



CENTRAL BANK OF  
MONTENEGRO

# **REPORT ON BANK LENDING SURVEY RESULTS FOURTH QUARTER 2024**

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## INTRODUCTORY REMARKS

Since April 2018, the Central Bank of Montenegro (CBCG) has been conducting the Bank Lending Survey, which is harmonised with the survey conducted in the euro area central banks, but tailored to the specific features of the Montenegrin market. Its main objective is to provide the Central Bank with an insight in key determinants of supply of and demand for the loans to enterprises and households.

The survey consists of twelve questions that refer to the approval of loans to enterprises and households. The respondents (banks) answered the questions on the change in their credit standards<sup>1</sup>, as well as the impact of factors contributing to this change, change in terms and conditions<sup>2</sup> of the loan approval, the number of rejected loan applications, change in demand for loans and impact of factors contributing to such a change. The questions were divided into two sets, of which the first six questions referred to the loans and/or credit lines to enterprises, while the remaining six questions referred to the loans approved to households. With regard to the questions on loans and/or credit lines to the enterprises, they are further divided based on the loan maturity (long-term and short-term loans) and the size of the enterprise (micro, small, and medium enterprises and large firms). With regard to the household loans, the division is made on the basis of the purpose of the loan (housing, consumer and other loans).

This Report sums up the results of the survey that was conducted in the fourth quarter of 2024. The survey disclosed positions of banks on the changes in their credit policies during the fourth quarter of 2024 and expected changes in the first quarter of 2025. With a view to providing statistical representation, the responses of individual banks are weighted by their market share<sup>3</sup>, whereas the response of the bank with higher market share gains higher importance. The survey results are displayed as net percentages. For the responses to questions on the loan supply, i.e. credit standards and credit terms and conditions, the net percentage is defined as a difference between the sum of the percentages of banks responding “tightened considerably” and “tightened moderately”

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<sup>1</sup> *Credit standards* imply the criteria for the approval of loans and/or credit lines by banks that define the following: type of loan, recognised sectoral or geographical priorities, collateral acceptability, creditworthiness of the debtors, and the like, including internal guidelines, changes in loan approval policy and its implementation.

<sup>2</sup> *Credit terms* and conditions imply mandatory elements from the loan agreement and/or credit line agreement between the bank and the borrower (loan amount, interest rate, commission and fee expenses, collateral required or guarantees to be provided by the debtor, maturity, and the like). They are determined based on the creditworthiness of the borrower and they can be altered together with the credit standards or independently.

<sup>3</sup> The share of bank’s assets in total assets of the banking sector is used as the weight for aggregating the responses of individual banks.

and the sum of the percentages of banks responding “eased considerably” and “eased moderately”. A positive net percentage indicates net tightening, whereas a negative net percentage indicates net easing of credit standards. The net percentages for the responses to questions related to the factors having an impact on change of credit standards are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage of banks reporting that it contributed to an easing of credit standards.

When it comes to the demand for loans, net percentage is defined as the difference between the sum of the percentages of banks responding “increased considerably” and the sum of the percentages of banks responding “decreased considerably”. Thus, a positive net percentage indicates net increasing, whereas a negative net percentage indicates net decreasing of demand.

## SUMMARY

Based on the results of a survey conducted during the fourth quarter of 2024, credit standards for the economy and households were eased slightly compared to the previous quarter, especially for consumer and other loans to households. Easing of credit standards is in line with the banks' expectations from the previous report.

According to banks' expectations, in the first quarter of 2025, there could be a further easing of credit standards for the enterprises and households. In the direction of easing credit standards, the dominant influence will be the increased competition of banks for both sectors. A continuation of the reduction in the cost of sources of funds is expected for both sectors, with the easing being very pronounced for the corporate sector. It is also expected that the favourable economic situation, lower uncollectibility of receivables, increased willingness to take risks and lower risk of required collateral will work in the same direction for both sectors.

Banks estimate that, in the fourth quarter of 2024, compared to the previous quarter, the credit conditions for the enterprises and households have eased, which was mainly affected by the drop-in interest margins. The easing of credit conditions for enterprises, regardless of size, was additionally affected by the extension of maturity, the increase of maximum loan amounts and lower commissions and fees, while stricter requirements regarding collateral affected the tightening of credit conditions. When it comes to the household sector, in addition to interest margins, the decrease in commissions and fees also had an effect on easing of credit conditions, while in the case of consumer and other loans, the extension of maturity and grace periods also had an additional effect. In the first quarter of 2025, credit conditions are expected to ease further for both sectors, predominantly driven by a decline in interest margins. Also, it was stated that the extension of the maturity and grace period (except for housing loans) and reduced commissions and fees will work to ease credit conditions for both sectors. Higher maximum loan amounts will work in the direction of improving credit conditions for the corporate sector, while easier requirements in terms of collateral, mortgage, share and deposits will further ease credit conditions for the households.

Based on the results of the survey, during the fourth quarter of 2024, the demand of the enterprises and households for loans increased, especially for consumer and other loans granted to the households. The growth of enterprises' demand was mostly affected by the increased financial needs of enterprises for investment in working capital and capital investments. As the factors that contributed the most to the increase in the households' demand for loans, banks emphasize the growth of financial needs for refi-

nancing, the purchase of durable consumer goods and the purchase of real estates, as well as the growth of earnings. Banks' expectations are that the demand for loans from the enterprises and households will continue to grow during the next quarter, driven by the same factors as in the fourth quarter of 2024.

**Table 1** Assessment of credit standards and demand for loans by banks, for Q4 2024 and expectations for Q1 2025

	Supply		Demand	
	Credit standards		Q4 2024	Q1 2025 (expectations)
	Q4 2024	Q1 2025 (expectations)		
<b>Loans to enterprises</b>	↓	↓	↑	↑
Long-term loans	↓	↓	↑	↑
Short-term loans	↓	↓	↑	↑
Loans to micro, small and medium-sized enterprises	↓	↓	↑	↑
Loans to large enterprises	↓	↓	↑	↑
<b>Loans to households</b>	↓	↓	↑	↑
Housing loans	↓	↓	↑	↑
Consumer and other loans	↓	↓	↑	↑

Note: The table shows direction of change rather than its intensity.

↑ = credit standards/terms and conditions tightening (net percentage is higher than 5%)

↑ = increase in demand (net percentage is higher than 5%)

↗ = credit standards and credit terms and conditions tightening/increase in demand (net percentage up to 5%)

- = no change

↘ = credit standards and credit terms and conditions easing/decrease in demand (net percentage up to 5%)

↓ = credit standards and credit terms and conditions easing (net percentage higher than 5%)

↓ = decrease in demand (net percentage higher than 5%)

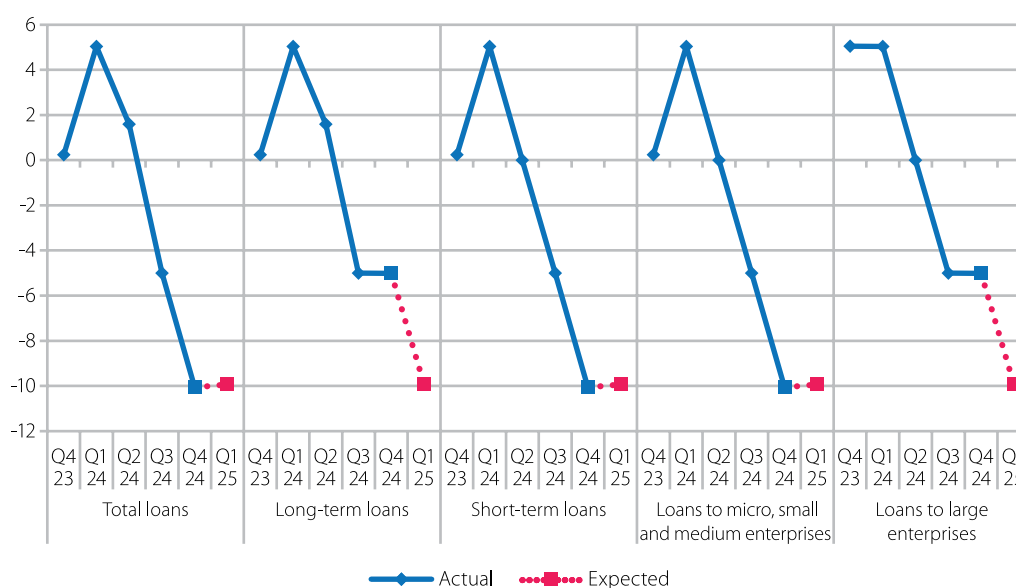
# 1. LOANS TO ENTERPRISES

## 1.1. Credit standards and credit terms and conditions for enterprises

In the fourth quarter of 2024, according to the conducted survey, credit standards for enterprises were eased compared to the previous quarter.

Banks expect that credit standards for enterprises will further ease in the first quarter of 2025.

Change in credit standards for loans to enterprises **Graph 1**  
(net percentage\*)



Source: CBCG

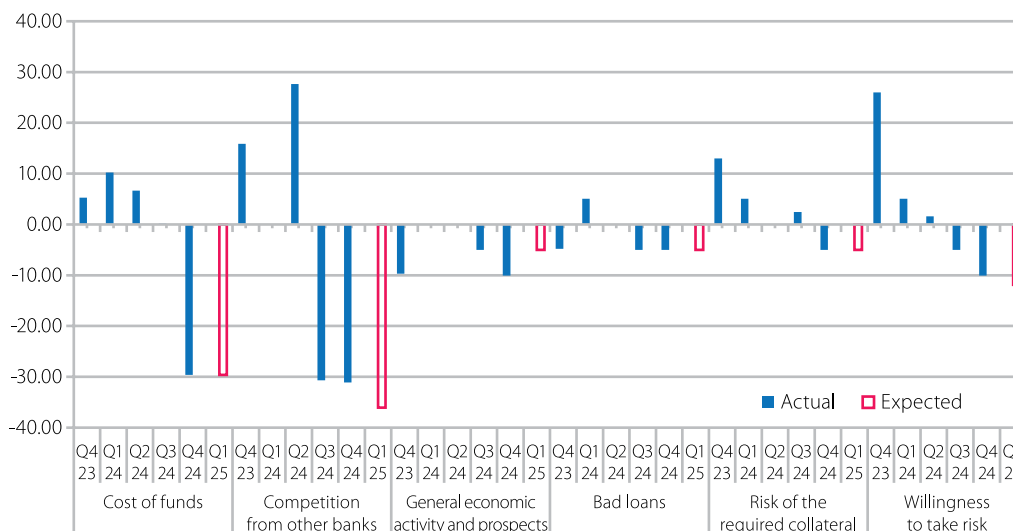
Note: A positive value indicates tightening of credit standards, whereas a negative value indicates easing of credit standards.

\* The graph shows net percentage which indicates the direction of change rather than its intensity.

During the fourth quarter of 2024, according to the banks' assessment, increased competition in the banking sector and lower costs of sources of funds had a dominant effect on easing the credit standards in the corporate sector. Also, the improved economic situation, increased banks' willingness to take risks, reduced uncollectibility of receivables, as well as reduced risk of required collateral contributed to the easing of standards in the corporate sector.

According to banks' expectations, the same factors as in the previous quarter will affect the possible easing of standards when approving loans to the corporate sector in the next quarter as well.

**Graph 2 Impact of factors on the change in credit standards (net percentage)**



Source: CBCG

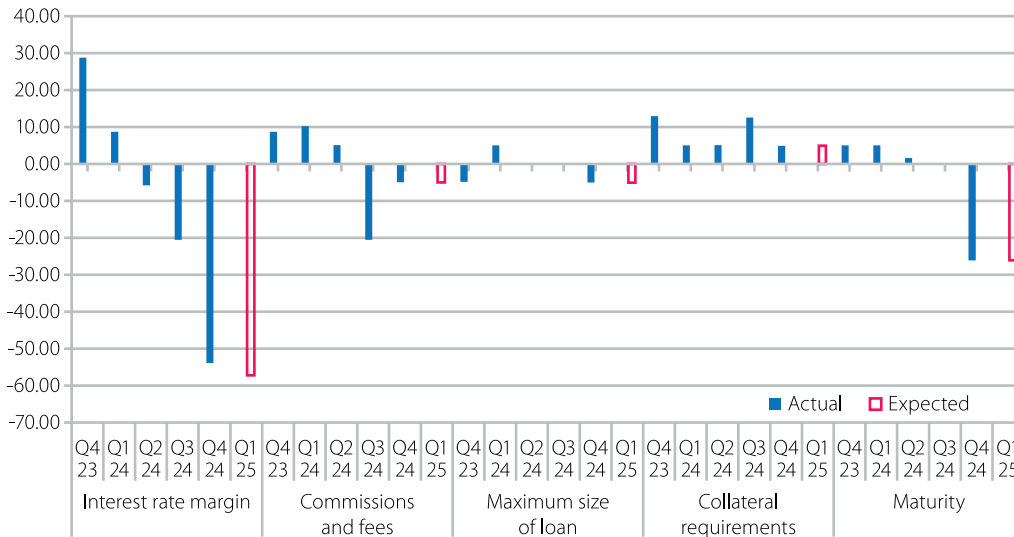
Note: A positive value indicates the contribution of a specific factor to the tightening of credit standards, whereas a negative value indicates the contribution of a specific factor to the credit standards easing.

\* The graph shows net percentage which indicates the direction of change rather than its intensity.

In the conducted survey, the banks stated that the reduction of interest margins and the extension of the maturity had a dominant effect on the easing of credit conditions when approving loans to enterprises in the fourth quarter of 2024. An increase in the maximum loan amount and a reduction in fees and commissions worked in the same direction, while stricter requirements in terms of collateral worked in the direction of tightening credit conditions for enterprises.

Banks expect that in the first quarter of 2025, the easing of the criteria affecting credit conditions for enterprises will continue (except for the requirements regarding collateral, which will be stricter), among which the reduction of interest margins and the extension of loan maturity for all categories of enterprises are significantly highlighted.

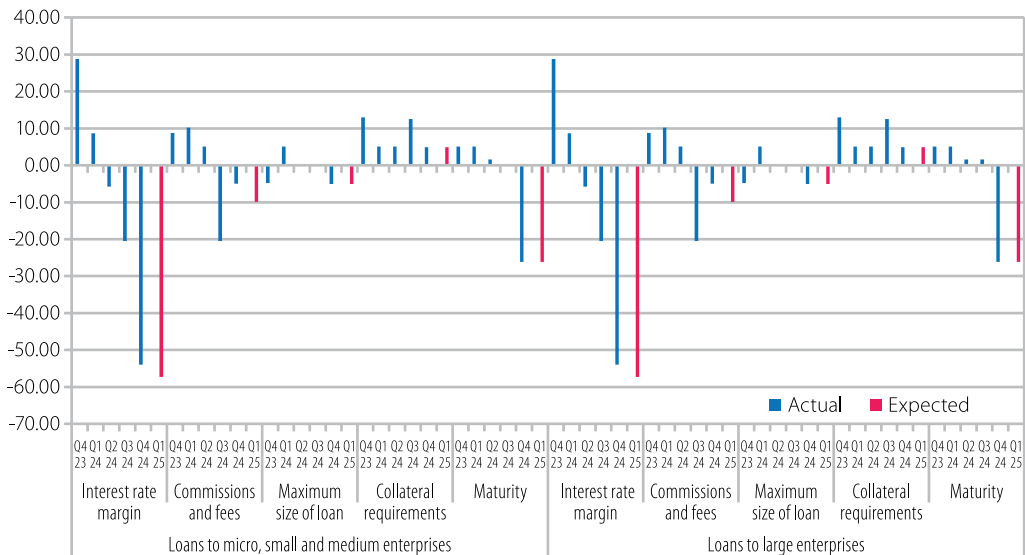
**Change in terms and conditions for loans to enterprises Graph 3**  
(net percentage)



Source: CBCG

Note: The graph shows net percentage which indicates the direction of change rather than its intensity.

**Change in terms and conditions for loans to enterprises by the size Graph 3a**  
(net percentage)

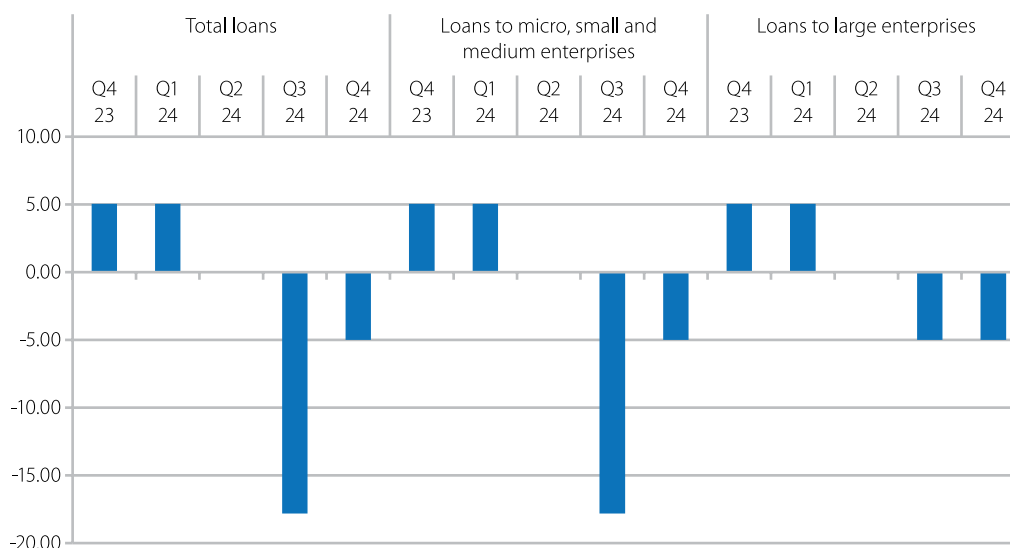


Source: CBCG

Note: The graph shows net percentage which indicates the direction of change rather than its intensity.

Based on the results of the survey, in the fourth quarter of 2024, compared to the previous quarter, the number of rejected applications for granting loans to micro, small and medium-sized enterprises, as well as to large enterprises, decreased.

**Graph 4 Share of rejected applications for loans to enterprises**



Source: CBCG

Note: A positive value indicates the increase of rejected loan applications, whereas a negative value indicates the decrease of rejected applications for loans to enterprises.

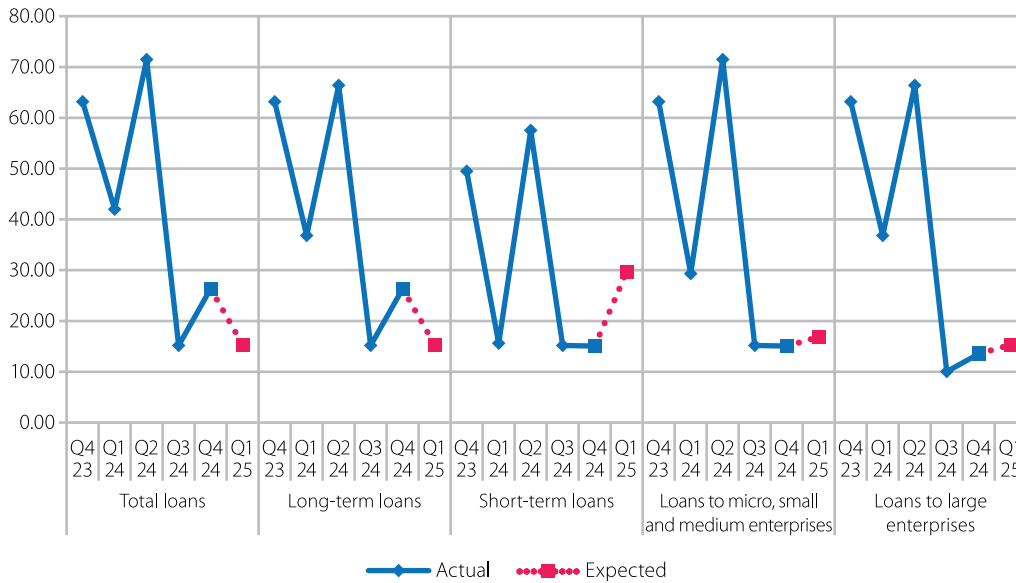
\* The graph shows net percentage which indicates the direction of change rather than its intensity.

## 1.2. Demand for loans to enterprises

The results of the conducted survey show that in the fourth quarter of 2024, compared to the previous quarter, the demand of enterprises for loans increased, observed both, maturity and size of the enterprise. The banks pointed out the increased financial needs of enterprises for investing in working capital and capital investments as the dominant factors in demand growth.

According to banks' expectations, in the first quarter of 2025, there could be a further increase in the demand of enterprises for loans, regardless of the maturity and size of the enterprise, driven by the same factors as in the previous quarter.

**Change in demand for loans to enterprises Graph 5**  
(net percentage)

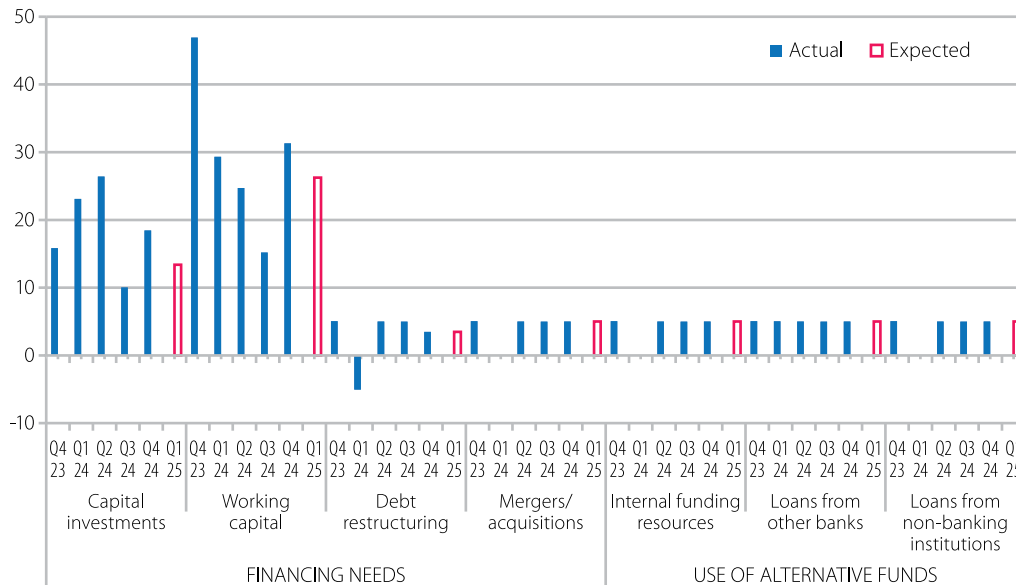


Source: CBCG

Note: A positive value shows an increase in demand, whereas a negative value indicates a decrease in demand.

\* The graph shows net percentage which indicates the direction of change rather than its intensity.

**Factors contributing to the change in demand for loans to enterprises Graph 6**  
(net percentage)



Source: CBCG

Note: A positive value indicates contribution of a specific factor to the increase in demand, while a negative value indicates contribution of a specific factor to the decrease in demand.

\* The graph shows net percentage which indicates the direction of change rather than its intensity.

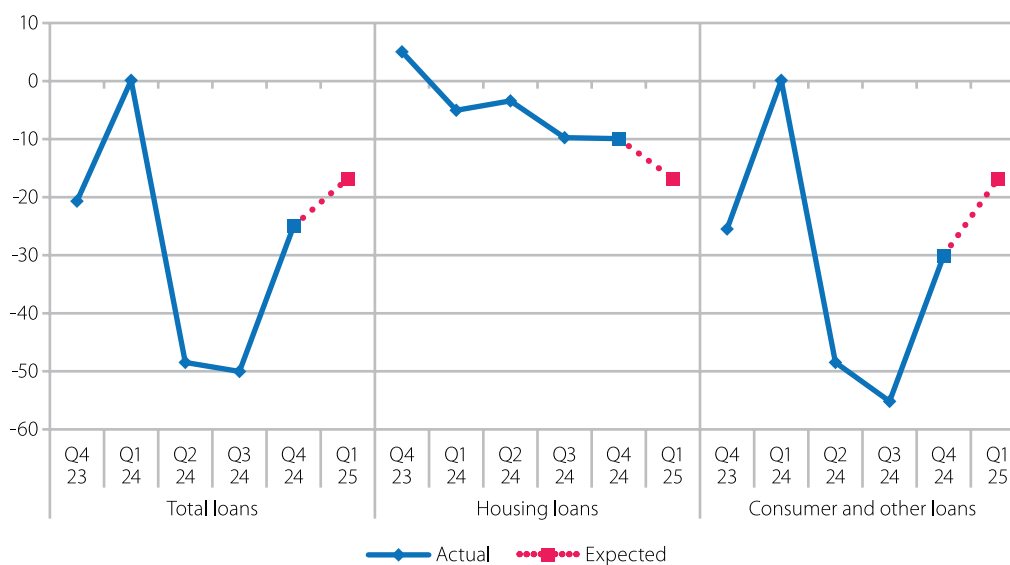
## 2. LOANS TO HOUSEHOLDS

### 2.1. Credit standards and credit terms and conditions for households

Based on the results of the conducted survey, in the fourth quarter of 2024, compared to the previous quarter, credit standards for households were eased, especially for consumer and other loans.

According to banks' expectations, in the first quarter of 2025 there could be a further easing of credit standards for all categories of loans granted to households, but to a lesser extent compared to the second quarter, except when it comes to housing loans, where a more significant easing is expected than in the previous fourth quarter.

**Graph 7** Change in credit standards for household loans (net percentage)



Source: CBCG

Note: A positive value indicates tightening of credit standards, whereas a negative value indicates easing of credit standards.

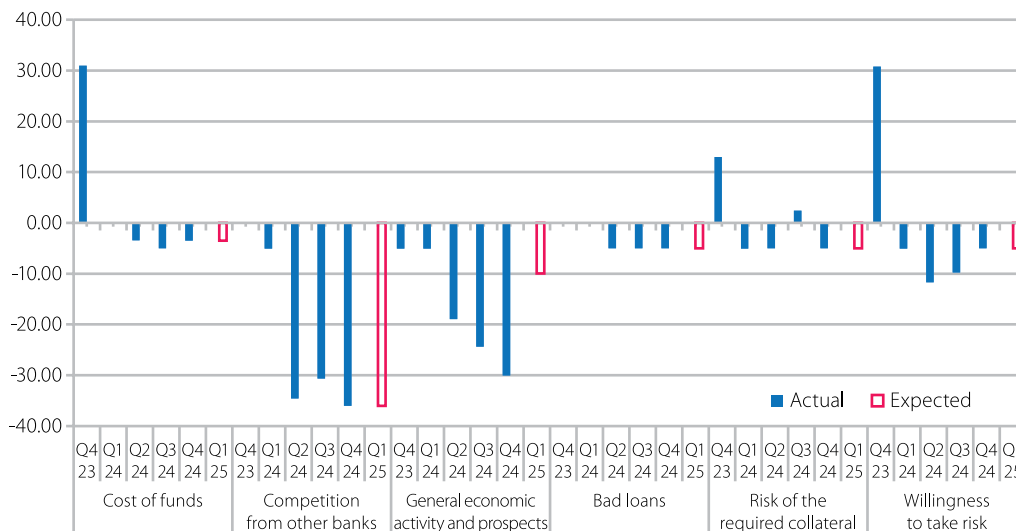
\* The graph shows net percentage which indicates the direction of change rather than its intensity.

In the fourth quarter of 2024, compared to the previous quarter, increased competition from other banks and a more favourable general economic situation had a dominant effect on easing credit standards for the household sector. In addition, increased willingness to take risks when approving loans, reduced risk of required collateral, reduced

non-payment of receivables, as well as lower costs of sources of funds worked in the direction of easing credit standards for households.

In the first quarter of 2025, banks expect that there could be a further easing of credit standards for households, mostly due to increased competition from other banks. Also, a more favourable general economic situation, higher willingness to take risks, reduced risk of required collateral, lower non-payment of receivables and lower costs of sources of funds can act in the direction of easing credit standards for the household sector.

**Factors contributing to the change in credit standards for loans to households** **Graph 8**  
(net percentage)



Source: CBCG

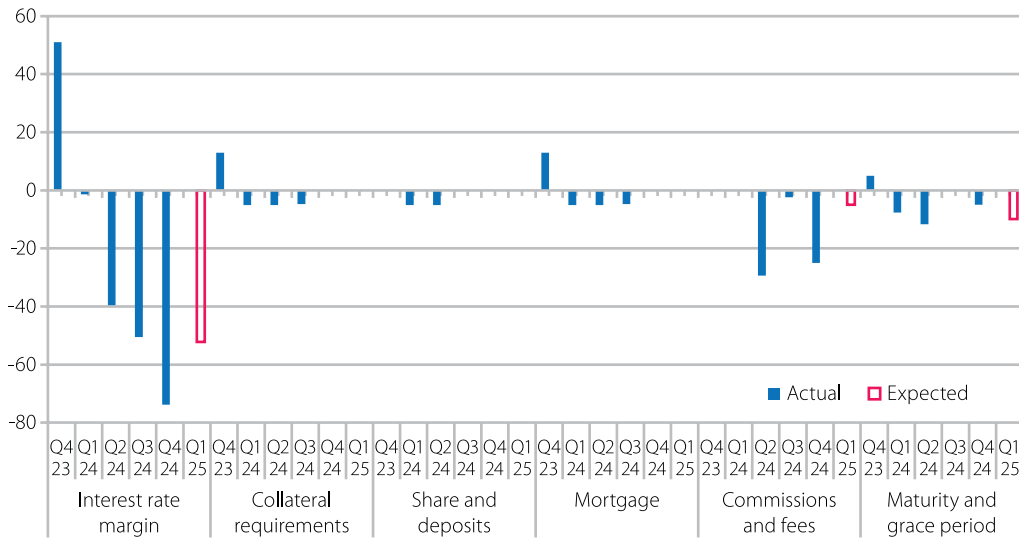
Note: A positive value indicates tightening of credit standards, whereas a negative value indicates easing of credit standards.

\* The graph shows net percentage which indicates the direction of change rather than its intensity.

According to the conducted survey, in the fourth quarter of 2024 compared to the previous quarter, a significant reduction in interest margins, commissions and fees had a dominant effect on easing credit conditions for the household sector. Additionally, the extension of the maturity and grace period contributed to the easing of credit conditions for consumer and other loans, while other factors had no impact.

Banks expect that in the first quarter of 2025, the easing of credit conditions will continue when approving loans to households, mainly driven by a significant reduction in interest margins, but also due to a reduction in commissions and fees, which will still be milder than in the previous quarter. Extending the maturity and grace period, as well as lower requirements in terms of collateral, mortgage value, participation and deposits, will work in the direction of easing credit conditions for consumer and other loans.

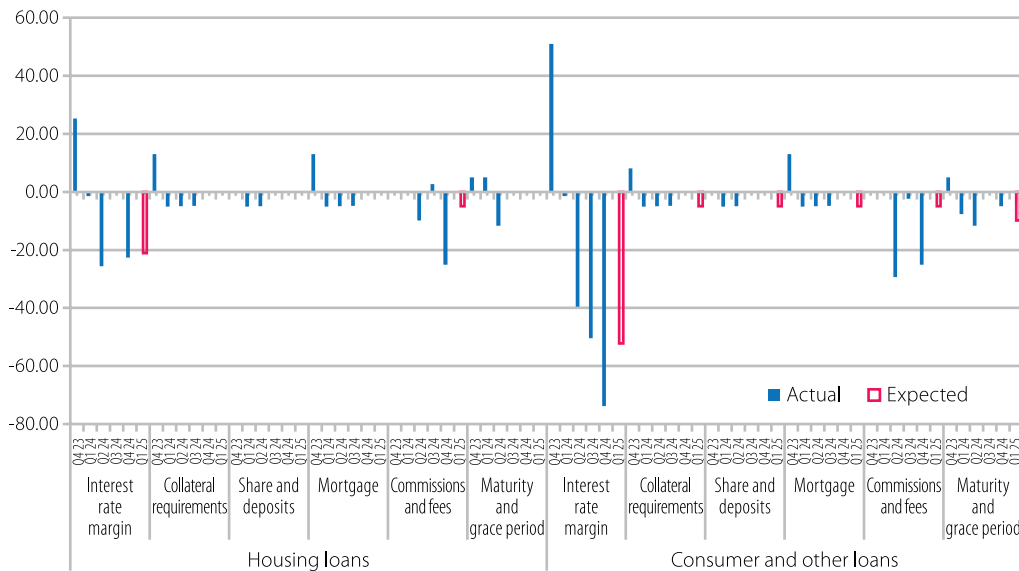
**Graph 9 Change in household credit terms and conditions (net percentage)**



Source: CBCG

Note: The graph shows net percentage which indicates the direction of change rather than its intensity.

**Graph 9a Change in terms and conditions for housing loans and consumer and other loans (net percentage)**

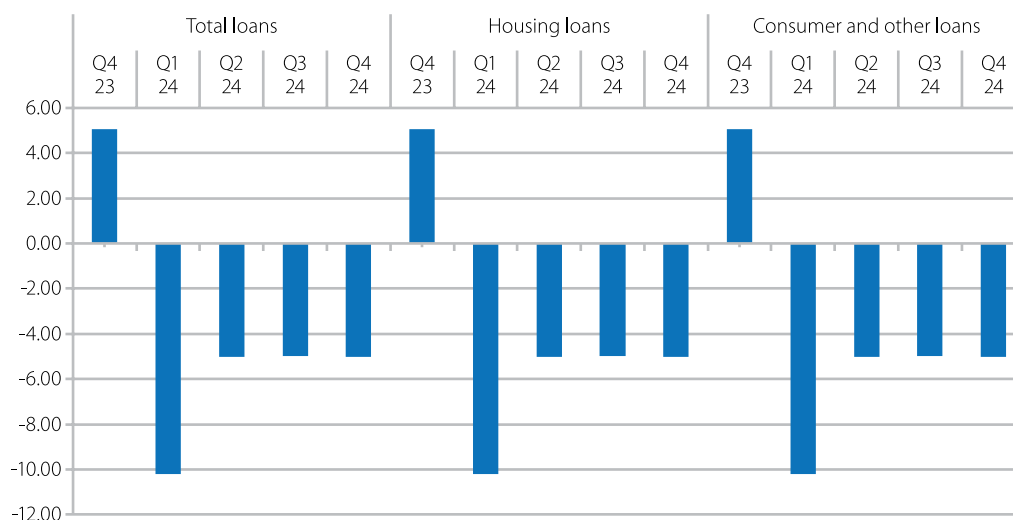


Source: CBCG

Note: The graph shows net percentage which indicates the direction of change rather than its intensity.

The results of the survey show that in the fourth quarter of 2024, compared to the previous quarter, there was a decrease in rejected applications when approving all types of loans to households.

Share of rejected applications for loans to households **Graph 10**



Source: CBCG

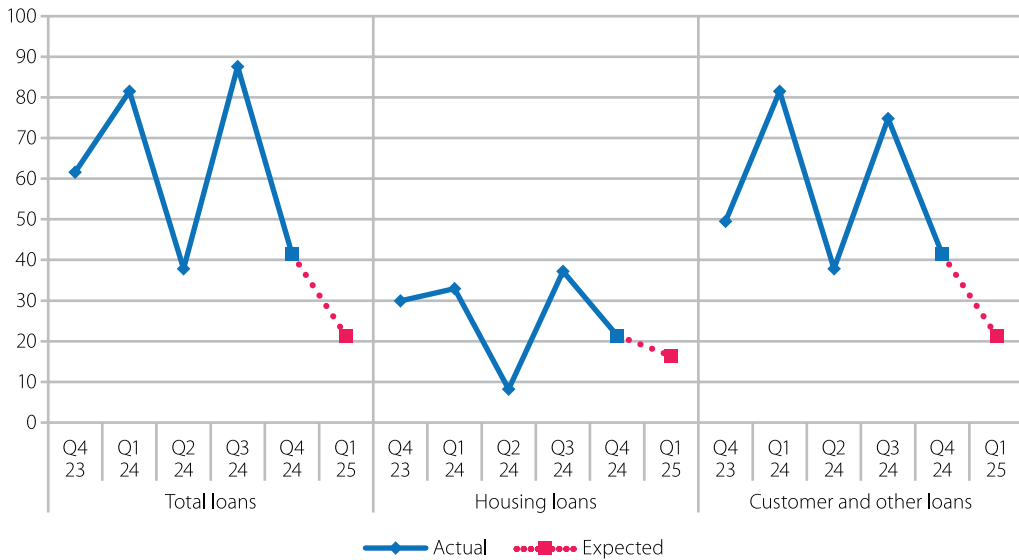
Note: A positive value indicates the increase of rejected loan applications, whereas a negative value indicates the decrease of rejected applications for loans to households.  
\* The graph shows net percentage which indicates the direction of change rather than its intensity.

## 2.2. Demand for loans to households

According to the results of the survey, in the fourth quarter of 2024, compared to the previous quarter, the households' demand for loans increased. The increase in demand was affected by the increased financial needs of the households for refinancing, the purchase of durable consumer goods and the purchase of real estates. The banks state that the increase in wages and employment, as well as the better situation on the real estate market, contributed to the increase in demand. In addition, the growth in demand was also affected by reduced lending to households by other banks.

Banks expect that the households' demand for loans will continue to grow in the first quarter of 2025, but more moderately than in the previous quarter. Demand growth will be driven predominantly by the households' financial needs for refinancing and earnings growth. In addition, the growth of demand could be affected by the increase in the financial needs of the households for the purchase of consumer goods and the purchase of real estates, as well as the increase in employment and the improvement of the situation on the real estate market. Also, reduced lending by other banks could also affect the growth of demand.

**Graph 11 Change in demand for loans to households (net percentage)**

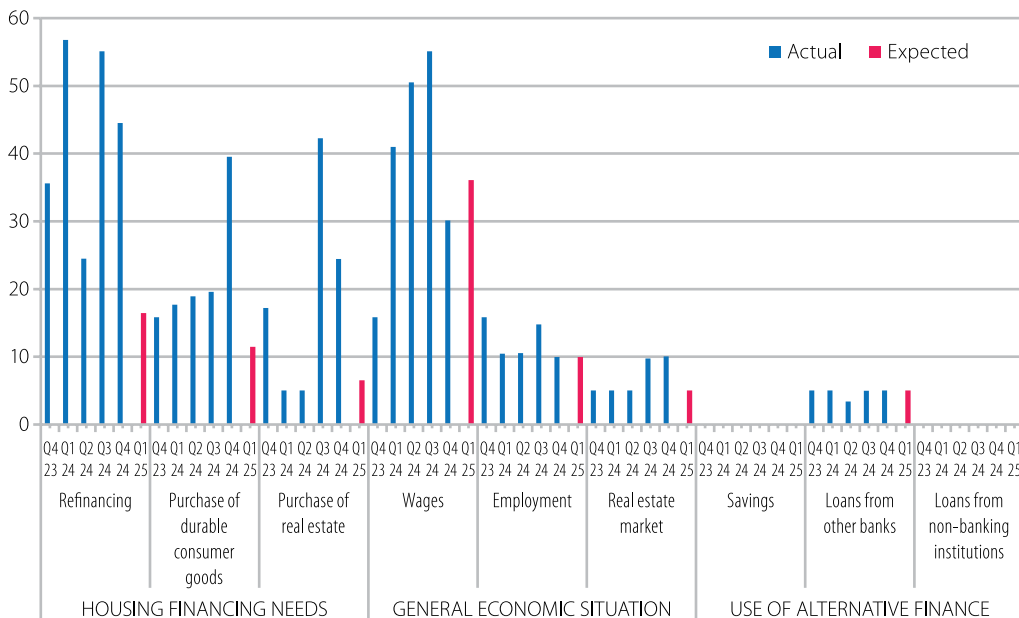


Source: CBCG

Note: A positive value shows an increase in demand, whereas a negative value indicates a decrease in demand.

\* The graph shows net percentage which indicates the direction of change rather than its intensity.

**Graph 12 Factors contributing to the change in demand for loans to households (net percentage)**



Source: CBCG

Note: A positive value indicates contribution of a specific factor to the increase in demand, while a negative value indicates contribution of a specific factor to the decrease in demand.

\* The graph shows net percentage which indicates the direction of change rather than its intensity.

### 3. ANNEX - Aggregate results of Bank Lending Survey in the fourth quarter 2024

#### 1. Credit standards for enterprises

	Last three months	Next three months
A) Total loans and/or credit line	-10.06	-9.93
Long-term (over 1 year)	-5.01	-9.93
Short-term (up to 1 year)	-10.06	-9.93
B) Loans and/or credit lines to micro-, small and medium-sized enterprises	-10.06	-9.93
C) Loans and/or credit lines to large enterprises	-5.01	-9.93

#### 2. Factors contributing to the change in credit standards for enterprises

	Last three months			Next three months		
	Total	Loans to micro, small and medium enterprises	Loans to large enterprises	Total	Loans to micro, small and medium enterprises	Loans to large enterprises
A) Costs of sources of funds	-29.59	-29.59	-29.59	-29.59	-29.59	-29.59
B) Competition from other banks	-31.11	-31.11	-31.11	-36.04	-36.04	-36.04
C) Risk perception	-10.06	-10.06	-10.06	-5.01	-5.01	-5.01
- General economic situation and outlook	-10.06	-10.06	-10.06	-5.01	-5.01	-5.01
- Bad debt	-5.01	-5.01	-5.01	-5.01	-5.01	-5.01
- Risk related to collateral requirements	-5.01	-5.01	-5.01	-5.01	-5.01	-5.01
D) Risk tolerance	-10.06	-10.06	-10.06	-11.88	-11.88	-11.88

#### 3. Credit terms and conditions for enterprises

	Last three months			Next three months		
	Total	Loans to micro, small and medium enterprises	Loans to large enterprises	Total	Loans to micro, small and medium enterprises	Loans to large enterprises
A) Interest rate margin*	-53.93	-53.93	-53.93	-57.25	-57.25	-57.25
B) Commissions and fees*	-4.98	-4.98	-4.98	-4.98	-9.91	-9.91
C) Maximum amount of loans and/or credit lines**	-5.05	-5.05	-5.05	-5.05	-5.05	-5.05
D) Collateral requirements*	4.92	4.92	4.92	4.92	4.92	4.92
E) Maturity**	-26.11	-26.11	-26.11	-26.11	-26.11	-26.11

#### 4. Share of the rejected loan applications

	Last three months		
	Total	Loans to micro, small and medium enterprises	Loans to large enterprises
Share of rejected applications	-5.01	-5.01	-5.01

#### 5. Demand for loans to enterprises

	Last three months	Next three months
A) Demand for total loans and/or credit lines	26.38	15.34
Long-term (over 1 year)	26.38	15.34
Short-term (up to 1 year)	15.05	29.72
B) Demand of micro, small and medium-sized enterprises	15.05	16.86
C) Demand of large enterprises	13.52	15.34

#### 6. Factors contributing to the demand of enterprises for loans

	Last three months	Next three months
A) FINANCIAL NEEDS OF ENTERPRISES	32.83	27.78
- For capital investments	18.45	13.39
- For working capital	31.31	26.25
- For debt restructuring	3.48	3.48
- For mergers/acquisitions	5.01	5.01
B) USE OF ALTERNATIVE SOURCES OF FINANCING	5.01	5.01
- Internal sources of financing	5.01	5.01
- Loans from other banks	5.01	5.01
- Loans from non-banks	5.01	5.01

#### 7. Credit standards for households

	Last three months	Next three months
Total loans	-25.00	-16.80
- Housing loans	-9.93	-16.80
- Consumer and other loans	-30.05	-16.80

## 8. Factors contributing to the change in credit standards for households

	Last three months			Next three months		
	Total	Housing loans	Consumer and other loans	Total	Housing loans	Consumer and other loans
A) Costs of sources of funds	-3.48	-3.48	-3.48	-3.48	-3.48	-3.48
B) Competition from other banks	-36.04	-9.93	-36.04	-36.04	-9.93	-36.04
C) Risk perception	-25.13	-10.06	-25.13	-5.01	-5.01	-5.01
- General economic situation and outlook	-30.05	-14.99	-30.05	-9.93	-9.93	-9.93
- Bad debt	-5.01	-5.01	-5.01	-5.01	-5.01	-5.01
- Risk related to collateral requirements	-5.01	-5.01	-5.01	-5.01	-5.01	-5.01
D) Risk tolerance	-5.01	-5.01	-5.01	-5.01	-5.01	-5.01

## 9. Credit terms and conditions for households

	Last three months			Next three months		
	Total	Housing loans	Consumer and other loans	Total	Housing loans	Consumer and other loans
A) Interest rate margin*	-73.74	-22.66	-73.74	-52.19	-21.10	-52.19
B) Collateral requirements*	0.00	0.00	0.00	0.00	0.00	-4.92
C) Share and deposits*	0.00	0.00	0.00	0.00	0.00	-4.92
D) Mortgage value*	0.00	0.00	0.00	0.00	0.00	-4.92
E) Commissions and fees*	-25.04	-25.04	-25.04	-4.92	-4.92	-4.92
F) Maturity and grace period*	-4.98	0.00	-4.98	-9.91	0.00	-9.91

## 10. Share of the rejected loan applications

	Last three months		
	Total	Housing loans	Consumer and other loans
Share of rejected applications	-5.01	-5.01	-5.01

## 11. Demand for loans to households

	Last three months	Next three months
Total loans	41.45	21.33
- Housing loans	21.40	16.34
- Consumer and other loans	41.45	21.33

## 12. Factors contributing to the demand for loans to households

	Last three months	Next three months
A) FINANCIAL NEEDS OF HOUSEHOLDS	44.50	16.44
- For refinancing	44.50	42.55
- For purchase of consumables (cars, furniture, etc.)	39.52	11.46
- For immovable property purchase	24.45	6.54
B) GENERAL ECONOMIC SITUATION	30.11	36.10
- Wages and salaries	30.11	36.10
- Employment	9.99	9.99
- Real estate market situation	10.06	5.01
C) USE OF ALTERNATIVE SOURCES OF FINANCING	5.01	5.01
- Household savings	0.00	0.00
- Loans to households from other banks	5.01	5.01
- Loan from non-banks	0.00	0.00