

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 06/13, 70/17), and Article 167 paragraph (4) of the Law on Credit Institutions (OGM 72/19), the Council of the Central Bank of Montenegro, at its meeting held on 21. December 2020, passed the following

**DECISION
ON THE METHOD OF CALCULATING MAXIMUM DISTRIBUTABLE AMOUNT
IN 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 (hereinafter: the maximum distributable amount) by a credit institution that fails to meet the combined buffer requirement, and the requirements to notify the Central Bank of Montenegro thereof.

Determining maximum distributable amount

Article 2

(1) Maximum distributable amount shall be calculated by multiplying the sum calculated in accordance with paragraph (2) of this Article and the factor specified in accordance with 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 amount referred to in items 1) and 2) of this paragraph by the amount referred to in item 3) of this paragraph:

- 1) interim profits not included in Common Equity Tier 1 capital in accordance with the regulation governing the capital adequacy of credit institutions, and which has been generated since the most recent decision of the general shareholders meeting of the credit institution on the distribution of profits;
- 2) year-end profits not included in Common Equity Tier 1 capital in accordance with the regulation governing the capital adequacy of credit institutions, and which has been generated since the most recent decision of the general shareholders meeting of the credit institution on the distribution of profits;
- 3) the amount which would be payable by tax for profit items referred to in items 1) and 2) of this paragraph.

(3) The factor shall be determined depending of the quartile of distribution to which Common Equity Tier 1 capital belongs which the credit institution does not use to meet capital requirements referred to in Article 134 paragraph (2) item 3) of the Law on Credit Institutions (OGM 72/19), (hereinafter: the Law) and additional capital requirements referred to in Article 281 of the Law, whereby Common Equity Tier 1 capital shall be expressed as a percentage of that capital and 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 distribution if it is within the lower and upper bounds of such quartile of distribution specified in the following table:

Quartile of distribution	Quartile of distribution bands	Factor
First quartile	$0 \leq K \leq (ZKB \times \frac{1}{4})$	0
Second quartile	$(ZKB \times \frac{1}{4}) < K \leq (ZKB \times \frac{1}{2})$	0.2
Third quartile	$(ZKB \times \frac{1}{2}) < K \leq (ZKB \times \frac{3}{4})$	0.4
Fourth quartile	$(ZKB \times \frac{3}{4}) < K < ZKB$	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 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 maintaining certain capital buffer requirements, a credit institution shall, when calculating capital buffer requirements, 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 maximum distributable amount by using data on own funds and capital requirements based on which it has determined that it failed to meet combined buffer requirements.

(7) The maximum distributable amount shall be calculated by using data for the balance as of the day of compiling last report on own funds and capital requirements by credit institution and which it has submitted to the Central Bank of Montenegro (hereinafter: the Central Bank).

(8) The maximum distributable amount calculated in accordance with paragraphs (1) to (6) of this Article shall be reduced by the amount for which the credit institution has made the distribution or payment or created the obligation of payment referred to in Article 167 paragraph (2) of the Law before it has calculated such maximum distribution amount.

Notifying the Central Bank

Article 3

A credit institution shall notify the Central Bank on the maximum distribution amount calculated in accordance with the provision of this Decision using the templates specified by the regulation governing the reporting of the credit institutions.

Entry into force

Article 4

This Decision shall enter into force on the day following that of its publication in the Official Gazette of Montenegro, and it shall apply from the date of application of the Law on Credit Institutions (OGM 72/19).

THE CENTRAL BANK OF MONTENEGRO

No. 0101-7571-5/2020
Podgorica, 21 December 2020

**CHAIRMAN
GOVERNOR,**
Radoje Žugić, m.p.