or a consortium may be created with other legal and natural persons where those persons comply with the conditions prescribed in the part relating to minimum conditions regarding the project manager - The General Manager of the Project?</p>	<p><b>The General Manager of the Project:</b> The condition of being employed on a permanent basis with the bidder or the office network of the company is prescribed for the Operational Manager. This condition does not apply to the General Manager. Consequently, a General Manager may belong to a legal person within the same network or outside of it, or be an associate member of the team by means of an adequate Contract (e.g. Service Contract), as long as the conditions set out in the part relating to minimum conditions regarding the project manage are met. When giving consent, it will be required to submit the Contract defining this relationship and responsibilities, for inspection and comments.</p>
26	10.07.2020.	PWC	Guidelines on the selection of the AQR valuer	<p>Bearing in mind the possibility of forming the consortium by natural persons, as well as the response to the question #14 where you state that the consortium may be formed by the persons holding licenses for performing valuation activities, could you please clarify whether this refers to licenses/certificates of local valuer associations or this refers to REV/MRICS licenses. We believe that your answer to the following hypothetical situation would be the easiest way for us to understand the specific restrictions:</p> <p>"Would the consortium of 5 members, natural persons, of which only one holds international license REV/MRICS, while other four members hold local license and who cumulatively were engaged in valuation of collateral of banks in the previous 5 years, meet the minimum eligibility requirements in accordance with Item 2 of the Guidelines on the selection of the AQR valuer?"</p>	We assume that under local license you mean Montenegrin license for valuers in accordance with the Law on Accounting. Also, 30% of valuers from the consortium should hold REV certificate.

27	16.07.2020.	Deloitte d.o.o.	Guidelines on the selection of the AQR valuer	<p>Within Item 2 paragraph 2 indent 3 of the section that determines minimum conditions regarding qualifications and operating capacity of the AQR auditor, it is stated that: "the potential auditor's team should have one person responsible for the assurance of the quality of collateral valuation performed by AQR appraisers, and this person shall possess at least the following qualifications:</p> <p>a. at least five years of experience in valuations;</p> <p>b. experience of participating in at least two AQRs (or diagnostic studies of banks and similar engagements) in the European Union or any of the Western Balkan countries;</p> <p>c. internationally recognised valuer certificate: Recognised European Valuer REV (TEGoVA) or MRICS RV (Member of Royal Institution of Chartered Surveyors, Registered Valuer)".</p> <p>Should these criteria be met also during the quality assurance of valuations that were not subject to reassessment by the selected valuer (e.g. those less than 1 year).</p>	<p>Yes.</p> <p>For explanation purposes, a person engaged in the AQR auditors' team to assess quality assurance cannot be AQR valuer, i.e. this person must be independent from that team and all other teams of AQR valuers.</p>
28	16.07.2020.	Deloitte d.o.o.	Guidelines on the selection of the AQR valuer	<p>If all eligibility criteria for the valuers are met in accordance with the Guidelines issued by the CBCG, is it possible to engage the same appraisal firm in higher number of AQR projects? Is there a restriction in this regard (under the assumption that the capacity of valuers to complete the relevant task is not brought into question)?</p>	<p>We believe that this question refers to the Guidelines for valuers and not to a person that should be a part of the AQR auditors' team. If this question refers to AQR valuers, the answer is that it is possible to engage the same firm as long as they have capacities and qualifications to perform the job within the deadline and in qualitative manner.</p>
29	16.07.2020.	Deloitte d.o.o.	Guidelines on the selection of the AQR valuer	<p>The condition on non-existence of the financial relationship of the AQR auditors or non-existence of the financial interests of the AQR valuers with the banks is mentioned within the eligibility criteria for the auditors and valuers. Does this imply the existence of the credit and deposit relationship with the bank? Since the same criteria are required also for family members, how the non-existence of the relationship is documented?</p>	<p>Yes, this is also included with other restrictions that are defined in the Guidelines. It will be documented by statements under full substantive and criminal liability signed by team members and responsible person of the AQR auditor and/or valuer.</p>
30	16.07.2020.	PWC	Guidelines on the selection of the AQR valuer	<p>With regard to the answer to the question #26, could you please clarify the following:</p> <p>a. it has been stated that "30% of valuers from the consortium should hold REV certificate". Does REV also imply the MRICS certificate?</p> <p>b. for the remaining 70%, it was stated that you assume under local license the Montenegro's license for valuers in accordance with the Law on Accounting of Montenegro. Namely, our question referred to licenses issued by local associations of valuers in Montenegro (e.g. National Association of Valuers of Montenegro, the Institute of Certified Appraisers of Montenegro...) since we do not have the knowledge that there are licenses issued by a competent ministry in accordance with the Law on Accounting of Montenegro. If so, could you please refer to relevant registry or address so that we could collect adequate information on licensed valuers in Montenegro.</p>	<p>a. MRICS RV certificate is also acceptable</p> <p>b. the competent ministry gives consent to the association of valuers for their work and supervises them; therefore your statement with regard to local associations is fine.</p>
31	16.07.2020.	PWC	Guidelines on the selection of the AQR valuer	<p>Must members of the consortium be citizens of Montenegro, or foreign persons holding REV or MRICS licenses can also participate and who are members of any of the association of valuers in Montenegro?</p>	<p>Non-residents that are members of an association of valuers in Montenegro or holding a license issued by any of Montenegrin associations and who performed appraisals during at least 5 previous years can also participate.</p>
32	16.07.2020.	PWC	Guidelines on the selection of the AQR valuer	<p>Does the AQR auditor signs the agreement with valuers as natural persons which will form the consortium as needed or exclusively with already established consortium?</p>	<p>It depends on the status of the established consortium - if the valuers act as a legal person, the agreement is signed with that legal person. If they act as a group of valuers, they all participate in signing the agreement as natural persons.</p>
33	20.07.2020.	Deloitte d.o.o.	Guidelines on the selection of the AQR valuer	<p>1. Within the AQR Manual issued by the ECB, item 4.4. states that "The bank team will provide the necessary collateral information for RRE exposures and sovereign, institutional and corporate exposures that are already credit-impaired to appraisers in a timely manner. The appraisers may or may not be a team within the bank team or a different third party". Looking to the ECB Manual, the question is whether re-appraisals of the real estates may be performed by the members of the AQR auditors' team if they meet the requirements from the Guidelines on the selection of the AQR valuer? If the answer to this question is yes, is it necessary that the member of the team that has adequate professional qualifications is full-time employee of the audit firm registered in Montenegro or is it acceptable for that member of the team to be full-time employee in one of the members of the consortium that submits the offer (members of the consortium are parts of the same company in different countries)?</p> <p>2. Within the Guidelines on the selection of the AQR valuer, item 4 states that "the first quality control will be performed by a competent person on behalf of the AQR consultant performing the AQR in the bank". Does this refer to the member of the AQR auditor's team or another person in the process? What created dilemma is the use of the expression AQR consultant instead of AQR auditor or AQR team of the bank.</p>	<p>1. Yes, AQR auditor's team members may perform re-appraisals of the real estates if they meet the requirements from the Guidelines on the AQR valuer. The minimum eligibility requirements to be met by the AQR valuers (whether they are member of the team of the AQR auditors or not) are defined in the Guidelines on the selection of the AQR valuers (Item 2).</p> <p>Pursuant to the requirements stated in the Guidelines, any valuer - resident must hold adequate national licenses, and if it is non-resident, it must hold adequate license that is at least 5 years old, as well as the experience of performing real estate valuations at the territory of Montenegro.</p>
34	24.07.2020.	Deloitte d.o.o.	Guidelines on the selection of the AQR valuer	<p>Introduction: In the Guidelines on the selection of the AQR auditor issued by the Central Bank of Montenegro, item 2 conditions regarding the independence of the AQR auditor states that the bank shall notify the CBCG of any professional services that the proposed AQR auditor has provided or has been providing over the past two years in a manner and form as specified in Annex 1 of these Guidelines.</p> <p>Question: Does the bank prepare this list in cooperation with the candidate for the AQR auditor? Does this request refer only to projects that the candidate for AQR auditor had with the bank that sends the annex?</p>	<p>As stated in the Guidelines, the Bank shall notify the CBCG of any professional services that the <b>proposed AQR auditor</b> has provided or has been providing over the past two years in a manner and form as specified in Annex 1 of these Guidelines. Table from the Annex 1 represents a minimum information that the Bank submits on the previous and current engagements of the proposed AQR auditor.</p>

35	27.07.2020.	PWC	Guidelines on the selection of the AQR valuer	<p>The Guidelines on the selection of the AQR auditor and the Guidelines on the selection of the AQR valuer define that the potential auditors, for the purposes of selection, should provide, within the bid, as a proof of capability inter alia, proposed fees based on expected number of expert hours required for the AQR, as well as information on selected valuers for collaterals of the banks.</p> <p>With regard to the abovementioned, have we drawn the correct conclusion correct that total proposed fee in the bids of the AQR auditor that represents an integral part of the proof of the capability to be subject to the CBCG approval must include also the fee for the selected valuers for the collaterals of the banks, or maybe the possibility is left that the fee for this segment be contracted between the bank and auditor subsequently, i.e. after the selection of the auditor by the bank and submission of information on the selection of the auditor to the Central Bank of Montenegro for the purposes of obtaining approval?</p>	<p>You have drawn the correct conclusion. Thus, total proposed fee in the bids of the AQR auditor that represents an integral part of the proof of capability to be subject to the CBCG approval must include also the fee for selected valuers for the collaterals of the banks.</p>
36	12.08.2020.	KPMG	Guidelines on the selection of the AQR valuer	<p>Taking into account your answer to question number 35 (question by PWC), whether and how (according to the current Guidelines) the proposed AQR valuer's fee (i.e. the ranges of fees according to the type of activity and type of appraised real estate) affects the proving of capability of AQR valuers and AQR auditors?</p>	<p>Fee ranges by type of activity and type of appraised real estate stand as one of the minimum information that valuers must provide as proof of capability. Based on all the minimum information that the AQR valuer/auditor must provide as proof of capability, the AQR valuer/auditor demonstrates and proves whether and in what way it has provided sufficient capacity to complete all tasks within the defined deadlines and at a satisfactory level. The impact of the proposed fee itself on the proving of capability cannot be observed in isolation. Factors such as the composition and number of the proposed team, a detailed project plan on how the potential auditor proposes to carry out the project, and accordingly the planned number of professional hours needed for AQR represent some of the other elements based on which the AQR valuer/auditor proves its ability and which consequently affects the fee amount.</p>
37	12.08.2020.	KPMG	Guidelines on the selection of the AQR valuer	<p>Is it envisaged that the Central Bank of Montenegro gives its consent to the selection of AQR valuer by AQR auditor and if so, at what stage of the process, i.e. by what deadline is such approval envisaged to be granted and in accordance with which part/parts of the Guidelines is it expected?</p>	<p>Yes, the CBCG is envisaged to give its consent to the selection of the AQR valuer by the AQR auditor. The envisaged deadline for giving such consent to the selection of the AQR valuer is 2 weeks following the confirmation of the selection of the AQR auditor.</p>
38	25.08.2020.	CKB Bank	Portfolio Selection	<p>I would like to ask for clarification/confirmation regarding the segmentation rules for the purposes of AQR with regard to the differences in relation to internal segmentation.</p> <p>Clarification is required for the term SME (# A9) from the Guidelines in the Portfolio Selection Form. In our understanding, SME refers to legal entities that have a total exposure under 100 thousand euros at the level of connected persons, whereby 2 of the following 3 conditions are met:</p> <ul style="list-style-type: none"> <li>• the average number of employees in the business year is less than 250;</li> <li>• total annual income is under € 40,000,000.00;</li> <li>• total assets are under € 20,000,000.00.</li> </ul> <p>If we understand correctly, this label can also be assigned to clients/loans that are classified as Corporate according to the internal segmentation but have a total exposure under 100 thousand euros at the level of connected persons. This could cause more than half of the clients segmented as Corporate according to the internal methodology to be labeled as SME. Also, this label may be assigned for revolving exposures (e.g. credit card).</p>	<p>For the purposes of filling the Portfolio Selection Form, exposures to Small and Medium Enterprises (SMEs) belonging to exposures to natural persons and bearing the code # A9 are those exposures that meet the requirements of Article 34 of the Decision on Capital Adequacy of Banks and in the context of this Article they are considered as exposures to small and medium enterprises which are assigned a risk weight of 75%.</p>
39	26.08.2020.	ko Bank AD Podgorica	Portfolio Selection	<p>Regarding the filling in of the form for the purposes of AQR, could you provide additional clarification of exposure that needs to be shown.</p> <p>In the column explanation it is stated that in the column 'Current balance of loans and other placements and debt securities' the exposure and accrued interest should be presented. Does this mean that the exposure from fees and prepayments and accruals should be shown in the 'other assets' position? Also, should value adjustments be shown in the columns 'Exposure impairment' without value adjustments for fees?</p>	<p>When filling in the Portfolio Selection Form, required amounts from the columns should be filled in exclusively within one row for one portfolio. Items relating to exposures within a specific portfolio, that do not need to be shown in a specific column in accordance with guidelines for specifying the amounts in that column (like allowances for impairment or specific fees), need not be shown separately in a specific row, and excluding them from the amount shown in the appropriate column that requires their exclusion is sufficient.</p> <p>For the purposes of Portfolio Selection Form, interest shall be the interest and fees that are distributed over the entire period of duration of the financial asset in accordance with IFRS 9, and are, in accordance with the above, required to be treated in columns A33 Current balance of loans and other placements and debt securities (balance sheet exposures) and A47 Impaired exposures.</p>

					<p>In column A32 'Carrying amount of loans and other placements in debt securities' you should show the so-called net exposure arising from loans and other placements as well as from debt securities - total balance sheet and accrued interest reduced by amortisation, and impairment of balance sheet asset items .</p> <p>In column A33 'Current balance of loans and other placements and debt securities (balance sheet exposures)' you should show the so-called gross exposure of the bank arising from loans and other placements, as well as from debt securities - balance sheet exposure and accrued interest without allowances for impairment.</p> <p>Bearing in mind the specificities of the process of Portfolio Selection for the purposes of AQR implementation, the requirements for filling in the fields in the Portfolio Selection Form are provided through the Guidelines within the Form itself.</p>
40	26.08.2020.	rička banka AD Po	Portfolio Selection	<p>Please clarify the columns 'Carrying amount of loans and other placements in debt securities' and 'Current balance of loans and other placements and debt securities (balance sheet exposures)'?</p> <p>Please clarify which segments should be included in these items and, if possible, refer to some of the existing reports for the purpose of verifying that the form is filled in accurately.</p>	
41	26.08.2020	Universal Capital Bank	Portfolio Selection	Does the position A8 of the Guidelines represent the sum of A9, A10, and A11?	Yes, in the row A8 Natural Persons you should show the sum of amounts given in rows A9 SME, A10 (Residential Real Estate -RRE), and A11 Other Natural Persons.
42	26.08.2020	Universal Capital Bank	Portfolio Selection	Does the position A11 of the Guidelines represent the sum of A12, A15, A16, and A17?	Yes, in the row A11 Other Natural Persons you should show the sum of amounts given in rows A12 Revolving, A15 Non-Revolving Unsecured Loan, A16 Other Unsecured Loans, and A17 Other.
43	26.08.2020	Universal Capital Bank	Portfolio Selection	Does the position A15 (Non-revolving Unsecured Loan) of the Guidelines include only a loan with the bill of exchange as collateral or does it also include concluded guarantee agreements, co-indebtedness, etc. or does it imply the absence of any of these forms of security?	The row A15 Non-Revolving Unsecured Loan should, inter alia, include loans with bill of exchange as collateral, as well as loans with concluded guarantee agreements, or with co-indebtedness.
44	26.08.2020	Universal Capital Bank	Portfolio Selection	Does the position A17 of the Guidelines, presuming that the position A8 includes all natural persons, include all non-revolving loans that have a mortgage in the form of commercial premises, land, etc.? If so, than the position A12 would not be equal to the sum of A16 and A17 of the Guidelines, because it would have to include non-revolving products.	All loans that do not meet any of the conditions specified in the guidelines for filling in the rows A9 to A16 should be shown in the row A17 Other. The sum of amounts given in rows A13 Credit Cards and A14 Overdraft should be shown in the row A12 Revolving.
45	26.08.2020	Universal Capital Bank	Portfolio Selection	Position A31 of the Guidelines - For grouped foreign exposures making less than 5% of credit risk weighted assets. Do the credit risk weighted assets refer to the position Weighted Balance Sheet Assets (B13) within the KSB Form, or the position Total Balance Sheet Assets (B12) within the same form?	Grouping of foreign exposures into 'Other Foreign Exposures' may be done where the assets weighted by the credit risk arising from these exposures account for less than 5% of total credit risk weighted assets, whereby <b>the calculation of credit risk weighted assets takes into account balance and off-balance sheet items</b> . Provisions of Article 14 paragraph 4 of the Decision on Capital Adequacy of Banks should not be taken into account when calculating for the purposes of Portfolio Selection (adverse effects of IFRS 9 implementation).
46	26.08.2020	Universal Capital Bank	Portfolio Selection	Do the positions A32 and A33 of the Guidelines include impairment for accrued fees?	For the purposes of filling in the required amounts in the Portfolio Selection Form in accordance with the Guidelines provided within this form, the exposures included within specific rows need to be adjusted to the scope of exposures for the purposes of reporting in accordance with the Decision on Capital Adequacy of Banks. The amounts in column A32 Carrying amount of loans and other placements in debt securities should be shown with allowances for impairment (thus, including the accrued fees), while the amounts in the column A 33 Current balance of loans and other placements and debt securities should be shown without the allowances for impairment (thus, not including the accrued fees).
47	26.08.2020	Universal Capital Bank	Portfolio Selection	Does the Carrying amount of loans and other placements in debt securities within the position A32 of the Guidelines refer to the balance and off-balance sheet on loan positions only (unused loans), or should it be increased by other off-balance sheet exposures (guarantees, letters of credit...)?	In accordance with the Clarification for all banks provided within the Q&A, in the column A32 Carrying amount of loans and other placements in debt securities you should show <b>only balance-sheet exposures. Please disregard the part of the Guidelines which, in the clarification of this column states "and probable loss arising from off-balance sheet items"</b> .
48	26.08.2020	Universal Capital Bank	Portfolio Selection	Positions A57 and A58 of the Guidelines - Specific credit risk adjustments for exposures assessed at individual level and Specific credit risk adjustments for exposures assessed at group level. Please clarify these positions.	In the column A57 Specific credit risk adjustments for exposures assessed at individual level you should show impaired balance sheet assets and probable loss arising from off-balance sheet assets assessed on individual basis, while in column A58 Specific credit risk adjustments for exposures assessed at group level you should show impairment of balance sheet items, i.e. probable loss arising from off-balance sheet items assessed at group level. <b>Note: In accordance with the Draft Decision on Capital Adequacy of Credit Institutions, the specific value adjustments mean the credit risk value adjustment in accordance with IFRS 9 (for stages 1, 2, and 3).</b>

49	27.08.2020.	Universal Capital Bank	Portfolio Selection	Given that in the "front page" sheet you state that "credit exposure refers to loans and other placements and debt securities classified as amortized cost in columns I to AB. Off-balance sheet exposures (guarantees and liabilities) are presented in columns F and G. Financial assets measured at fair value through other comprehensive income are presented in columns AE and AF. Financial assets measured at fair value through profit or loss are in columns AG and AH." Does this mean that the sum of the sheet "credit exposure" should correspond to the positions in B.S. - financial assets at amortized cost, financial assets through total other comprehensive income and financial assets through P&L.	The Credit Exposure sheet should show loans and other placements and debt securities, measured at amortized cost, measured at fair value through profit and loss and measured at fair value through other comprehensive income. <b>This means that A32 + A59 + A61 = BS: pos 1 (part related to deposit accounts with central banks) + 2 + 3 + 4 + 5 + 9 + 10 + 12 + 13 + 14 + 15</b>
50	27.08.2020.	Universal Capital Bank	Portfolio Selection	What does the guidelines position all other assets A30 cover?	Row A30 Other assets should show credit exposures that do not meet the criteria and conditions for classification in rows A3 - A29 given in the Guidelines.
51	27.08.2020	Adriatic Bank	Portfolio Selection	Should the exposures listed in the row A2: Of which: Borrowings to persons related to the bank should be divided according to the criteria listed subsequently, i.e. within natural and legal persons?"	Yes. All exposures to persons related to the bank should be shown in position A2, regardless of which exposure category they belong to. These exposures should also be shown in all relevant categories of exposures to individuals and legal persons.
52	27.08.2020	Adriatic Bank	Portfolio Selection	Should exposures to SMEs that do not meet the requirements prescribed by the Decision on Capital Adequacy, Article 34 be listed in row A29: Large SMEs (not operating in the field of real estate)?	If exposures to SMEs do not meet the definition from Article 34 of the Decision on Capital Adequacy, and cannot be classified in row A9 Natural persons SMEs, they should be classified in row A29 Large SMEs (not operating in real estate) if they meet the conditions given in Guidelines for this row.
53	27.08.2020	Erste Bank	Portfolio Selection	Could you inform us should Other receivables on fees and commissions from account 1914 be shown in the position A30 Other Assets, along with items from other assets (e.g. accounts receivables, card transactions, other financial receivables, etc.). As in the PBA/PVB forms the exposure includes the entire exposure per client's account in addition to deferred fees (therefore, receivables for fees from account 1914 and other assets on which reserves are calculated on the party are included), and the weighted amount of assets is calculated on that total amount and VB; if the amount of fees and other assets on which reserves are calculated is separated to position A30, it will not be possible to obtain precise data in column A63 - Credit risk RWA	If the bank has shown a certain fee recorded in the account 1914 in one of the positions A3-A29 (because it is linked to credit exposure), this fee will be excluded from the position of other assets (A30). Pursuant to the Decision on capital adequacy, everything that is not covered by the previous positions is shown in this position."
54	27.08.2020	Erste Bank	Portfolio Selection	In order to report as accurately as possible, please provide information on whether a parallel can be drawn between the positions of the given form and the forms from the monthly software, specifically with MKL1 and MKA1 and MKA2, as well as PBA and PVB.	This form must match the PBA and PVB forms.
55	27.08.2020	Erste Bank	Portfolio Selection	Does the position A1 include only assets valued at amortized cost (the final column AB is mentioned in the definition, while the table itself also includes columns relating to asset items valued at fair value)?	Position A1 includes the amounts of credit exposures measured at amortized cost, measured at fair value through profit or loss and measured at fair value through other comprehensive income. An explanation for the amounts shown in columns I to AB is given only as an addition, not a restriction for the scope of this row.
56	27.08.2020	Erste Bank	Portfolio Selection	In line with the answer to the question above, would it be correct to show in positions A1 the amounts included in forms M-KL1 and M-HOV-AA? OR would it be correct to show the amounts included in the forms M-KL1, M-HOV-AA and M-HOV-AF?	In the position A1, which represents the total credit risk exposure, all exposures from the balance sheet that are subject to credit risk and which are included in the PBA and PVB reports are entered. All these positions are also shown in the reports M-KL1 (gross loans and receivables), M-HOV-AA and M-HOV-AF (securities).
57	27.08.2020	Erste Bank	Portfolio Selection	Should investments in equity securities VISA INC. and MASTERCARD INC., which are presented in the M-HOV-IPPZP form in Part B. be shown in Sheet 1. Credit exposure (at position A7) or in Sheet 2. N2 N3 Non-derivative exposures within the table Unlisted shares and private equity investments equity in individual investments (Top 20 by book value), or on both sheets?	Sheet 1 shows all exposures that are subject to credit risk. This means that it is necessary to show the listed equity securities in columns A59 or A61 (depending on the valuation). It is expected that a loan portfolio at fair value of the Level 2 and Level 3 according to IFRS 13 may appear on both sheets, as described in the Front page sheet. If the equity securities VISA INC. and MASTERCARD INC. listed in the example are measured at the fair value of Level 2 or Level 3 under IFRS 13, they should be presented in the sheet N2 N3 Non-Derivative Exposures within an adequate table in accordance with the Guidelines given in the Portfolio Selection Form.
58	28.8.2020.	Clarification for all banks	Portfolio Selection	Amount shown in line A 32 Carrying amount of loans and other placements and debt securities	The carrying amount includes the amount of exposure and accrued interest, reduced by value adjustments i.e. the amount at which the exposure is presented in the balance sheet, after deducting depreciation and impairment of balance sheet assets
59	01.09.2020	Lovćen banka	Portfolio Selection	Regarding the start of the AQR process, the bank shall submit a confirmation for every appraiser that they have not cumulatively performed valuation of more than 20% of the bank's collateral. Does this mean 20% of the collateral value amount or 20% of the number of valuations? The questions and answers regarding the AQR process suggest that it means 20% of the collateral value amount . Please confirm. Should the 20% be determined in relation to the amount of valued collateral in 2019 and 2020, or the total amount of valued collateral in the bank's portfolio.	20% means the collateral value amount in the total portfolio of collateral and funds acquired through the collection of receivables. The amount of 20% is determined as at 31 December 2019, when the AQR process is implemented.

60	02.09.2020	Erste banka	Portfolio Selection	When a bank presents the carrying amount of balance sheet and off-balance sheet items (positions A32, A59, etc.), is it more correct to apply the allowance for impairment in accordance with IFRS 9 that has been carried at balance sheet accounts (accounts in BS 1**9) or is it necessary to apply the allowance for impairment with higher value between that value adjustment and loan loss provisions, i.e. the amount of provisions used when calculating PBA and PVB amounts (PBA/PVB column: Provisions (provisions or value adjustments, whichever is higher))	In columns A32 and A59, you should use only the amount of value adjustments, not taking into account required provisions, i.e. you should show the carrying amount within the IFRS 9 context. The required provisions will, certainly, be reviewed within the AQR exercise, but it is not shown in this column.
61	02.09.2020	Erste banka	Portfolio Selection	Please provide a more precise clarification of the position A60 Financial Instruments Measured at Fair Value Through Other Comprehensive Income - Accumulated Changes in Fair Value. When presenting the accumulated changes of fair value in positive revaluation, is it necessary to show exclusively the market value of revaluation or the market value of revaluation adjusted for the allowance for impairment of that revaluation (calculated in accordance with the methodology applied by the banks). It should be noted that in the latter case, we have a material increase in the amount of accumulated changes in fair value.	Within the accumulated changes in fair value, the amount of value adjustment obtained in accordance with the methodology applied by banks should be included. The amount of the value adjustment from the P&L will have a positive effect on the amount of the accumulated change in fair value, i.e. it will increase the positive change in fair value and decrease its negative change.
62	02.09.2020	Addiko Bank AD Podgorica	Portfolio Selection	Should all assets be shown in the overview?	The overview should show the total assets included in the calculation of risk weighted assets. Therefore, intangible assets and asset items that are a deduction from own funds are not included.
63	02.09.2020	Addiko Bank AD Podgorica	Portfolio Selection	Do other assets (column Other Assets) mean cash, intangible assets, etc.?	In the position A30 Other Assets, you should show all asset items included in PBA and PVB, which are not included in positions A3-A29. Therefore, this includes other assets, fixed assets, cash and all other items except intangible assets.
64	02.09.2020	Addiko Bank AD Podgorica	Portfolio Selection	Should the total amount of Risk Weighted Exposures correspond to the amount in PBA and PVB, i.e. should the total amount of weighted exposures be shown in the overview?	Yes. In the overview in row A1, column A63 you should show the total amount of risk weighted exposures that is corresponding to the amounts in PBA and PVB.
65	02.09.2020	Addiko Bank AD Podgorica	Portfolio Selection	Based on the division required by the form, the exposure of one client can be spread over several positions, which is why the total number of debtors in the column Debtors will be greater than the actual amount. One client as a debtor will appear in multiple positions. Is it correct to show such an "increased" amount of debtors?	Yes, it is correct for the number of debtors to be higher than the actual number because it can happen that the exposure to one debtor is shown in several positions.
66	03.09.2020	Universal Capital Bank	Portfolio Selection	Does the SME position include exclusively exposures to small and medium enterprises with gross exposure below 100 thousand and other features in accordance with Article 34 of the Decision on Capital Adequacy with excluding natural persons meeting the same requirement (with reference to further diluted structure of natural persons)?	Position A9 SME takes into consideration also natural persons that meet the requirements for assigning 75% weight pursuant to Article 34 of the Decision on Capital Adequacy. This means that revolving exposures of both natural persons and credit cards of natural persons meeting the said criteria are also included in addition to small and medium enterprises. The breakdown of the position A11 shows all exposures that are not SME and residential.
67	03.09.2020	Universal Capital Bank	Portfolio Selection	If legal person -credit card holder does not meet the requirements for section SME (position A9), where should it be categorised? Should it be categorised under A29?	Yes, if it is an SME client, but which, due to the amount of exposure (over EUR 100 thousand), does not meet the requirement for assigning a 75% weight and thus is not shown at the position A9. The said exposure is shown at the position A29.
68	03.09.2020	Universal Capital Bank	Portfolio Selection	What should be presented in columns A59 and A60 (carrying amount and accumulated fair values)? If carrying amount refers to the value under balance sheet, what does accumulated fair value refer to? Negative value cannot be entered into field A60, so we assume that these are not effects of the change in market price of these instruments?	Net exposure of the bank to a certain financial instrument is entered into the column A59. Therefore, the position from the balance sheet. The revaluation amount is entered in the column A60 that is shown in the account 3006/3088. The amount shown may be positive or negative. Since the template does not allow entering of the negative amount, only absolute revaluation amount should be entered.
69	03.09.2020	Podgorička banka	Portfolio Selection	Is the filling of the template made by sub-account or by client since one client may have several different products and according to the definitions, it may belong to several different categories? If the filling is made by sub-account, how should the Column A64 be filled in?	The template is filled in by sub-account. A corresponding number of debtors is entered for each row in this column. It may be the case that total number of debtors is higher than the actual number, since it may occur that the exposure to one debtor is shown on several positions. Thus, total number of actual debtors of the bank should be entered into the position A1, so it will not equal to the sum of debtors shown on the positions A3-A30.
70	03.09.2020	Podgorička banka	Portfolio Selection	For the row A10 - Residential Real Estate (RRE), is it necessary to fill in data only for the sub-accounts secured only by residential real estate meeting the requirements of Articles 35 - 37 of the Decision on Capital Adequacy? If so, where sub-accounts secured by mortgage that do not meet the requirements of the said Articles or secured by commercial real estate should be classified?	Only exposures to natural persons secured by residential real estate meeting the requirements of Articles 35-37 of the Decision on Capital Adequacy are entered into the position A10. All other exposures to natural persons secured by real estate mortgage (residential, commercial or other real estate) are entered in the position A17.
71	03.09.2020	Podgorička banka	Portfolio Selection	Is row A12 Revolving the sum of columns A13 and A14?	Yes. A12=A13+A14. Please disregard a part of the Guidelines that states "A16 and A17" in the explanation of this column.
72	03.09.2020	Podgorička banka	Portfolio Selection	What security is taken into consideration when filling in the data for the column A16?	This position shows all other collaterals (securities, pledge on movable property) that are not real estate mortgages.

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73	03.09.2020	Podgorička banka	Portfolio Selection	Is the column A23 -related to real estate connected with the activity of the client? If so, what codes are taken into consideration	Rows A24 and A25 cover credit sub-accounts which are primarily services by sale or lease of the real estate and the activity of the client is not material for them.  Other real estate in row A27 cover credit sub-accounts provided to clients which main activity refers to advertising, development and lease of real estate.
74	03.09.2020	Podgorička banka	Portfolio Selection	When reporting for governments and central banks and institutions, should credit exposure or balance on nostro accounts only be taken, which are reported through CBCG reports?	The amount of funds held with banks should be entered in the said positions .

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