

Pursuant to Article 44 paragraph 2 point 3 of the Central Bank of Montenegro Law (OGM 40/10, 46/10) Article 57 paragraph 2 of the Banking Law (OGM 17/08, 44/10), the Council of the Central Bank of Montenegro, at its meeting held on 23 October 2012, passed the following

DECISION
amending the Decision on Minimum Standards for Credit Risk Management in Banks

Article 1

In the Decision on Minimum Standards for Credit Risk Management in Banks (OGM 22/12) after Article 49 two new Articles shall be added to read:

“Article 49a

Provisions for estimated losses shall be positive difference between the amount of calculated loan loss provisions and the sum of the amount of allowances for impairment on balance sheet and provisioning for off-balance sheet items.

When adopting annual account, the Bank shall transfer from the current year income or undistributed profit from previous years to the account for provisions for estimated losses under regulatory requirement the amount that corresponds to the amount of provisions for estimated losses.

In case the bank cannot allocate required provisions for estimated losses under regulatory requirement in full against income, the missing amount of such provisions shall be recorded at the account of missing provisions for estimated losses under regulatory requirement.

Article 49b

When the conditions have been met for excluding a receivable from the bank's balance sheet, the bank shall write off such receivable and show it in interim records up to the level of indebted amount until the finalisation of collection process.

Within the meaning of paragraph 1 above, the conditions for exclusion of a receivable from the bank's balance sheet shall be deemed to be met if the bank estimates in the collection process that the value of receivable measured at amortised cost shall not be compensated and that all conditions under IAS/IFRS have been met for terminating the recognition of the financial asset, including the following cases:

- 1) for unsecured receivable:
 - When bankruptcy proceedings has been initiated against the debtor which shall last more than one year, or
 - If debtor defaults more than two years;
- 2) for secured receivable, when the debtor defaults more than four years or if the bank has not received any of payments from collateral foreclosure during such period.

The bank shall delete receivable written off under paragraph 2 above, if the collection process of such receivable has been completed.

The collection process of a receivable shall be deemed to be completed when:

- 1) the decision of the completion of bankruptcy proceedings against debtor has become legally valid;
- 2) the bank has renounced a certain receivable (debt forgiveness) based on the confirmed debtor's reorganisation plan;
- 3) the decision has been made on the suspension of the execution proceedings since it is not possible to enforce the execution on the proposed case of execution, or
- 4) the bank has passed a decision on the completion of the collection process of a receivable due to economic non-viability of further collection (if the court expenses would exceed the amount of collected receivable, if the bank has with due diligence unsuccessfully taken all actions for the collection of receivables, etc.).“

Article 2

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 2013.

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

CHAIRMAN

G O V E R N O R,

Dr. Radoje Žugić, m.p.

Decision No. 0101-4014/36-5

Podgorica, 23 October 2012