

Pursuant to Article 44 paragraph (2) item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17), Article 72 paragraph (2) and Article 135 paragraph (4) of the Law on Credit Institutions (OGM 72/19), the Council of the Central Bank of Montenegro, at its meeting held on 28 December 2020, passed the following

**DECISION**  
**ON DOCUMENTATION ATTACHED TO THE APPLICATION FOR GRANTING THE**  
**AUTHORISATIONS UNDER THE LAW ON CREDIT INSTITUTIONS**

**Subject matter**

**Article 1**

This Decision governs the documentation attached to the application to the Central Bank of Montenegro (hereinafter: the Central Bank) for granting the authorisations referred to in the Law on Credit Institutions (OGM 72/19) – (hereinafter: the Law).

**Application and documentation**

**Article 2**

(1) The application for granting the authorisations referred to in this Decision shall be submitted to the Central Bank of Montenegro in writing, together with the documents prescribed by this Decision and the evidence on payment of fee, pursuant to the regulation of the Central Bank governing the amount of fee for the performance of the supervisory function of the Central Bank.

(2) In case of any event occurring after the submission of the application or granting of the authorisation, which affects or might affect the accuracy, truthfulness and completeness of the documentation, the applicant shall submit updated information and documentation to the Central Bank.

**Provision of core and supplemental financial services**

**Article 3**

(1) An application for granting the authorisation referred to in Article 70 paragraph (2) of the Law, for the provision of core and supplemental financial services not determined by the decision on issuing a licence to the credit institution, shall be submitted on the template that is provided in Annex I and forms an integral part of this Decision.

(2) The application referred to in paragraph (1) of this Article shall be accompanied by:

- 1) data and description of services, as well as description of reasons for introducing new financial services for the performance of which authorisation is required;

- 2) the legal basis for the provision of services for the performance of which authorisation is required, i.e. the appropriate decision of the management body;
- 3) consent or other appropriate act of another competent authority, if regulations governing the performance of certain financial services prescribe the obligation to obtain consent or other appropriate act;
- 4) proposal of amendments or supplements to the articles of association of the credit institution;
- 5) a description of activities taken by the credit institution in connection to the introduction of new financial services, including a description of changes in the organisation and systematisation of jobs positions, if necessary for the introduction of new financial services;
- 6) a draft of all internal acts and procedures prescribing the manner of action, organisation of work, authorisations and responsibilities for the financial service that the credit institution intends to provide;
- 7) information on the costs of introducing new services;
- 8) a business plan for the next three years relating to new services, which contains:
  - a description of the assessment of the impact that the services introduced have on the business of the credit institution; and
  - a projection of the impact of these services on the statement of financial position (balance sheet), statement of comprehensive income (income statement) and risk management policy of the credit institution;
- 9) information on possible changes in the tangible assets of the credit institution in connection with the introduction of new financial services; and
- 10) information on possible changes in the information sector of the credit institution that are necessary due to the introduction of new financial services.

### **Establishing subsidiary undertaking abroad**

#### **Article 4**

An application for granting the authorisation referred to in Article 97 paragraph (2) of the Law for the establishment of a subsidiary undertaking abroad shall be supported by:

- 1) basic data on the subsidiary undertaking being established;
- 2) a business plan of the subsidiary undertaking for the first three business years, with a projection of the impact of the business of the subsidiary undertaking on the business of the credit institution;
- 3) data on the persons who will manage the affairs of the subsidiary legal person;
- 4) projection of the organisational structure and personnel qualifications of the subsidiary undertaking.

### **Inclusion of the profits of the current year in the Common Equity Tier 1 capital**

#### **Article 5**

The application for granting authorisation referred to in Article 135 paragraph (1) item 1) of the Law for including the profits of the current year generated during the

business year or profits of the current year generated at the end of the business year in the Common Equity Tier 1 capital before taking a formal decision confirming the final annual profit or loss of the credit institutions shall be supplemented by the following:

- 1) confirmation of profits by the persons responsible for the audit of the credit institution's financial statements, which also provides an appropriate level of assurance that the profit has been estimated in accordance with the regulations governing the accounting;
- 2) proof that the amount of profits has been reduced by any foreseeable costs or dividends.

### **Distribution of capital instruments to own funds of the credit institution**

#### **Article 6**

(1) The application for granting authorisation referred to in Article 135 paragraph (1) item (2) of the Law for distribution of capital instruments as own funds instruments shall be supplemented by the following:

- 1) information on the category of own funds to which the credit institution intends to distribute the requested capital instrument (Common Equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital of the credit institution);
- 2) a description of the purpose of the capital increase and compliance with the plan of capital of the credit institution or, if applicable, the plan of capital of a group of credit institutions in Montenegro;
- 3) information on the type of own funds instrument;
- 4) name/name and surname of top 20 investors in capital instruments for which an application for distribution is submitted;
- 5) decision of the credit institution in writing on the issuance of capital instruments;
- 6) basic documentation on the issuance of capital instruments;
- 7) for Common Equity Tier 1 capital instruments and, if applicable, additional Tier 1 capital: articles of association of the credit institution, minutes from the general shareholders assembly of the credit institution at which the decision to issue the capital instrument was made, proof of registration of Tier 1 capital increase in the Central Registry of Business Entities, data on the shareholder structure after entry in the Central Registry of Business Entities and proof of payment of instruments;
- 8) proof of sources of financing for the purchase of instruments, which proves that the purchase was made in accordance with Article 8 paragraph (1) item 2), Article 42 paragraph (1) item 3) and Article 55 paragraph (1) item 3) of the Decision on Capital Adequacy;
- 9) proof of the existence of all necessary additional authorisations and consents related to the issuance of capital instruments, which the credit institution is obliged to obtain pursuant regulations governing the capital market, if applicable;
- 10) information on whether the credit institution has the right to make a decision on distribution in a form other than cash or in the form of an own funds instrument, in connection with Article 77 paragraph (1) of the Decision on Capital Adequacy;
- 11) a signed statement of the applicant that the information provided is accurate and complete and that there are no contracts or agreements that could affect the non-

compliance of capital instruments with the prescribed conditions for that capital instrument;

- 12) a description of main characteristics of capital instruments given on the appropriate template from the annex referred to in paragraph (3) of this Article;
- 13) a detailed assessment and explanation, for each capital instrument, in accordance with paragraph (2) of this Article;
- 14) an assessment of the compliance of the documentation on the capital instrument with the regulations governing the issuance of that capital instrument and possible restrictions;
- 15) a description of the accounting framework of the equity instrument for which the request is submitted;
- 16) the amount of accrued own funds of the credit institution, including the amount and composition of own funds by individual categories and items, as at the last day of the month preceding the month of the submission of the application for granting the authorisation for distribution of capital instruments as own funds instruments, unless the credit institution has already submitted the Central Bank the statements on own funds for that reporting date;
- 17) for Additional Tier 1 capital instruments: a detailed analysis by the credit institution on the expected amount of Common Equity Tier 1 capital that would arise if the value of the principal of Additional Tier 1 capital instruments were fully written down or converted into Common Equity Tier 1 capital instruments, less any foreseeable tax liabilities, or overdue tax payments related to the instrument at the time of the reduction or conversion;
- 18) other information, facts and circumstances that may or might affect the fulfilment of conditions for granting the authorisation for the distribution of capital instruments as an own fund instrument.

(2) The assessment referred to in paragraph (1), item 13) of this Article shall contain in particular:

- 1) provisions prescribing the conditions for the own funds instrument (prescribed conditions);
- 2) quotes or references to the relevant provisions of the contract governing the capital instrument or other document relevant to proving the fulfilment of any prescribed condition for the own funds instrument;
- 3) a reasoned assessment by the credit institution on the fulfilment of each prescribed condition.

(3) The assessment of the fulfilment of conditions referred to in paragraph (1) item 13) of this Article shall be prepared, depending on the type of own funds to which the capital instrument is distributed (Common Equity Tier 1, additional Tier 1 capital and Tier 2 capital) on the template set out in Annex II, Annex III or Annex IV that form an integral part of this Decision.

## **Distribution to own funds based on discretionary right of the credit institution**

### **Article 7**

The application for granting the authorisation referred to in Article 135 paragraph (1) item (3) of the Law for distribution to Common Equity Tier 1 capital, additional Tier 1 capital or Tier 2 capital the capital instruments with regard to which the credit institution has a discretionary right to decide about the distribution in a non-cash form or in the form of own funds instruments shall be supplemented by the following:

- 1) documentation showing that the discretionary right or form in which distributions may be disbursed will not adversely affect the credit institution's ability to cancel payments related to the instrument;
- 2) documentation showing that the discretionary right or form in which distributions may be paid out will not adversely affect the instrument's ability to absorb losses;
- 3) documentation showing that the discretionary right or form in which distributions may be paid will not reduce the quality of the capital instrument.

## **Use of conservative assessment of the underlying exposure of the credit institution to capital instruments included in indices**

### **Article 8**

The application for granting the authorisation referred to in Article 135 paragraph (1) item (4) of the Law for using the conservative assessment of the underlying exposure of the credit institution to capital instruments included in indices shall be supplemented by the evidence that the credit institution would be operationally burdened if it followed its underlying exposure towards those items:

## **Internal approaches for the calculation of capital requirements**

### **Article 9**

The application for granting the authorisation referred to in Article 135 paragraph (1) item 6) of the Law for using the internal approaches for calculation of capital requirements shall be supplemented by the following:

- 1) documentation proving the fulfilment of the conditions referred to in Article 163 of the Decision on Capital Adequacy;
- 2) documentation showing that for the given exposure categories from the IRB method, in the internal risk measurement and management process, the credit institution applied rating systems that are largely compliant with the requirements of Articles 188 to 210 of the Decision on Capital Adequacy, for a period of at least three years preceding the start of the implementation of the IRB method.
- 3) documentation proving that the credit institution assessed and applied its own LGD estimates and conversion factors in a manner that largely meets the requirements for the application of own estimates of parameters referred to in Articles 188 to 210 of the Decision on Capital Adequacy, at least three years before it is authorised to apply its own LGD estimates and conversion factors;

- 4) the methodology applied by the credit institution for allocating exposures to different exposure categories, in accordance with Article 166 of the Decision on Capital Adequacy;
- 5) documentation on the fulfilment of conditions for application of IRB methods in different exposure categories and business units, in accordance with Article 167 of the Decision on Capital Adequacy;
- 6) documentation on the calculation of risk weighted exposures, in accordance with Articles 172 to 176 of the Decision on Capital Adequacy;
- 7) documentation on the calculation of the amount of expected loss for each exposure, in accordance with Articles 177 and 178 of the Decision on Capital Adequacy;
- 8) documentation on the assessment of PD (probability of default), LGD (loss given default) and maturity in accordance with Articles 179 to 184 of the Decision on Capital Adequacy;
- 9) documentation on the calculation of the amount of exposure in accordance with Articles 185, 186 and 187 of the Decision on Capital Adequacy;
- 10) documentation on the criteria for assigning debtors or products to a particular rating system, and on the implementation method that adequately reflects the level of risks, if the credit institution applies multiple rating systems, in accordance with Article 188 paragraph (1) of the Decision on Capital Adequacy;
- 11) evidence of periodic verification of the criteria and processes for assigning debtors or products to a particular rating system in order to determine their adequacy in relation to the existing portfolio of the credit institution and external circumstances, in accordance with Article 188 paragraph (2) of the Decision on Capital Adequacy;
- 12) evidence that the structure of the rating system for exposures to companies, institutions, central governments and central banks and to "retail" meets the requirements of Article 189 of the Decision on Capital Adequacy and that credit institutions take into account the risk factors referred to in that Article when allocating exposures to rating categories or sets of exposures;
- 13) evidence of the fulfilment of conditions for the integrity of the rating process, in accordance with Article 192 of the Decision on Capital Adequacy;
- 14) if the credit institution applies statistical models and other mechanical methods for assigning exposures to rating category of debtors and products or sets of exposures, evidence of the fulfilment of the conditions referred to in Article 193 of the Decision on Capital Adequacy;
- 15) evidence of the documentation of the rating system, in accordance with Article 194 of the Decision on Capital Adequacy;
- 16) proof of the collection and storage of data on internal ratings, in accordance with Article 195 of the Decision on Capital Adequacy;
- 17) documentation on the existence of appropriate stress testing procedures to be applied in assessing own capital adequacy, in accordance with Article 196 of the Decision on Capital Adequacy;
- 18) documentation on the fulfilment of general assessment requirements when quantifying risk parameters related to rating categories or sets of exposures, in accordance with Article 198 of the Decision on Capital Adequacy;

- 19) evidence of the fulfilment of special requirements for PD assessment when quantifying risk parameters related to rating categories or sets of exposures, in accordance with Article 199 of the Decision on Capital Adequacy;
- 20) evidence of the fulfilment of special requirements for own assessment of LGD when quantifying risk parameters related to rating categories or sets of exposures in accordance with Article 200 of the Decision on Capital Adequacy;
- 21) evidence of the fulfilment of special requirements for own assessment of conversion factors in accordance with Article 201 of the Decision on Capital Adequacy;
- 22) evidence of compliance with the requirements for validation of internal assessments, referred to in Article 204 of the Decision on Capital Adequacy;
- 23) evidence of the fulfilment of conditions related to risk quantification for the purposes of calculation of capital requirements, in accordance with Article 205 of the Decision on Capital Adequacy;
- 24) evidence that policies, procedures and control mechanisms for the development and application of internal models for the calculation of capital requirements are harmonized with Article 206 of the Decision on Capital Adequacy;
- 25) evidence of compliance with the requirements related to the validation and documentation of internal models and modelling processes of credit institutions, in accordance with Article 207 of the Decision on Capital Adequacy;
- 26) evidence of the fulfilment of conditions related to corporate governance, in accordance with Article 208 of the Decision on Capital Adequacy;
- 27) evidence that the credit risk control function meets the requirements of Article 209 of the Decision on Capital Adequacy.

### **Selection of an external auditor or an audit firm**

#### **Article 10**

The application for granting the authorisation referred to in Article 223 for the selection of an external auditor, i.e. an audit firm shall be supplemented by:

- 1) proposal of the decision on the selection of the external auditor or an audit firm;
- 2) basic data on the operations of the audit firm;
- 3) a copy of the license for the external auditor;
- 4) data on the professional title and experience of persons who will be hired to audit the financial statements of the credit institution;
- 5) evidence that there are no reasons for refusing to issue the authorisation referred to in Article 224 paragraph (1) items 1) to 4) of the Law for the selection of the external auditor and/or impediments from Article 225 paragraph (1) of the Law.

### **Repealed regulation**

#### **Article 11**

As from the commencement date of application of this Decision, the Decision on documents supporting the request for granting approvals under the Banking Law (OGM, 57/08, 80/10) shall be repealed.

## **Entry into force**

### **Article 12**

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 Resolution of Credit Institutions.

## **THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO**

No. 0101-7725-11/2020  
Podgorica, 28 December 2020

**CHAIRMAN  
G U V E R N E R,**

**Radoje Žugić, m.p.**



### Application for granting authorisation to provide financial services

<b>Information on the applicant credit institution</b>	
1. Name and head office of the credit institution	
2. Name and position of the person authorised to represent credit institution in the procedure of issuing the authorisation	
3. If the person authorised to represent the credit institution has authorised another person to represent the credit institution, please state the number of the annex containing the power of attorney	
<b>Contact person regarding the request</b>	
4. Name and surname	
5. Position	
6. Telephone	
7. Mobile tel.	
8. Fax	
9. Email	
<b>Information on financial services for which the authorisation is requested</b>	
10. List of financial services for which authorisation is requested, indicating the relevant provisions of the Law on Credit Institutions	
11. If the financial services are regulated by separate laws, please state the name of the law and the name of the service under that law, indicating the appropriate articles of that law	
12. If the regulations governing the provision of financial services for which authorisation is required prescribe that prior consent or other appropriate act of another supervisory authority is required, please state the number and title of that act of the competent authority and the number of the annex in which it is located	
<b>Description of the reasons for the introduction of new financial services</b>	
13. Describe the reasons for the introduction of new financial services or state the number of the annex in which the description is located	

<b>Description of the activities taken by the credit institution in connection with the introduction of new financial services</b>	
14. List of all actions and activities that preceded the submission of the request	
<b>Costs of introducing new services</b>	
15. Overview of costs of introducing new services	
<b>Impact of new services on the business operations of the credit institution</b>	
16. Description of the estimated impact of the new services on the credit institution's business	
<b>Organisation and systematisation of job positions</b>	
17. Description of changes in the internal organisation and systematisation, if necessary for the introduction of new services	
<b>Strategy and business plan of the credit institution</b>	
18. Number of the annex containing the business strategy of the credit institution	
19. Number of the annex containing the business plan with a description of the estimated impacts of new services on the credit institution's operations with projections of the balance sheet and income statement (prepared on the forms used to submit reports to the Central Bank)	
<b>Credit institution's information technology</b>	
20. Information on possible changes in the credit institution's information technology in connection with the introduction of new services	
<b>Tangible assets of the credit institution</b>	
21. Information on possible changes in tangible assets of the credit institution in connection with the introduction of new services	
<b>Articles of association of the credit institution</b>	
22. Number of the annex containing the draft amendments to the credit institution's articles of association	
<b>Internal acts of the credit institution</b>	
23. Number of the annex containing drafts of all internal acts and procedures prescribing the organisation of work, manner of acting, authorisations and responsibilities for each	

new financial service that the credit institution intends to introduce	
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**We hereby certify that the information provided in this application is true, correct, complete, and not misleading.**

**Unless otherwise stated in a particular document, the information relates to the date specified in this application. If any information relates to a future date, this is explicitly stated and the applicant undertakes to notify the Central Bank of Montenegro in writing if it subsequently finds that some of this information is not true, accurate and complete or misleading.**

**Applicant's signature**

**Name and surname  
Position**

**Template for the assessment of the fulfilment of conditions for  
Common Equity Tier 1 Capital instruments**

A credit institution shall use the “Template for the assessment of the fulfilment of conditions for Common Equity Tier 1 Capital instruments” to assess the compliance of Common Equity Tier 1 Capital instruments at least with the requirements of Article 8 and Article 77 of the Decision on Capital Adequacy, taking into account Article 7 and Articles 10 and 11 of that Decision.

<b>TEMPLATE FOR THE ASSESSMENT OF THE FULFILMENT OF CONDITIONS FOR COMMON EQUITY TIER 1 CAPITAL INSTRUMENTS</b>		
<b>Instrument name</b>		
Number and content of the Article of the Decision on capital adequacy which prescribes the conditions for the capital instrument	Indication and reference to the relevant provisions of the contract governing the capital instrument or other relevant document related to the fulfilment of each prescribed condition for the capital instrument	Reasoned assessment of the fulfilment of each prescribed condition
<b>Article 8 paragraph (1) of the Decision on capital adequacy</b>		
1) the credit institution issues instruments directly, based on the decision of the general meeting of shareholders;		
2) the instruments are paid up, and the purchase of those instruments is not financed by the credit institution directly or indirectly;		
3) the instruments meet the capital requirements and are distributed as capital in accordance with the regulations governing the applicable accounting framework;		
4) the instruments are clearly and separately disclosed in the balance sheet of the credit institution;		
5) instruments are perpetual;		

6) the principal amount of instruments may not be reduced or repaid, except in the case of:		
- liquidation of a credit institution; or		
- discretionary repurchase of instruments or other discretionary means of reducing capital, where the credit institution has received prior permission from the Central Bank in accordance with Article 81 of the Decision on Capital Adequacy;		
7) the provisions governing the instruments do not explicitly or implicitly indicate that the principal amount of the instruments would be reduced or repaid or that they could be reduced or repaid except in the event of liquidation of the credit institution and the credit institution does not otherwise provide such an indication before or during the issuing of instruments;		
8) the instruments meet the following conditions regarding distribution:		
- there is no preferential treatment of distribution regarding the order of distribution payments, including in relation to Common Equity Tier 1 capital instruments, and the terms governing the instrument do not provide preferential rights to distribution;		
- distributions may be paid to the holder of the instrument only from distributable items;		
- the conditions applicable to the instruments do not include a cap or other restriction on the maximum level of distributions;		
- the level of distribution is not determined based on the amount for which the instrument was purchased at issuing;		
- the conditions applicable to the instruments do not include the credit institution's obligation to make distributions to their holders, nor is the credit institution otherwise subject to such an obligation;		

<ul style="list-style-type: none"> <li>- non-payment of distributions does not constitute an event of default of the credit institution;</li> </ul>		
<ul style="list-style-type: none"> <li>- cancellation of distributions does not impose restrictions on the credit institution;</li> </ul>		
<p>9) in relation to all capital instruments issued by a credit institution, the instruments absorb the first and proportionally the largest share of incurred losses, and each instrument absorbs losses to the same extent as other instruments of Common Equity Tier 1 Capital;</p>		
<p>10) the instruments are subordinated in relation to all other claims in the event of insolvency or liquidation of the credit institution;</p>		
<p>11) the instruments give their owners the right to claim the residual assets of the credit institution, which is proportional to the amount of those instruments and is not fixed or subject to a cap in case of liquidation of the credit institution and after payment of all superior claims,</p>		
<p>12) the instruments are not secured or covered by a guarantee that enhances the seniority of claims by any of the following entities:</p>		
<ul style="list-style-type: none"> <li>- credit institution or its subsidiary undertakings;</li> </ul>		
<ul style="list-style-type: none"> <li>- the parent undertaking of the credit institution or its subsidiary undertakings;</li> </ul>		
<ul style="list-style-type: none"> <li>- parent financial holding or its subsidiary undertakings;</li> </ul>		
<ul style="list-style-type: none"> <li>- mixed holding or its subsidiary undertakings;</li> </ul>		
<ul style="list-style-type: none"> <li>- any undertaking closely related to the undertakings from intents 1 to 5 of this item;</li> </ul>		
<p>13) the instruments are not subject to any contracts or agreements that improve the seniority of the claims under the instruments in</p>		

the event of the insolvency or liquidation of the credit institution.		
<b>Article 77 paragraph (1) of the Decision on Capital Adequacy</b>		
Capital instruments and liabilities in respect of which the credit institution has a sole discretionary right to decide on the payment of distributions in a form other than cash or own funds instrument shall not qualify for Common equity Tier 1 capital, additional Tier 1 capital, Tier 2 capital, or qualifying liabilities, except if the credit institution has received prior approval from the Central Bank.		

**We hereby certify that the information provided in this application is true, correct, complete, and not misleading.**

**Unless otherwise stated in a particular document, the information relates to the date specified in this application. If any information relates to a future date, this is explicitly stated and the applicant undertakes to notify the Central Bank of Montenegro in writing if it subsequently finds that some of this information is not true, accurate and complete or misleading.**

**Applicant's signature**

**Name and surname**

**Position**

**Template for the assessment of fulfilment of conditions for additional Tier 1 capital instruments**

A credit institution shall use the “Template for the assessment of fulfilment of conditions for additional Tier 1 capital instruments” to assess the compliance of additional Tier 1 capital instruments at least with the requirements of Articles 42, 43, 44, and 77 of the Decision on Capital Adequacy, taking into account Articles 10 and 11 of that Decision.

<b>TEMPLATE FOR THE ASSESSMENT OF FULFILMENT OF CONDITIONS FOR ADDITIONAL TIER 1 CAPITAL INSTRUMENTS</b>		
<b>Instrument name</b>		
Number and content of the Article of the Decision on capital adequacy which prescribes the conditions for the capital instrument	Indication and reference to the relevant provisions of the contract governing the capital instrument or other relevant document related to the fulfilment of each prescribed condition for the capital instrument	Reasoned assessment of the fulfilment of each prescribed condition
<b>Article 42 paragraph (1) of the Decision on capital adequacy</b>		
1) the instruments are issued directly by the credit institution and are fully paid;		
2) instruments that are not purchased by any of the following entities:		
- credit institution or its subsidiary undertakings;		
- undertakings where the credit institution has a participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of that undertaking;		
3) the acquisition of ownership of the instruments, directly or indirectly, is not financed by the credit institution;		
4) the instruments are subordinated in relation to the Tier 2 capital instruments in case of insolvency of the credit institution;		



5) the instruments are neither secured nor covered by a guarantee that enhances the seniority of the claim by any of the following entities:		
- credit institutions or their subsidiary undertakings		
- parent company of the credit institution or its subsidiary undertakings		
- the parent financial holding company or its subsidiary undertakings;		
- mixed holding company or its subsidiary undertakings		
- mixed financial holding company or its subsidiary undertakings		
- any undertaking that has close links with entities referred to in indents 1 to 5 of this item		
6) the instruments are not subject to any contracts or agreements that enhances the seniority of the claim under the instruments in the event of insolvency or liquidation;		
7) the instruments are perpetual and the provisions governing those instruments do not include incentives for the credit institution to redeem them;		
8) if the instruments include one or more early redemption options, including call options, the options may be exercised solely at the sole discretion of the issuer;		
9) the instruments may be called, redeemed or repurchased only if the conditions laid down in Article 81 of this Decision are met, and not before than five years after the date of issuance, except where the conditions laid down in Article 86 paragraph (4) of the Decision on Capital Adequacy are met;		
10) the provisions governing the instruments do not explicitly or implicitly indicate that the credit institution would, as the case may be, call, redeem or repurchase the instruments, except in the event of insolvency or liquidation of the credit institution and the credit institution		

shall not otherwise make such indications;		
11) the credit institution does not explicitly or implicitly indicate that the Central Bank would consent to a request to call, redeem or repurchase the instruments;		
12) distributions under the instruments meet the following conditions:		
- are paid out of distributable items;		
- the level of distributions made on the instruments will not be amended on the basis of the credit standing of the credit institution or its parent undertaking;		
- the provisions governing the instruments give the credit institution full discretion at all times to cancel the distributions on the instruments for an unlimited period and on a non-cumulative basis, and the credit institution may use such cancelled payments without restriction to meet its obligations as they fall due;		
- cancellation of distributions does not constitute an event of default of the credit institution;		
- the cancellation of distributions imposes no restrictions on the credit institution;		
13) the instruments do not contribute to a determination that the liabilities of a credit institution exceed its assets, where such a determination constitutes a test of insolvency under applicable regulations;		
14) the provisions governing the instruments require that, upon the occurrence of a trigger event, the principal amount of the instruments be written down on a permanent or temporary basis or the instruments be converted to Common Equity Tier 1 instruments;		
15) the provisions governing the instruments include no provisions that could hinder the recapitalisation of the credit institution;		

<p>16) where the issuer has a head office in a third country and is part of a resolution group whose entity subject to resolution has a head office in Montenegro or the European Union or if the issuer has a head office in Montenegro or the European Union, the regulations or contractual provisions governing the instruments require permanent write-down or conversion of the principal of instruments into Common Equity Tier 1 instruments, in accordance with the decision of the Central Bank adopted in the exercise of its resolution function, in the exercise of powers related to write-down and conversion of capital instruments, as established in the law regulating the resolution of credit institutions;</p>		
<p>17) where the issuer has a head office in a third country and is not part of a resolution group whose entity subject to resolution has its head office in Montenegro or the European Union, the regulations or contractual provisions governing instruments require permanent write-down or conversion of the principal of instruments into Common Equity Tier 1 instruments, in accordance with the decision of the relevant third country authority;</p>		
<p>18) where the issuer has a head office in a third country and is part of a resolution group whose entity subject to resolution has its head office in Montenegro or the European Union, or if the issuer has its head office in Montenegro or the European Union the instrument may only be issued in accordance with third party regulations countries or based on them only if, according to these regulations, the exercise of write-down and conversion is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions;</p>		

19) the instruments are not subject to any set-off arrangements or netting rights that would undermine their capacity to absorb losses.		
<b>Article 43 of the Decision on Capital Adequacy</b>		
Restrictions on the cancellation of distributions on Additional Tier 1 instruments and features that could hinder the recapitalisation of the institution		
<b>Article 44 of the Decision on Capital Adequacy</b>		
Write down or conversion of Additional Tier 1 instruments		
<b>Article 77 paragraph (1) of the Decision on Capital Adequacy</b>		
Capital instruments and liabilities in respect of which the credit institution has a sole discretionary right to decide on the payment of distributions in a form other than cash or own funds instrument, shall not qualify for Common equity Tier 1 capital, additional Tier 1 capital, Tier 2 capital, or qualifying liabilities, except if the credit institution has received prior approval from the Central Bank.		

**We hereby certify that the information provided in this application is true, correct, complete, and not misleading.**

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**Applicant's signature**

**Name and surname  
Position**

**Template for the assessment of the fulfilment of conditions for  
Tier 2 Capital instruments**

A credit institution shall use the “Template for the assessment of the fulfilment of conditions for Tier 2 Capital instruments” to assess the compliance of Tier 2 Capital instruments at least with the requirements of Article 55 and Article 77 of the Decision on Capital Adequacy, taking into account Articles 10 and 11 of that Decision

<b>TEMPLATE FOR THE ASSESSMENT OF THE FULFILMENT OF CONDITIONS FOR TIER 2 CAPITAL INSTRUMENTS</b>		
<b>Instrument name</b>		
Number and specification of the provision prescribing each condition for a particular capital instrument	Indication and reference to the relevant provisions of the contract governing the capital instrument or other relevant document related to the fulfilment of each prescribed condition for the capital instrument	Reasoned assessment of the fulfilment of each prescribed condition
<b>Article 55 of the Decision on capital adequacy</b>		
1) instruments are issued directly by the credit institution and are paid in full;		
2) the instruments are not purchased by any of the following entities:		
- credit institution or its subsidiary undertaking;		
- undertaking in which the credit institution has participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of the undertaking;		
3) purchase of the instruments is not funded directly or indirectly by the credit institution;		
4) the claim on the principal amount of the instruments under the provisions governing the instruments is wholly subordinated to		

claims referring to instruments of eligible liabilities;		
5) the instruments that are not secured, or subject to a guarantee or other surety that enhances the seniority of the claim by any of the following entities:		
- credit institution or its subsidiary undertakings,		
- parent undertaking of the credit institution or its subsidiary undertakings,		
- parent financial holding or its subsidiary undertakings,		
- mixed activity holding or its subsidiary undertakings,		
- mixed financial holding or its subsidiary undertakings,		
- any undertaking that has close links with entities referred to in indents 1 to 5 of this item,		
6) instruments are not subject to any arrangements that otherwise enhance the seniority of the claim under the instrument;		
7) instruments have an original maturity of at least five years;		
8) provisions governing instruments do not include any incentive for their principal amount to be redeemed or repaid, as applicable, by the credit institution prior to their maturity;		
9) where the instruments include one or more call options or early repayment options, the options are exercisable at the sole discretion of the issuer;		
10) the instruments may be called, redeemed or repurchased or repaid early only where the conditions laid down in Article 81 of the Decision on capital adequacy are met, and not before five years after the date of issuance, except where the conditions laid down in Article 86 paragraph (4) of the Decision on capital adequacy are met;		
11) the provisions governing the instruments do not indicate explicitly or implicitly that the instruments would or might be called, redeemed, repurchased or repaid early, as applicable by the credit institution other than in the insolvency or liquidation of the credit institution and the credit institution		

does not otherwise provide such an indication;		
12) the provisions governing the instruments do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in the insolvency or liquidation of the credit institution;		
13) the level of interest or dividend payments, as applicable, due on the instruments will not be amended on the basis of the credit standing of the credit institution or its parent undertaking;		
14) where the issuer has a head office in a third country and is part of a resolution group whose entity subject to resolution has a head office in Montenegro or the European Union or if the issuer has a head office in Montenegro or the European Union, the regulations or contractual provisions governing the instruments require permanent write-down or conversion of the principal of instruments into Common Equity Tier 1 instruments, in accordance with the decision of the Central Bank adopted in the exercise of its resolution function, in the exercise of powers related to write-down and conversion of capital instruments, as established in the law regulating the resolution of credit institutions;		
15) where the issuer has a head office in a third country and is not part of a resolution group whose entity subject to resolution has its head office in Montenegro or the European Union, the regulations or contractual provisions governing instruments require permanent write-down or conversion of the principal of instruments into Common Equity Tier 1 instruments, in accordance with the decision of the relevant third country authority;		
16) where the issuer has a head office in a third country and is part of a resolution group whose entity subject to resolution has its head office in Montenegro or the European Union, or if the issuer has its head office in Montenegro or the European Union the instrument may only be issued in accordance with third party regulations countries or based on them only if, according		

to these regulations, the exercise of write-down and conversion is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions;		
17) the instruments are not subject to any set-off arrangements or netting rights that would undermine their capacity to absorb losses.		
<b>Article 77 of the Decision on Capital Adequacy</b>		
Capital instruments and liabilities in respect of which the credit institution has a sole discretionary right to decide on the payment of distributions in a form other than cash or own funds instrument, shall not qualify for Common equity Tier 1 capital, additional Tier 1 capital, Tier 2 capital, or qualifying liabilities, except if the credit institution has received prior approval from the Central Bank.		

**We hereby certify that the information provided in this application is true, correct, complete, and not misleading.**

**Unless otherwise stated in a particular document, the information relates to the date specified in this application. If any information relates to a future date, this is explicitly stated and the applicant undertakes to notify the Central Bank of Montenegro in writing if it subsequently finds that some of this information is not true, accurate and complete or misleading.**

**Applicant's signature**

**Name and surname**

**Position**