



CENTRALNA BANKA
CRNE GORE

Sektor za kontrolu banaka

No.

Podgorica, 31 August 2020

TO ALL BANKS

Attn. Chief Executive Officer

Subject: Notification on the development of the Asset Quality Review process

We hereby inform you that the preparations for the implementation of the asset quality review (hereinafter: AQR) project have entered the final phase. In this regard, below we provide more detailed information related to the following:

- Indicative Operational Plan and Operational Plan;
- AQR Manual, accompanying forms and guidelines;
- Portfolio Selection;
- Granting the approval for the selection of the AQR auditors and appraisers.

1. Indicative Operational Plan

Below is an updated indicative operational plan that in principle follows the initially established dynamics with a postponement of the start of the exercise for a month due to objective circumstances.

Indicative timeline	Indicative activities
1 st October 2020	Direct examinations (on-site visits) commenced in all banks
1 st October 2020 – 20 th November 2020	Completion of Workblock 1 (Processes, policies and accounting (PP&A) review) per the bank
1st October 2020 – 6th November 2020	Completion of Workblock 2 (Loan tape creation and Data Integrity Validation (DIV))



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16 th October 2020 – 13 th November 2020	Completion of Workblock 3 (Sampling)
9 th October 2020 – 12 th March 2021	Completion of Workblock 4 (Credit file review)
30 th October 2020 – 12 th March 2021	Completion of Workblock 5 (Collateral and real estate valuation)
16 th October 2020 – 31 st March 2021	Completion of Workblock 7 (Collective provision analysis)
16 th October 2020 – 19 th February 2021	Completion of Workblock 8 (Fair value exposures review)
29 th January 2020 – 26 th February 2021	Completion of Workblock 6 (Projection of findings of credit file review)
19 th February 2021 – 6 th April 2021	Completion of Workblock 9 (AQR-adjusted CET1% ratio)
April 2021	Consideration of the draft report with banks
April 2021	Delivery of final reports for all banks to the CBCG

In the coming days, we will publish a more detailed Operational Plan that will provide an insight into all activities that will be necessary to carry out during the AQR project implementation for each week.

2. AQR Manual, accompanying forms and guidelines

We expect the AQR Manual to be delivered to the parties involved no later than 16 September 2020. The manual will be available in Montenegrin and English languages, with the Montenegrin version being official. On that occasion, we will send the accompanying forms and, as appropriate, more detailed guidelines for the workblocks that will begin immediately.

The parties involved will have until 30 September to give any comments/suggestions on the proposed approach, which the CBCG, with the support of its consultant, will consider and adopt, as appropriate, at the beginning of the exercise.

The CBCG expects that, with the support of the consultant, it will organize a workshop where the AQR Manual will be presented to participants.



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3. Portfolio Selection

The CBCG is currently conducting portfolio selection in accordance with the internal Portfolio Selection Guidelines.

In accordance with the above said, the banks received the forms that they shall fill in and send no later than 7 September 2020. The CBCG, with the support of the consultant, will be available for all any questions and clarifications during the preparation of the forms themselves.

After the banks submit the completed forms, the CBCG will review the obtained data and define, i.e. confirm the portfolios that will be subject to review within the AQR.

4. Granting the approval for the selection of the AQR auditors and appraisers

Granting the approval for the selection of the AQR auditors and appraisers is entering its final stage.

During the week, the CBCG held workshops with nominated auditors in order to take a closer look at the proposed approaches, organization and planned resources. The workshops were conducted in order to provide the necessary preconditions for the implementation of AQR within the mentioned timelines and with a satisfactory quality of deliveries.

In the coming days (by the end of the week), banks will receive a response from the CBCG in the context of granting the approval for the selection of auditors and appraisers or recommendations for changing auditors and appraisers.

Sincerely,

DIRECTOR

Dejan Vujačić