

Pursuant to Article 44 paragraph 2 point 3 of the Central Bank of Montenegro Law (OGM 40/10, 46/10, 06/13, 70/17) and in conjunction with Article 59 paragraph 7, Article 60 paragraph 3, Article 63 paragraph 1, Article 65 and Article 69 paragraph 2 of the Banking Law (OGM 17/08, 44/10), the Council of the Central Bank of Montenegro, at its meeting held on 30 November 2017, passed the following

## **DECISION**

### **supplementing the Decision on Capital Adequacy of Banks**

#### **Article 1**

In the Decision on Capital Adequacy of Banks (OGM 38/11, 55/12) in Article 4 paragraph 2, after point 5 a new point shall be inserted, worded as follows:

“6) amount mitigating negative impact on own funds of a bank due to the transition to the valuation of asset items by applying International Financial Reporting Standard 9 (hereinafter: the IFRS 9), specified in accordance with paragraphs 5 and 6 above.”

After paragraph 4, two new paragraphs shall be inserted, worded as follows:

“Total amount of negative impact on bank’s own funds shall be determined in the moment of transition to the valuation of asset and off-balance sheet items of the bank by applying the IFRS 9, and it shall be calculated as the difference between the bank’s core capital referred to in paragraph 1 above as reported in the bank’s balance sheet as at 31 December 2017 compiled following the International Accounting Standard 39 and the amount of core capital of the bank as reported at the same date by applying the IFRS 9.

The amount representing the element of own funds referred to in paragraph 2 point 6 above shall be determined in period from 2018 until and including 2022 by deducting total amount of negative impact calculated in accordance with paragraph 5 above as follows:

- 1) 5% when calculating own funds in 2018;
- 2) 15% when calculating own funds in 2019;
- 3) 30% when calculating own funds in 2020;
- 4) 50% when calculating own funds in 2021;
- 5) 75% when calculating own funds in 2022.

#### **Article 2**

In Article 14 after paragraph 2, two new paragraphs shall be inserted, worded as follows:

“Total risk-weighted assets of the bank shall be the sum of the amounts of risk-weighted asset and off-balance sheet items calculated in accordance with paragraphs 1 and 2 above.

By way of derogation from paragraph 3 above, banks that determine the amount of negative impact within the meaning of Article 4 paragraph 5 above in the moment of transition to the application of the IFRS 9 shall calculate total risk-weighted assets in the

period from 2018 until and including 2022 by increasing the total amount of risk-weighted assets determined in accordance with paragraph 3 above by the amount that represents the element of own funds referred to in Article 4 paragraph 2 point 6 herein in the moment of the calculation of risk weighted assets.”

**Article 3**

This Decision shall enter into force on the eighth day following that of its publication in the Official Gazette of Montenegro, and it shall be applied from 1 January 2018.

**COUNCIL OF THE CENTRAL BANK OF MONTENEGRO**

Decision No. 0101-9793-5/2017  
Podgorica, 30 November 2017

**CHAIRMAN**

**G O V E R N O R,**

**Radoje Žugić, m.p.**