Pursuant to Article 44 paragraph 2 item 3 of the Central Bank of Montenegro Law (OGM 40/10, 46/10, 06/13) and in conjunction with Article 89 of the Banking Law (OGM 17/08, 44/10) and Article 27 paragraph 8 of the Consumer Credit Law (OGM 35/13), the Council of the Central Bank of Montenegro, at its meeting held on 11 December 2014, passed the following

DECISION
amending the Decision on uniform manner of calculating and reporting effective interest rate on loans and deposits

Article 1
In the Decision on uniform manner of calculating and reporting effective interest rate on loans and deposits (OGM 51/13) – hereinafter the Decision, after Article 6 a new Article 6a shall be inserted, worded as follows:

"Article 6a
If variable interest rate is agreed in the loan/deposit agreement, creditor/depository shall inform the client the change thereof prior to its implementation by posting a visible notification in the bank's premises, by email or otherwise specified by the agreement.

By way of derogation from paragraph 1 above, notification on the interest rate change for consumer loan beneficiaries shall be performed in accordance with the law governing consumer credits."

Article 2
In the Methodology for calculation and reporting of effective interest rate on loans and deposits, which makes an integral part herein, Chapter "**II Preparation of repayment/payoff schedule**" shall be amended as follows:

"II. Preparation of repayment/payoff plan

When establishing credit relation, creditor delivers a repayment plan to the customer, and when establishing deposit relation, the depositor delivers a deposit payoff plan to the customer, with clearly presented effective interest rate.

Repayment/payoff plan must include nominal interest rate, with explanatory note stating whether the interest rate is fixed or variable.

Repayment/payoff plan is delivered to the customer without auxiliary columns for effective interest rate calculation. Auxiliary columns in the repayment/payoff plan for effective interest rate calculation show: net cash flow, discounted net cash flow, discounted loan disbursements and discounted cash collateral flows. Creditor, i.e. depository encloses the repayment/payoff plan with auxiliary columns for interest rate calculation to its loan, i.e. deposit documentation.

Header of the repayment/payoff plan (for loan or deposit agreement or for customer information) must include name and address of the creditor, i.e. depository, and contact information. Repayment/payoff plan should also include preparation date and a note that the effective interest rate is valid as at repayment/payment plan preparation date. Repayment/payoff plan, handed to the customer when signing a loan, i.e. deposit agreement has to include creditor's, i.e. depository's seal, as well as the signature of responsible person.

Effective interest rate calculation is based on the assumption that the loan agreement will remain effective during the agreed period and creditor and the customer will meet all obligations within the conditions and deadlines prescribed by the loan agreement. For example, if a loan agreement prescribes higher interest rate in case when the customer doesn't regularly repay the loan, this fact should be disregarded, and repayment/payoff plan should be developed based on the interest rate prescribed for the regular loan repayments.

For loan or deposit agreements that include clauses on variability of the interest rate as well as fees and commissions that are part of the effective interest rate calculation, the effective interest rate is calculated based on the assumption that the interest rate and other fees during the contracting period will remain fixed in relation to the initial interest rate and that they will be applied until the expiry of the loan agreement.

The following assumptions are used for the calculation of effective interest rate, if applicable:
1) If loan agreement allows for the freedom to choose the amount and deadlines for the withdrawal of funds, it is considered that total amount of loan is withdrawn immediately and in full amount;
2) With regard to loans where a customer, based on loan agreement, generally has a freedom to withdraw funds but within agreed limits that refer to the withdrawal amounts and periods, the effective interest rate is calculated using the assumption that the funds will be withdrawn at the earliest date anticipated by the loan agreement in the amount of the agreed limit;
3) In case of overdraft, it is considered that total amount of loan is fully withdrawn and for the entire life of the loan agreement. If the validity period of overdraft is unknown, the effective interest rate is calculated based on the assumption that the validity period is three months;
4) In case of the loan agreement with no maturity (open-end credit, revolving credit), except overdraft loan, the following assumptions are used for the effective interest rate calculation:
   - Loan is granted for a period of one year starting from the date of the initial withdrawal of funds based on that agreement, and the customer pays the remaining principal, interest and other expenses, if any, by repaying the last instalment;
   - A customer repays principal in identical monthly amounts, starting from the expiry of one month following the date of the initial loan withdrawal. In cases where the principal must be repaid fully through one-off payment within each repayment period, it is considered that consecutive withdrawal of funds based on the loan agreement and repayment of entire amount of principal by customer are executed during one-year period. Interest and other expenses are paid in accordance with such fund withdrawals based on loan agreement and principal repayments in the manner set forth in the loan agreement.

Loan agreement with no maturity, within the meaning of this methodology, is a loan agreement signed for unspecified period, which includes loans that must be repaid fully or after certain period, and they are available for re-disbursement after repayment;

5) in case of loan agreements where overdraft agreement or loan agreement with no maturity has not been signed, the following assumptions are used:
   - If the date or the amount of principal repayment by the customer cannot be determined with certainty, it is assumed that the repayment will be made at the earliest date and in the lowest amount foreseen by the loan agreement,
   - If the date of conclusion of loan agreement is unknown, it is assumed that the date of initial withdrawal of funds based on loan agreement is the date resulting in the shortest range between such date and the date of the first payment to be made by the customer,
   - In case where the date or the amount of repayment to be made by the customer cannot be determined based on the loan agreement with certainty or using other assumptions from this methodology, it is assumed that the repayment is made in accordance with the dates and conditions required by the creditor, and if they are unknown, it is assumed that:
     a) Fees are paid together with the principal repayment,
     b) Non-interest bearing expenses shown as one-off amount are paid as of the day of the loan agreement conclusion,
     c) Non-interest bearing expenses shown as separate payments are paid in regular instalments starting from the date of the first principal repayment, and if amounts of such payments are unknown, it is assumed that the amounts of payments are equal,
     d) The remaining portion of principal, interest and other expenses, if any, are settled by the last customer payment;

6) If ceiling of the loan is not agreed, it is assumed that such limit amounts to 1.500 euro;

7) If different interest rates are envisaged by the loan agreement or fees for different periods of withdrawal of funds are agreed by the loan agreement, it is assumed that funds will be withdrawn and used at the highest interest rate and fee envisaged by the agreement;

8) For loan agreement for which fixed interest rate is agreed compared to the initial period, and a new interest rate is agreed after the expiry of that period, which is further periodically adjusted with some agreed indicator, it is assumed that end-period interest rate for which fixed rate is valid is the same as in the moment of the effective interest rate calculation based on the value of the agreed indicator in that moment.

Regarding trial calculations of effective interest rate on loans and for purpose of informing the customer, it is assumed that hypothetical loan from the example is released on the first day of the month, and that the capitalised interest is calculated for at least one month.

Foreign currency loans and deposits are shown in respective currency. Loans and deposits in EUR, with foreign currency clause, are shown in EUR, according to the foreign exchange rate valid on the repayment/payoff plan preparation date. Foreign exchange rate of the previous translation must be stated in the repayment/payoff plan. If more than one

reference exchange rate is used (e.g. buying exchange rate when granting the loan, and selling exchange rate when repaying the loan), each of the exchange rates used, should be stated in the repayment/payoff plan, as well as the explanation of the use of specific exchange rates. Exceptionally, if the same reference exchange rate is used for release of the loan and loan repayment, and for the acceptance and payoff of deposits (e.g. ECB reference exchange rate taken over by the CBCG and posted on its web site), loans and deposits with foreign currency clause can be shown in foreign currency (instead of EUR), as at the day of repayment/payoff plan development. Foreign currency loans and deposits with fees and commissions that are determined and paid in EUR, when calculating the effective interest rate, need to be converted in foreign currency based on the mean exchange rate valid on the repayment plan date."

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 starting from 1 January 2015.

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

CHAIRMAN

G O V E R N O R,

Decision number: 0101- 4014/65-3
Podgorica, 11 December 2014

Milojica Dakić, m.p.