



DEPOSIT PROTECTION FUND

**DEPOSIT PROTECTION
FUND**

**ANNUAL REPORT
2024**

Podgorica, May 2025

LIST OF ABBREVIATIONS

CBCG	<i>Central Bank of Montenegro</i>
Directive 2014/49/ EU	<i>Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit-guarantee schemes</i>
Directive 2014/59/EU	<i>Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms</i>
EBRD	<i>European Bank for Reconstruction and Development</i>
EFDI	<i>European Forum of Deposit Insurers</i>
ERC	<i>European Regional Comity</i>
EU	<i>European Union</i>
Fund	<i>Deposit Protection Fund</i>
FSAP	<i>Financial Sector Assessment Program</i>
IADI	<i>International Association of Deposit Insurers</i>
Law	<i>Deposit Protection Law</i>
MB	<i>Managing Board</i>
Methodology	<i>Methodology for calculating the risk-based premium of individual credit institutions</i>
PRC	<i>PR Communications committee</i>
RMWG	<i>Risk Management Working Group</i>

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Introductory remarks

During 2024, the Deposit Protection Fund continued to carry out its legally defined responsibilities, thereby making a significant contribution to the preservation of stability of Montenegro's banking and financial system. Stable and, above all, responsible management of the Fund's assets, along with the consistent implementation of strategic goals and the regulatory framework, contributed to strengthening public confidence in the safety of deposits and, more broadly, in financial stability as a whole. In challenging global economic and financial conditions marked by various adverse geopolitical factors, the banking sector in Montenegro remained resilient and stable. Consequently, there was no need for new deployment of the Fund's resources during 2024, which testifies to the stability and sustainability of the overall domestic banking system.

In line with its legally defined pay-box plus mechanism function, the Fund successfully continued the payout of the remaining portion of guaranteed deposits, thereby ensuring depositor protection and preserving financial stability despite ongoing global economic uncertainties that continue to pose risks of potential banking disruptions. At the same time, through continuous growth in its capital base and improvements in its liquidity position, the Fund further strengthened its resilience and operational readiness to respond in the event of extraordinary circumstances. Such structural preparedness is of vital importance, especially in a context where global and regional markets remain susceptible to certain cyclical and unpredictable fluctuations.

According to assessments by relevant international institutions, such as the World Bank, the global economic growth forecast was revised upward in 2024. Domestic economic growth was moderate, with no significant negative effects of global shocks observed on the Fund's operations. On the contrary, by further strengthening its liquid assets, the Fund enhanced its ability to respond promptly and efficiently to any potential future challenges. Based on these indicators, it's safe to say that the Fund will continue to serve as an important pillar of financial security in Montenegro in the coming period.

The banking sector remains one of the key pillars of the country's economic system. Through sustained stability, strong capitalization and profitability, and adequate levels of liquidity, credit institutions continue to fulfil their intermediary role in the economy. A positive trend is also evident in the quality of the credit portfolio—the level of non-performing loans has been steadily declining, further reinforcing the sector's stability.

One of the key indicators of the banking system's stability is the total level of deposits, which reached 5.84 billion euros at the end of December 2024, representing 80.53 percent of total liabilities of credit institutions. This figure not only confirms growing depositor confidence, but also demonstrates that deposits remain the backbone of banking business. Compared to previous periods, credit institutions have increasingly directed these funds toward lending activity, which may have a positive impact on economic growth as opposed to earlier reliance on liquid assets and investments in securities (source: CBCG).

At the end of 2024, 11 credit institutions were operating in Montenegro, which indicates

preserved competitiveness and diversity in the banking sector.

At end-December 2024, deposits in credit institutions reached a level of 5,84 billion euros and they rose 6.64% year-over-year. In the structure of total deposits, 88.43% were deposits of persons entitled to guaranteed deposit payout, and the remainder 11.57% were deposits of persons not entitled to guaranteed deposit payout.

All categories of deposits recorded the year-over-year increase in the reporting year. Deposits of persons entitled to guaranteed deposit payout rose 3.76%, while guaranteed deposits rose 11.02%.

In 2024, the Fund calculated and collected the risk-based premium from credit institutions in the amount of 27,440,000 euros.

Also, the Fund continued with the payouts of guaranteed deposits for two banks - Invest Bank Montenegro AD Podgorica and Atlas Bank AD Podgorica who were subject to bankruptcy proceedings in 2019.

To wit, depositors were compensated 173,303 euros worth of guaranteed deposits in the reporting year. At the end of the year, the outstanding amount was 6,925,174 euros or 6.14% of the total amount of guaranteed deposits in both banks.

On the other hand, funds recovered from the bankruptcy estate during the reporting period reached 4.705 million euros (as at 31/12/2024, total funds recovered from the bankruptcy estate amounted to 85.17 million euros or 75.57%).

In order to ensure greater security of deposits in credit institutions, i.e. stability of the entire financial system, the Fund concluded a stand-by arrangement with the EBRD in the amount of 50 million euros (July 2020). This arrangement allows the Fund to use the aforesaid funds for the payout of guaranteed deposits of a bankrupt credit institution for a period of 5 years from the date of signing the arrangement, with the repayment period of 7 years. When, in addition to the above, the Fund's own resources currently at its disposal are taken into account, it can be concluded that, if needed, there are substantial means available for the Fund to fulfil its core mandate.

In accordance with the Agreement on the execution of international payment transactions of the Fund and receipt of the Fund's deposit, signed between the Central Bank of Montenegro and the Fund, and the Fund's Management Board's Decision on investment of the Fund's assets in 2024, the Fund has significantly strengthened its liquid assets.

The Fund's financial operations were successful in 2024 as well, reflecting responsible and efficient management of all its assets, with a positive financial result primarily driven by a significant increase in interest income from term deposits. The external auditor report stated that the financial statements fairly and accurately present the financial position of the Fund as at 31 December 2024, operating results and cash flows, in accordance with the applicable international accounting standards and issued no recommendations with regard to the Fund's operations.

The Fund's priorities in 2025 will focus on carrying out activities within its legal mandate aimed at preserving the overall financial stability of the system, despite the continued negative influences from international markets, which largely shape the macroeconomic environment in Montenegro. The Fund will also continue its active participation in further harmonization

of the regulatory framework and strengthening administrative and institutional capacities.

* * *

This Annual Report consists of five parts.

*The **first part** gives an overview of the basic features of the deposit guarantee scheme and the assessment of compliance with the EU *acquis communautaire* governing deposit insurance, which is very important given the connection of the Montenegrin economy with international economic and financial flows.*

*The **second part** discusses trends and shares of individual deposit categories.*

*The **third part** presents the Fund's exposure to credit institutions and potential future compensations of guaranteed deposits presented as the coverage ratio.*

*The **fourth part** of the report discusses the Fund's activities.*

*The **fifth part** gives an overview of the Fund's financial operations. The Fund's financial indicators and planned activities for 2025 clearly show stability of the Fund's operation.*

BASIC INFORMATION ON DEPOSIT INSURANCE

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1. BASIC INFORMATION ON DEPOSIT INSURANCE

1.1. Deposit Protection Fund

The Deposit Protection Fund was set up under the Deposit Protection Law (OGRM 40/2003) and it started operating on 18 November 2004 when it was entered into the registry of the Statistical Office of Montenegro. Deposit Protection Law (OGM 44/10, 40/11 and 47/15) provided for a further alignment with the Directive 2014/49/EU (increasing the level of insured deposits from 5,000 euros to 50,000 euros, as well as the shortening of the deadline for the compensation of guaranteed deposits from 90 to 15 working days), as well as the separation of governance and managerial functions of the Fund to the Managing Board and the Director General, respectively. Deposit Protection Law (OGM 72/19) was further aligned with the Directive 2014/49/EU on deposit guarantee schemes and Directive 2014/59/EU on recovery and resolution of credit institutions and investment firms. The level of protection that was increased to 100,000 euros, the deadline for compensation of guaranteed deposits was shortened to 7 working days, a temporary high balance was introduced, as was the obligation to conduct stress testing of the deposit protection system, including the possibility of participating in financing the resolution of credit institutions in order to prevent the occurrence of a protected event, and charging risk-based premiums to credit institutions.

The main activity of the Fund is to protect deposits in credit institutions and it is obliged to compensate guaranteed deposits in the case of a protected event occurrence, as prescribed by the Law. A protected event occurs on the day of passing a decision on initiating bankruptcy proceedings against a credit institution or a decision on unavailability of deposits. Credit institutions licensed by the CBCG are obliged to pay the deposit guarantee premium under the conditions and in the manner specified in the Law. The deposit insurance scheme comprises of deposits placed with a credit institution before or as at the protected event date. Starting from 1 January 2013, the Fund paid out guaranteed deposits up to the amount of 50,000 euros per depositor, regardless of the number and amount of money that depositor has with a credit institution. With the 2019 Deposit Insurance Law (OGM 72/19), the level of protection was raised to the amount of 100,000 euros, provided that until Montenegro's accession to the EU, the Fund will compensate guaranteed deposits up to the amount of 50,000 euros per depositor, regardless on the number and amount of money that depositor holds with a credit institution.

The Fund's bodies are the Managing Board and the Director General.

Mission

The safety of deposits in credit institutions and efficient and expedient payout of guaranteed deposits in a case of a protected event occurrence in any of the credit institutions in Montenegro.

Vision

A stable financial system based on trust, safety, and protection of depositors.

Objectives

The main objectives of the Fund are improved confidence of depositors in the Montenegrin banking system and the protection of depositors against loss in case of protected event occurrence. The Fund attains the aforesaid objectives with clearly defined obligations towards depositors, the promotion of public confidence in the deposit guarantee scheme, and the providing of funds for the protection of guaranteed deposits.

Governance and management

The Fund is governed by the five-member Managing Board (MB). The members are appointed by the President of Montenegro, provided that one member is nominated by the Ministry of Finance, one member is nominated by the Central Bank, one member by the Association of Montenegrin Banks, one member by the Chamber of Economy, and one member is nominated by the President of Montenegro. In accordance with the Law, the MB's meetings are held at least once every three months.

In addition to the powers specified in the Law, the Fund's By-Law specifies that the MB adopts internal general acts, considers the implementation of activities, discusses quarterly reports on the movement of deposits, considers annual and semi-annual reports on the investment of funds, decides on the acquisition of immovable property, determines the way of cooperation with government authorities, organisations, and other institutions in Montenegro, defines the manner of cooperation with international financial institutions, organisations and deposit guarantee schemes, decides on the transfer of certain powers to the Director General of the Fund, and performs other tasks stipulated by the Law and the By-Law of the Fund.

Pursuant to Article 21 of the Law, in his decision as of 5 February 2024, the President of Montenegro appointed the following Managing Board members:

- Mr. Borko Božović, Director of the Directorate for financial stability and payment system oversight,
- Ms. Nina Drakić, President of the Chamber of Economy of Montenegro, a member;
- Ms. Ivana Joličić, Head of Division, Directorate for Legislation, Supervision Department, Central Bank of Montenegro,
- Mr. Mihailo Pejović, Head of Accounting Services and Budget Execution Division, State Treasury Department, a member, and
- Mr. Darko Radunović, Association of Montenegrin Banks and Financial Institutions, a member.

During the reporting year, the MB held 8 (eight) meetings.

The seat of the Fund is in Podgorica, Miljana Vukova bb.

Web address: www.fzdcg.org, e-mail: fzd@fzdcg.org

1.2. Harmonization of the legislative and institutional framework with the EU acquis in the field of deposit insurance system

As part of the EU accession process, Montenegro has carried out a comprehensive alignment of its legislative and institutional framework for the deposit insurance system with relevant EU regulations, primarily with Directive 2014/49/EU on deposit guarantee schemes and Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions.

At the end of 2019, the following laws were enacted by the Parliament: Deposit Protection Law, Law on Resolution of Credit Institutions, Law on Credit Institutions, and the Law Amending the Bank Bankruptcy and Liquidation Law. The Deposit Protection Law has been in effect since 1 January 2020, while the laws governing the resolution and regulation of credit institutions have been applied since 1 January 2022.

In the most recent period (2023–2024), Montenegro implemented a series of additional legislative amendments in the area of the financial system, with the aim of further aligning with the EU acquis, strengthening the regulatory framework, and enhancing institutional capacities. During this period, amendments were made to the Law on Credit Institutions and the Law on Resolution of Credit Institutions, as well as to several other laws regulating financial services, payment systems, combating money laundering, and other related areas, thereby further reinforcing the legal framework for the stability and competitiveness of the financial market.

With regard to the deposit protection system, no amendments were made to the Deposit Protection Law during the reporting period.

In the context of alignment with the Directives 2014/49/EU and 2014/59/EU, the Law already includes a number of key measures that are being continuously implemented:

- risk-based premium calculation for individual credit institutions (since 1 January 2021);
- reduction of the payout period for guaranteed deposits to seven working days;
- expansion of the scope of guaranteed deposits through the introduction of a temporary high balance;
- expansion of the Fund's responsibilities towards greater functional independence and accountability, including:
 - regular stress testing of the deposit protection system;
 - possibility of participating in funding the resolution measures for credit institutions in order to prevent a protected event occurrence.

The legislative reforms carried out represent an important step forward in strengthening the institutional capacity of Montenegro's deposit protection system. As a result, the Fund has been given a more clearly defined role, a broader set of tools for crisis intervention, and the obligation to take a proactive approach in risk monitoring and enhancing system resilience, in line with European and international standards.

The Law is also aligned with the Core Principles for Effective Deposit Insurance Systems

issued by the International Association of Deposit Insurance Systems (IADI), which are applied by the WB and the IMF in the process of assessing compliance and meeting the recommendations of the joint FSAP missions.

1.3. Members of Deposit Protection Fund

In the Montenegrin financial system, which includes credit institutions, microcredit financial institutions, insurance companies, leasing companies, and other financial institutions, the banking sector has the prevailing role. There were 11 (eleven) credit institutions operating in the country in the reporting year, with non-residents holding the majority equity in nine of them.

As at 31 December 2024, deposits in all credit institutions were insured under the Montenegrin deposit protection system, in accordance with the Law.

As at end-2024, total deposits in credit institutions amounted to 5,848 million euros, which represents the annual increase of 364.1 million euros or 6.64%. Total deposits grew at the monthly average of 0.55% as compared to 0.40% in 2023.

The prevailing share in total deposits, from the aspect of deposit protection, was of eligible retail and wholesale deposits, which amounted to 5.171 million euros or 88.43% of total deposits. Thus, the remainder 11.57% were ineligible deposits.

Retail deposits accounted for 50.35% and wholesale deposits made up 38.08% of total deposits at the end of the reporting period. Observed year-over-year, retail deposits rose at the rate of 6.24%, while wholesale deposits increased by 0.66%.

Over the years, non-resident deposits have become an increasingly important segment in total deposits although their share dropped from 24.90% in 2023 to 23.72% in 2024.

In the structure of protected deposits at end-2024, resident deposits made up 76.28% and the remaining 23.72% were deposits by non-residents.

LEVEL AND STRUCTURE OF INDIVIDUAL DEPOSIT CATEGORIES

2

2.2. LEVEL AND STRUCTURE OF INDIVIDUAL DEPOSIT CATEGORIES

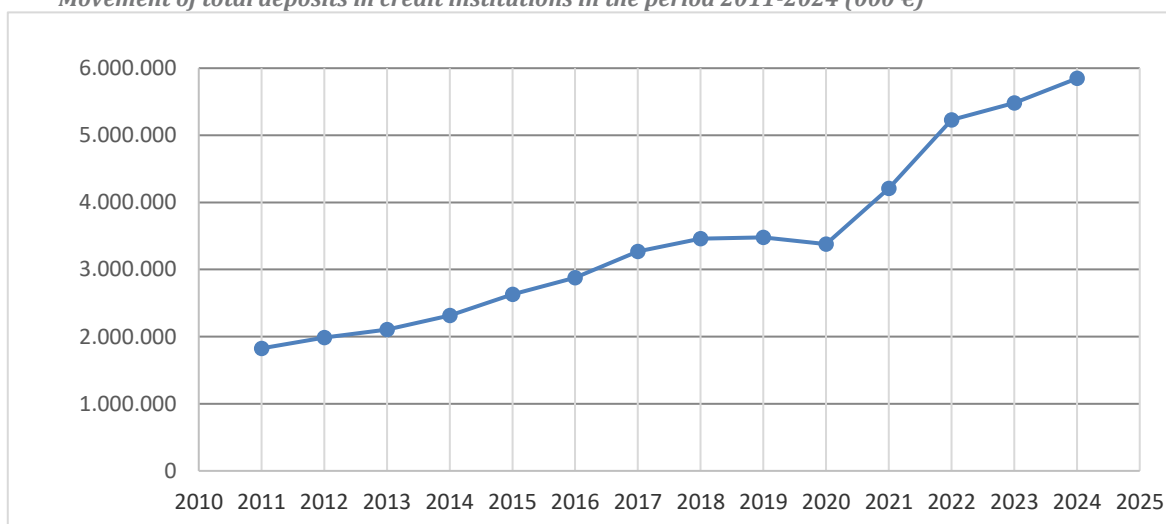
2.1 TOTAL DEPOSITS

Total deposits in credit institutions amounted to **5,847,545,554 euros** as at 31 December 2024, whereas at end-2023 they stood at 5,483,493,989 euros, which is the year-over-year growth of 364.1 million euros or 6.64%.

Graph 1 shows the trending of total deposits over the period 2011 - 2024.

Graph 1

Movement of total deposits in credit institutions in the period 2011-2024 (000 €)



*Source: monthly reports of credit institutions

The movement of total deposits with credit institutions was uneven during the reporting year, as shown by the rates registered in each quarter: a 2.62% decline in Q1; a 0.95% increase in Q2, a 5.25% growth% in Q3, and a 3.07% increase in Q4.

Table 1

Total deposits in 2024, by quarters (000 €)

	31/12/2023	31/03/2024	30/06/2024	30/09/2024	31/12/2024
TOTAL DEPOSITS	5,483,494	5,339,826	5,390,690	5,673,580	5,847,546

*Source: monthly reports of credit institutions

The share of household deposits in credit institutions amounted to 2.94 billion euros or 50.35% of total deposits as at 31 December 2024, making this sector the most significant depositor in the Montenegrin banking system. The number of retail depositors reached 697,947 at end-2024, which is 89.94% of the total number of depositors.

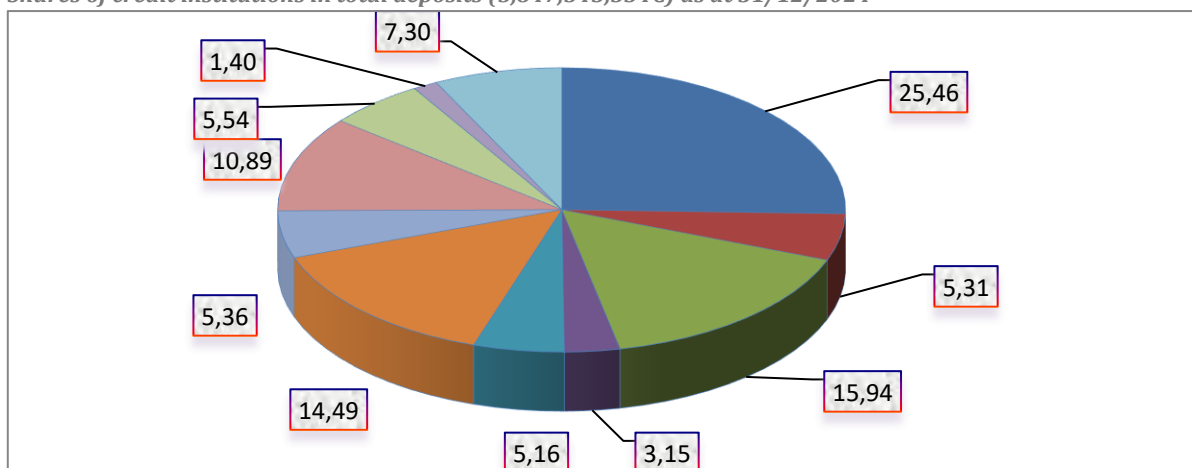
Wholesale deposits accounted for 49.20% of total deposits in the system, reaching 2.88 billion euros. The number of corporate depositors totalled 75,273 or 9.70% of the total number of depositors (0.36% of total depositors held ineligible deposits).

The total number of depositor reached 776,045 or 1.84% more than at end-2023 (790,628).

The shares of individual credit institutions in total deposit portfolio at end-2024 is shown in Graph 2.

Graph 2

Shares of credit institutions in total deposits (5,847,545,554€) as at 31/12/2024



*Source: monthly reports of credit institutions

From the once extremely concentrated market and the dominant role of the two largest credit institutions, the situation today is visibly different and the market of credit institutions is getting closer to the definition of a competitive market (at the end of 2008, two credit institutions with the largest amounts of deposits had accounted for 60.33% of the deposit portfolio of the banking sector, while this share of stood at 41.40% at end-2024).

In the reporting year, individual shares of credit institutions in total deposits with other credit institutions remained at almost the same levels as at end-2023.

2.2 Deposits by persons not entitled to guaranteed deposit payout

Deposits by persons not entitled to guaranteed deposit payout in line with Article 6 paragraph 2 points 1 to 19 of the Law are presented in Table 2 (data as at end-quarters).

The 2024 quarterly data point to uptrends in deposits in Q1, Q3, and Q4 (of 14.01%, 3.15%, and 15.33%, respectively), and a mild decline in Q2 (of 0.23%). Ineligible deposits rose 176.5 million euros or 35.30% compared to end-2023. The number of depositors not entitled to guaranteed deposit payout amounted to 2,825 at end-2024, which is 5.02% more than in the previous year (2,690).

Table 2

Deposits by persons not entitled to guaranteed deposit payout (000 €)

	31/12/2023	31/ 03/ 2024	30/ 06/ 2024	30/ 09/ 2024	31/ 12/ 2024
Deposits of persons not entitled to payout	499,864	569,887	568,551	586,454	676,335
TOTAL DEPOSITS	5,483,494	5,339,826	5,390,690	5,673,580	5,847,546
% share in total deposits	9.12	10.67	10.55	10.34	11.57

*Source: monthly reports of credit institutions

Ineligible deposits accounted for 11.57% of total deposits as at 31 December 2024. Their share in total deposits increased compared to end-2023 when it stood at 9.12%.

Deposits by government entities and organisations accounted for the main share of depositors not entitled to the guaranteed deposit payout (61.23%). The share of deposits by investment funds and investment fund management companies amounted to 5.78%.

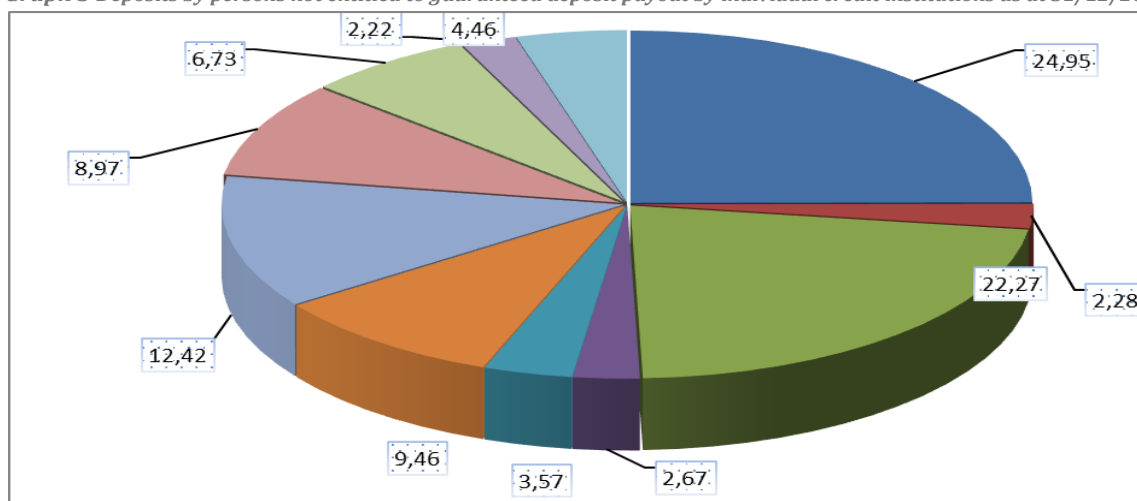
The share of deposits by credit and financial institutions made up 14.17%, whereas deposits by legal persons engaged in insurance business accounted for 2.48%, and deposits by legal persons with either direct or indirect participation in capital or voting rights of 10% or more in the relevant credit institution made up 10.00%.

The year-over-year percentage increase of deposits by persons not entitled to the guaranteed deposit payout of 35.30% or 176.5 million euros is largely the result of the following changes:

- deposits by government entities and organisations and municipal or other forms of local self-government organisations that rose 42.22% or 123 million euros;
- deposits by investment firms, in line with the law governing the capital market which increased by 27.92% or 4.3 million euros);
- deposits of credit institutions held in their own name and for their own account that increased by 185.47% or 35.8 million euros;
- deposits of financial institutions in accordance with the law regulating credit institutions which increased by 242.85% or 28.5 million euros);
- deposits of persons holding directly or indirectly 10% or more of the capital or voting rights in the credit institution that rose 55.79% or 16.9 million euros);
- the share of deposits by investment funds and investment fund management companies which declined by 50.54% or 39.9 million euros.

Other categories of deposits by persons not entitled to guaranteed deposit payout showed no notable changes compared to the previous year.

Graph 3 Deposits by persons not entitled to guaranteed deposit payout by individual credit institutions as at 31/12/2024



*Source: monthly reports of credit institutions

The movement of deposits by depositors not entitled to guaranteed deposit payout has no direct impact on the deposit protection system but it is necessary to track their trends from the aspect of the ratio of total deposits to eligible deposits.

2.3 Deposits by persons entitled to guaranteed deposit payout - eligible deposits

All depositors whose deposits are not excluded within the meaning of Article 6 paragraph 2 points 1 to 19 of the Law are entitled to guaranteed deposit payout (Table 3).

Deposits by persons entitled to guaranteed deposit payout, i.e. total deposits by natural and legal persons included in the deposit guarantee scheme amounted to **5,171,210,529** euros as at 31/12/2024, as compared to 4,983,629,757 euros as at 31/12/2023, which represents the year-over-year growth of 187.6 million euros or 3.76%.

The 2024 quarterly data point to uptrends in deposits in Q2, Q3, and Q4 (of 1.09%, 5.50%, and 1.65%, respectively) and a decline in Q1 (of 4.29%). Eligible deposits grew at the monthly average of 0.31% during the reporting year, as compared to 0.29% in 2023.

Table 3
Structure of depositors entitled to guaranteed deposit payout (in 000 euros) - legal/natural persons

	Deposits by persons entitled to the guaranteed deposit payout u 000 €				
	TOTAL	Natural persons	Legal persons	Natural persons	Legal persons
	1	2	3	%	%
31/12/2023.	4.983.630	2.771.463	2.212.167	55,61	44,39
31.03.2024.	4.754.122	2.686.409	2.067.713	56,51	43,49
30.06.2024.	4.813.228	2.722.216	2.091.012	56,56	43,44
30.09.2024.	5.080.517	2.834.120	2.246.397	55,78	44,22
31/12/2024.	5.171.211	2.944.409	2.226.801	56,94	43,06
31.12.24. / 31.12.23.	3,76	6,24	0,66		
31.12.24. - 31.12.23.	187.581	172.947	14.634		

**Source: monthly reports of credit institutions*

The structure of depositors entitled to guaranteed deposit payout shows that deposits of natural persons accounted for the main share of 56.94% and deposits of legal persons made up 43.06%.

The structure of these deposits did not significantly change in comparison to the end of 2023.

Table 3.1
Number of depositors entitled to guaranteed deposit payout - structure of natural/legal persons

	NO. OF DEPOSITORS ELIGIBLE FOR PAYOUT				
	TOTAL	Natural persons	Legal persons	Natural persons	Legal persons
	1	2	3	%	%
31/12/2023	788,927	714,900	74,027	90.62	9.38
31/03/2024	776,444	702,294	74,150	90.45	9.55
30/06/2024	790,551	715,138	75,413	90.46	9.54
30/09/2024	763,843	689,219	74,624	90.23	9.77
31/12/2024	773,216	697,943	75,273	90.26	9.74
31/12/24 - 31/12/23	-1.99	-2.37	1.68		
31/12/24 - 31/12/23	-15,711	-16,957	1,246		

**Source: monthly reports of credit institutions*

The number of depositors entitled to guaranteed deposit payout amounted to 773,216 euros as at 31/12/2024.

Table 3.1.1.

Structure of depositors entitled to guaranteed deposit payout (in 000 euros) - residents/non-residents

	Deposits by persons entitled to the guaranteed deposit payout u 000 €				
	TOTAL	Resident	Non-resident	Resident	Non-resident
	1	2	3	%	%
31/12/2023.	4.983.630	3.636.860	1.346.770	72,98	27,02
31.03.2024.	4.754.122	3.434.583	1.319.539	72,24	27,76
30.06.2024.	4.813.228	3.521.591	1.291.637	73,16	26,84
30.09.2024.	5.080.517	3.860.558	1.219.959	75,99	24,01
31/12/2024.	5.171.211	3.944.696	1.226.515	76,28	23,72
31.12.24. / 31.12.23.	3,76	8,46	-8,93		
31.12.24. - 31.12.23.	187.581	307.836	-120.255		

In the structure of deposits entitled to guaranteed deposit payout, deposits by residents accounted for 76.28% (53.91% deposits by resident natural persons eligible for the payout and 46.09% deposits by resident legal entities eligible for the payout). Non-residents accounted for 23.72% (66.68% deposits by eligible non-resident natural persons and 33.32% deposits by eligible non-resident legal entities).

There were no significant changes in this category of deposits compared to end-2023.

Table 3.1.2.

Structure of depositors entitled to guaranteed deposit payout (in 000 euros) - residents/non-residents

	NO. OF DEPOSITORS ELIGIBLE FOR PAYOUT				
	TOTAL	Residents	Non-residents	Residents	Non-residents
	1	2	3	%	%
31/12/2023	788,927	714,900	74,027	90.62	9.38
31/03/2024	776,444	691,974	84,470	89.12	10.88
30/06/2024	790,551	704,207	86,344	89.08	10.92
30/09/2024	763,843	681,396	82,447	89.21	10.79
31/12/2024	773,216	692,206	81,010	89.52	10.48
31/12/24 - 31/12/23	-1.99	-3.17	9.43		
31/12/24 - 31/12/23	-15,711	-22,694	6,983		

Looking at the number of eligible **resident/non-resident** depositors, the majority deposits were held by resident depositors. Resident depositors accounted for 89.52%, while non-resident depositors made up 10.48% of the total number of depositors entitled to guaranteed deposit payout.

2.4 Guaranteed deposits

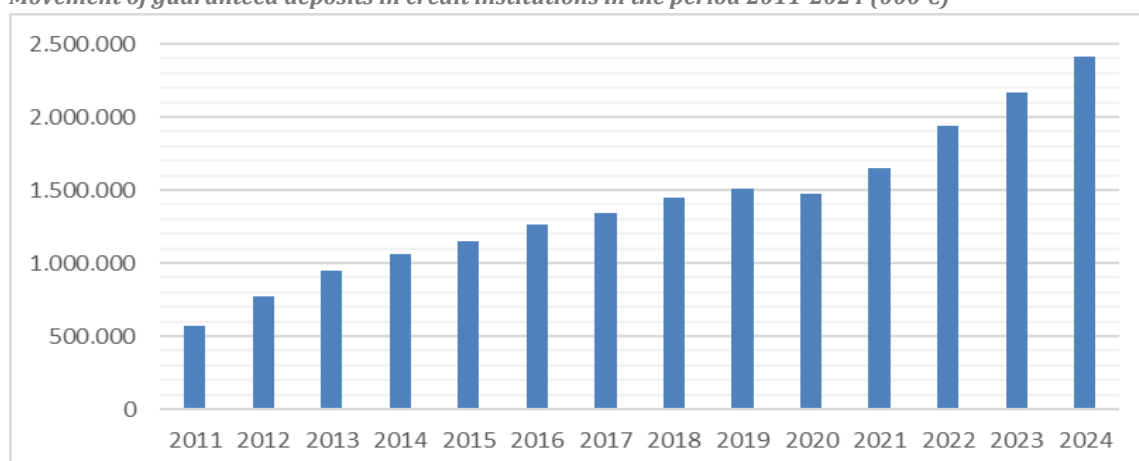
Guaranteed deposits amounted to **2,408,732,812 euros** as at 31/12/2024, as compared to 2,169,580,294 euros as at 31/12/2023, which is the year-over-year increase of 239.2 million euros or **11.02%**. Guaranteed deposits grew at the monthly average of 0.92% during the reporting year, as compared to 0.98% in 2023.

Guaranteed deposits of persons entitled to guaranteed deposit payout during the reporting period slightly declined in the first quarter (by 1.89%), recording a growing trend in the rest of the year, with a 2.48% increase in the second quarter, 6.39% in the third quarter, and 3.79% in the fourth quarter.

Graph 4 shows the trending of guaranteed deposits over the period 2011 - 2024.

Graph 4

Movement of guaranteed deposits in credit institutions in the period 2011-2024 (000 €)



**Source: monthly reports of credit institutions*

The Fund calculates and compensates guaranteed deposits up to the amount of 50,000 euros per depositor/per credit institution. As of the EU accession date, the coverage will increase to 100,000 euros.

Deposits representing a temporary high balance are insured in the additional amount of up to 30,000 euros, six months after the amount has been credited or from the moment when such deposits become legally transferable.

The share of guaranteed deposits in total deposits amounted to 41.19% as at 31/12/2024, as compared to a year ago when it stood at 39.57%.

As at 31/12/2024, guaranteed deposits made up 46.58% of eligible deposits, while at the end of the previous year this share was 43.53%. Therefore, due to the stronger growth of guaranteed deposits, their share in eligible deposits increased by 3.05 percentage points, which indicates the dispersion of deposits above the guaranteed amount, bearing in mind that the number of depositors of guaranteed deposits did not change significantly.

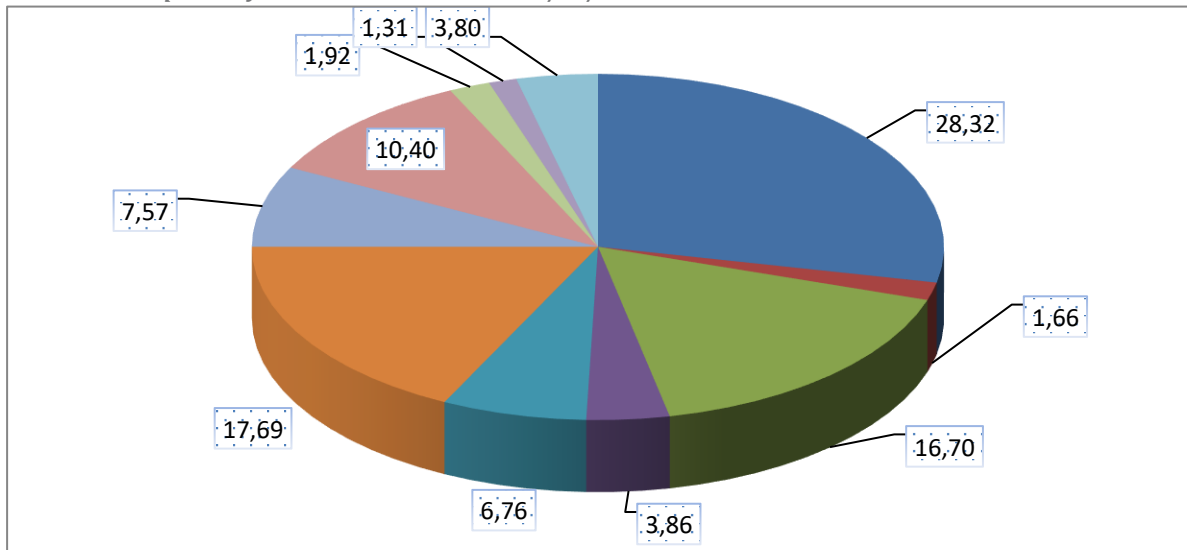
Table 4
Share of guaranteed deposits in eligible deposits in 2024 (000 €)

	31/12/2023	31/03/2024	30/06/2024	30/09/2024	31/12/2024
GUARANTEED DEPOSITS	2,169,580	2,128,644	2,181,436	2,320,809	2,408,733
ELIGIBLE DEPOSITS	4,983,630	4,769,939	4,822,139	5,087,126	5,171,211
SHARE OF GD* IN ED**	43.53	44.63	45.24	45.62	46.58

*Source: monthly reports of credit institutions; *Guaranteed deposits = GD; ** Eligible deposits = ED;

The structure of guaranteed deposits by individual credit institutions did not significantly change in the reporting year compared to 2023.

Graph 5
Guaranteed deposits by credit institutions as at 31/12/2024



*Source: monthly reports of credit institutions

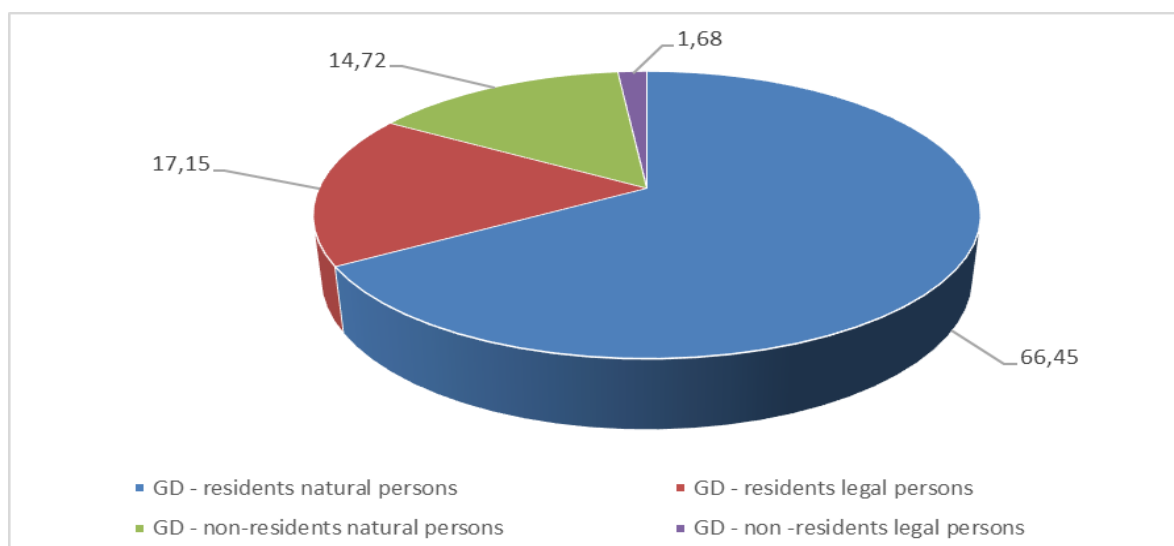
Two credit institutions held 46.01% of total guaranteed deposits in 2024, which is a slight decline compared to the end of 2023 when this percentage stood at 46.58%.

One of the credit institutions holding the largest share of guaranteed deposits saw a negligible percentage decrease in the share in total guaranteed deposits from 28.45% to 28.32%. The other credit institution with the second largest share of guaranteed deposits saw this share decline from 18.13% to 17.69%.

At the end of the reporting period, two credit institutions accounted for 39.95% of total deposits and held 46.01% of total guaranteed deposits.

Graph 5-a

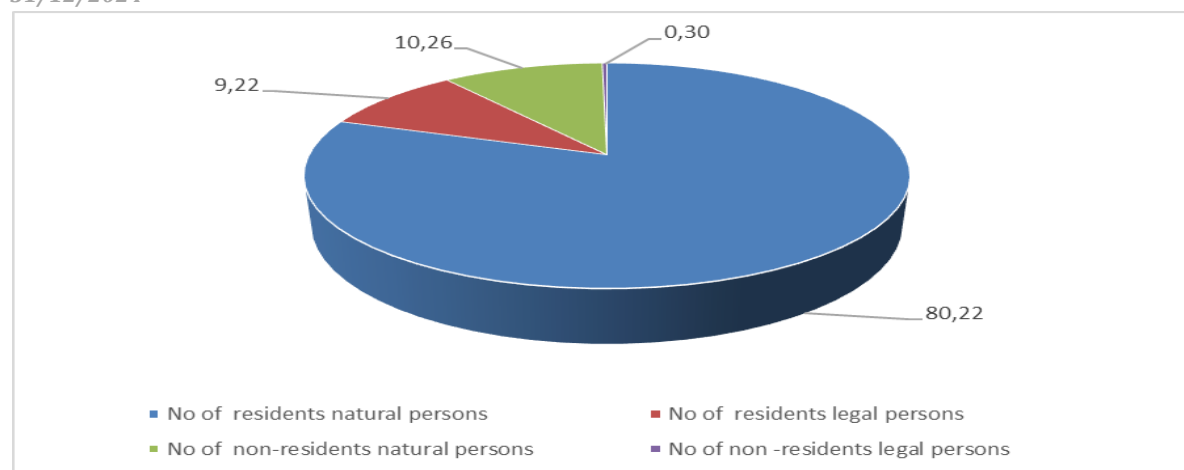
Guaranteed deposits - resident/non-resident natural/legal persons as at 31/12/2024



From the aspect of structure of guaranteed deposits by the resident/non-resident category, deposits by resident natural persons made up 66.45%, deposits by resident legal persons accounted for 17.15%, deposits by non-resident natural persons accounted for 14.72%, while non-resident legal persons held 1.68% of total guaranteed deposits.

Graph 5-b

Number of depositors holding guaranteed deposit - resident/non-resident natural/legal persons as at 31/12/2024



Resident natural persons accounted for 80.22%, resident legal persons made up 9.22%, while non-resident natural and legal persons accounted for 10.26% and 0.30% of total guaranteed deposits, respectively.

Table 4.1

Guaranteed deposits (natural and legal persons) in 000 €

	GUARANTEED DEPOSITS u 000 €			Natural persons	Legal persons
	TOTAL	Natural persons	Legal persons		
	1	2	3	%	%
31/12/2023.	2.169.580	1.748.592	420.988	80,60	19,40
31.03.2024.	2.128.644	1.723.169	405.476	80,95	19,05
30.06.2024.	2.181.436	1.751.169	430.267	80,28	19,72
30.09.2024.	2.320.809	1.851.790	469.019	79,79	20,21
31/12/2024.	2.408.733	1.955.189	453.544	81,17	18,83
31.12.24. / 31.12.23.	11,02	11,82	7,73		
31.12.24. - 31.12.23.	239.153	206.597	32.556		

*Source: monthly reports of credit institutions

Compared to 31/12/2023, guaranteed deposits rose 11.02% (those of natural persons rose 11.82% and those of legal persons increased by 7.73%) by the end of 2024.

Table 4.2

Number of depositors entitled to guaranteed deposit payout after deduction of their due liabilities, number of depositors to be compensated

	NO. OF DEPOSITORS	GUARANTEED DEPOSITS			
	TOTAL	Natural persons	Legal persons	Natural persons	Legal persons
	1	2	3	%	%
31/12/2023.	748.854	677.264	71.590	90,44	9,56
31.03.2024.	727.871	656.454	71.417	90,19	9,81
30.06.2024.	732.139	659.441	72.698	90,07	9,93
30.09.2024.	739.755	667.444	72.311	90,23	9,77
31/12/2024.	749.132	677.811	71.321	90,48	9,52
31.12.24. / 31.12.23.	0,04	0,08	-0,38		
31.12.24. - 31.12.23	278	547	-269		

*Source: monthly reports of credit institutions

Of the total number of depositors eligible for the guaranteed deposit payout, (773,216 eligible depositors), 24,084 had due liabilities to a credit institution that exceeded their deposits¹.

As at 31 December 2024, the number of depositors holding guaranteed deposit after deduction of due liabilities amounted to 749,132, which is 96.89% of the total number of depositors entitled to guaranteed deposit payout (773,216). The number of depositors holding a deposit ≤ 5 euros had a large share in the total number of depositors (30.04%).

The number of depositors holding guaranteed deposit ≤ 50,000 euros amounted to 734,309 at the end of 2024, which is 98.02% of the total number of depositors holding guaranteed deposits (749,132).

Depositors holding guaranteed deposit ≤ 50,000 euros held 69.23% of total guaranteed deposits (1,667,582,812 euros) with the following structure: 1,440,688,756 euros or 98.48% were deposits by natural persons holding guaranteed deposits and

¹ These depositors would not be compensated as their deposits would be set off against their due liabilities to credit institutions.

226,894,056 euros or 93.64% were deposits by legal persons.

The number of depositors holding guaranteed deposit > 50,000 euros amounted to 14,823, which is 1.98% of the total number of depositors holding guaranteed deposit.

Depositors holding guaranteed deposit > 50,000 euros accounted for 30.77% of total guaranteed deposits (741,150,000 euros), with the following structure: 514,500,000 euros worth of deposits were held by 10,290 natural persons (1.52% of total private depositors holding guaranteed deposits) and 226,650,000 euros worth of deposits were held by 4,533 legal persons (6.36% of total legal depositors holding guaranteed deposits).

Table 4.3

Guaranteed deposits (natural and legal persons)

Balance as at: 31/12/2024	Amount (in €)	Number of depositors	Due liabilities ² (in €)	Balance (in €)	Number of depositors holding guaranteed deposit	% coverage of depositors ³
	A	B	C	D	E	
Deposits by eligible depositors (legal and natural)	5,171,210,529	773,216	24,376,335	5,164,458,433	749,132	
Deposits of natural persons entitled to guaranteed deposits payout	2,944,244,260	697,943	8,646,121	2,941,150,382	677,811	
≤5,000€	243,926	226,708	863,986	200,651	212,259	
>5 ≤50,000€	1,443,071,448	460,942	6,279,285	1,440,488,105	455,262	
>50,000 ≤100,000€	451,709,522	6,792	150,026	451,714,504	6,791	
>100,000€	1,049,219,363	3,501	1,352,824	1,048,747,122	3,499	
GUARANTEED DEPOSITS BY NATURAL PERSONS				1,955,188,756	677,811	98.48
Deposits of legal persons entitled to guaranteed deposit payout	2,226,966,269	75,273	15,730,214	2,223,308,051	71,321	
≤5€	86,533	15,567	3,435,897	14,334	12,760	
>5 ≤50,000€	227,242,828	55,161	4,068,178	226,879,722	54,028	
>50,000 ≤100,000€	126,651,696	1,790	632,323	126,296,308	1,784	
>100,000€	1,872,985,212	2,755	7,593,816	1,870,117,687	2,749	
GUARANTEED DEPOSITS BY LEGAL PERSONS				453,544,056	71,321	93.64
TOTAL GUARANTEED DEPOSITS				2,408,732,812	749,132	98.02

**Source: monthly reports of credit institutions*

² Only matured liabilities of those persons whose due liabilities are lower than their deposits are reported here. Column D records the positive deposit balance after deducting due liabilities of depositors eligible for the payout of guaranteed deposit.

³ Depositors whose deposit would be fully compensated up to the guaranteed amount

After the deduction of due liabilities, total deposits entitled to guaranteed deposit payout (eligible deposits) amounted to 5,164,458,433 euros as at 31 December 2024, of which eligible deposits of natural persons accounted for 2,941,150,382 euros or 56.95%, while eligible deposits of legal persons accounted for 2,223,308,051 euros or 43.05%. Total guaranteed deposits accounted for 46.58% of total eligible deposits.

Total guaranteed deposits of natural persons amounted to 1,955,188,756 euros or 81.17% of total guaranteed deposits (66.41% of total eligible deposits of natural persons).

The total number of private depositors holding deposits ≤50,000€ was 667,521 and their deposits amounted to 1,440,688,756 euros or 73.69% of total guaranteed deposits of natural persons (48.93% of total eligible deposits of natural persons).

The number of eligible private depositors with deposit exceeding 50,000 euros amounted to 10,290 and in case of a protected event occurrence they would be compensated 514,500,000 euros or 26.31% of total guaranteed deposits of natural persons (17.47% of total eligible deposits of natural persons).

Total guaranteed deposits by legal persons amounted to 453,544,056 euros or 18.83% of total guaranteed deposits (20.36% of total eligible deposits of legal persons).

The number of legal depositors holding deposits ≤50,000€ amounted to 66,788 and their guaranteed deposits totalled 226,894,056 euros or 50.03% of total guaranteed deposits of legal persons (10.19% of total eligible deposits of legal persons).

The number of legal depositors with deposit exceeding 50,000 euros amounted to 4,533 and in case of a protected event they would be compensated 226,650,000 euros or 49.97% of total guaranteed deposits of legal persons (10.19% of total eligible deposits of legal persons).

As the deposit insurance system is basically designed to protect small and unsophisticated depositors (depositors who do not have or have very limited knowledge of financial management), such a high coverage of depositors (98.02%) that would be fully compensated is an indication that the amount of 50,000 euros is a well-designed coverage and in line with the economic power of depositors.

Pursuant to Directive 2014/49/EU, the mandatory coverage of guaranteed deposits in the EU Member States is 100,000 euros. Given that the coverage percentage in our system is very high, we consider it justifiable to retain the amount of guaranteed deposit at the level of 50,000 euros until Montenegro's EU accession date, as stipulated in the Law.

Table 4.4

Average amount of guaranteed deposit

Average amount of guaranteed deposit			
	31/12/2023	31/12/2024	%
Legal persons	5,881	6,359	8.13
Natural persons	2,582	2,885	11.72
TOTAL	2,897	3,215	10.99

The average amount of guaranteed deposits is an important indicator in analysing the adequacy of the existing coverage limit. According to data as of 31 December 2024, the average guaranteed deposit of a natural person amounted to 2,885 euros, while that of a legal entity amounted to 6,359 euros. The overall system-wide average guaranteed deposit is 3,215 euros, representing an increase of 10.99% compared to the end of 2023. These data clearly indicate that a significant majority of depositors are fully covered by the current limit of 50,000 euros, further confirming that the amount of the guaranteed deposit is appropriately set and in line with economic and financial realities.

FUND'S EXPOSURE TO CREDIT INSTITUTIONS

3

3. EXPOSURE OF THE FUND TO CREDIT INSTITUTIONS

Total exposure of the Fund to credit institutions is represented with the coverage ratio, i.e. the Fund's assets to liabilities ratio in case of a hypothetical protected event occurrence in all credit institutions (the Fund's assets/total guaranteed deposits).

The Fund's resources amounted to **213,016,225 euros** as at 31/12/2024, while guaranteed deposits totalled **2,408,732,812 euros**.

The coverage ratio is the internationally recognized ratio for the measurement and indication of the degree of coverage of guaranteed deposits. The coverage of guaranteed deposits with the Fund's resources amounted to 8.84% as at 31/12/2024 (guaranteed deposit ≤50,000 euros), while a year ago it stood at 8.09%.

The Fund's exposure to individual credit institutions (the ratio of Fund's assets to the guaranteed deposits in individual credit institutions – the coverage of guaranteed deposits by the credit institutions) as at 31 December 2024 is presented in Table 5 and Graph 8 further below.

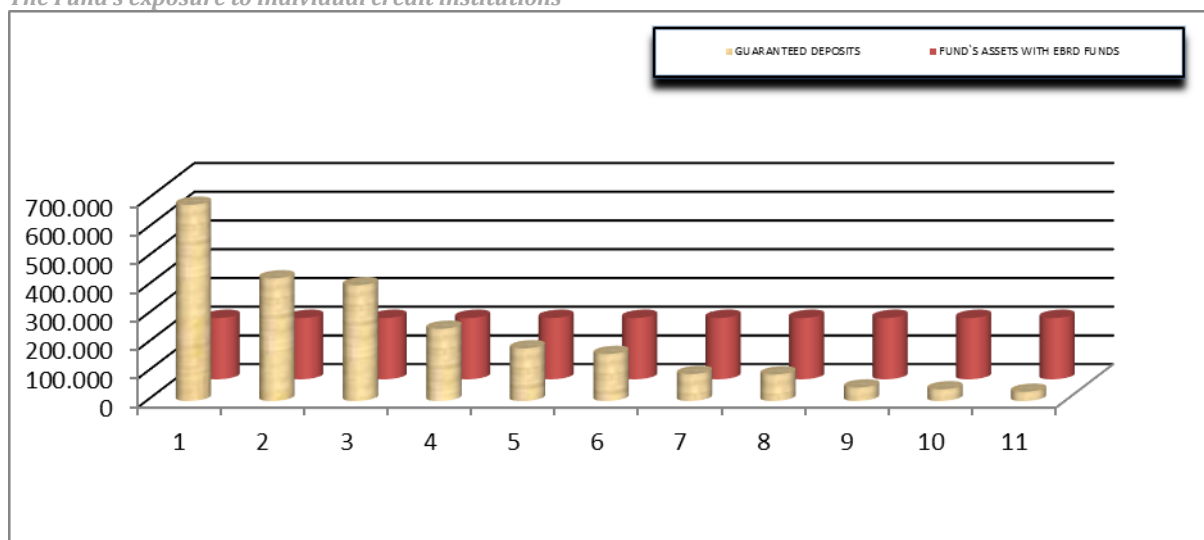
Table 5

Percentage of coverage of guaranteed deposits with the Fund's resources (000 €)

BANKS	GUARANTEED DEPOSITS	FUND'S ASSETS	Coverage percentage (%)	Lacking funds
	1	2	3	4
1	682,121	213,016	31.23	-469,105
2	426,130	213,016	49.99	-213,114
3	402,370	213,016	52.94	-189,354
4	250,600	213,016	85.00	-37,584
5	182,386	213,016	116.79	
6	162,890	213,016	130.77	
7	93,037	213,016	228.96	
8	91,592	213,016	232.57	
9	46,287	213,016	460.21	
10	39,883	213,016	534.10	
11	31,437	213,016	677.59	
TOTAL	2,408,733	213,016	8.84	

*Source: monthly reports of credit institutions and the Fund's bookkeeping records

Graph 6
The Fund's exposure to individual credit institutions



**Source: monthly reports of credit institutions and the Fund's bookkeeping records*

In case of a protected event occurrence in one of 7 credit institutions, the Fund's assets would be sufficient for the compensation of all depositors in any of the 7 credit institutions (as represented in Table 5, column *Lacking funds*).

The Fund would provide the lacking funds from additional sources in one of the manners prescribed in the Law (charging the extraordinary premium; borrowing from the Budget of Montenegro; borrowing from foreign banks and financial institutions; and issuing securities; or a combination of two or more of the listed sources).

Pursuant to the Law, the aimed coverage ratio is at least 10% of the guaranteed deposits. When the Fund's resources reach the level of 10% of guaranteed deposits, the MB of the Fund has to pass a decision on reducing the regular premium rate and/or on temporary discontinuation of the regular premium collection.

Should the Fund's assets fall below 6% of the total amount of guaranteed deposits in all credit institutions, the regular premium will be determined in the manner to enable the reaching of the target level within six years.

With a view to preserving the banking system stability and protecting depositors, the new Law provides for the option to use the Fund's assets for the resolution of credit institutions.

In July 2020, the Fund extended the stand-by arrangement with the EBRD regulating the withdrawal of 50 million euros in the following five years for the purpose of guaranteed deposits payout. With the funds made available under the stand-by arrangement, the EBRD puts at the Fund's disposal (only in case of a shortfall) funds necessary for guaranteed deposit payout in a case of the protected event occurrence in any of the credit institutions.

Table 6

Coverage ratio for guaranteed deposits in the system as at 31/12/2024

Total guaranteed deposits	Fund's financial resources	% coverage of guaranteed deposits
2,408,732,812	213,016,225	8.84%

**Source: monthly reports of credit institutions and the Fund's bookkeeping records*

ACTIVITIES OF THE FUND IN 2024

4

4. ACTIVITIES OF THE FUND IN 2024

4.1. General remarks

The Fund's activities in the reporting period were implemented in accordance with the planned tasks specified under the Fund's Work Program for 2024 and the Strategic Plan for the period 2023-2025, with a particular focus on the following:

- Implementation of the Methodology for calculating the risk-based premium of individual credit institutions (timely premium collection from credit institutions);
- Continuation of guaranteed deposit payout to depositors of credit institutions in bankruptcy and the implementation of the pre-qualification procedure for selecting the agent bank;
- Application of the Investment Policy of the Deposit Protection Fund with the aim of achieving maximum security in investment of the Fund's assets, in accordance with the 2024 Investment Decision;
- Continuation of implementation of the Agreement on the execution of international payment transactions of the Fund and the acceptance of the Fund's monetary assets on deposit, signed between the Central Bank of Montenegro and the Fund;
- Stress testing of software for guaranteed deposit payout using real time data of credit institutions;
- Fulfilment of obligations under the stand-by arrangement with the EBRD;
- Further work in the working group for Montenegro's accession to the EU within Chapter 9 - Financial services;
- Implementation of the 2023 - 2027 Financial Education Development Program in Montenegro, in cooperation with the signatories of the Memorandum of Cooperation, with the aim of raising the general level of financial literacy in Montenegrin society;
- Cooperation with international deposit insurance associations (IADI, EFDI) through participation in their meetings, expert seminars, and workshops;
- Alignment of regulations with the EU Directives in the field of deposit insurance and relevant laws in Montenegro.

In addition to the aforementioned activities, other planned activities and tasks were implemented in accordance with the Work Program of the Fund for 2024.

The Fund continued with the implementation of the Integrity Plan which represents a set of measures of a legal and factual nature that prevent and eliminate potential and materialised risks that could affect the lawful, efficient, economic, effective, and professional functioning of the Fund and favour the occurrence and development of corruption and other misuses.

4.1.1. Methodology for calculating the risk-based premium of individual credit institutions

The revenue from deposit insurance premiums are funds that credit institutions in Montenegro are obliged to pay to the Fund in accordance with the Deposit Insurance Law (OGM 72/19) and on the basis of the Decision on regular premium for the current year.

The Fund's premium revenues are provided from:

- initial premium and
- regular premium.

A credit institution that has been granted a work permit by the CBCG is obliged to pay the initial premium to the Fund's account in the amount of 50,000 euros before starting its operations.

Credit institutions are obliged to pay annual premiums for deposit insurance to the Fund in quarterly instalments, that is, through a regular premium, with each quarter starting on the first day of January, April, July, and October of the current year.

The base for calculating the regular premium is the average of guaranteed deposits of the credit institution as at the last day of each month in the previous quarter.

Decision on the amount of the regular premium for the following year is made by the MB of the Fund, as a rule, by 31 October of the current year. Credit institutions are obliged to pay the regular premium at the beginning of the quarter for the current quarter and no later than eight days following the date of receipt of invoice from the Fund.

The Methodology for calculating the risk-based premium of individual credit institutions (OGM 129/20) came into effect on 1 January 2021 and in June 2023, the Fund adopted technical amendments to the Methodology (OGM 070/23). To wit, the liquidity ratio indicator that had been used at the time was replaced with the LCR indicator that has been in use since January 2022.

The Fund calculated the annual premium according to the Decision on the amount of the regular premium for 2024 (OGM 099/23) and in accordance with the Methodology. The MB of the Fund determined the annual target amount of the premium for 2024 in the amount of 27,440,000 euros and, accordingly, the regular premium for 2024 was calculated in the amount of 6,860,000 euros.

The Methodology determines the method of calculating the risk class of each individual credit institution in the system for the purposes of calculating the deposit

protection premium. The Methodology provided for the 2024 regular premium calculation based on the credit institutions' risk classes that were classified into seven risk classes:

Risk class 1 (one credit institution); Risk class 2 (one credit institution); Risk class 3 (four credit institutions); Risk class 4 (four credit institutions); Risk class 5 (none); Risk class 6 (one credit institution); and Risk class 7 (none).

The calculation of the first and second instalments of the regular premium for 2024 was based on the rating of the credit institutions determined with the data available as at 31/12/2022, while the adjustment of the third instalment (early July 2024) was calculated on the basis of the rating determined with the data available as at 31/12/2023 and average ratios at the level of the Montenegrin banking system for 2023 obtained from the CBCG.

Taking into account that the amount of the premium was set under the aforesaid Decision, the adjustment coefficient was used to adjust the sum of unadjusted quarterly premiums of all credit institutions in order to reach the amount of 27,440,000 euros. The adjustment coefficients for the calculation of the first and second instalments of the regular premium for 2024 amounted to 99.13% and 99.87%, respectively, while with the correction of the third instalment of the regular premium respective adjustments amounted to 101.03% and 101.77%. The adjustment coefficients for the third and fourth instalments were 99.41% and 93.95%, respectively.

Rating of credit institutions for 2023, based on data from the financial reports of the credit institutions and information submitted by the CBCG with the balance as at 31 December 2023, shows that the year-to-year rating of five credit institutions improved, deteriorated in the case of one credit institution, and remained unchanged for five credit institutions.

4.1.2. Information on payout of the remaining amount of guaranteed deposits to depositors of Invest banka Montenegro in bankruptcy and Atlas banka in bankruptcy

The Fund's obligation to compensate guaranteed deposits arises when the CBCG issues a decision on the unavailability of deposits and/or a decision on the initiation of bankruptcy proceedings against a credit institution. The Fund pays out guaranteed deposits through one or more credit institutions that it selects in the procedure regulated by the Guidelines for the selection of the agent bank. The Fund carries out a prequalification procedure every year by sending a letter to credit institutions to express their interest in being the agent bank in case of the protected event occurrence. After this procedure, the Fund compiles a shortlist of interested credit institutions that have been previously determined to meet the prescribed prudential requirements, from which the agent bank would be selected in the

event of a protected case.

This prequalification procedure was carried out in 2024 and three credit institutions were shortlisted as agent banks for the payout guaranteed deposits next year.

In 2019, the CBCG revoked licences from Invest banka Montenegro AD Podgorica (4 January) and Atlas banka AD Podgorica (5 April).

The agent banks that have been compensating depositors of these two banks are Crnogorska Komercijalna banka a.d. Podgorica and Hipotekarna banka a.d. Podgorica.

The initial agent banks for both Invest Banka Montenegro and Atlas Banka in bankruptcy had been Societe Generale Bank Montenegro A.D. Podgorica (which merged with Crnogorska Komercijalna Banka A.D. Podgorica), NLB Banka A.D. Podgorica, and Hipotekarna Banka A.D. Podgorica, and from 2022 until April 2025 (when the agreement was extended), the payouts were carried out by Crnogorska Komercijalna Banka A.D. Podgorica and Hipotekarna Banka A.D. Podgorica.

INVEST BANKA MONTENEGRO - in bankruptcy

Total deposits of Invest Bank Montenegro AD Podgorica - in bankruptcy amount to 39,867,785.50 euros for 2,981 depositors and calculated guaranteed deposits total 22,383,240.36 euros for 2,732 depositors.

As at 31/12/2024, the total paid out amount reached 21,929,349.75 euros or 97.97% of total calculated guaranteed deposits, i.e. overall obligation of the Fund for guaranteed deposit compensation (the amount paid in the reporting year was 7,518.77 euros or 0.03% to compensate 5 depositors).

As at the same date, the total collected amount from the bankruptcy estate of Invest Bank Montenegro amounted to 20,163,240 euros or 90.08% of total claim (the collected amount in the reporting year was 705,000 euros). The remainder amount to be retrieved is 2,320,000 euros or 10.36%.

ATLAS BANKA - in bankruptcy

Total deposits of Atlas Banka AD Podgorica - in bankruptcy amount to 186,397,824.03 euros for 93,729 depositors and calculated guaranteed deposits total 90,317,590 euros for 90,095 depositors.

As at 31/12/2024, the total paid out amount reached 83,846,305.90 euros or 92.83% of total calculated guaranteed deposits, i.e. overall obligation of the Fund for guaranteed deposit compensation (the amount paid in the reporting year was 165,784.28 euros or 0.18% to compensate 17 depositors).

As at the same date, the total retrieved amount from the bankruptcy estate of Atlas banka in bankruptcy amounted to 65,000,000 euros or 71.97% of total claim (the collected amount in the reporting year was 4,000,000 euros). The remainder amount to be retrieved is 25,317,590 euros or 28.03%.

We can conclude that with their professionalism in the payout of guaranteed deposits, the agent banks have given great contribution to maintaining and increasing the confidence of depositors in the banking system.

4.1.3. Implementation of the Investment Policy of the Deposit Protection Fund – Investment Activities in 2024

Investment of funds is performed in accordance with the Fund's Investment Policy (no. 55-2/2022 of 28/02/2022) with the primary goal of preserving the Fund's liquidity and capital safety.

In accordance with the stated Investment Policy, the Fund may invest its funds in:

- 1) Securities issued by Montenegro, an EU Member State or their central banks or securities guaranteed by Montenegro or an EU Member State;
- 2) Securities issued by a credit institution, a financial institution and/or a government other than those specified in point 1) above and which hold high ratings assigned by an internationally recognized rating agency;
- 3) Deposits deposited in central banks and foreign credit institutions holding high ratings assigned by an internationally recognized rating agency;
- 4) Other low-risk assets under the following categories:
 - those falling under the first or second category under Table 1 Article 336 of the EU Capital Requirements Regulation,
 - liquid assets as specified by the CBCG regulations and/or as required by the relevant EU authority,
 - ESG (environmental, social, governance) securities issued by the OECD countries,
 - the basket of securities issued by the OECD countries,
 - debt securities issued by municipalities, which hold a significantly high yield ratio compared to risk or a very low risk measured by risk assessment methods.

Investments of funds in 2024 was carried out in accordance with the Decision on the investment funds in 2024.

In accordance with the Agreement on the execution of international payment transactions of the Fund and receipt of the Fund's assets on deposit by the CBCG, in 2024, the funds were invested in term deposits of various maturity with the CBCG in the additional

amount of 56 million euros. As at 31/12/24, these funds amounted to 165,608,549 euros. The book value of yield from interest on the termed funds amounted to 4,770,195.62 euros in 2024.

The Fund's portfolio also includes long-term debt securities purchased in previous years - government Eurobonds in the nominal amount of 39,000,000 euros (38,669,104 euros book value), these being MNE-2025 bonds (23,880,000 euros) with a total coupon yield of 3,709,463 euros at the interest rate of 3.375% and MNE-2027 bonds (15,120,000 euros) with a total coupon yield of 3,042,900 euros at the interest rate of 2.875%. Their value is shown in the balance sheet at a value that differs from their actual market value due to the fact that the listed securities are held until the indicated maturity date.

Yield on coupons of the MNE-2025 Eurobonds was paid in the total amount of 805,950 euros and that from the MNE-2027 Eurobonds totalled 434,700 euros, which together make up the total coupon income from government bonds in the amount of 1,240,650 euros in 2024. Interest income from the aforesaid bonds amounted to 1,272,405 euros in 2024 (31,755 euros difference is the adjustment after discount, i.e. depreciation of premium based on the cost of bond purchase).

In addition, until 21 March 2024, the Fund's portfolio included investments made in December 2023 in the nominal amount of 20,000,000 euros (19,812,197 euros at book value) in short-term debt securities – Treasury bills issued by Montenegro, with an interest rate of 3.75% and with a maturity period of 91 days (total interest income with principal maturing in 2024 amount to 187,803.12 euros), and no fees were charged for participation in the auction. As a result, as of 21 March 2024, the total portfolio in securities amounted to 59,000,000 euros in nominal value or 58,481,301 euros at book value.

The aforementioned investment of funds in securities issued by Montenegro resulted in financial income in the amount of 1,437,506 euros in the reporting year (of which 1,272,405 euros from the yield based on the annual coupon of government bonds and 165,102 euros from the interest earned on 91-day T-bills purchased in 2023 and maturing in 2024).

Taking into account the above, after the maturity of T-bills, the Fund's investment portfolio amounted to a total of 39,000,000 euros in securities, stated at nominal value, or 38,669,104 euros at book value.

The structure of the Fund's investment portfolio consists of a higher percentage of government Eurobonds MNE-2025 (23,880,000 euros or 61.23%) compared to government Eurobonds MNE-2027 (15,120,000 euros or 38.77%).

In accordance with the Agreement on the execution of international payment transactions of the Fund and the acceptance of the Fund's monetary assets on deposit, as well as the Decision of the Fund's Managing Board on the investment of the Fund's assets for 2024, the matured T-bills in the amount of 20,000,000 euros were transferred into term deposits with the CBCG.

Together with the aforementioned funds in the amount of 165,608,550 euros that the Fund placed in term deposits with the CBCG, the investment portfolio of the Fund totalled 204,608,550 euro as at 31 December 2024.

Given the current still challenging trends in the global financial market and considering the uncertain financial and economic conditions, the Fund's orientation in 2024 remained focused and guided primarily by the principle of security in investing funds in term deposits with the CBCG, which ultimately strengthened the Fund's liquidity position. Furthermore, the present volatility in Montenegrin bond prices does not have a negative impact on the Fund's financial position, as the Fund's policy is to hold such bonds until maturity.

4.1.4. Activities Related to the Implementation of the Agreement on the Execution of International Payment Transactions of the Fund and the Acceptance of the Fund's Monetary Assets on Deposit, signed between the CBCG and the Fund

In 2024, the Fund continued implementing the Agreement on the execution of international payment transactions of the Fund and the acceptance of the Fund's monetary assets on deposit, signed with the CBCG in 2023.

In accordance with the aforesaid Agreement, as well as the Decision of the Fund's Managing Board on the investment of the Fund's assets for 2024, the Fund significantly strengthened its liquid assets and so, from a liquidity and security perspective, this minimized the Fund's investment risk, since the Agreement obliges CBCG to provide the Fund with the necessary liquidity at any time upon request, in case of need.

4.1.5. Stress testing of software for guaranteed deposit payout using real time data from credit institutions

Pursuant to Article 41 of the Law, in September and October 2024, the Fund carried out the testing of the deposit insurance system resilience to stress and the ability of credit institutions to submit data on depositors, deposits and their matured liabilities, as well as the credit institutions' ability to take on the role of the agent banks and pay out guaranteed deposits as necessary.

The testing was carried out in accordance with the Instructions for testing the resilience of the deposit insurance system to stress and the ability of credit institutions to provide data and the Program for conducting stress tests.

The stress testing program is adopted for a period of three years and it covers intervention scenarios and test areas. In accordance with the Stress Testing Program for the period 2022–2024, the testing of five credit institutions was carried out in the third year of

testing of 2024, thereby completing the planned cycle of testing all credit institutions.

The test results showed that the tested credit institutions have records on depositors, their deposits and liabilities and that they can submit them to the Fund within the prescribed deadlines for the purposes of calculating and compensating guaranteed deposits, as well as that they have the capacity to take on the role of agent banks.

Additionally, the Fund's employees confirmed their ability to efficiently and promptly use the software solution to calculate and initiate the payout of guaranteed deposits within the legally prescribed period.

The general conclusion is that the objective of verifying the readiness of test participants was achieved and that the Fund's financial capacity was confirmed. According to the three-year Stress Testing Program (2022–2024), the third testing cycle in 2024 marked a successful completion of the deposit insurance system resilience test under the intervention scenario: "payout of guaranteed deposits to depositors." Activities related to stress testing will continue in the coming years under a new three-year testing program.

4.1.6. Fulfilment of obligations under the Stand-by arrangement with the EBRD

In 2010, the Fund signed a stand-by arrangement with the EBRD in the amount of 30 million euros, with the option to withdraw funds over a period of 7 years. After the expiration of the original term, the Agreement was extended twice through Annexes and each time for a period of one year.

In order to ensure greater security of deposits in credit institutions and efficient and expedient compensation of guaranteed deposits, i.e. the stability of the entire financial system, in 2020, the Fund concluded a stand-by arrangement with the EBRD in the amount of 50 million euros. This arrangement allows the Fund to use the aforesaid funds for the payout of guaranteed deposits of in case of a protected event occurrence (bankruptcy) in one of the credit institutions, for a period of 5 years from the date of signing the arrangement and with the repayment period of 7 years.

4.1.7. Activities on the implementation of the 2023 - 2027 Financial Education Development Program in Montenegro, in cooperation with the signatories of the Memorandum of Cooperation, with the aim of raising the general level of financial literacy in Montenegrin society

In accordance with the 2023–2027 Financial Education Development Program in Montenegro, and in cooperation with other institutions that are signatories of the Memorandum of Cooperation, representatives of the Fund actively participated in meetings aimed at improving the financial literacy of Montenegrin society. The CBCG is the national coordinator of the implementation of the Program, which involves representatives of 22

institutions from the public, private, and NGO sectors.

4.1.8. Activities in the working group for Montenegro's accession to the EU within the negotiation chapter 9 - Financial services

The Fund is involved in the work of the Working Group for negotiation chapter 9 – Financial Services and several meetings were held in the reporting year with an active participation of the Fund's representatives, including the preparation of required documents and materials important for Montenegro's further progress in fulfilling its EU accession obligations. During the negotiations within this chapter, the European Commission noted that Montenegro's deposit insurance system is largely compliant with the EU acquis in this area.

4.2. Litigation

As of 31 December 2024, there was one pending legal proceeding initiated by the Fund against one agent bank concerning claims related to the payout of guaranteed deposits in the total amount of 100,000 euros. Given that the liabilities towards depositors have been settled, the disputed amount, if realized, would represent extraordinary income.

4.3. Normative and legal activities

The Fund's Managing Board held eight meetings in 2024 and adopted the following acts:

- Decision on the adoption of the Annual Financial Report of the Fund for 2023;
- Decision on the regular premium for 2025;
- Financial Plan of the Deposit Protection Fund for 2025;
- Decision on the investment of assets of the Deposit Protection Fund in 2025;
- Work Program of the Deposit Protection Fund for 2025;

During the reporting year, the MB adopted the Annual Report of the Deposit Protection Fund for 2023 that was submitted to the Parliament and the Government of Montenegro for consideration, and to the President of Montenegro, and the CBCG for information purposes.

The Fund's MB also considered the Opinion and Report of the External Auditor for 2023. The report had been prepared by the audit firm BDO d.o.o. Podgorica. The opinion of the independent external auditor is that "the financial statements fairly and accurately present the position of the Fund and they have been prepared in accordance with the laws of Montenegro".

The Fund independently performs financial and accounting tasks and prepares financial reports for a business year. On the basis of bookkeeping records, information and reviews were compiled in order to monitor the implementation of the Fund's Financial

Plan, which was regularly reported to the Fund's MB.

In addition to the aforementioned reports, the MB considered monthly and quarterly reports on the movement of deposits in the banking system, the balance of the Fund's assets, the fulfilment of planned activities, and the investment of assets.

4.4. Human resources and training of employees

Systematization of jobs and tasks and duties in the Fund is specified in the Job Classification Rulebook of the Fund. Tasks and duties are divided into: legal and administrative tasks, planning and analysis, risk assessment of credit institutions, IT, investments, and finances and accounting.

The Fund's ongoing focus is the strengthening of its professional capacities in terms of specialized knowledge of deposit insurance and investment of funds acquired through education and training of employees.

Considering the importance and basic purpose of the Fund, it is necessary to continuously invest in the improvement and upgrading of software for the payout of guaranteed deposits, as well as in improving and upgrading the knowledge of the IT staff. In 2024, with the technical assistance of representatives of the company "Dialog d.o.o" Osijek (authors of the software for guaranteed deposit payout) and with a view to increasing the degree of protection and safety of payment of guaranteed deposits, software application used for the payment of guaranteed deposits in case of a protected event was upgraded and maintained in the reporting year. The procedures for the use of software for the payout of guaranteed deposits are elaborated in detail in the Instructions for employees in the case of a protected case occurrence.

Taking into account the need for professional development of its employees, in accordance with the financial plan for 2024, the Fund allocated funds for investment in education.

The employees were given the opportunity to participate in the combined training programs in the form of seminars and workshops organised by the international deposit insurance associations (IADI and EFDI).

As at 31 December 2024, the Fund had seven employees, all of whom hold higher education degrees, which confirms that the Fund has a strong educational structure that has proven sufficient to address all challenges related to the implementation of the new regulatory framework, as well as to successfully carry out the payout procedures for guaranteed deposits at two credit institutions where a protected event occurred in the previous period.

4.5. International cooperation

In 2024, representatives of the Fund actively participated in the work of international deposit insurance associations by attending conference, round tables and workshops organised in person or online. In this way, representatives of the Fund share experiences while simultaneously acquiring and enhancing key knowledge on deposit insurance.

As a full-fledged member of the EFDI, which represents the association of European funds on voluntary basis and enables the exchange of ideas and experiences on deposit insurance in Europe, the Fund participated in the annual assembly held at the end of May in Nice, France, where new board members of this association were elected. Also, representatives of the Fund attended the meetings of all working groups (ERC, PR, RMWG), where the participants discussed current developments on the global financial markets and the importance of well-functioning European systems of deposit insurance. Representatives of the Fund used this opportunity to make new contacts and share experiences with their peers. At this conference, it was defined that the next annual assembly (EFDI AGM 2025) will be held in Madrid, Spain where the traditional meetings of all EFDI working groups will also be held.

Also, special meetings of the Working Group for PR activities organized by the EFDI were held in Warsaw, Poland, joined by the Working Groups for Stress Testing (STWG), Subgroups for Communications H2C, and subgroup of the Public Relations Committee, where experiences and information on practical individual cases of payment of guaranteed deposits and rehabilitation of credit institutions were shared with the aim to improve skills and knowledge about communication methods, tools and innovations both in a stable period and as a preparation for crisis period. Representatives of the Fund actively participated in the meetings and gained some useful insights for their future work.

Representatives of the Fund continue to actively participate in surveys used as the main guidelines for the harmonisation of deposit insurance systems in all EFDI member countries. The EFDI goals are achieved by exchanging data on the situation in the financial and banking sector, participation in research projects, improvement of the regulatory framework and practice, educating expert bodies, secondment and education of employees, and the like.

Also, as a full-fledged member of the IADI, the Fund actively participates in its activities. In September 2024, representatives of the Fund attended the IADI Annual General Meeting that was held in Tokyo. The conference was attended by representatives of all European deposit insurance funds, as well as a large number of members from other parts of the world, including representatives of the financial safety net and international financial institutions cooperating with the aim of promoting best practices in the areas of deposit insurance, resolution of credit institutions, and the preservation of financial stability.

As part of its membership in the IADI, the Director General of the Fund actively contributes to the work of the organisation through participation in the European Regional Committee (ERC) and the Policy Committee. Through participation in meetings and conferences, the Fund gains a dual benefit – acquiring up-to-date knowledge and experience from international practice, while also contributing to global discussions by sharing domestic experiences and the national regulatory framework.

Numerous topics important for the improvement of deposit insurance systems were presented at the conferences, including models for timely detection of problems in credit institutions, resolution of such institutions, as well as the results of international research and comparative analyses of the structure, mandates, and organizational models of deposit insurance institutions.

The Fund is actively participating in the process of updating the Core Principles for Effective Deposit Insurance Systems (IADI), which began at the General Assembly and continues through regular meetings of the IADI bodies.

In the coming period, the Fund's employees will participate in the annual EFDI and IADI conferences, workshops and trainings with the aim being up to date with the latest events and experiences in the field of deposit insurance in the EU and the world.

Should there be a request for the opening of branches of foreign credit institutions in Montenegro, a Memorandum on bilateral cooperation with the Fund of the parent country will be prepared.

4.6. Fund's objectives and tasks in 2025

The Fund's objectives are defined in its Work Programme for 2025. Improvement of the institutional and professional capacity of the Fund for the purpose of timely intervention at the moment of a protected event occurrence is an ongoing task of the Fund that entails permanent tracking and analysis of deposits in credit institutions, collection of premiums, and investment of the collected funds.

Activities on the payout of the remaining guaranteed deposits to the depositors of Atlas banka a.d. in bankruptcy and Invest Bank Montenegro a.d. in bankruptcy remain one of the tasks of the Fund in 2025.

In 2025, testing of credit institutions is planned in accordance with the Stress Testing Cycle Program for the three-year period 2025–2027, which includes testing the guaranteed deposit payout software using real data from credit institutions.

One of the activities within the program that will be carried out is the training of employees (IT staff) at credit institutions interested in performing the work of the agent bank for the use of software for the payment of guaranteed deposits.

Investment activities will continue in accordance with the Decision on the investment of assets of the Deposit Protection Fund in 2025.

One of the tasks in the upcoming year will be to conduct a prequalification procedure for the selection of the agent bank for 2026.

Timely calculation and collection of the premium is an ongoing task of the Fund, the fulfilment of which ensures the income of the Fund. The MB adopted a decision on the targeted premium in 2025 that is to reach 29,880,000 euros.

The payout of guaranteed deposits (105.78 million euros or 93.87%) has significantly reduced the Fund's resources. However, the recovery of funds from the bankruptcy estate in the amount of 85.16 million euros or 75.57% and the collection of regular premiums in the previous five years (2020 to 2024) in the amount of 99.41 million euros has significantly improved the financial situation and sustainability of the Fund. The Fund's financial position in 2024 was further strengthened by interest income from term deposits placed with the CBCG in the amount of 4.77 million euros, as well as income from bond coupons totalling 1.24 million euros.

Together with funds from the bankruptcy estates of the two credit institutions, which are expected to be collected in 2025 (cca 3.3 million euros) and the collection of regular premiums in 2025 (29,880,000 euros), including funds earned from interest on deposits (cca 4.0 million euros) and from the payment of government bond coupons (1,240,650 euros) the Fund will be well capitalized.

4.7. Events after the reporting period

There were no events after the reporting period that required corrections or disclosure in the Fund's financial statements for the period from 1 January - 31 December 2024.

In 2025, the Fund continued to compensate guaranteed deposits to depositors of the two bankrupt banks. Until 28 February 2025, 11,431.18 euros worth of guaranteed deposits were paid to depositors of the bankrupt Atlas banka, while no IBM Bank depositor was compensated.

The collection of the Fund's claims from the bankruptcy estate until end-February this year totalled 100,000 euros (for IBM Bank in bankruptcy), which is 3.03% of the planned amount (3,300,000 euros), so the recovered funds totalled 85,263,240 euros or 75.62% (IBM 90.53% and Atlas banka 71.97%).

Calculated and charged first instalment of the regular premium amounted to 7,470,000 euros.

Total assets of the Fund as of 28/02/2025 amounted to 221,328,071.18 euros, of which 165,608,550.11 euros worth of term deposits, 39,000,000 euros of Montenegrin government bonds (MNE 2025 - 23,880,000 euros and MNE 2027 - 15,120,000 euros), fund in the gyro account - 14,962,787.55 euros, 364,537.45 euros in advances to banks for guaranteed deposits payout, 779,263.64 euros in claims for interest on bonds, and 612,857.43 euros were other claims.

FI NANCIAL OPERATIONS OF THE FUND IN 2024

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5. FINANCIAL OPERATIONS OF THE FUND IN 2024

5.1. STATEMENT OF FINANCIAL PERFORMANCE AS AT 31/12/2024 ⁴

The Fund continued with successful operations in 2024. Total Fund's net result amounted to 37,565,415 euros as a result of income from collected premium and efficient management of the Fund's assets.

5.1.1 Total income of the Fund

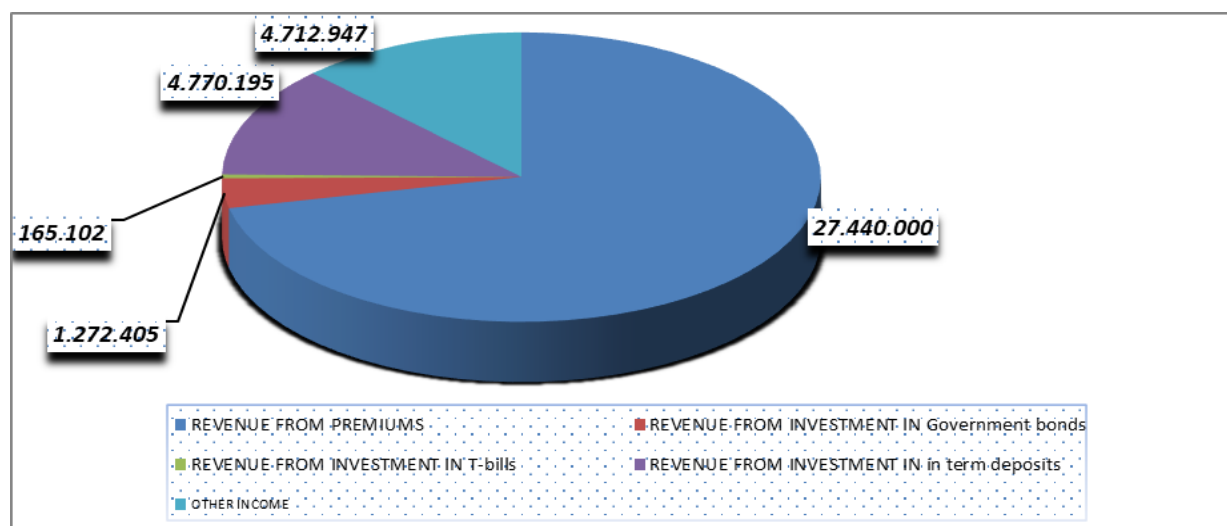
The Fund's total income amounted to **38,360,649 euros** in 2024 and it was 1.51% higher than planned as well as 10.48% higher than in the previous year when it reached 34,720,705 euros.

The income consisted of:

- *operating income and*
- *financial income*

5.1.1.1. Operating income amounted to 32,152,947 euros and it was 1.27% higher than planned for the reporting year and 2.03% higher income earned in the previous year when it totalled 31,510,773 euros. In the reporting year, premium collection was 30.54% higher year-over-year, while recovery from bankruptcy estates were 55.08% lower, which is in line with the defined planned amounts.

*Graph 5.1
Structure of total income in the period January - December 2024*



⁴An overview of the Fund's income and expenditure in 2023 and 2023 and the plan of income and expenditure in 2024 and 2025 are presented in the ANNEX.

5.1.1.1.1. Revenues from premium and recoveries from bankruptcy estate

The most significant operating income item was revenues from premium collection which amounted to 27,440,000 euros and accounted for 71.53% of total income of the Fund and their collection was as planned (100%). The realized premium was 30.54% higher compared to the previous year when it was collected in the amount of 21,020,000 million euros and this is due to the fact that in the course of the reporting year and in order to reach the target amount of the premium, based on the previously performed analysis and estimate of the amount of guaranteed deposits in credit institutions that are the basis for calculating the premium that credit institutions pay to the Deposit Protection Fund, as well as the amount of accumulated funds based on previous premiums and investments, the Fund calculated the annual premium in the specified amount, in accordance with the Decision on the regular premium rate for 2024 (OGM 099/23) and the Methodology.

The remaining amount of **4,712,947 euros** covers recovered claims from the bankruptcy estate of the failed banks of **4,705,000 euros** (Invest Bank a.d. Podgorica in bankruptcy 705,000 euros and Atlas Banka a.d. Podgorica in bankruptcy 4,000,000 euros) for which the Fund paid out guaranteed deposits and they were 55.08% lower than in 2023 when they totalled 10,475,000 euros, and yet they were 9.41% higher than planned; then revenue from refunds of **7,947 euros** (sick leaves of the employees).

5.1.1.2. Financial income amounted to **6,207,702 euros** and it was 93.39% higher year-over-year, primarily due to investments in term deposits with the CCBG (2.77% more than planned), comprising of the following:

- **Interest income from term deposits with the CCBG** amounted to **4,770,195 euros**, representing the most dominant component of financial income of 76.84% and compared to the previous year, this income increased by 159.48%, as a result of the Fund's efficient asset management;
- **Income from interest on government bonds** that reached **1.272.405 euros** and covered investments of 38,641,737 euros (39,000,000 in nominal amount) in government bonds maturing in 2025 and 2027 whose interest coupons mature annually and the total amount earned in 2024 was 1,240,650 euros (annual interest rates for these bonds are 3,375% on MNE2025 and 2,875% on MNE2027); and
- **Income from investment in Treasury bills of Montenegro** in the total amount of **165,102 euros** generated in the reporting year from the purchase of 91-day T-bills in 2023, with a nominal value of 20,000,000 euros (19,812,197 euros at book value) and at an interest rate of 3.75% that mature in 2024. This represents 55.03% of the planned amount (300,000 euros), as the plan was based on the then-announced issuance of new T-bills by the Ministry of Finance, which ultimately did not materialize, although the Fund had planned to invest in it.

5.1.2 Expenditure of the Fund

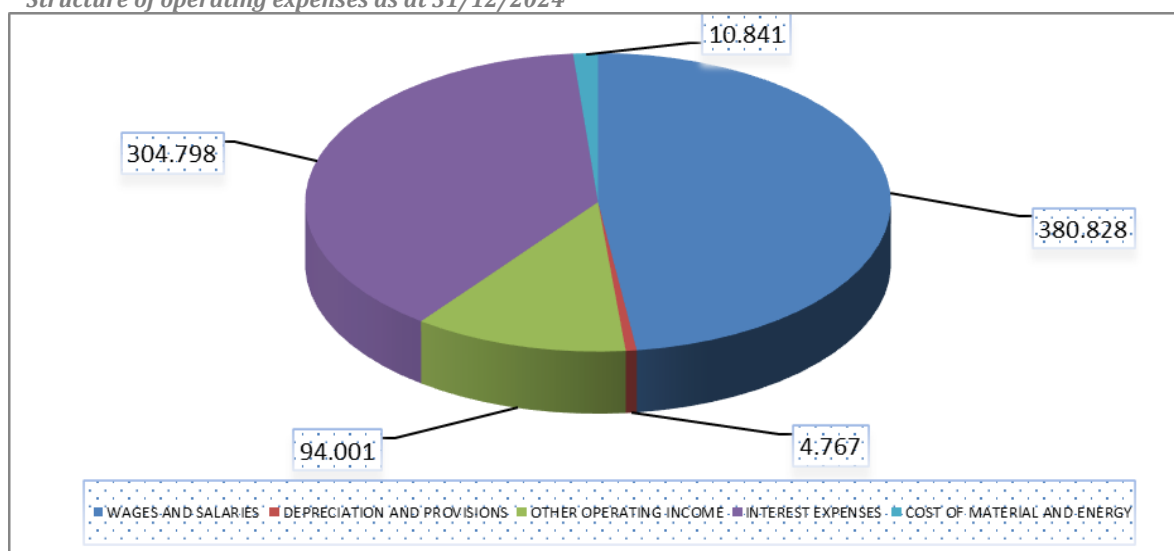
Total expenditure reached **795,234 euros** in 2024 (778,815 in 2023, which is the year-over-year increase of 2.11% and 17.64% less than planned).

The expenditure is classified in three main groups:

- operating expenses
- financial expenses- financial income
- short-term provisioning expenses.

Graph 5.2

Structure of operating expenses as at 31/12/2024



*Source: Fund's bookkeeping records

5.1.2.1. Operating expenses amounted to **490,436 euros** and they comprised of:

- **Cost of material and energy** in the amount of 10,841 euros (cost of lease and maintenance of business premises, cost of office supplies, cost of fuel) and it was 20.58% lower than in 2023 and accounted for 27.79% of the planned amount for the reporting year because the Fund did not move to the new business premises in the reporting year;
- **Expenses for salaries and other fringe benefits** in the amount of 380,828 euros (gross salaries of employees of 222,637 euros (1.90% higher year-over-year), remuneration of MB members in the amount of 101,859 euros (16.07% higher), and contributions charged to employer of 13,628 euros (16.37% lower). These expenses were 8.46% higher than in 2023 when they amounted to 351,110 euros;
- **Other cost of employee benefits** of 42,704 euros, and
- **Other operating expenses** that totalled **94,000**, being 44.37% lower than

planned and 10.15% lower than in the previous year and they cover:

- *cost of advertising and propaganda* that had been initially planned in the amount of 8,000 euros and yet 1,066 euros or 13.32% was spent for these purposes in the reporting year;
- *cost of professional services* that covered the external audit of financial statements, and education and training of employees in the amount of **14,104 euros** and it was 3.46% lower than in 2023 and 74.58% lower than planned for the reporting year due to a higher amount initially planned for audit services, while the service was ultimately provided at a significantly more favourable cost by the selected audit firm;
- *cost of membership in international associations* that totalled **18,651 euros** and it was 19.49% lower than in 2023 and accounted for 79.36% of the planned amount for the reporting year;
- *telephone and postal charges* in the amount of **9,049 euros** and they were 14.62% lower than in the previous year and 17.73% lower than planned for 2024;
- *cost of representation* amounted to **1,758 euros** and it was 37.25% lower than in the previous year and 70.7% lower than planned.
- *payment transaction costs* in the amount of **39,266 euros** which were incurred in line with the planned amount but they were also 5.58% higher compared to the previous year and they include safekeeping fees for custody services related to holding securities – MN2025 and MN2027 Eurobonds – in open custody accounts, as well as service costs with the CBCG;
- *other expenses* in the amount of **10,106 euros** (cost of fixed assets maintenance of **2,126 euros**, cost of printing and binding the Fund's Annual Report of **1,811 euros**, cost of professional literature of **573 euros**, cost of parking services of **1,860 euros**, cost of life insurance of **1,103 euros**, cost of publications in public media of **20 euros**, cost of write-off of fixed assets of **20 euros**, cost of property insurance of **1,021 euros**, fees of *37 euros*, and cost of participation/registration of 1,535 euros).

5.1.2.2. Financial expenses amounted to **304,798 euros** and they accounted of total expenditure and they covered:

- expenses for EBRD commitment fee of **254,798 euros** and
- cost of prepayments and accruals for the EBRD loan (a loan of 250,000 euros over a 5-year repayment period and a 50,000 euro instalments) of **50,000 euros**

5.1.2.3. short-term provisioning expenses in the total amount of **4,767 euros** and they include cost of depreciation of fixed assets. These expenses accounted for 0.59% of total expenditure and 9.5% of the planned amount.

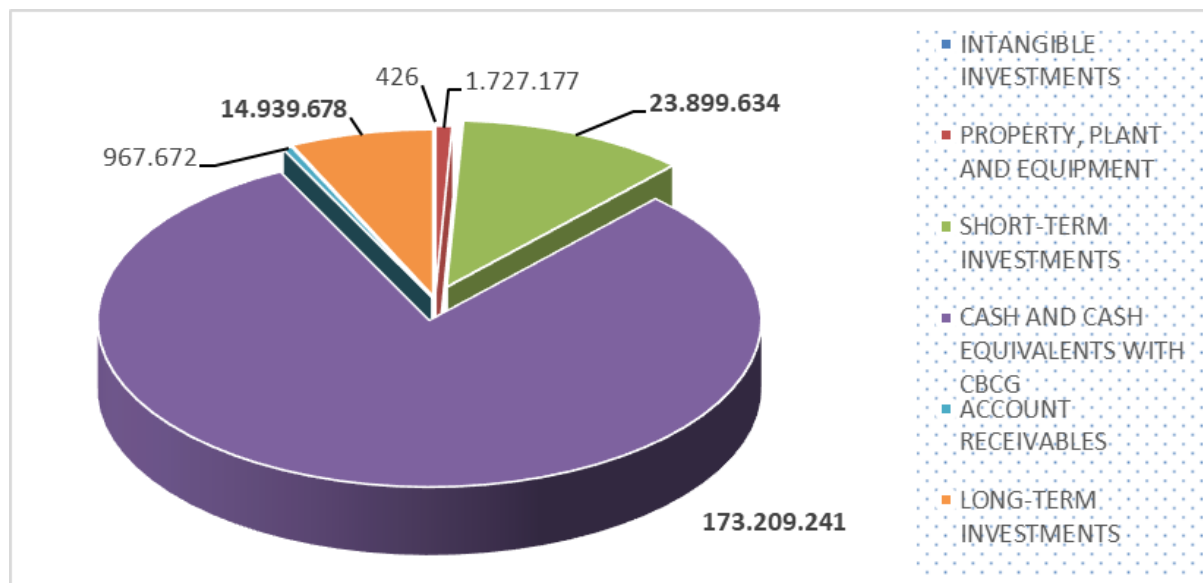
The 2024 net result is a **profit** in the amount of **37,565,415 euros** and it was 10.46% higher than in the previous year when it amounted to 33,941,890 euros (business result in the amount of 31,662,511 euros which is 2.02% more compared to the previous year and the financial result in the amount of 5,902,904 euros which is 103.09% more year-over-year) .

5.2. STATEMENT OF FINANCIAL POSITION (Balance sheet)

Total assets and liabilities of the Fund amounted to **214,743,828 euros** as at 31 December 2024. They recorded the year-over-year increase of **37,395,764 euros** or 21.08%, primarily owing to undistributed profit for 2024.

Graph 5.3

Structure of balance sheet assets as at 31/12/2024

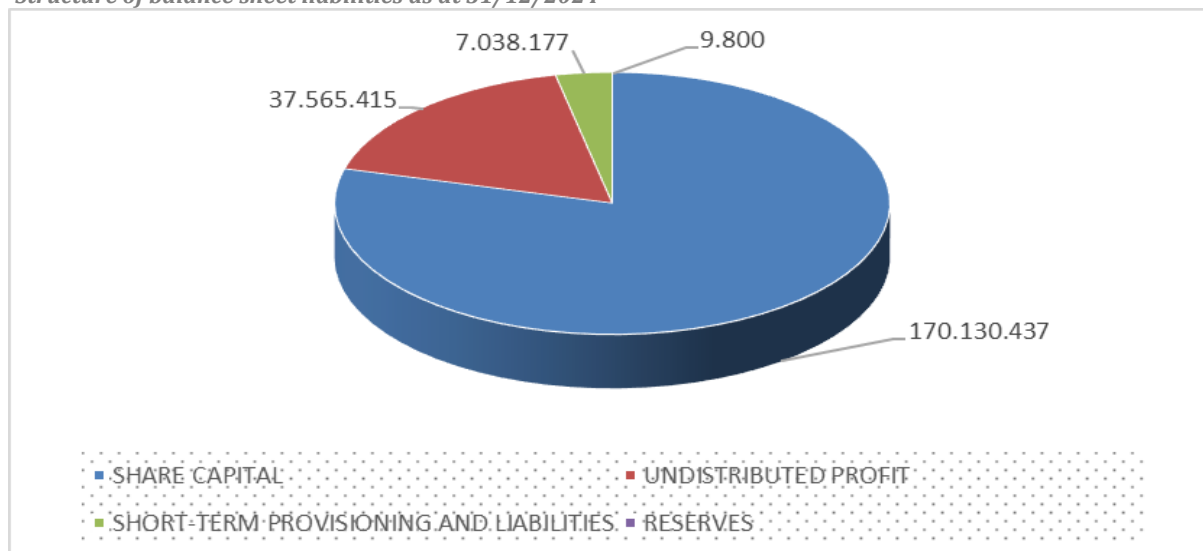


*Source: Fund's bookkeeping records

In the structure of total assets, equipment accounted for 0.80% or 1,727,177 euros, receivables made up 0.45% or 967,672 euros, long-term financial investments accounted for 6.95% or 14,939,678 (government bonds – 14,799,914 euros and employee receivables – 139,764 euros), short-term financial investments made up 11.12% or 23,899,634 euros, 80.65% or 173,209,241 euros were funds in the Fund's giro account and petty cash.

Graph 5.4

Structure of balance sheet liabilities as at 31/12/2024



*Source: Fund's bookkeeping records

In the structure of total liabilities, short-term provisions and liabilities made up 7,038,177 euros⁵ (3.27%) and capital accounted for 207,705,652 euros (96.72%), of which share capital accounted for 170,130,437 euros, 37,565,415 euros was undistributed profit, and 9,800 euros were reserves.

5.3 STATEMENT OF CHANGES IN CAPITAL

The capital balance as at 31/12/2024 was a **gain** in the amount of **37,565,415 euros**.

⁵This amount represents liabilities for the payment of guaranteed deposits of IBM Bank in bankruptcy and Atlas Bank in bankruptcy, trade payables, interest payable to the EBRD, and other short-term liabilities.

Annex: Income and expenditure in 2023 and 2024 and the plan of income and expenditure for 2024 and 2025

	NAZIV	EXECUTED IN 2023	PLAN 2024	EXECUTED IN 2024	5/4 %	PLAN 2025
1	2	3	4	5	6	7
A.	TOTAL INCOME	34.720.705	37.790.650	38.360.649	101,51	38.422.000
A.1.	OPERATING INCOME	31.510.773	31.750.000	32.152.947	101,27	33.182.000
A.1.1.	Premium	21.020.000	27.440.000	27.440.000	100,00	29.880.000
A.1.2.	Other (extraordinary income)	15.773	10000	7.947	79,47	2.000
A.1.3.	Other operating income (from bankruptcy estate)	10.475.000	4.300.000	4.705.000	109,42	3.300.000
A.2.	FINANCIAL INCOME	3.209.932	6.040.650	6.207.702	102,77	5.240.000
A.2.1.	Interest on time deposits	1.838.354	4.500.000	4.770.195	106,00	4.000.000
A.2.2.	Interest on T-bills	104.872	300.000	165.102	55,03	0
A.2.3.	Interest on government bonds	1.266.706	1.240.650	1.272.405	102,56	1.240.000
B.	TOTAL EXPENDITURE	778.815	965.545	795.234	82,36	815.609
B.1.	OPERATING EXPENSES	475.343	662.045	490.436	74,08	670.609
B.1.1.	COST OF MATERIAL AND ENERGY	13.651	39.000	10.841	27,80	36.500
B.1.1.1.	Cost of office supply	869	2.000	560	28,00	1.500
B.1.1.2.	Cost of lease, fuel, water, energy, maintenance	12.781	37.000	10.281	27,79	35.000
B.1.2.	SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	351.110	404.045	380.828	94,25	378.990
B.1.2.1.	Gross wages and salaries	218.483	239.300	222.637	93,04	226.000
B.1.2.1.1.	Net wages and salaries	165.076	180.300	169.332	93,92	177.650
B.1.2.1.2.	Taxes	20.265	23.250	22.927	98,61	23.500
B.1.2.1.3.	Contributions	33.142	35.750	30.378	84,97	24.850
B.1.2.2.	EMPLOYER CONTRIBUTIONS	16.296	17.950	13.628	75,92	7.700
B.1.2.3.	REMUNERATION TO MB MEMBERS	87.749	106.795	101.859	95,38	103.290
B.1.2.3.1.	Net remuneration to MB members	63.430	75.440	75.531	100,12	83.910
B.1.2.3.2.	Taxes	5.656	8.450	7.832	92,69	7.950
B.1.2.3.3.	Contributions	18.663	22.905	18.496	80,75	11.430
B.1.2.4.	OTHER PERSONAL EXPENSES	28.581	40.000	42.704	106,76	42.000
B.1.2.4.1.	Other personal expenses	3.308	3.000	14.884	496,13	5.000
B.1.2.4.2.	Service contracts	1.418	5.000	1.299	25,99	5.000
B.1.2.4.3.	Daily allowances	5.259	8.000	4.943	61,78	8.000
B.1.2.4.4.	Business travel transport	7.830	12.000	10.979	91,49	12.000
B.1.2.4.5.	Business travel accommodation	10.766	12.000	10.598	88,32	12.000
B.1.3.	DEPRECIATION AND PROVISIONS	5.960	50.000	4.767	9,53	100.000
B.1.3.1.	Depreciation charges	3.630	50.000	4.767	9,53	100.000
B.1.3.2.	Short-term provisions	2.330				0
B.1.4.	OTHER OPERATING EXPENSES	104.621	169.000	94.001	55,62	155.119
B.1.4.1.	Cost of advertising and promotion	5.236	8.000	1.066	13,33	8.000
B.1.4.2.	Cost of professional services	14.611	55.500	14.104	25,41	49.619
B.1.4.2.1.	Audit	5.869	15.000	7.260	48,40	9.619
B.1.4.2.2.	Education and training		5.500		-	5.000
B.1.4.2.3.	Solicitor fees					0
B.1.4.2.4.	Cost of licenses and copyrights	8.743	35.000	6.844	19,55	35.000
B.1.4.3.	Membership fees to international associations	23.168	23.500	18.651	79,37	23.500
B.1.4.4.	Cost of postal services	10.599	11.000	9.049	82,26	11.000
B.1.4.5.	Cost of representation	2.802	6.000	1.758	29,30	5.000
B.1.4.6.	Cost of payment services	37.190	38.000	39.266	103,33	40.000
B.1.4.7.	Cost of complaints for GD payout					
B.1.4.8.	T-bill auction fees		12.000		-	
B.1.4.9.	Other expenses	11.014	15.000	10.107	67,38	18.000
B.1.4.9.1.	Organisation of EFDI conference	2.354				9.000
B.1.4.9.2.	Other expenses	8.660	15.000	10.107	67,38	9.000
B.2.	FINANCIAL EXPENSES	303.472	303.500	304.798	100,43	145.000
B.2.1.	EBRD contracted interest	253.472	253.500	254.798	100,51	145.000
B.2.2.	Cost of MF guarantees (0.50%)					
B.2.3.	Cost of EBRD loan	50.000	50.000	50.000	100,00	
C	TOTAL RESULT	33.941.890	36.825.105	37.565.415	102,01	37.606.391

**DEPOSIT PROTECTION FUND,
PODGORICA**

**Financial Statements as of and for
the Year Ended 31 December 2024
in accordance with the Accounting
Regulations in Montenegro and
Independent Auditor's Report**

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INDEPENDENT AUDITOR'S REPORT

To the Management Board of Deposit Protection Fund, Podgorica

Opinion

We have audited the accompanying financial statements of the Deposit Protection Fund, Podgorica (hereinafter: the Fund), which comprise the statement of financial position (balance sheet) as of 31 December 2023, and the statement of comprehensive income (income statement), cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the regulations prevailing in Montenegro and accounting policies disclosed in Note 3 to the financial statements.

Basis for opinion

We conducted our audit in accordance with the Law on Audit ("Official Gazette of Montenegro", no. 001/17) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Montenegro, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Fund's financial statements for 2023 were audited by another auditor, who expressed a positive opinion on these financial statements in his report dated April 24, 2024.

Other Information contained in the Fund's Annual Management Report

Other information refers to the information contained in the annual management report, but does not include the financial statements and the auditor's report on them. The management of the Fund is responsible for the preparation of other information in accordance with the regulations of Montenegro.

Our opinion on the financial statements does not include other information. In connection with the audit of the financial statements, it is our responsibility to read the other information and thereby consider whether the other information is consistent in all material respects with the financial statements, with our knowledge obtained during the audit, or otherwise appears to be materially incorrect. In addition, we assessed whether the other information was prepared, in all materially significant aspects, in accordance with the Accounting Law of Montenegro, especially whether the other information in a formal sense is in accordance with the requirements and procedures for the preparation of other information of the Accounting Law of Montenegro in the context of materiality, i.e. whether any non-compliance with these requirements could affect the judgments made on the basis of this other information.

INDEPENDENT AUDITOR'S REPORT

To the Management Board of Deposit Protection Fund, Podgorica

Other Information contained in the Fund's Annual Management Report (*Continued*)

Solely based on the work we have performed during the audit of the financial statements, in our opinion:

- The information provided in the Annual Management Report for the year ended 31 December 2024, is consistent, in all material respects, with the financial statements of the Fund as of and for the year ended 31 December 2024;
- The Annual Management Report for the year ended 31 December 2024 has been prepared in accordance with the provisions of the Law on Accounting.

In addition, if based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting regulations prevailing in Montenegro, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

INDEPENDENT AUDITOR'S REPORT

To the Management Board of Deposit Protection Fund, Podgorica

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Podgorica, April 24, 2025

Nermin Orahovac
Certified Auditor

STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)For the period from January 1st, to December 31, 2024

In EUR

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Sales income	4	27,440,000	21,020,000
Other operating income	5	4,712,947	10,490,773
Operating costs		109,588	125,069
Cost of goods sold, and cost of material	6	6,187	7,611
Other operating costs (provisions and other operating income)	7	98,634	113,828
Depreciation	8	4,767	3,630
Salaries, compensations and other personal costs	9	380,828	349,583
Net salary costs, compensations and personal costs		285,205	253,879
Tax and contribution costs		95,622	95,704
Taxes		31,924	27,580
Retirement benefits		56,490	61,648
Contributions costs		7,208	6,476
Other operating costs		20	691
A. OPERATING RESULT		31,662,511	31,035,430
Income from other financial investments and loans (interests, FX differences and contractual hedging effects)	10	6,207,702	3,209,932
Interest expenses, foreign exchange losses and losses from other contractual hedging effects	11	304,798	303,472
B. FINANCIAL RESULT		5,902,904	2,906,460
C. RESULT BEFORE TAXATION		37,565,415	33,941,890
D. TAX EXPENSE OF THE PERIOD		-	-
Current income tax		-	-
Deferred tax expenses or income for the period		-	-
I. NET RESULT		37,565,415	33,941,890

The notes on the pages from 8 to 23
are an integral part of these financial statements.

The attached financial statements were approved for issuance by the Fund's Board of Directors on April 9, 2025, and were signed on behalf of the Fund's management by:

Person responsible for preparing the
financial statements

Director

Mladen Mitrović

Vojin Vlahović

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

As of December 31, 2024

In EUR

	Note	December 31,2024	December 31,2023
ASSETS			
A. NON-CURRENT ASSETS (I+II+III)		16,667,281	40,546,646
I INTANGIBLE ASSETS		426	426
II PROPERTY, PLANT AND EQUIPMENT AND BIOLOGICAL ASSETS	12	1,727,177	1,724,528
III LONG-TERM FINANCIAL PLACEMENTS AND LONG-TERM RECEIVABLES	13	14,939,678	38,821,692
Long-term financial investments (loans and securities)		14,799,914	38,669,104
Other long-term financial placements and receivables		139,764	152,588
B. CURRENT ASSETS (IV+V+VI)		198,076,547	136,751,418
IV CURRENT RECEIVABLES	14	967,672	1,012,365
V SHORT-TERM FINANCIAL PLACEMENTS	15	23,899,634	19,812,197
Participation in the capital of dependent legal entities intended for trading		-	19,812,197
Other short – term financial placement		23,899,634	-
VI CASH AND CASH EQUIVALENTS	16	173,209,241	115,926,856
C. PREPAYMENTS AND ACCRUED INCOME	17	-	50,000
TOTAL ASSETS		214,743,828	177,348,064
LIABILITIES			
D. EQUITY	18	207,705,652	170,140,236
I BASIC CAPITAL		170,130,437	136,188,546
II RETAINED EARNINGS OR LOSSES		37,565,415	33,941,890
III Reserve		9,800	9,800
E. LONG-TERM PROVISIONS AND LONG- TERM LIABILITIES		-	-
F. SHORT-TERM PROVISIONS AND SHORT- TERM LIABILITIES		7,038,177	7,207,828
I SHORT-TERM PROVISIONS		-	-
II SHORT-TERM LIABILITIES	19	7,038,177	7,207,828
Liabilities based on loans and borrowings from entities other than credit institutions		6,925,175	7,098,478
Other trade payables		4,396	1,682
Other trade payables and other short-term liabilities		108,606	107,668
TOTAL LIABILITIES		214,743,828	177,348,064

The notes on the pages from 8 to 23
are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the period from 1 January to 31 December 2023

In EUR

	<u>Stake capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of January 1st, 2023	<u>110,966,554</u>	<u>-</u>	<u>25,221,992</u>	<u>136,188,546</u>
Transfer	25,221,992	-	(25,221,992)	-
Net changes in 2023	<u>-</u>	<u>9,800</u>	<u>33,941,890</u>	<u>33,951,690</u>
Balance as of December 31, 2023	<u>136,188,546</u>	<u>9,800</u>	<u>33,941,890</u>	<u>170,140,236</u>
Balance as of January 1st, 2024	<u>136,188,546</u>	<u>9,800</u>	<u>33,941,890</u>	<u>170,140,236</u>
Transfer	33,941,890	-	(33,941,890)	-
Net changes in 2024	<u>-</u>	<u>-</u>	<u>37,565,415</u>	<u>37,565,415</u>
Balance as of December 31 2024	<u>170,130,437</u>	<u>9,800</u>	<u>37,565,415</u>	<u>207,705,652</u>

The notes on the pages from 8 to 23
are an integral part of these financial statements

CASH FLOW STATEMENT**For the period between 1 January and 31 December 2024 In EUR**

	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES		
I. Cash inflow from operating activities	32,156,794	31,509,540
Sales and received advances	27,440,000	21,020,000
Other receipts from operating activities	4,716,794	10,489,540
II. Cash outflows from operating activities	(885,205)	(825,248)
Outflows from payments to suppliers and advances paid	(275,470)	(252,183)
Salaries, compensations and other personal expenses	(353,789)	(319,086)
Interest paid	(254,675)	(253,979)
Public revenues paid	(1,271)	-
III. Net inflows from operating activities	31,271,589	30,684,293
CASH FLOW FROM INVESTMENT ACTIVITIES		
I. Cash inflows from Investment activities	26,010,796	10,078,954
Interest received from investment activities	6,010,796	3,078,954
Other financial placements (net inflows)	20,000,000	7,000,000
II. Cash outflows from Investment activities	-	19,812,197
Outflow of purchase of property, plant, and equipment	-	-
Other financial investments (net outflows)	-	19,812,197
III. Net cash from (used in) investment activities	26,010,796	(9,733,243)
CASH FLOW FROM FINANCING ACTIVITIES		
I. Cash inflows from financing activities	-	-
II. Cash outflows from financing activities	-	-
III. Net cash flow from financing activities	-	-
NET CASH FLOW	57,282,385	20,951,050
Cash at the beginning of the accounting period	115,926,857	94,975,807
Cash at the end of the accounting period (Note 18)	173,209,242	115,926,857

The notes on the pages from 8 to 23
are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

1. CORPORATE INFORMATION

The Deposit Protection Fund, Podgorica ("the Fund") was established in accordance with the Law on Deposit Protection ("Official Gazette of Montenegro" No. 40/2003) and officially started to operate on 18 November 2004 upon the registration in the Statistical Bureau of Montenegro. Through the amendments of the Law on Deposit Protection (Official Gazette of Montenegro 44/10, 40/11, 47/15 and 72/19), further harmonization with the EU Directive 94/19 EC was carried out (the increase of the level of protection from EUR 5,000 to EUR 50,000, as well as shortening deadlines for payment of guaranteed deposits from 90 to 20 days), as well as the separation of the governing and managerial function of the Fund itself, by separating the Fund governing bodies into the Management Board and the Director of the Fund. According to the Deposit Protection Law ("Official Gazette of Montenegro", no. 72/19), adjustments were made for the purpose of complying with Directive 2014/49/EU and Directive 2014/59/EU. The level of protection was increased to EUR 100,000, the payment deadline was shortened to 7 business days, a temporary "high balance", the obligation to carry out "Deposit Protection System stress tests", the possibility of participating in financing the repair of credit institutions in order to prevent the occurrence of a "protected case" and the charging of premiums based on a credit institution risk were introduced.

Credit institutions, licensed by the Central Bank of Montenegro, are obliged, to pay a Premium to the Fund in the name of deposit protection under the conditions and in the manner prescribed by the Law on Deposit Protection.

The main activity of the Fund is to ensure deposit protection in credit institutions, whereby the Fund is also required to pay guaranteed deposits in the event when a protected case occurs in accordance with the Deposit Protection Law. The protected case occurs on the date when a decision to initiate bankruptcy proceedings in a credit institution or a decision on deposit unavailability are adopted. Deposit protection includes placed with the credit institution before or on the day of the occurrence of the protected case. Starting from 1 January 2013, the Fund has been required to pay out guaranteed deposits in the amount of up to EUR 50,000 per depositor, regardless of the number and amount that the depositor holds with the credit institution. Pursuant to the Deposit Protection Law ("Official Gazette of Montenegro", no. 72/19), the deposit protection level has been increased up to the amount of EUR 100,000, whereby, until the date of the Montenegro's accession to the European Union, the Fund will pay out guaranteed deposits in the amount of up to EUR 50,000 per depositor, regardless of the number and amount that the depositor holds with the credit institution.

The Fund's head office is located in Podgorica, at Miljana Vukova bb.

As of December 31, 2024, the fund had seven employees (December 31, 2023 eight)

Members of the Fund's Management Board

Members of the Fund's Board are appointed by the President of Montenegro, with one member appointed at the proposal of the state administration authority in charge of finance affairs, one at the proposal of the Central Bank of Montenegro, one at the proposal of Association of Banks of Montenegro, one at the proposal of the Chamber of Commerce of Montenegro and one at the proposal of the President of Montenegro.

Untill February 5, 2024, Members of the Fund's Management Board were:

- Vesko Lekic, CBM Treasury Director, a President of the Board of Directors;
- Dejan Vujacic, the Director of the Bank Supervision Department – BoD member;
- Branislava Bozovic, MSc, a Ministry of Finance representative – BoD member;
- Darko Radunovic, a representative of the Association of Banks of Montenegro - BoD member and
- Vlastimir Golubovic, a representative of the Chamber of Commerce of Montenegro - BoD member

**NOTES TO THE FINANCIAL
STATEMENTS****All amounts are expressed in EUR, unless otherwise stated**

1. CORPORATE INFORMATION (continued)

After the expiration of the mandate of the previous composition of the Board of Directors of the Fund, the President of Montenegro, in accordance with Article 21 of the Law on Deposit Protection, by decision dated February 5, 2024. appointed the Management Board in the following composition:

- Borko Božović, Director of the Directorate for Financial Stability and Supervision of Payment Systems in the Central Bank, President of the Fund's Board of Directors;
- Nina Drakić, president of the Chamber of Commerce of Montenegro, member of the Board of Directors of the Fund;
- Ivana Joličić, head of the Directorate for Regulation of the Control Sector at the Central Bank, member of the Fund's Board of Directors,
- Mihailo Pejović, Head of the Directorate for Budget Execution and Accounting in the State Treasury Directorate, member of the Fund's Board of Directors and
- Darko Radunović, representative of the Association of Banks of Montenegro, member of the Management Board of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Declaration of Conformity

The Fund is obliged to keep its accounting records and prepare financial statements in accordance with the Law on Accounting of Montenegro ("Official Gazette of Montenegro", No. 145/21 and 152/22) and the Law on Auditing of Montenegro ("Official Gazette of Montenegro", No. 001/17), i.e. on the basis of the Decision on the Direct Application of International Accounting Standards ("IAS") in Montenegro ("Official Gazette of Montenegro", No. 69/2002). Accordingly, International Financial Reporting Standards ("IFRS") apply to financial statements covering the period beginning on January 1, 2003.

Financial statements are presented in the format prescribed by the Rulebook on the content and form of forms of financial statements for companies and other legal entities ("Official Gazette of Montenegro", no. 011/20, 139/21 and 013/22), which deviates in some parts from the way certain balance sheet items are presented as provided by IAS 1 - "Presentation of financial statements".

In addition, in accordance with the Law on Accounting of Montenegro, IAS and IFRS published by the Board for International Accounting Standards, must be translated by the appropriate competent authority of Montenegro that has the right to translate and publish them, approved by the International Federation of Accountants (IFAC). Therefore, only IFRS and IAS officially translated, approved and published by the Institute of Certified Accountants of Montenegro can be applied. The last official translation was published for the IAS that have been in force since January 1, 2009, that is, part of the IFRS in force since January 1, 2013 and includes only the basic text of the standard and interpretation and does not include the basis for conclusions, illustrative examples, instructions for application, comments, opinions and other explanatory material. Also, the aforementioned translation does not contain the translation of the Basis for the Preparation and Presentation of Financial Statements.

During 2021, the translations of IFRS 9 - Financial Instruments, IFRS - 16 Leasing and IFRS - 15 Revenue from contracts with customers were officially published. The first application of IFRS 16 - Leasing is planned for annual periods beginning on January 1, 2021, the first application of IFRS 9 - Financial instruments and IFRS 15 - Revenue from contracts with customers begins on January 1, 2024. The effects of the first application of IFRS 15 and IFRS 9 were disclosed by the Company in Note 2.2.

In accordance with the above, and bearing in mind the effects that the stated deviations of the accounting regulations of Montenegro from IFRS and IAS can have on the presentation of the Company's financial statements, the attached financial statements differ in that part and deviate from IFRS and IAS.

The financial statements have been prepared in accordance with the historical cost convention, unless otherwise stated in the accounting policies. In compiling these financial statements, the Fund applied the accounting policies explained in Note 3, which are based on the accounting and tax regulations of Montenegro.

2.2. The first application of the new standards – IFRS 15 and IFRS 9

As of January 1, 2024, the Company applied new accounting standards that came into force, including:

- IFRS 15 – Revenue from contracts with customers
- IFRS 9 – Financial instruments

These standards replace previous standards (IFRS 18, IFRS 11, IAS 39, etc.) and introduce new principles of revenue recognition and classification, measurement and impairment of financial instruments

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2. The first application of the new standards – IFRS 15 and IFRS 9 (Continued)

The company analyzed the impact of the application of these standards and found that the effects of the first application are not materially significant on the financial position, business success or cash flows, and that there was no need for retroactive adjustment of previous periods or corrections of the initial capital balance on January 1, 2024.

The standards have been applied prospectively, in accordance with the provisions of IFRS 1 "First-time Adoption of IFRS", without restating comparative data.

2.3. Official Reporting Currency

The financial statements are presented in euros (EUR) – the official currency in Montenegro and the reporting currency of the Fund, and all numerical values are displayed in Euros (EUR), unless stated otherwise.

2.4. Use Of Estimates

The presentation of the financial statements requires the Company's management to make best estimates and reasonable assumptions that affect the disclosure of potential receivables and liabilities as of the date of the preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the date of preparation of the financial statements. However, future actual results may vary from these estimates. These estimates mostly relate to the assessment of impairment of trade receivables, estimated useful lives of equipment.

2.5. Going Concern Assumption

The accompanying financial statements for the year ended 31 December 2024 have been prepared in accordance with the going concern concept and do not include any adjustments which would be necessary if the Fund was unable to continue in accordance with the going concern principle.

2.6. Comparative figures

Comparative figures are audited financial statements of the Fund for the year ended 31 December 2023 prepared in accordance with the accounting regulations of Montenegro

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies that have been applied by the Fund in preparation of the financial statements for the year ended 31 December 2023 are set out in the following paragraphs.

3.1. *Revenue Recognition*

Revenues from deposit protection premiums

Income from deposit protection premiums includes funds that credit institutions in Montenegro are obliged to pay to the Fund in accordance with the Deposit Protection Law ("Official Gazette of Montenegro", no. 72/19) based on the Decision on the Regular Annual Premium.

Income from Deposits Protection Premiums comprises:

- initial premiums;
- annual premiums.

A credit institution to which the license for operations has been issued by the Central Bank of Montenegro, shall, prior to starting the operations, pay to the Fund's account the initial premium in the amount of EUR 50,000.

Credit institutions are obliged to pay to the Fund annual premiums for deposit protection in quarterly instalments, i.e., through regular premium, whereat the commencement of the quarter is on 1 January, April, July and October of the current year.

The basis for calculating the annual premium instalments is the average amount of total deposits as of the last day of each month in the previous quarter.

The Decision on the ordinary premium rate and methodology for calculation of the premium is adopted by the Board until 31 October of the current year for the next year. Credit institutions are obliged to pay the regular premium at the beginning of the quarter for the current quarter, at the latest within eight days from the day of receiving the invoice of the Fund.

In June 2023, the Fund adopted technical changes to the Methodology for Calculating the Risk-based Premium of Individual Credit Institutions ("Official Gazette of Montenegro", no. 129/20 and 070/23), which entered into force on 1 January 2021. Taking into account that the liquidity coverage ratio (LCR) has been in force since January 2022, the liquidity ratio applied until then was replaced by the LCR.

The Fund calculated the annual premium according to the Decision on the amount of the regular premium for the year 2024 ("Official Gazette of Montenegro", no. 099/23) and in accordance with the Methodology. In 2023, the Board of Directors of the Fund determined the annual target amount of the premium for 2024 in the amount of EUR 27,440,000, and accordingly, the quarterly calculation of the regular premium for 2024 in the amount of EUR 6,860,000 was carried out.

The Fund Methodology determines the method of calculating the degree of riskiness of each individual credit institution in the system for the purposes of calculating the deposit protection premium. In accordance with the Methodology, for the calculation of the regular premium for the year 2024, the rating of the credit institutions for the year 2023 was determined and the credit institutions were classified into seven risk classes:

Risk class 1 (one credit institution); Risk class 2 (one credit institution); Risk class 3 (four credit institutions); Risk class 4 (four credit institutions); Risk class 5 (no credit institution); Risk class 6 (one credit institution); Risk class 7 (no credit institution).

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Revenue Recognition (Continued)

Revenues from deposit protection premiums (Continued)

The calculation of the advance I and II installments of the regular premium for 2024 was based on the rating of credit institutions, determined with data as of December 31, 2022, while the correction of the III installment of the regular premium (beginning of July 2024) was calculated based on the rating determined with data as of December 31, 2023 and average coefficients at the level of the Montenegrin banking system for 2023, received from the Central Bank.

Considering that the amount of the premium was determined by the Decision, the adjustment coefficient was used to adjust the sum of unadjusted, quarterly premiums of all credit institutions, to reach the annual target amount of EUR 27,440,000. For the calculation of the advance I and II installments of the regular premium for 2024, the adjustment coefficient was 99.13% and 99.87%, while with the correction of the III installment of the regular premium it was corrected to the amounts of 101.03% and 101.77%. The adjustment coefficient for the 3rd and 4th installments was 99.41% and 93.95%.

Rating of credit institutions for the year 2023, based on data from the financial statements of credit institutions and data provided by the Central Bank as of December 31, 2023, the rating of five credit institutions improved compared to the rating for 2022, decreased for one credit institution, and remained unchanged for five credit institutions.

3.2. Employee Benefits

3.2.1. Employee Taxes and Contribution for Social Security

In accordance with the regulations prevailing in Montenegro, the Fund has an obligation to pay contributions to various State Social Security Funds.

These obligations involve the payment of contributions on behalf of an employee, by the employer in an amount calculated by applying the specific, legally prescribed rates. The Fund is also legally obliged to withhold contributions from gross salaries to employees, and on behalf of employees, to transfer the withheld portions directly to government funds. Contributions paid by employer and those paid by employees are charged to expenses of the related period.

3.2.2. Retirement Benefits

The present value of other future liabilities according to the Collective Bargaining Agreement, such as retirement benefits after required conditions have been fulfilled, pursuant to the estimations made by the Fund's management, does not have a materially significant effect on the financial statements regarded as a whole. Accordingly, provisions for employee benefits are not disclosed in these financial statements.

3.3. Foreign Exchange Gains and Losses

All assets and liabilities denominated in foreign currencies are translated into EUR using the exchange rates prevailing as of the reporting date, published by the Central Bank of Montenegro.

Business transactions in foreign currencies during the year are translated into EUR at the official exchange rates prevailing at the dates of transactions

Foreign exchange gains/losses arising from the translation of assets and liabilities denominated in foreign currencies and from the translation of transactions during the year are credited/debited to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Taxes

The Fund is obliged to pay taxes and contributions on employee salaries in accordance with the regulations applicable in Montenegro. In accordance with Article 6 Of the Corporate Income Tax Law ("Official Gazette of the Republic of Montenegro", no. 65/01 of 31 December 2001, 12/02 of 15 March 2002, 80/04 of 29 December 2004, Official Gazette of Montenegro, no. 40/08 of 27 June 2008, 86/09 of 25 December 2009, 40/11 of 8 August 2011, 14/12 of 7 March 2012, 61/13 of 30 December 2013, 055/16 of 17 August 2016, 146/21 of 31 December 2021, 152/22 of 30 December 2022, 028/23 of 10 March 2023, 125/23 of 31 December 2023) which is a Lex Specialis, public funds are exempt from paying income taxes.

3.5. *Intangible Assets*

Intangible assets are stated at cost and primarily include acquired computer software. Cost of intangible assets represents the price invoiced by suppliers increased by all expenses incurred in putting intangible assets into functional use.

3.6. *Property, plant and equipment*

Equipment is stated at cost less accumulated depreciation and impairment losses, if any. Cost represents the price invoiced by suppliers, increased by all expenses incurred in putting the new assets into functional use.

Additional expenses, such as replacements of the equipment parts (installation of new parts), are recognized as an increase in cost of the respective assets, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Fund, and when the cost can reliably be measured.

The maintenance and repair expenses are recognized as an increase to cost of the respective assets in the period to which they relate. Gains or losses arising upon disposal and/or sale of buildings and equipment are disclosed in the income statement within other operating income/expenses.

3.7. Depreciation

The amortization of intangible assets and depreciation of property, plant and equipment are provided for on a straight-line basis in order to fully write off the cost of the assets over their estimated useful life.

Depreciation rates in use are as follows:

<u>Glavne grupe sredstava</u>	<u>Rate (%)</u>
Software usage licenses	20.00%
Computers and related equipment	20.00 – 33.33%
Technical equipment	12.50 – 20.00%
Office furniture	10.00 – 12.50%

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Financial instruments

Financial assets are classified into the following categories: "Long-term placements", "Short-term financial placements held to maturity", "receivables" and "cash and cash equivalents". The classification depends on the nature and purpose of financial assets and is determined upon initial recognition.

3.8.1. *Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of financial assets and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, the shorter period, on current value of financial assets or financial liabilities.

3.8.2. *Long-term placements*

Long-term financial placements include bonds held to maturities and loans extended to employees.

Bonds issued by Montenegro, issued in April 2018, with a principal maturity date of April 21, 2025 and interest-bearing coupons that mature annually, purchased with a premium and discount (interest rate 3.375%) and bonds issued in December 2020, with a principal maturity date of December 16, 2027, purchased with a discount (interest rate 2.875%), are accounted for as held-to-maturity securities. The Fund can sell bonds in the event of a lack of funds for the payment of the guaranteed deposit if a protected case occurs at one of the credit institutions in Montenegro.

Loans are initially recognized at fair value. They are subsequently measured at amortized value using the effective interest rate method. The difference between the fair value at the recognition date and the distributed assets is recognized as prepaid employee benefits within long-term receivables from employees. Prepaid employee benefits are amortized during the benefit period. The income period is the expected working life of the employee and cannot be longer than the period for which the loan was approved.

3.8.3. *Short-term financial placements held to maturity*

Short-term financial placements held to maturity are non-derivate financial assets with fixed and determinable payments and fixed maturity, and for which the Fund's management has the intention and the ability to hold it to maturity. Investments that are held to maturity are related to Treasury bills issued by the Ministry of Finance of Montenegro.

These investments are stated at amortised cost using the effective interest rate method less the reduction of value based on management's assessment of their prospected recoverability.

3.8.4. *Accounts receivables*

Receivables from premiums and other accounts receivable that have fixed or determinable payments that are not quoted in an active market are measured at amortised cost using the effective interest method, less any impairment in accordance with the estimations made by the Management on the probability of their collection.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Financial instruments (Continued)

3.8.5. Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash on bank accounts held by the Central Bank of Montenegro and time deposits placed with the Central Bank of Montenegro for the period up to three months, which could be easily converted into the exact amounts of cash followed by insignificant risk of changes in value.

3.8.6. Impairment of financial assets

An entity shall assess at each reporting date whether there is any indication that a financial asset may be impaired.

A financial asset is impaired if the estimated future cash flows pertaining to that asset have been changed as a result of one or more events which occurred upon the initial recognition of a financial asset.

Objective evidence of financial assets' impairment could include the following:

- significant financial difficulty of the legal entity; or
- delay or default in payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re- organization procedure.

Carrying value of accounts receivable is reduced through the allowance for impairment account. When an account receivable is not collectible, it is written off through the impairment account. Subsequent collections of previously written off amounts are disclosed as a decrease in the allowance for impairment. Changes in carrying value of allowance for impairment are recognized in the statement of comprehensive income.

If the amount of impairment recognized is decreased in future period and that decrease can be related to the event occurred upon the recognition of an impairment loss, such impairment loss can be adjusted through the statement of comprehensive income until the carrying value of the asset becomes greater than the amortized loss would have been, had the impairment loss not been recognized as of the date when the impairment was reversed.

3.8.7. Derecognition of financial assets

The Fund ceases to recognize financial assets only when the contracting rights on cash flows arising from financial assets expire, or if it transfers the financial assets and thus transfers substantially all the risks and rewards of ownership. If the Fund neither transfers nor substantially retains any of the risks and property returns, and if it retains control over financial assets, it continues to recognize financial assets.

3.8.8. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.8.9. Derecognition financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

4. SALES

Sales revenues in 2024 amount to EUR 27,440,000 (in 2023: EUR 21,020,000) and refer to income from deposit protection premiums. Income from premiums for deposit protection represent funds that credit institutions in Montenegro are obliged to pay to the Fund in accordance with the Law on Deposit Protection ("Official Gazette of Montenegro", No. 72/19) and the Decision on the amount of regular premium for 2024 that credit institutions pay to the Fund ("Official Gazette of Montenegro", No. 099/23).

5. OTHER OPERATING INCOME

	<u>2024</u>	<u>2023</u>
Revenues from collected receivables based on the payment of guaranteed deposits from the bankruptcy estate of Atlas Bank A.D Podgorica and IBM A.D.	4,705,000	10,475,000
Income from refunds	7,947	12,638
Liabilities waived	-	3,135
Total	<u>4,712,947</u>	<u>10,490,773</u>

Other revenues from operations in the amount of EUR 4,705,000 refer to collected claims based on the payment of guaranteed deposits from the bankruptcy estate of Atlas Banka A.D. Podgorica and IBM A.D. Podgorica during 2024.

6. COST OF GOODS SOLD AND COST OF MATERIALS

	<u>2024</u>	<u>2023</u>
Fuel and energy costs	5,627	6,590
Other material costs	560	1,021
Total	<u>6,187</u>	<u>7,611</u>

7. OTHER OPERATING EXPENSES (PROVISIONS AND OTHER OPERATING EXPENSES)

	<u>2024</u>	<u>2023</u>
Provisions	-	2,330
Fees – treasury bills	35,691	33,504
Membership fees	18,651	23,168
Maintenance costs	12,882	15,791
Audit services	7,260	5,869
PTT services	9,049	10,599
Other expenses	15,101	22,567
Total	<u>98,634</u>	<u>113,828</u>

8. DEPRECIATION

Depreciation expense in 2024 amounts to EUR 4,767 (in 2023: EUR 3,630) and refers to the depreciation of equipment reported under the item Real estate, plant and equipment (Note 12).

**NOTES TO THE FINANCIAL
STATEMENTS**

All amounts are expressed in EUR, unless otherwise stated

9. SALARIES, COMPENSATIONS AND OTHER PERSONAL EXPENSES

	2024	2023
Net salaries	169,332	165,076
Reimbursement to the Management Board members	75,530	63,430
Business trip	28,218	24,123
Other personal expenses	12,125	1,250
Net salaries, compensations and other personal expenses	285,205	253,879
Payroll taxes	31,924	27,580
Contributions for retirement benefits	56,490	61,648
Payroll contributions	7,208	6,476
Costs of taxes and contributions	95,622	95,704
Cost of salaries, compensations and other personal expenses	380,828	349,583

10. INCOME FROM OTHER FINANCIAL INVESTMENTS AND LOANS

	2024	2023
Interest income – treasury bills	165,102	104,872
Interest income - government bonds	1,272,405	1,266,706
Interest income – termed deposits	4,770,195	1,838,354
Total	6,207,702	3,209,932

11. INTEREST EXPENSES, FOREIGN EXCHANGE DIFFERENCES AND OTHER CONTRACTUAL HEDGING EFFECTS

	2024	2023
Interest expense – EBRD	254,798	253,472
Interest expense – term deposits	50,000	50,000
Total	304,798	303,472

In 2020, a new Agreement was signed which increased the amount of available funds to EUR 50,000,000 with a withdrawal period of 5 (five) years and a repayment period of 7 (seven) years.

Expenditures in the amount of EUR 304,798 refer to obligations based on the loan agreement with the EBRD ("Stand-by" arrangement), in the amount of EUR 50,000,000, and consist of a fee for reserving EBRD funds as a "commitment fee" in the amount of EUR 254,798 and costs in the amount of EUR 50,000 based on the time allocation of EBRD loan processing costs (a total of EUR 250,000, and in accordance with the repayment term distributed over 5 years for EUR 50,000 (Note 17)).

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment
Costs	
Balance as of 1 January 2023	128,497
Additions Sales	(18,090)
Additions Sales	(40,103)
Balance as of December 31 2023	70,304
Addition	2,697
Sales	(913)
Balance as of December 31 2024	72,088
Impairment	
Balance as of January 1, 2023	(116,307)
Depreciation expense (Note 8)	(3,630)
Sales	67,302
Balance as of December 31 2023	(52,635)
Depreciation expense (Note 8)	(4,767)
Sales	893
Balance as of December 31 2024	(56,509)
Construction in progress as of 31 December 2023	1,706,858
Construction in progress as of 31 December 2024	1,711,597
Net carrying value	
Balance as of December 31 2023	1,724,528
Balance as of December 31 2024	1,727,177

Fixed assets under construction in the amount of EUR 1,711,597 as of December 31, 2024 relate to the Fund's office building, which is currently undergoing adaptation work to restore it to its original purpose.

13. LONG-TERM FINANCIAL PLACEMENTS AND LONG-TERM RECEIVABLES

	December 31,2024	December 31,2023
Investments in government bonds	14,799,914	38,669,104
Loans to employees - Housing Loans	139,764	152,588
Total	14,939,678	38,821,692

Investments in government bonds refer to placements in bonds of Montenegro in the amount of EUR 14,799,914 with a maturity date of 2027 and an interest rate of 2.875% - MNE 2027 on an annual basis).

Loans given to employees refer to housing loans approved in 2015. Loans were initially approved with a maturity of 15 or 30 years. They are repaid in monthly annuities. During 2024, EUR 12,824 was repaid (during 2023: EUR 12,824). Maturity of claims on the basis of long-term loans to employees with the balance as of December 31, 2024 and 2023 is shown in the following table (undiscounted future cash flows are shown).

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

13. LONG-TERM FINANCIAL PLACEMENTS AND LONG-TERM RECEIVABLES (Continued)

Maturity	December 31,2024	December 31,2023
Up to 1 year	12,824	12,824
1 to 3 years	25,648	25,648
3 to 5 godina	25,648	25,648
Over 5 godina	88,468	101,292
Total loans	152,588	165,412
<i>Less: short-term portion</i>	<i>(12,824)</i>	<i>(12,824)</i>
Total	139,764	152,588

14. CURRENT RECEIVABLES

	December 31,2024	December 31,2023
Receivables from advances provided to banks for the payment of guaranteed deposits	375,969	399,272
Interest receivables – treasury bills	-	22,702
Interest receivables - government bonds	578,720	577,408
Housing loans given to employees	12,824	12,824
Other receivables	159	159
Total	967,672	1,012,365

On 4 January 2019, the Council of the Central Bank of Montenegro issued a decision number 0101-10202-3/2018 pursuant to which Invest Bank Montenegro A.D. (IBM) introduces bankruptcy, while on 5 April 2019, pursuant the decision of the Central Bank of Montenegro no. 0101-3292-4/2019 bankruptcy was introduced in Atlas Bank AD Podgorica (Atlas Bank).

Based on the aforementioned decisions, the Fund informed the depositors about the occurrence of a "protected case" and about the selected credit institutions that will be intermediaries in the payment of guaranteed deposits, as well as about the place and time where depositors can collect their guaranteed deposit in accordance with the Decision on the manner and procedure of payment of guaranteed deposits (Official Gazette of the Republic of Montenegro No. 76/17 and 17/19). The total amount of guaranteed deposits in Atlas and IBM Bank amounted to EUR 112,617,267. During 2019, the Fund paid EUR 104,600,000 to credit institutions as payment intermediaries, of which EUR 101,883,600 was paid to depositors. During 2020, the Fund paid EUR 850,000 to credit institutions as payment intermediaries, of which EUR 1,668,102 was paid to depositors. During the year 2021, the Fund paid the amount of EUR 500,000 to credit institutions as payment intermediaries, of which the amount of EUR 1,085,699 was paid to depositors. During 2022, the Fund paid 100,022 euros to credit institutions as payment intermediaries. (NLB returned the funds paid on the basis of advances in the amount of EUR 52,145.14 for IBM banka and EUR 46,252.48 for Atlas banka due to the termination of the Agreement on performance of the work of the paying bank. During 2023, the Fund paid the amount of EUR 50,000 to credit institutions as payment intermediaries. During 2024, the Fund paid the amount of EUR 150,000. Receivables in the amount of EUR 375,969 refer to advance payments to credit institutions to payers that were not paid to depositors on December 31, 2024.

15. SHORT-TERM FINANCIAL PLACEMENTS

Short-term financial placements, which as of December 31, 2024 amount to EUR 23,899,634, refer to placements in bonds with a maturity date of 2025 (interest rate 3.375% - MNE 2025).

**NOTES TO THE FINANCIAL
STATEMENTS****All amounts are expressed in EUR, unless otherwise stated****16. CASH AND CASH EQUIVALENTS**

	December 31, 2024	December 31, 2023
Cash on the CBM giro account	7,600,649	11,088,428
Short-term financial placements – overnight	165,608,550	104,838,354
Cash on hand	42	74
Total	173,209,241	115,926,856

Due treasury bill funds in the amount of €20,000,000 were, in accordance with the Agreement on execution of international payment transactions of the Fund and receipt of the Fund's funds in deposit and the Decision of the Fund's Board of Directors on investment of the Fund's funds for the year 2024, transferred to time deposits with the Central Bank. so that the balance of the said deposit assets as of 12/31/2024 amounts to EUR 165,608,550.

Funds are invested in accordance with the Fund's Investment Policy (No. 55-2/2022 of 28 February 2022).

In accordance with the above mentioned Investment Policy, the Fund can invest its available funds in:

1. Securities issued by Montenegro, an EU member state or their central banks or securities guaranteed by Montenegro or an EU member state;
2. Securities issued by a credit institution, financial institution and/or state that are not listed in point 1 of this paragraph, and have high ratings assigned to them by an internationally recognized rating agency;
3. Deposits placed in central banks and foreign credit institutions with high ratings assigned by internationally recognized rating agencies;
4. Other low-risk assets that include the following categories:
 - which fall into the first or second category from Table 1 of Article 336 of the EU Capital Requirements Regulation,
 - liquid assets in accordance with the regulations of the Central Bank of Montenegro, i.e. in accordance with the requirements of the competent EU regulatory body,
 - ESG (environmental, social, governance) securities issued by OECD countries,
 - basket of government securities issued by OECD countries,
 - debt instruments issued by the municipality, which have a significantly high profit-to-risk ratio or a very low risk measured by risk assessment methods.

In 2024, by investing funds, in accordance with the Investment Policy, i.e. the Investment Decision for 2024, the Fund achieved a total financial income in the amount of €6,207,702, which consists of: income from invested funds in time deposits with the Central Bank in the amount of €4,770,195, income from invested funds in securities issued by Montenegro in the amount of €1,437,506 (of which €1,272,405 from the yield based on the annual coupon of government bonds and €165,101 from the interest earned on the purchase of three-month government bills with a principal maturity date of 2024).

17. ACCRUALS

Active accruals as of December 31, 2024 amount to EUR 0 (December 31, 2023: amount to EUR 50,000).

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

18. EQUITY

	December 31,2024	December 31,2023
Basic capital	170,130,437	136,188,546
Retained earnings	37,565,415	33,941,890
Reserves	9,800	9,800
Total	207,705,652	170,140,236

The Deposit Protection Fund was established in 2003, pursuant to the Law on Deposit Protection (Official Gazette of the Republic of Montenegro No. 40/2003). Since the Fund was established by law, the founding contribution was not paid, but the total capital represents the accumulated profit for the period from the establishment to 31 December 2024.

19. SHORT-TERM LIABILITIES

Short-term liabilities as at 31 December 2024 and 31 December 2023 are presented in the table below:

	December 31,2024	December 31,2023
Liabilities based on the payment of guaranteed deposits	6,925,175	7,098,479
Trade payables	4,396	1,682
Interests payable to the EBRD	101,326	100,694
Other operating liabilities and other current liabilities	7,280	6,973
Total	7,038,177	7,207,828

Based on the decisions of the Central Bank of Montenegro on the introduction of bankruptcy in IBM and Atlas Bank (Note 14), a "protected case" occurred. The total amount of guaranteed deposits was EUR 112,701,633, of which EUR 173,303 was paid to depositors during 2024 (during 2023: EUR 234,807). Liabilities in the amount of EUR 6,925,175 refer to guaranteed deposits whose payment has not been realized by December 31, 2024.

The Fund's obligations in this matter will last for ten years after the occurrence of the protected case, in accordance with the Law on Obligations, which was relevant for the subject protected cases, i.e. until January 4, 2029 (IBM) and until April 5, 2029 (Atlas Bank).

20. FINANCIAL INSTRUMENTS

20.1. Categories of financial instruments

	December 31,2024	December 31,2023
Financial assets		
Cash and cash equivalents	173,209,242	115,926,856
Short-term financial placements	23,899,634	19,812,197
Other long-term financial placements	14,939,678	38,821,692
Accounts receivable	967,671	1,012,365
Total financial assets	213,016,225	175,573,110
Financial liabilities		
Trade payables	6,925,175	7,098,479
Other short-term liabilities	113,002	109,349
Total financial liabilities	7,038,177	7,207,828

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

20. FINANCIAL INSTRUMENTS (Continued)

20.2. Financial Risk Management

In its regular course of business, the Fund is exposed to a variety of financial risks:

- *Market risk,*
- *Liquidity risk and*
- *Credit risk.*

The Fund's risk management is focused towards minimizing the potential negative impacts on the financial state and operating activities of the Fund due to uncertainties on the financial markets. The Fund does not use derivative financial instruments in any form in order to mitigate risk losses. A formal framework for financial risk management has been established in the Fund and it is within the jurisdiction of the Fund's Management Board.

20.2.1 Market risk

Foreign currency risk

The Fund is not exposed to the risk of changes in exchange rates because it conducts its operations in the functional currency of the environment.

Interest rate risk

The Fund's operations are not significantly exposed to interest rate risk since its funds are entrusted, based on the Contract on the Execution of International Payment Transactions concluded with the Central Bank of Montenegro, to the Central Bank of Montenegro to be managed and they are invested in term deposits with commercial banks with high credit ratings, whereby the Fund generates a fixed return from the Central Bank. According to the current financial situation on the global market and based on a notice from the Central Bank of Montenegro, the Fund's BoD decides on further moves to engage the invested funds.

As regards investments in Eurobonds, the interest rate risk (a decline in the prices of Eurobonds) exists, but it would materialize only in the event that the Fund decides to liquidate that part of the portfolio in order to pay guaranteed deposits, which is unlikely

Price risk

Risk of changes in other prices includes changes in the price of capital, changes in the price of goods, the risk of early payment and the risk of residual value. The fund is not significantly exposed to these types of risks.

20.2.2. Liquidity risk

Liquidity risk is optimized, because in case of need, and in accordance with the Agreement on execution of international payment transactions, concluded with the Central Bank of Montenegro, deposit funds are liquid at all times, that is, available at the request of the Fund. Thanks to this, it was possible to invest the other part of the funds in less liquid instruments, ie instruments with a longer maturity (government bills, Eurobonds).

The Management Board of the Fund is responsible for monitoring the level of short-term financing and balancing the needs of short-term and long-term financing in accordance with the defined investment policies.

The Fund's policy, guided by the principles of security and liquidity, is to invest funds in government bills for a maximum of three months, and in government bonds that are held until maturity (expressed at book value), and in this way liquidity risk is mitigated and potential losses are minimized..

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

20. FINANCIAL INSTRUMENTS (Continued)

20.2. Financial Risk Management (Continued)

20.2.3. Credit risk

The Fund is exposed to credit risk, which is defined as the risk that debtors will not be able to pay their debts to the Fund in full and on time, which would result in a financial loss for the Fund. Credit risk is primarily related to the Fund's exposure based on cash and cash equivalents, short-term and long-term financial placements.

Given the nature of the Fund's assets, the credit risk is primarily related to the risk of investing in government debt instruments (government bills and Eurobonds), and that risk is quite low.

The management of the Fund assesses the risks and in cases where it is assessed that the value at which the property is kept in the business books will not be realized, it performs a value correction.

The management of the Fund believes that the amounts in the attached financial statements reflect the value that is the most reliable and useful for reporting purposes under the given circumstances.

	December 31, 2024		December 31, 2023	
	Carrying value	Fair Value	Carrying value	Fair Value
Financial assets				
Cash and cash equivalents	173,209,242	173,209,242	115,926,856	115,926,856
Short-term financial investments	23,899,634	23,899,634	19,812,197	19,812,197
Other long-term financial investments	14,939,678	14,939,678	38,821,692	38,821,692
Receivables	967,671	967,671	1,012,365	1,012,365
Total financial assets	213,016,225	213,016,225	175,573,110	175,573,110
Financial liabilities				
Trade payables				
Other short – term liabilities and accruals	6,925,175	6,925,175	7,098,479	7,098,479
Total financial liabilities	113,002	113,002	109,349	109,349
Financial assets				
Cash and cash equivalents	7,038,177	7,038,177	7,207,828	7,207,828

21. LITIGATIONS

As of December 31, 2024, there are no legal disputes against the Fund.

Also, on December 31, 2024, according to the Fund's lawsuit, a court case is being conducted against one of the banks - the payer, which relates to complaints based on the payment of guaranteed deposits with a total value of EUR 100,000.

NOTES TO THE FINANCIAL STATEMENTS

All amounts are expressed in EUR, unless otherwise stated

22. EVENTS AFTER THE REPORTING PERIOD

After the date of the reporting period, there were no events that would require corrections or disclosure in the Fund's financial statements for the period from January 1 to December 31, 2024.

In 2025, the Fund continued to pay guaranteed deposits to depositors of bankrupt banks. Until February 28, 2025, EUR 11,431 was paid on the basis of guaranteed deposits for the bankrupt Atlas Bank, while there were no payments for IBM Bank.

Collection of claims of the Fund from the bankruptcy estate until February 28, 2025. was realized in the amount of €100,000 (for IBM Bank in bankruptcy), which is 3.03% of the planned amount (EUR 3,300,000), so that the total return of funds was EUR 85,263,240, i.e. 75.62% (IBM 90.53% and Atlas Bank 71.97%).

The first installment of the regular premium in the amount of EUR 7,470,000 was calculated and collected.

Total funds on 02/28/2025. year amount to EUR 221,328,071, of which EUR 165,608,550 in time deposits, EUR 39,000,000 in bonds of Montenegro (in MNE 2025 – EUR 23,880,000 and MNE 2027 – EUR 15,120,000), EUR 14,962,788 in giro account, EUR 364,537 in advances to banks for the payment of guaranteed deposits, EUR 779,264 for claims for interest on bonds and EUR 612,857 for other claims.