

Pursuant to Article 44 paragraph 1 point 3 of the Central Bank of Montenegro Law (OGM 40/10, 46/10) and in conjunction with Article 59 paragraph 7, Article 60 paragraph 3, Article 63 paragraph 1, Articles 65 and 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 23 October 2012, passed the following

## **DECISION**

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

#### **Article 1**

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

“3a) loan loss provisions under regulatory requirement established in accordance with the decision regulating minimum standards for credit risk management in banks;”

In paragraph 4, point 6 shall be amended as follows:

“6) 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.”

#### **Article 2**

Article 12 shall be amended as follows:

“The exposure amount of an on-balance sheet item shall be calculated by deducting allowances for impairment and loan loss provisions on such item from gross carrying amount of that item.”

#### **Article 3**

In Article 13 the words: “loan loss provisions” shall be replaced by: “the sum of loss provisions and required provisions for estimated losses.”

#### **Article 4**

Article 42 shall be amended as follows:

“The following risk weights shall be assigned to the part of exposure under Article 41 of this Decision that is not secured by collateral:

- 1) a 150% risk weight if the sum of allowances for impairment and loan loss provisions do not exceed 20% of unsecured part of gross exposure:
- 2) a 100% risk weight if the sum of allowances for impairment and loan loss provisions equals to or exceeds 20% of unsecured part of overall exposure.

The unsecured part of exposure, within the meaning of paragraph 1 of this Article, shall be the part of exposure not eligible to be treated as fully secured exposure as specified in the provisions herein prescribing the credit risk mitigation techniques.

Receivables under Article 41 herein secured by property from Article 35, paragraph 1 points 1) and 2) of this Decision, and decreased by the sum of allowance for impairment and provisions for potential loan loss shall be assigned a 100% risk weight.

Notwithstanding paragraph 3 of this Article, if the sum of allowances for impairment and loan loss provisions represents 20% or more of gross exposure, such exposure decreased by the sum of allowances for impairment and loan loss provisions shall be assigned a 50% risk weight.”

#### **Article 5**

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.

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

**CHAIRMAN**

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

**Radoje Žugić, m.p.**

Decision No. 0101-4014/36-4  
Podgorica, 23 October 2012