

MONETARY DEVELOPMENTS

02

2.1. Most important developments in the banking sector

During the first nine months of 2024, the banking sector in Montenegro was highly liquid although daily liquidity ratio (1.50) and ten-day liquidity ratio (1.41) were lower both year-on-year and compared to the end of 2023.

Liquid assets of banks decreased by 12.75% year-on-year. At the same time, the loans to deposits ratio increased from 0.72 to 0.81.

The total assets of banks amounted to 6,978.74 million euros and it increased by 199.85 million euros or 2.95% year-over-year, mainly due to the growth of total loans that increased by 612.16 million euros or 15.32%. Compared annually, investments in cash and deposit accounts with central banks declined by 383.64 million euros or 28.02% while investments in securities decreased by 35.35 million euros or 2.65%. At the same time, deposits (5,665.40 million euros) made up the prevailing share of 81.18% in the structure of banks' liabilities and capital, recording the highest growth of 140.64 million euros or 2.55%.

Observed by sectors, retail loans recorded the highest annual growth of 460.63 million euros or 14.43% and (i.e. 75.25% of total growth in the reporting period). Observed by purpose, most banking loans were cash loans (20.78%) and liquidity loans (19.00%). Banks granted a total of 1,273.87 million euros of new loans, which is 294.30 million euros or 30.04% more year-on-year. The prevailing share of these loans, 390.38 million euros or 30.65%, were liquidity loans, and cash loans that accounted for 344.90 million euros or 27.07%.

Non-performing assets of banks' assets amounted to 255.32 million euros declining by 21.36 million euros or 7.72% on the annual level, as well as their share in total assets of banks by 0.42 pp to 3.66%. At the same time, non-performing loans, which make up the largest portion of non-performing assets, decreased by 18.28 million euros (or 9.10%) and amounted to 182.52 million. euros, and their share in total loans decreased by 1.06 pp to 3.96%.

The allocated reserve requirement increased in line with the growth of the base for its calculation (deposits in banks) by 17.62 million euros or 6.16% on the annual basis and it reached 303.80 million euros.

At end-September 2024, the weighted average effective interest rate (WAEIR) on total loans amounted to 6.59% being 0.12 pp higher year-over-year and remaining unchanged compared to end-2023. Since the CBCG started the initiative of decreasing lending interest rates on new loans for households in March 2024, the September 2024 data already point to decrease in these rates following the initiative. To wit, the WANIR and WAEIR on new banking loans were 6.88% and 7.55%, showing respective decreases of 0.33 pp and 0.38 pp quarter-on-quarter. At end-September 2024, the weighted average

deposit effective interest rate was 0.25% and it was 0.01 pp higher year-over-year and 0.03 pp higher compared to the end of the previous year.

Total capital of banks amounted to 887.66 million euros and it rose 79.18 million euros or 9.79% on the annual level, with ten banks recording capital increase and one of them registering capital decline. The solvency ratio at the banking system level stood at 19.80% (a 0.91 pp annual drop) and it was above the statutory minimum of 8%.

Banks recorded a positive financial result in the total amount of 136.34 million euros, which represents the annual increase of 23.94 million euros or 21.29%. All eleven banks reported profit.

2.1.1. Banks' liquidity

During the first nine months of 2024, Montenegro's banking was highly liquid, as shown by the key liquidity indicators which, at the aggregate level, were above the statutory minimum³⁷ (graphs 2.1 and 2.2).

At the end of the reporting period, the daily liquidity ratio amounted to 1.50 and it was lower compared to September 2023 when it stood at 1.86 and compared to the end-2023 when it stood at 1.64.

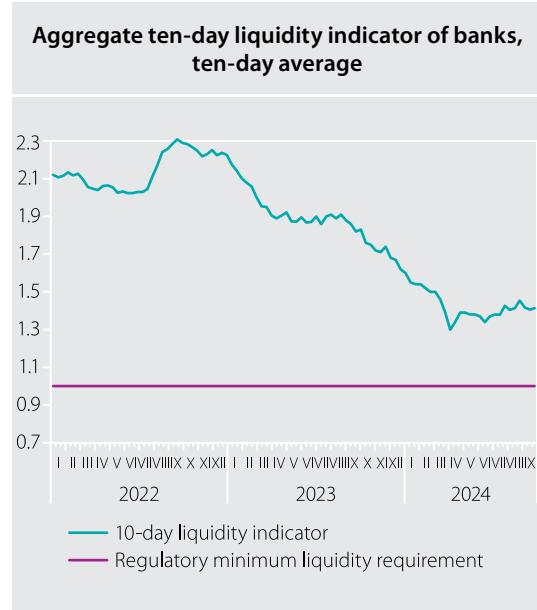
At end-September 2024, ten-day liquidity ratio amounted to 1.41 and it was lower year-on-year (1.82) and compared to the end-2023 when it stood at 1.62.

Graph 2.1



Source: Daily bank reports

Graph 2.2



Source: Ten-day bank reports

³⁷ The Decision on Minimum Standards for Liquidity Risk Management in Banks is in force (OGM 60/08), which laid down the obligation of banks to maintain minimum liquidity ratios on a respective daily and ten-day basis of 0.9 and 1.0.

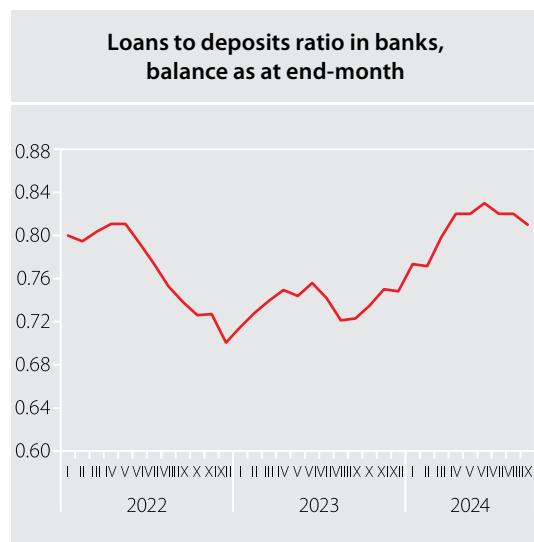
In the first nine months of the current year, the average ten-day liquidity indicator amounted to 1.43 compared to 1.95 at the end of the same period of 2023.

Observed by banks, all eleven banks regularly settled their current liabilities during the third quarter of 2024 and had daily and ten-day liquidity ratios above the prescribed minimum.

Banks' liquid assets amounted to 1,533.08 million euros at the end of the reporting period. Compared year-on-year, banks' liquid assets were 224.03 million euros or 12.75% lower, and 64.43 million euros or 4.03% lower compared to the end of 2023. The share of liquid assets in total assets was 21.97% at end-September 2024, 25.92% at end-September 2023, and 23.72% at end-December 2023.

The loans to deposits ratio stood at 0.81 at end-September 2024, being by 0.09 pp higher than a year ago when it amounted to 0.72, yet 0.06 pp higher compared to end-2023 (graph 2.3).

Graph 2.3



Source: Banks' monthly reports

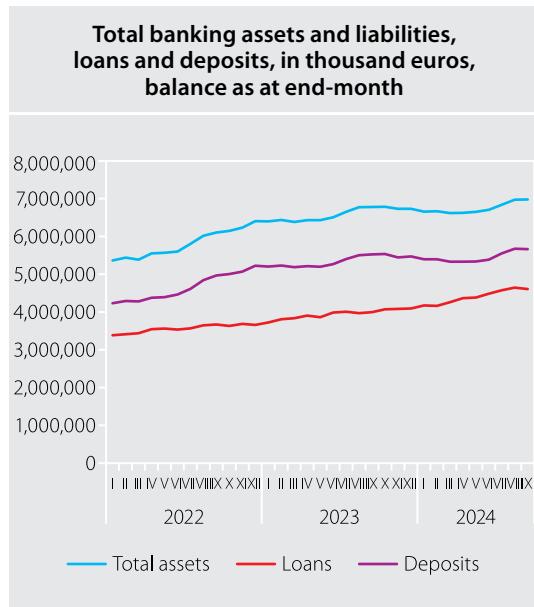
2.1.2. Aggregate balance sheet of banks

At end-September 2024, banks' total assets amounted to 6,978.74 million euros, recording the increase of 199.85 million euros or 2.95% compared year-on-year, and the increase of 244.47 million euros or 3.63% compared to end-2023.

Compared annually, the total assets grew mainly to the increase in total loans by 612.16 million euros or 15.32%, while cash and deposit accounts with central banks declined by 383.64 million euros or 28.02%, while the category "other assets" grew 5.86 million euros or 2.12%.

Observed in relation to the end of 2023, total assets grew mainly due to an increase in total loans of 511.47 million euros or 12.49%, and in "other assets" by 1.09 million euros or 0.39%. At the annual level, the cash and deposit accounts with central banks decreased by 259.28 million euros or 20.83%, as well as receivables from securities of 11.41 million euros or 0.87%.

As for the structure of liabilities, the largest year-on-year growth was recorded by deposits, 140.64 million euros or 2.55%, followed by total capital in the amount of 79.18 million euros or 9.79%. Moreover, "other liabilities" grew by 10.59 million euros or 4.89%, as did financial derivatives by 2.56 million euros or 6.737%. On the other hand, borrowings declined by 33.11 million euros or 14.46%.

Graph 2.4

Source: Banks' reports and CBCG calculations

As for the structure of liabilities, the largest year-on-year growth was recorded by deposits of 192.21 million euros or 3.51%, followed by total capital with an increase of 67.38 million euros or 8.21%, “other liabilities” in the amount of 4.84 million euros or 2.18%, and financial derivatives that rose 188,000 euros or 7.80%. On the other hand, a downtrend was recorded with borrowings that declined by 20.15 million euros or 9.32%.

Banks' assets structure reveals that in the reporting period, total banking loans accounted for the main share of 66.01% (7.08 pp more year-on-year and 5.20 pp more compared to December 2023). Banks' liabilities and capital structure reveals that in the reporting period, total banking deposits accounted for the main share of 81.18% (0.32 pp less year-on-year and 0.99 pp less compared to December 2023) (graph 2.4).

Box 2.1 – Montenegrin banking sector concentration index

The analysis of the level of concentration of the banking sector provides information on the market shares of banks, that is, the degree of the banking sector's competitiveness.

Table 1

Herfindahl-Hirschman index banking system concentration, balance as at end-quarter

	2022				2023				2024		
	III	VI	IX	XII	III	VI	IX	XII	III	VI	IX
Assets	1,370.05	1,397.85	1,394.95	1,370.48	1,332.56	1,343.25	1,364.47	1,394.54	1,386.50	1,407.93	1,417.88
Loans	1,728.03	1,785.72	1,788.75	1,749.76	1,754.27	1,742.43	1,793.87	1,749.70	1,733.32	1,720.60	1,717.61
To deposits	1,329.89	1,337.08	1,353.57	1,344.36	1,301.77	1,310.43	1,341.10	1,364.09	1,342.39	1,365.74	1,406.83

For the purposes of the analysis, we used the Herfindahl-Hirschman index (HHI) of concentration, which represents the sum of squares of the shares of all banks, according to assets, loans, and deposits.

At the end of September 2024, the HHI for assets, loans and deposits was in the range of 1,000.00 - 1,800.00, which indicates a moderate concentration³⁸ of the banking sector (table X). Thereby, the highest concentration was by loans, followed by concentration by assets, while the concentration by deposits was the lowest.

³⁸ The HHI value below 1,000.00 indicates a non-concentrated market, the HHI value in the range of 1,000.00–1,800.00 indicates a moderately concentrated market, while the HHI value above 1,800.00 indicates a non-competitive market (highly concentrated, very highly concentrated and monopolistic).

Observed by assets, HHI amounted to 1,417.88 index units at end-September 2024 and recorded an increase of 53.41 index units compared year-on-year, and an increase of 23.34 index points compared to end-2023.

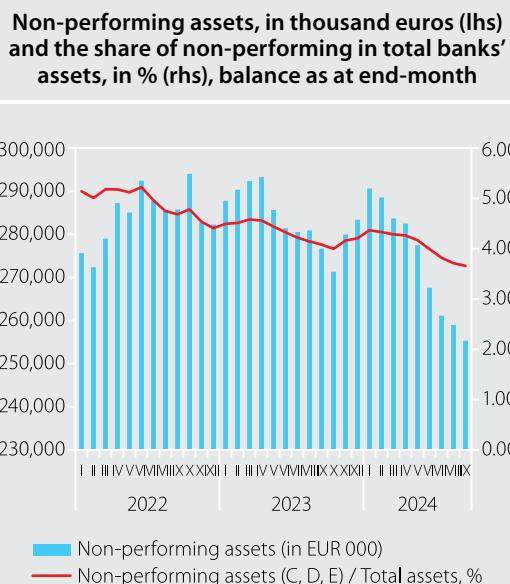
Observed by loans, HHI amounted to 1,717.61 index units at end-September 2024 and recorded a decrease of 76.26 index units compared year-on-year, and a decrease of 32.09 index points compared to end-2023.

Observed by deposits, HHI amounted to 1,406.83 index units at end-September 2024 and recorded an increase of 65.73 index units compared year-on-year, and an increase of 42.74 index points compared to end-2023.

At end-September 2024, non-performing assets of banks amounted to 255.32 million euros, which a decrease of 21.36 million euros or 7.72% year-on-year and a decline of 28.06 million euros or 9.90% compared to end-2023. The share of non-performing assets in banks' total assets amounted to 3.66%, which is the year-on-year decline of 0.42 pp and a decrease of 0.55 pp in relation to end-2023 (graph 2.5).

At the end of September 2024, banks achieved a positive financial result in the total amount of 136.34 million euros, which represents the annual increase of 23.94 million euros or 21.29%. All banks recorded profit.

Graph 2.5

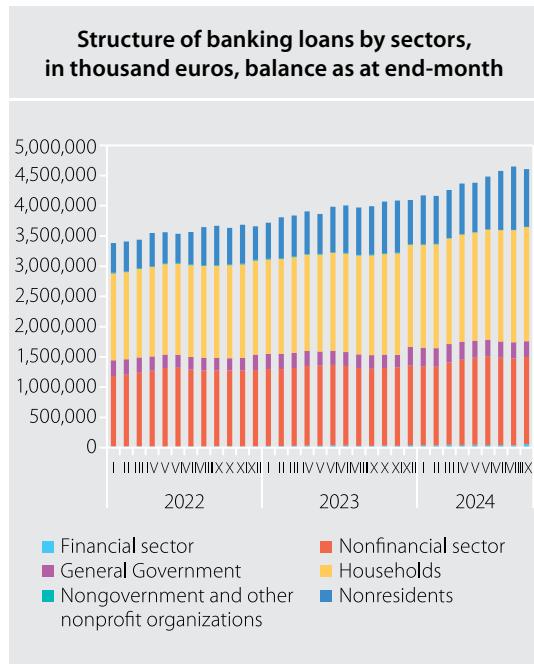


Source: Banks' reports and CBCG calculations

2.1.3. Banks' lending activity

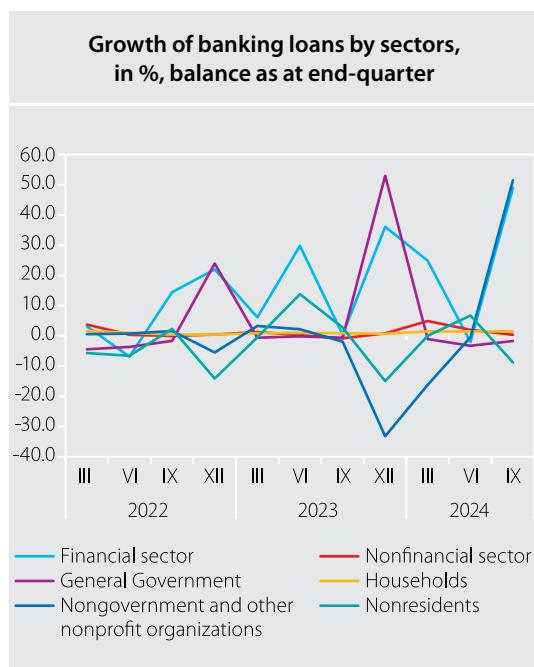
During the first nine months of 2024, total banking loans were on an uptrend, increasing at an average monthly rate of 1.32%, which represents a growth compared to the previous year when they grew at an average monthly rate of 0.98%. At the end of the reporting period, banking loans amounted to 4,606.98 million euros, which is 612.16 million euros or 15.32% more year-on-year and 511.47 million euros or 12.49% more in relation to end-2023. Compared year-on-year, all banks saw loan growth and the same trend was present compared to end-2023.

The sectoral structure of banking loans indicates that the largest portion of loans in the amount of 3,651.87 million euros or 79.27% was granted to residents. Of total approved loans, 40.91% were granted to the retail sector, 31.29% to the nonfinancial sector, 5.65% to the General government, 1.29% to the financial sector, while 0.13% related to non-governmental and other non-profit institutions.

Graph 2.6

At the end of the reporting period, loans granted to non-residents accounted for 954.80 million euros 20.73% of total loans granted, of which 16.42% related to the financial sector, 3.03% to the nonfinancial sector, and 1.27% to retail sector (graph 2.6).

Observed by sectors, the largest year-on-year growth was recorded with loans granted to residents, in the amount of 460.63 million euros or 14.43% while loans granted to non-residents recorded a growth of 151.52 million euros or 18.86%. When it comes to residents, the retail sector and nonfinancial sectors recorded loan growths of 235.90 million euros (14.31%) and 166.85 million euros (13.09%), respectively. Growth was also recorded in loans granted to the General government in the amount of 33.84 million euros or 14.94%, financial sector in the amount of 29.43 million euros or 97.82%, while loans to non-governmental and other non-profit institutions declined by 5.40 million euros or 47.63%.

Graph 2.7

Observed by sectors and in relation to the end of the previous year, the highest growth was recorded in loans granted to residents in the amount of 289.20 million euros or 8.60%, whereas loans granted to non-residents increased by 222.27 million euros or 30.34%. When it comes to residents, the retail and non-financial sectors recorded loan growths of 194.57 million euros (11.51%) and 130.99 million euros (9.99%), respectively. Banking loans granted to the financial sector also rose by 16.18 million euros or 37.32%. On the other hand, a decrease in approved loans in the amount of 51.47 million euros or 16.50% was recorded with the General Government sector, as well as with NGOs and other non-profit institutions in the amount of 1.07 million euros or 15.31%.

Observation of loan monthly rate of growth by sectors reveals that the nonfinancial and retail sectors showed least oscillations in total loans granted, while financial sector and non-resident sectors fluctuated over the entire nine-month reporting period (graph 2.7).

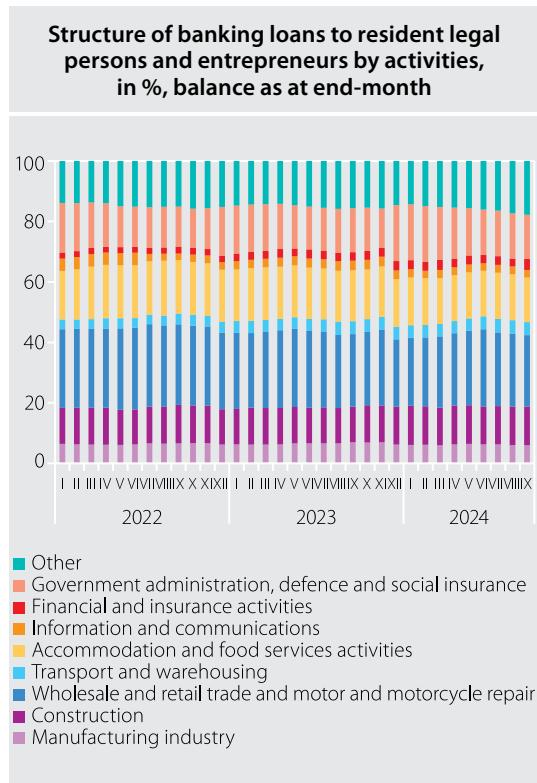
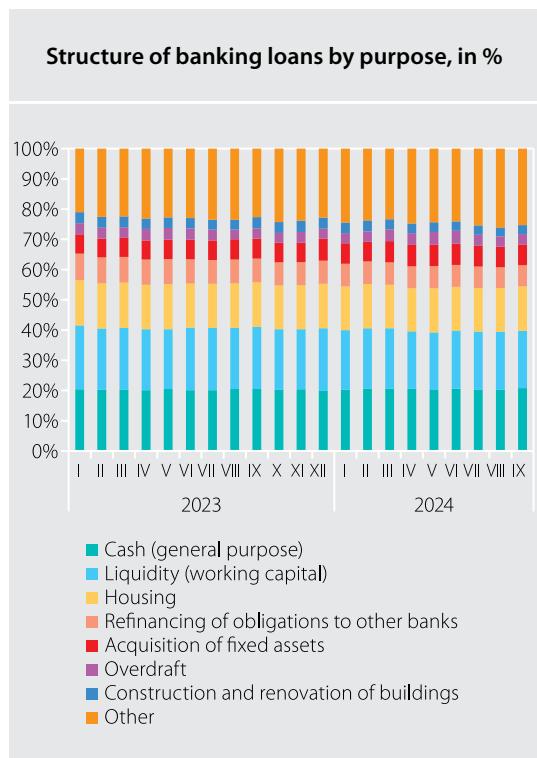
At the end of September 2024, the debt based on loans of resident legal entities and entrepreneurs amounted to 1,771.44 million euros, which represents an increase of 224.86 million euros or 14.54% on the annual level (table 2.1). In relation to the end of the previous year, debt growth arising from loans to resident legal persons and entrepreneurs amounted to 95.00 million euros or 5.67%. At the same time, the nominal growth is mostly resulted from the growth of loans granted to the following activities: wholesale and retail trade; repair of motor vehicles and motorcycles, construction, electricity supply, arts, entertainment and recreation, financial and insurance activities, real estate activities, transportation and warehousing, administrative and ancillary service activities, and other service activities. On the other hand, a year-on-year decrease was recorded in information and communications, agriculture, forestry and fishing, water supply, mining and quarrying, manufacturing industry, human health and social work activities, and education. Manufacturing industry recorded a year-on-year decline, yet a growth compared to end-2023. However, despite the year-on-year growth, accommodation and food service activities, and public administration and defence and compulsory social security recorded a decline compared to end-2023.

Table 2.1

Activity	Banking loans to resident legal persons and entrepreneurs by activities, in thousand euros and %, balance as at end-month						
	30.09.2023 in 000 euros	31.12.2023 in 000 euros	30.09.2024 in 000 euros	Sep 2024 Sep 2023		Sep 2024 Dec 2023	
1. Agriculture, forestry and fishing	20,231	20,185	15,152	-5,079	-25.11	-5,033	-24.93
2. Mining and quarrying	12,969	14,229	11,197	-1,772	-13.66	-3,032	-21.31
3. Manufacturing industry	107,802	104,177	106,241	-1,561	-1.45	2,064	1.98
4. Electricity supply	19,272	19,450	53,727	34,455	178.78	34,277	176.23
5. Water supply	15,141	12,167	10,207	-4,934	-32.59	-1,960	-16.11
6. Construction	182,177	209,923	226,899	44,722	24.55	16,976	8.09
7. Wholesale and retail trade and repair of motor vehicles and motorcycles	370,719	373,631	418,099	47,380	12.78	44,468	11.90
8. Transport and warehousing	66,116	68,968	76,286	10,170	15.38	7,318	10.61
9. Accommodation and food service activities	260,504	264,120	261,200	696	0.27	-2,920	-1.11
10. Information and communications	49,353	48,435	44,058	-5,295	-10.73	-4,377	-9.04
11. Financial and insurance activities	43,439	52,434	65,060	21,621	49.77	12,626	24.08
12. Real estate activities	57,874	59,773	68,983	11,109	19.20	9,210	15.41
13. Professional, scientific and technical activities	46,393	41,924	46,519	126	0.27	4,595	10.96
14. Administrative and ancillary service activities	24,574	25,754	34,621	10,047	40.88	8,867	34.43
15. Public administration and defence, compulsory social security	224,858	309,996	258,758	33,900	15.08	-51,238	-16.53
16. Education	1,211	1,130	1,121	-90	-7.43	-9	-0.80
17. Human health and social work activities	15,277	15,927	14,772	-505	-3.31	-1,155	-7.25
18. Arts, entertainment and recreational activities	12,147	18,289	40,580	28,433	234.07	22,291	121.88
19. Other service activities	16,524	15,925	17,961	1,437	8.70	2,036	12.78
20. Total	1,546,581	1,676,437	1,771,441	224,860	14.54	95,004	5.67

Source: Banks' reports and CBCG calculations

In the structure of loans to resident legal persons by activity at end-September 2024, the main share of 23.60% was of loans to wholesale and retail trade and repair of motor vehicles and motorcycles, followed by loans to accommodation and food service activities with 14.75%, loans to public adminis-

Graph 2.8**Graph 2.9**

tration and defence and compulsory social security with 14.61%, and loans to construction with 12.81%, whereas loans to all other activities accounted for 34.24% (graph 2.8).

Observed by purpose, the main share of banking loans referred to cash loans (20.78%), liquidity loans (19.00%), housing loans (14.72%), loans for refinancing obligations to other banks (6.98%), loans for the purchase of fixed assets (6.86%), overdraft loans (3.38%), and loans for construction and renovation of buildings (2.99%). The remaining portion of 25.29% of banking funds were used for loans for the purchase of cars, credit card loans, consumer loans, the preparation of tourist season and the purchasing of securities (graph 2.9).

Compared to September 2023, housing loans recorded growth of 137.08 million euros or 16.72%, while housing loans increased by 91.17 million euros or 15.54% followed by loans for liquidity in the amount of 54.40 million euros or 6.63%, loans for the purchase of fixed assets of 49.93 million euros or 18.75%, loans for overdrafts in the amount of 22.82 million euros or 17.15%, loans for the purchase of cars in the amount of 8.92 million euros or 49.86%, loans for refinancing of liabilities to other banks in the amount of 7.90 million euros or 2.52% and loans for credit cards in the amount of 2.71 or 14.10% (table 2.2). On the other hand, loans for construction and renovation of buildings declined by 11.99 million euros or 8.01% as did loans for purchasing securities dropped by 2.71 million euros or 66.47% and loans for the preparation of tourist season by 1.12 million euros or 7.66%. The same categories recorded a year-on-year growth except consumer loans that declined by 2.4 million euros or 10.30%.

Banking loans are mostly approved in euros and against the maturity period of over one year. Of total loans granted, those in euros accounted for 96.69%, and in terms of maturity, long-term loans (with agreed maturity over one year) prevailed and made up 77.08%. Loans with the re-

payment period of over three years amounted to 3,176.01 million euros and they accounted for 89.44% and 68.94% of total loans.

Table 2.2

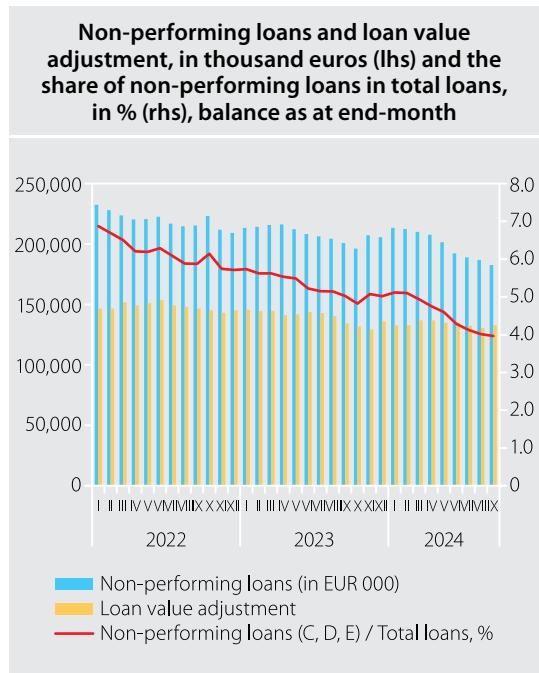
Loan purpose	Banking loans by purpose, in thousand euros, balance as at 30 September 2023, 31 December 2023 and 30 September 2024						
	30.09.2023	31.12.2023	30.09.2024	Sep 2024 Sep 2023		Sep 2024 Dec 2023	
	in 000 euros	in 000 euros	in 000 euros	in 000 euros	in %	in 000 euros	in %
1. Liquidity (working assets)	820,778	846,490	875,175	54,397	6.63	28,685	3.39
2. Construction and renovation of buildings	149,772	148,729	137,780	-11,992	-8.01	-10,949	-7.36
3. Refinancing of liabilities to other banks	313,874	313,675	321,772	7,898	2.52	8,097	2.58
4. Car purchase	17,883	18,272	26,800	8,917	49.86	8,528	46.67
5. Purchase of securities	4,071	4,058	1,365	-2,706	-66.47	-2,693	-66.36
6. Purchase of fixed assets	266,265	296,456	316,197	49,932	18.75	19,741	6.66
7. Preparation of tourist season	14,614	14,492	13,495	-1,119	-7.66	-997	-6.88
8. Consumer loans	20,434	23,367	20,961	527	2.58	-2,406	-10.30
9. Cash (general purpose)	820,084	814,501	957,167	137,083	16.72	142,666	17.52
10. Housing loans	586,758	604,352	677,932	91,174	15.54	73,580	12.18
11. Credit cards	19,197	20,457	21,904	2,707	14.10	1,447	7.07
12. Overdraft	132,998	137,618	155,813	22,815	17.15	18,195	13.22
13. Other	827,792	852,739	1,080,314	252,522	30.51	227,575	26.69
14. Total	3,994,520	4,095,206	4,606,675	612,155	15.32	511,469	12.49

Source: Banks' reports and CBCG calculations

At end-September this year, banks' non-performing loans (NPLs) amounted to 182.52 million euros and they were 18.28 million euros or 9.10% lower year-over-year and by 23.07 million euros or 11.22% in relation to end-2023. At the end of the reporting period, non-performing loans accounted for 3.96% of total banking loans, and their share in total loans decreased by 1.06 pp both year-on-year and in relation to end-2023.

Observed year-over-year, in the structure of resident legal persons by activity, the largest increase in non-performing loans in the amount of 8.89 million euros or 32.84% was recorded in accommodation and food service activities, while the most notable decrease was recorded in wholesale and retail trade; repair of motor vehicles and motorcycles in the amount of 7.10 million euros or 28.05%. The resident retail sector recorded a decline in non-performing loans of 4.62 million euros or 8.06%. In the case of non-resident legal persons, non-performing loans decreased by 1.25 million euros or 6.10%, while non-performing loans of the non-resident retail sector decreased by 73,000 euros or 4.56%.

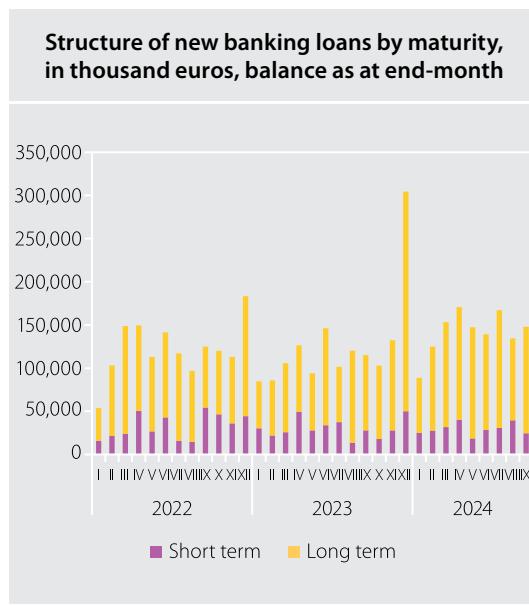
Observed year-over-year and in the structure of resident legal persons by activity, the largest increase in accommodation and food service activities in the amount of 1.96 million euros or 5.76%, while the most notable decline was seen in professional, scientific and technical activities in the amount of 4.72 million euros or 60.55%. The resident retail sector recorded a decline in non-performing loans of 3.76 million euros or 6.66%. In the case of non-resident legal persons, non-performing loans decreased by 1.31 million euros or 6.10%, while non-performing loans of the non-resident retail sector decreased by 51,000 euros or 3.46%.

Graph 2.10

At end-September 2024, total loan value adjustment amounted to 132.84 million euros recording a decrease of 1.56 million euros or 1.16% year-on-year and 3.28 million euros or 2.41% decline in relation to end-2023. The coverage of non-performing loans by loan value adjustments amounted to 72.78% and it increased year-on-year when it amounted to 66.93%, as well as compared to end-2023 when it reached 66.21% (graph 2.10).

At the end of the reporting period, past due loans amounted to 116.94 million euros or 2.54% of total banking loans. These loans decreased by 13.14 million euros or 10.10% year-on-year yet they increased 1.96 million euros or 1.70% in relation to end-2023. The share of past due loans recorded a decline of 0.72 pp year-on-year and a decrease of 0.27 pp in relation to the end of the previous year.

Source: Banks' reports and CBCG calculations

Graph 2.11

New loans

During the first nine months of 2024, banks approved a total of 1,273.87 million euros of new loans, which is an increase of 294.30 million euros or 30.04% year-on-year.

The maturity structure of new loans reveals that the main share (1,006.87 million euros or 79.04%) of new loans were granted for a repayment period of over one year, which represents an increase of 6.46 pp year-on-year (graph 2.11).

The purpose structure of new loans shows that the main share of these loans in the amount of 390.38 million euros or 30.65% were liquidity loans, followed by cash loans with 344.90 million euros or 27.07%, then loans for the purchase and adaptation of apartments with 126.91 million euros or 9.96%, and loans for refinancing liabilities to other banks with 97.31 million euros or 7.64%. The loans for the implementation of investment

projects amounted to 96.20 million euros or 7.55% of total new loans, while 67.38 million euros or 5.29% of new loans were approved for the purchase of fixed assets. Loans for construction and adaptation of construction objects amounted to 50.01 million euros or 3.93% of new loans. Non-purpose mortgage loans amounted to 25.19 million euros or 1.98%, while the remaining 5.94% or 75.61 million

Source: Banks' reports and CBCG calculations

projects amounted to 96.20 million euros or 7.55% of total new loans, while 67.38 million euros or 5.29% of new loans were approved for the purchase of fixed assets. Loans for construction and adaptation of construction objects amounted to 50.01 million euros or 3.93% of new loans. Non-purpose mortgage loans amounted to 25.19 million euros or 1.98%, while the remaining 5.94% or 75.61 million

euros were loans for purchasing consumer goods, purchase of cars, education, agriculture, preparation of tourist season, purchase of land, purchase of shares, and other purposes.

2.1.4. Bank investments in securities

Thus, the amount of banks' claims on securities amounted to 1,300.61 million euros as at end-September this year, being 35.35 million euros or 2.65% lower year-over-year and 11.41 million euros or 0.87% lower compared to the previous year-end (graph 2.12). During the first nine months of 2024, banks' investments in securities dropped at the average monthly rate of 0.03%.

Thus, at end-September 2024, the prevailing share of 53.17% of total securities referred to various types of non-residents securities (private sector's equity and debt securities), while investments into various government securities accounted for 46.54%, and the remaining 0.29% to securities of other resident sectors.

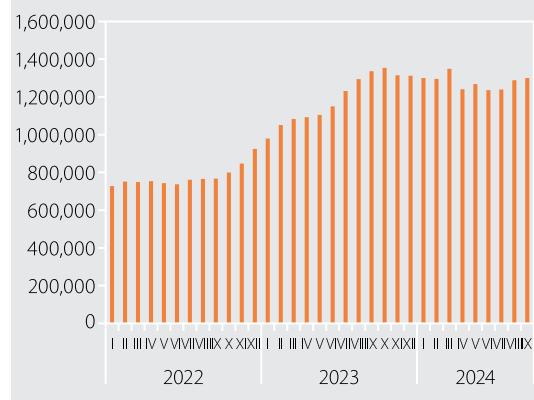
At end-September this year, the total amount of banks' receivables based on the non-resident securities amounted to 691.59 million euros, which represents an increase of 8.17 million euros or 1.17% year-on-year, and 49.30 million euros or 7.68% in relation to end-2023.

At end-September this year, the total amount of banks' receivables based on the General Government's securities amounted to 605.33 million euros, which represents a decrease of 24.80 million euros or 3.94% year-on-year, and 58.37 million euros or 8.79% in relation to end-2023 primarily due to the maturity of bonds issued at the domestic market.

Of the total amount of securities of the General Government, 593.12 million euros or 97.98% were bank investments in Government's Eurobonds, 12.21 million euros or 2.02% to domestic government bonds, while there were no investments in government T-bills (graph 2.13).

Graph 2.12

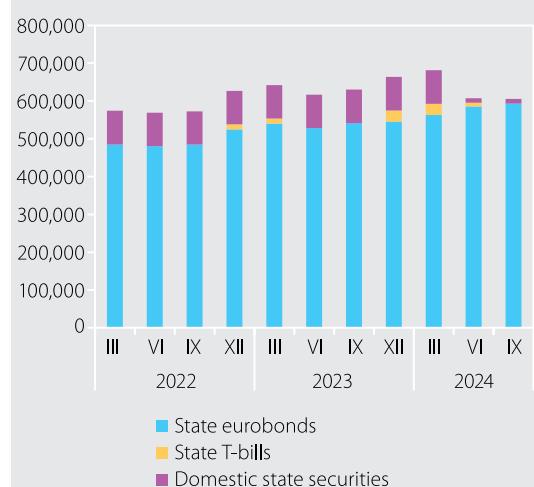
Banks' claims on securities, in thousand euros, balance as at end-month



Source: Banks' reports

Graph 2.13

Government securities held by banks, in thousand euros, balance as at end-quarter



Source: Banks' reports

Investments in Government Eurobonds increased by 51.55 million euros or 9.52% year-over-year, and by 47.63 million euros or 8.73% compared to end-2023. On the other hand, banks' investments in domestic government bonds declined by 76.35 million euros or 86.21% and by 76.61 million euros or 86.25% compared to the same periods. These include investments in bonds issued at the domestic market in April 2019 with five-year maturity, so the balance of these bonds is significantly less at the end of the reporting period due to their maturity. All banks' receivables from T-Bills matured in the first nine months of 2024.

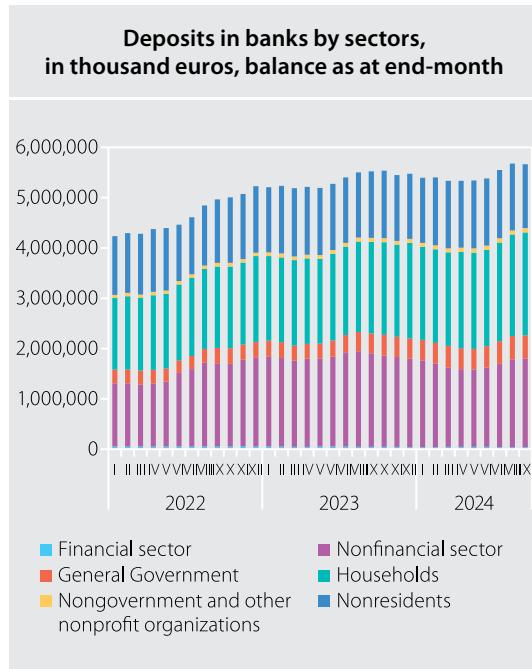
Receivables of banks arising from securities of other sectors amounted to 3.69 million euros in the reporting period, being 2.38 million euros or 39.20% lower on the annual basis, and 2.34 million euros or 38.78% lower compared to end-2023.

2.1.5. Deposits

At end-September 2024, deposits with banks amounted to 5,665.40 million euros, which is 140.64 million euros or 2.55% more year-on-year and 192.21 million euros or 3.51% more than at end-2023. Deposits in banks declined at an average monthly rate of 0.39% during 2024, yet rose at the rate of 0.63% compared year-over-year.

At end-September this year, residents' deposits accounted for the main share of total deposits with 4,396.88 million euros or 77.61%. In the structure of total deposits, 36.08% referred to the household sector, 31.15% to the nonfinancial sector, 8.09% to the General Government, 1.55% to non-government and other non-profit institutions, and 0.74% to the financial sector, while non-resident deposits accounted for 22.39%.

Graph 2.14



Source: Banks' reports and CBCG calculations

All sectors other than financial, nonfinancial and non-resident sectors recorded the year-on-year growth in deposits. Resident deposits recorded a growth of 198.82 million euros or 4.74% and non-resident deposits dropped by 58.18 million euros or 4.39%. In terms of residents' deposits, the highest growth was recorded in deposits by household sector of 222.21 million euros or 12.20%, followed by the general Government sector a growth of 67.64 million euros or 17.32%, while deposits by non-government and other non-profit institutions were 10.95 million euros or 14.22% higher. On the other hand, deposits by the nonfinancial sector dropped by 96.12 million euros or 5.16%, while deposits of financial sector dropped by 5.85 million euros or 12.29%.

Compared to end-2023, all sectors recorded growth in deposits, except non-resident deposits and deposits of the financial sector. Residents' deposits grew by 213.81 million euros or 5.11%, mainly driven by the growth in the household sector of 143.43 million euros or 7.55% followed

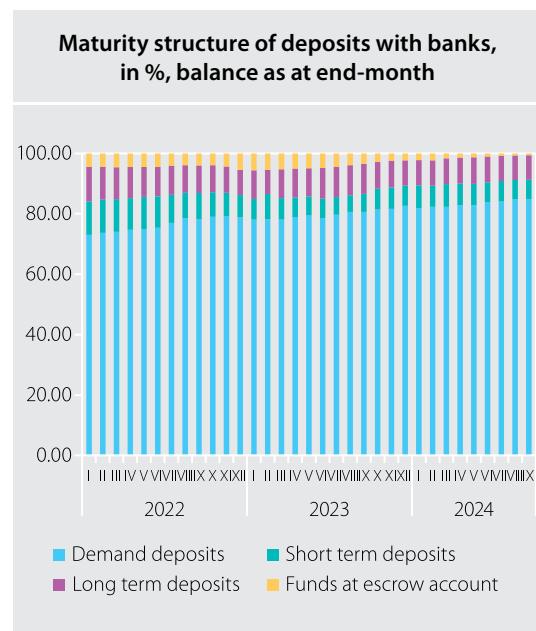
by the general Government sector with 60.08 million euros or 15.10%. Deposits of financial sector were 7.74 million euros or 0.44% higher year-on-year, while deposits of non-government and other non-profit institutions increased by 5.42 million euros or 6.56%. On the other hand, deposits by the financial sector dropped by 2.86 million euros or 6.40%. Non-residents' deposits declined by 21.59 million euros or 1.67%, with the highest decline in the nonfinancial sector by 51.79 million euros or 4.07%.

Of total deposits, demand deposits accounted for 4,801.73 million euros or 84.75%, time deposits made up 826.88 million euros or 14.60%, while funds in escrow accounts amounted to 36.78 million euros or 0.65%.

Compared year-on-year, demand deposits increased by 348.00 million euros or 7.81% year-on-year, and they were 277.07 million euros or 6.12% higher than at end-2023. Short-term deposit declined by 89.83 million euros or 16.44% on the annual level and by 2.62 million euros or 0.58% compared to at end-2023. Short-term deposit grew by 37.46 million euros or 11.26% on the annual level and by 977 thousand euros or 0.26% compared to at end-2023. Finally, funds in escrow account declined 155.00 million euros or 80.82% year-over-year, while they dropped by 88.45 million euros or 70.63% in relation to end-2023.

The share of demand deposits in total deposits stood at 84.75% at end-September this year, which is an increase of 4.14 pp year-over-year and of 2.09 pp in relation to the end of the previous year. The share of long-term deposits in total deposits was 8.06% and it decreased by 1.83 pp year-on-year and by 0.24 pp compared to end-2023. The share of short-term deposits in total deposits stood at 6.53% at end-September this year, which is an increase of 0.51 pp year-over-year yet a 0.21 pp decline compared to the 2023 year-end. Funds in escrow accounts accounted for 0.65% of total deposits as at end-September 2024, which represents the year-over-year decrease of 2.82 pp and a 1.64 pp decrease compared to end-2023 (graph 2.15).

Graph 2.15



Source: Banks' reports and CBCG calculations

2.1.6. Retail and non-financial sector

2.1.6.1. Retail sector

Total debt of the retail sector based on banking loans amounted to 1,884.42 million euros at end-September 2024, which is 40.91% of total loans granted. The indebtedness of this sector increased by 235.90 million euros or 14.31% year-on-year and 194.57 million euros or 11.51% compared to the end of 2023. The average monthly rate of growth of loans to this sector amounted to 1.22% during the first nine months of the current year, while average monthly growth rate was 0.65% in the same period of the previous year. One of the reasons for an increase in the first nine months of 2024 was increased number of new loans to pensioners who got better conditions for loan application in this period after increased minimum pension.

The retail sector borrows primarily from banks and against the maturity exceeding one year. At end-September 2024, 99.06% of total loans granted to this sector were long-term loans.

Debt per capita³⁹ amounted to 3,021.69 euros at the end of the reporting period, recording an increase of 378.27 euros or 14.31% year-on-year and 312.00 euros or 11.51% increase in relation to end-2023.

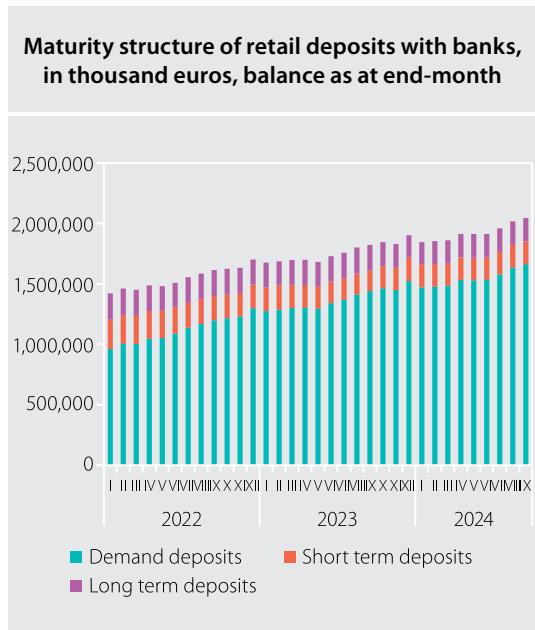
The level of retail deposits in the first nine months of 2024 was characterised by positive trends with some deviations. On average per month, deposits of this sector grew at a rate of 0.83% during this period, and a rate of 0.77% compared year-on-year. Deposits of the retail sector amounted to 2,044.27 million euros, which is 222.21 million euros or 12.20% more year-on-year, and 143.43 million euros or 7.55% more than at end-2023.

At end-September 2024, demand deposits accounted for 81.36% of total retail deposits, short-term deposits made up 9.16%, while 9.48% referred to funds deposited for a period over one year. Demand deposits increased by 223.98 million euros or 15.56% year-over-year, and by 140.66 million euros or 9.24% compared to end-2023. Short-term deposit grew by 17.14 million euros or 10.08% on the year-on-year yet declined by 7.63 million euros or 3.92% compared to at end-2023. Short-term deposit declined by 18.92 million euros or 8.89% on the year-on-year yet grew by 10.41 million euros or 5.67% compared to at end-2023. In the recent years, changes in the level of short-term, long-term and demand deposits led to the changed structure of total deposits through a decreasing level of long-term to favour demand deposits in the Montenegrin banking sector (graph 2.16).

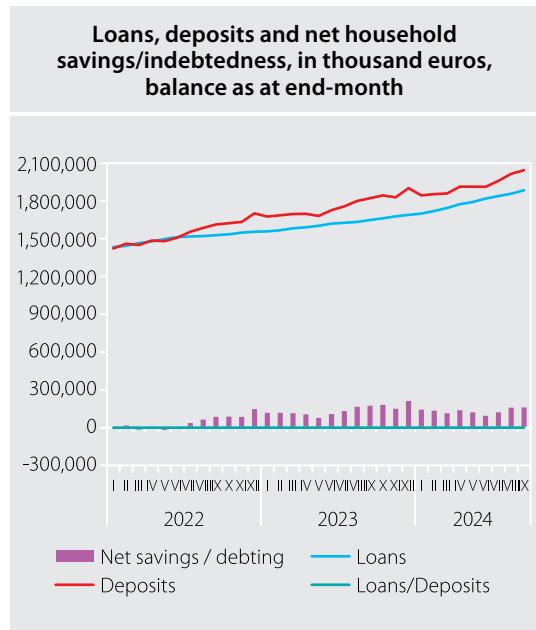
During the first nine months of 2024, funds that the retail sector deposited in banks exceeded the loans granted to this sector. At the end of the reporting period, the retail sector net savings amounted to 159.84 million euros and it decreased by 13.70 million euros year-over-year when the net savings of this sector amounted to 173.54 million euros, while it decreased by 51.14 million euros compared to the end of the previous year when it amounted to 210.99 million euros (graph 2.17).

The loans to deposits ratio for this sector was 0.92 and it was slightly higher than a year ago when it stood at 0.90, as well as compared to the end of 2023 when it stood at 0.89.

³⁹ According to official 2023 Census results the population is 623,633; Source: MONSTAT.

Graph 2.16

Source: Banks' reports and CBCG calculations

Graph 2.17

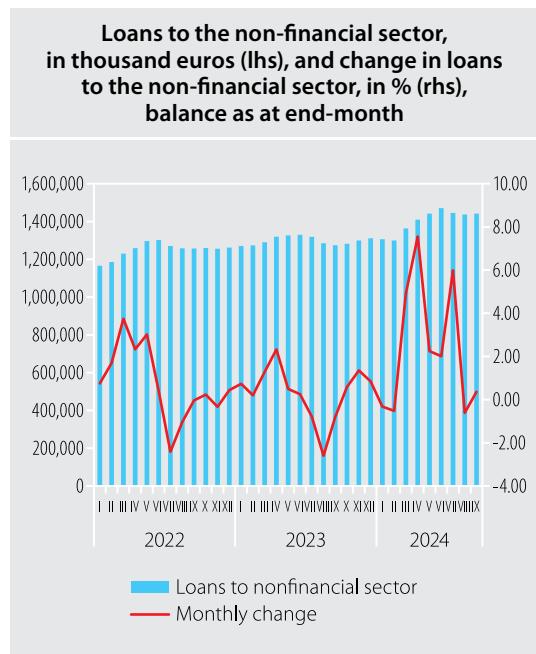
Source: Banks' reports and CBCG calculations

2.1.6.2. Non-financial sector

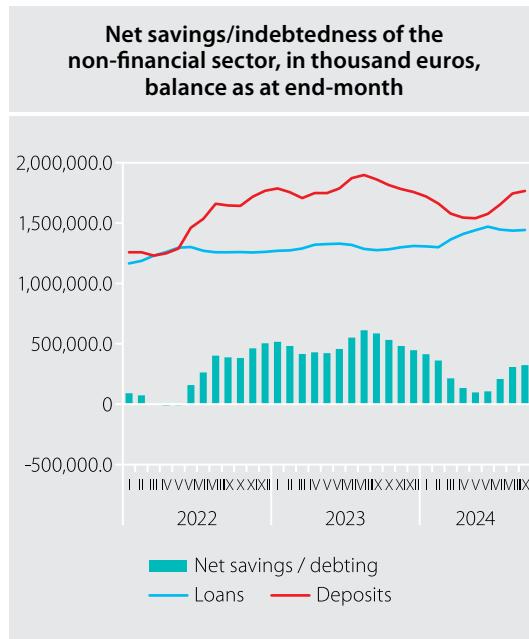
At end-September 2024, the nonfinancial sector⁴⁰ had debt based on banking loans in the total amount of 1,441.61 million euros, which is 31.29% of total banking loans granted. Loans to this sector increased by 166.85 million euros or 13.09% at the annual level and by 130.99 million euros or 9.99% in relation to end-2023. On average, loans to this sector grew at a rate of 1.08% per month during the reporting period, while this growth was 0.12% y-o-y (graph 2.18). Loans for liquidity maintenance (working capital) amounted to 861.18 million euros or 60.71% of total loans of the nonfinancial sector at end-September this year and they rose 54.40 million euros or 6.63% year-on-year and 28.69 million euros or 3.39% compared to end-2023.

The non-financial sector was the second most important depositor in Montenegro's banking system. At end-September 2024, total deposits of this sector reached 1,764.82 million euros and accounted for 31.15% of total deposits. Deposits by the nonfinancial sector decreased by 96.12 million euros or 5.16% compared to the same period last year yet increased by 7.74 million euros or 0.44% compared to the end of 2023.

⁴⁰ The nonfinancial sector includes both state-owned and private companies.

Graph 2.18

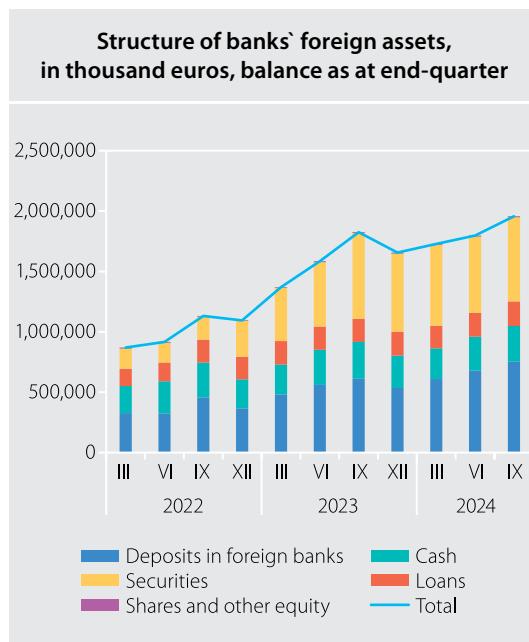
Source: Banks' reports and CBCG calculations

Graph 2.19

Source: Banks' reports and CBCG calculations

Deposited assets of the non-financial sector were higher than their loans during the first nine months of 2024. The net savings of this sector amounted to 323.22 million euros at end-September this year, which represents a decrease of 262.97 million euros or 44.86% year-on-year when this sector had net debt of 586.18 million euros, and a decrease of 123.26 million euros or 27.61% compared to end-2023 when the nonfinancial sector's net savings amounted to 446.47 million euros (graph 2.19).

At end-September this year, the loans to deposits ratio for the nonfinancial sector amounted to 0.82 and it improved in relation to September 2023 when it amounted to 0.69, and compared to end-2023 when it amounted to 0.75.

Graph 2.20

Source: Banks' reports

2.1.7. Banks' foreign assets and liabilities

At end-September 2024, banks' foreign assets amounted to 1,956.69 million euros, which is an increase of 131.73 million euros or 7.22% year-on-year and a growth of 300.96 million euros or 18.18% compared to end-2023.

The recorded increase in foreign assets compared to September 2023 was largely the result of an increase in bank deposits with foreign banks of 141.85 million euros or 23.20%. In addition, loans to non-residents rose 9.67 million euros or 5.04%, as did investments in shares and other equity investments by 833,000 euros or 12.36%. In the structure of banks' foreign assets, there was a decrease in banks' debt securities of 10.57 million euros or 1.49%, cash of 9.50 million euros or 3.11%, followed by other receivables from non-residents of 547,000 euros or 97.50%.

Compared to the end of 2023, the growth of foreign assets mainly resulted from an increase in deposits with foreign banks in the amount of 217.29 million euros or 40.54%. In addition, investments in debt securities increased by 48.53 million euros or 7.47%, cash increased by 29.64 million euros or 11.13, loans to non-residents rose 5.07 million euros or 2.58%, while investments in shares

investments in debt securities increased by 48.53 million euros or 7.47%, cash increased by 29.64 million euros or 11.13, loans to non-residents rose 5.07 million euros or 2.58%, while investments in shares

and other equity investments increased by 461,000 euros or 6.48%. In the structure of banks' foreign assets compared to end-2023, there was a decrease in other receivables of 36,000 euros or 72.00% (graph 2.20).

The most important category in the structure of foreign assets were banks' deposits with foreign banks, which amounted to 753.23 million euros and accounted for 38.49% of foreign assets at end-September 2024. Besides deposits with foreign banks, debt securities with 35.69% and cash with 15.13% had a significant share in the structure of foreign assets, while loans to non-residents amounted to 10.31%. The remaining 0.38% referred to shares and other equity investments, while the share of other foreign receivables was negligible.

As at end-September 2024, banks' foreign liabilities amounted to 1,411.71 million euros, which is a decrease of 78.41 million euros or 5.26% year-on-year. Decrease in foreign liabilities was primarily due to the non-residents' borrowings decrease of 58.28 million euros or 4.39%. Moreover, borrowings from non-residents decreased by 19.76 million euros or 14.78%, as did other foreign liabilities by 416,000 euros or 1.80%. In the banks' foreign liabilities structure, debt securities to non-residents recorded a year-on-year increase of 43,000 euros or 0.99%.

Compared to the end of the previous year, foreign liabilities of banks recorded a decrease of 23.09 million euros or 1.61%. Decrease in foreign liabilities was primarily due to the non-residents' borrowings decrease of 21.55 million euros or 1.67%. Moreover, borrowings from non-residents decreased by 8.20 million euros or 6.71%. In the structure of banks' foreign assets compared to December 2023, there was an increase in other foreign liabilities by 6.57 million euros or 40.86%, and in debt securities to non-residents by 92,000 euros or 2.14%.

At end-September this year, the main share in foreign liabilities of 1,270.72 million euros or 90.01% was held by deposits of non-residents, followed by borrowings from non-residents in the amount of 113.93 million euros or 80.7%, the category other foreign liabilities with 22.66 million euros or 1.61%, and debt securities to non-residents with 4.40 million euros or 0.31% (graph 2.21).

The most significant foreign source of bank funding at end-September 2024 came from deposits by natural persons with 825.60 million euros or 65.08%, which recorded a decrease of 6.62 million euros or 0.80% year-on-year, and a decrease of 3.44 million euros or 0.42% year-on-year. The second most important foreign depositors were foreign companies with a share of 396.21 million euros or 31.23%, and they recorded a year-on-year decrease of 91.11 million euros or 18.70% and a decrease of 48.35 million euros or 10.88% compared to end-2023. The amount of 43.43 million euros or 3.42% of foreign deposits related to deposits of foreign financial institutions, this being an increase of 40.06 million euros or 12.9 times more year-on-year, and 30.76 million euros or 3.4 times more than at end-2023. The

Graph 2.21

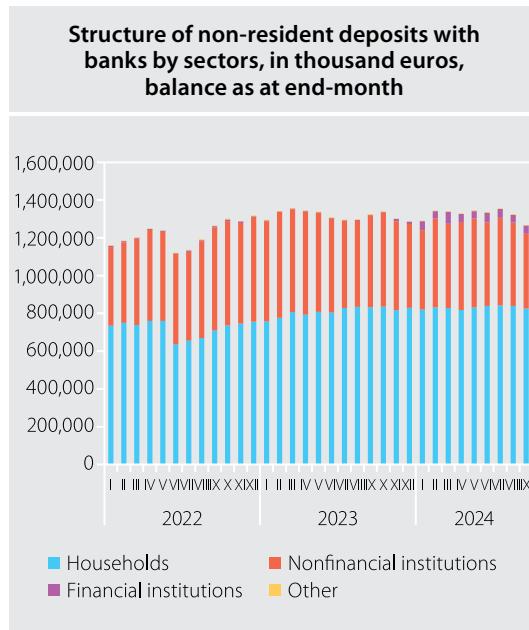
Structure of banks' foreign liabilities,
in thousand euros, balance as at end-quarter



Source: Banks' reports

amount of 3.28 million euros or 0.27% was deposited by foreign non-government and other non-profit institutions, which represents a decrease of 510,000 euros or 13.47% year-on-year and a decrease of 557,000 euros or 14.53% in relation to the end of the previous year (graph 2.22).

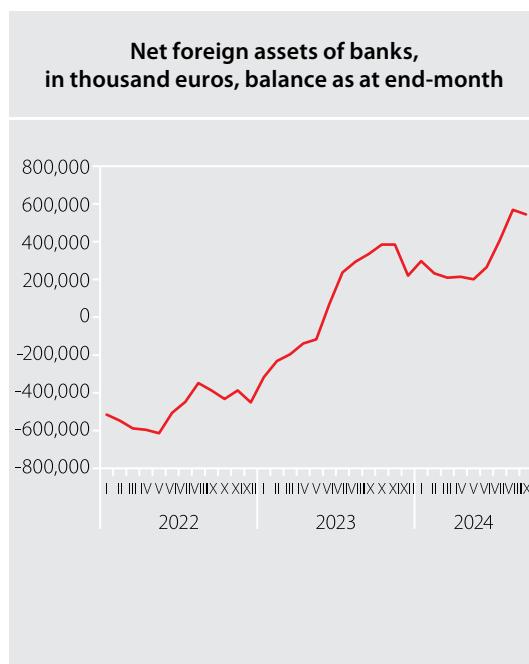
Graph 2.22



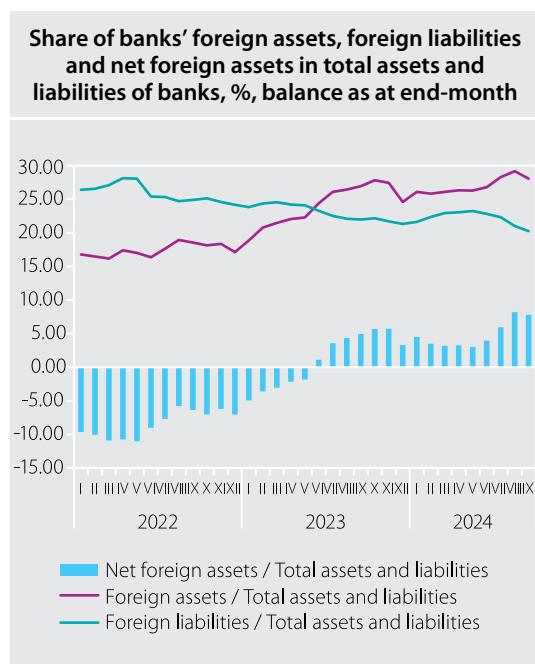
At the end of Q3 2024, banks' foreign assets exceeded their liabilities. At end of September 2024, net foreign assets amounted to 544.98 million euros. It was positive in the reporting period and amounted to 334.83 million euros, as well as at the end of 2023 when it amounted to 220.93 million euros (graph 2.23).

The foreign liabilities to total assets and liabilities ratio of banks shows that non-residents financed 20.23% of banks' total assets, while 28.04% of banks' total assets and liabilities related to banks' claims from non-residents. The difference between foreign assets and foreign liabilities of banks amounted to 7.81 pp. At end-September 2024, the difference between foreign assets and foreign liabilities of banks increased compared to a year ago when it amounted to 4.94 pp, as well as compared to end-2023 when it equalled 3.28 pp (graph 2.24).

Graph 2.23



Graph 2.24

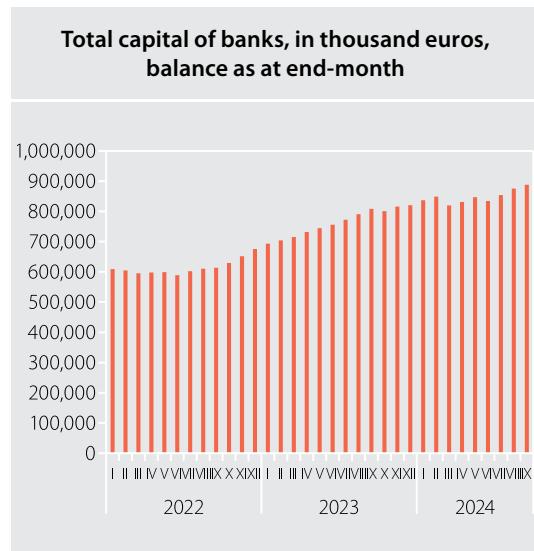


2.1.8. Banks' capital

At end-September 2024, total capital of banks amounted to 887.66 million euros, recording an increase of 79.18 million euros or 9.79% year-over-year and a growth of 67.38 million euros or 8.21% in relation to end-2023 (graph 2.25).

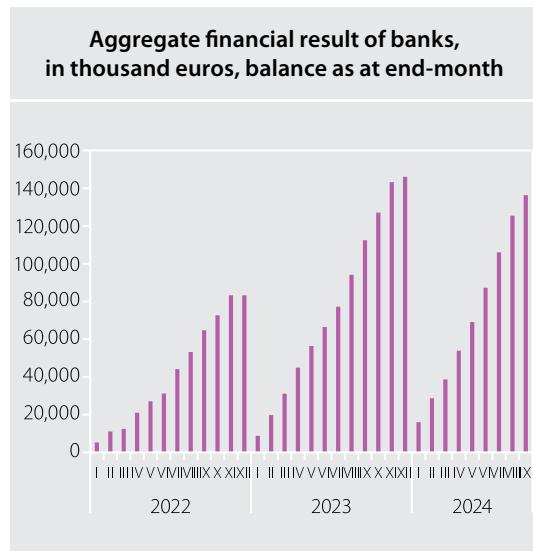
Observed year-on-year, ten banks recorded growth and one decline in total capital. During Q3 2024, one bank was recapitalised in total amount of 1.3 million euros.

Graph 2.25



Source: Banks' reports and CBCG calculations

Graph 2.26



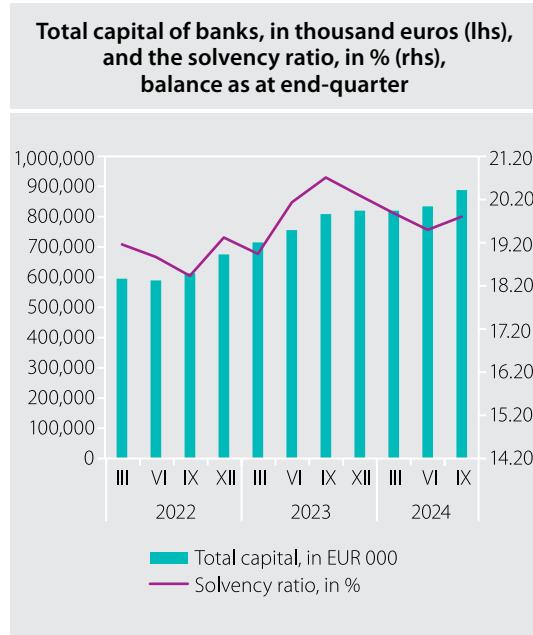
Source: Banks' reports and CBCG calculations

The total financial result at the end-September 2024 was positive and amounted to 136.34 million euros, which represents an increase of 23.94 million euros or 21.29% at the annual level (graph 2.26).

In the ownership structure of banks' capital at end-September this year, foreign capital made up 86.85%, domestic private capital accounted for 11.96%, while the state had the share of only 1.19%.

In September 2024, the solvency ratio of the banking system was above the statutory minimum of 8%. At the end of the reporting period it stood at 19.80%, being lower both year-on-year (20.71%) and compared to end-2023 (20.29%) (graph 2.27).

Graph 2.27



Source: Banks' reports and CBCG calculations

2.1.9. Banks' reserve requirements

At the end of the reporting period, allocated reserve requirement amounted to 303.80 million euros and it rose 17.62 million euros or 6.16% year-on-year, and 13.17 million euros or 4.53% compared to December 2023 (graph 2.28).

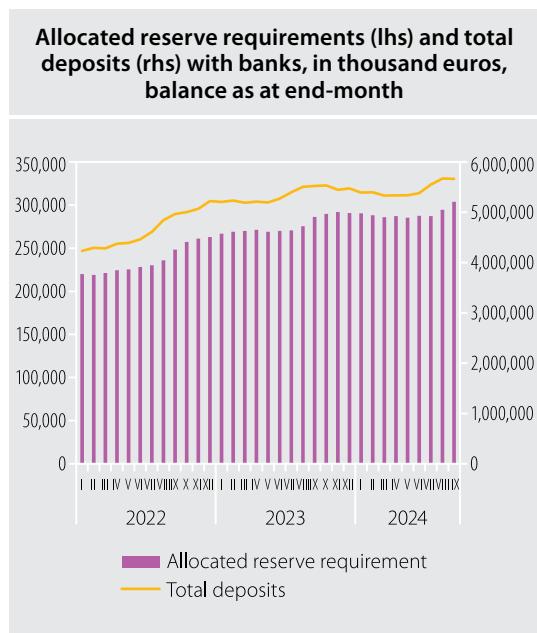
The effective reserve requirement rate, measured by allocated reserve requirement and total deposits ratio amounted to 5.36% at end-September 2024, recording an increase year-on-year when it amounted to 5.18%, and compared to end-2023 when it reached 5.31%.

The reserve requirement to total deposits plus borrowings ratio amounted to 5.18%, recording an annual increase compared to September 2023 when it was 4.97% and in relation to end-2023 when it amounted to 5.11% (graph 2.29).

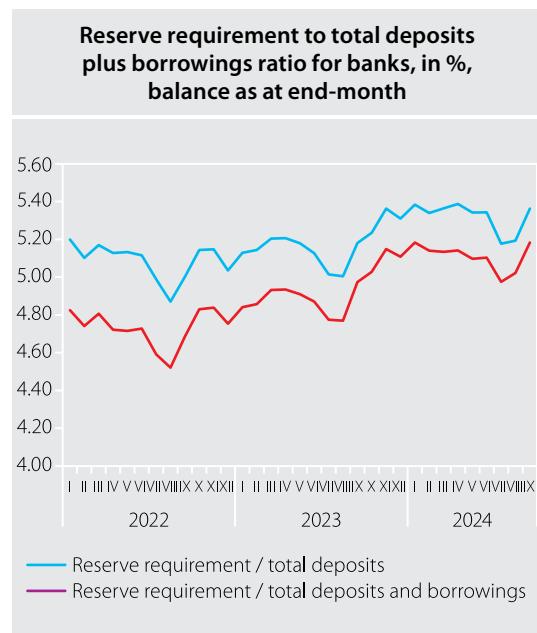
At end-September 2024, some 72.57% of the total amount of allocated reserve requirement was allocated to the reserve requirement accounts in the country, while the remaining 27.43% was allocated to the CBCG's foreign accounts.

During the nine months of 2024, none of the banks resorted to reserve requirement for liquidity purposes, while all eleven banks allocated the statutory amount of reserve requirement.

Graph 2.28



Graph 2.29



Source: Banks' reports

Source: Banks' reports

2.2. Banking interest rates

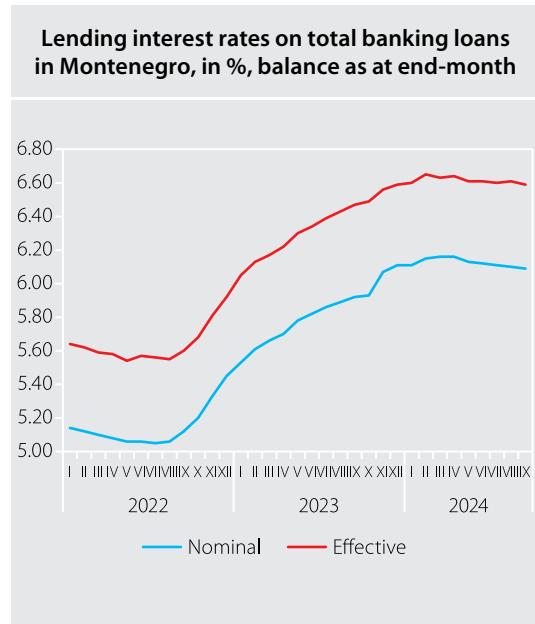
2.2.1. Lending interest rates

On total loans granted

In September 2024, the weighted average nominal interest rate (WANIR) on total loans granted amounted to 6.09% and it was 0.17 pp higher year-on-year yet 0.02 pp lower relative to end-2023. The weighted average effective interest rate (WAEIR) on total loans granted amounted to 6.59%, being 0.12 pp higher year-on-year and remaining unchanged compared to end-2023 (graph 2.30).

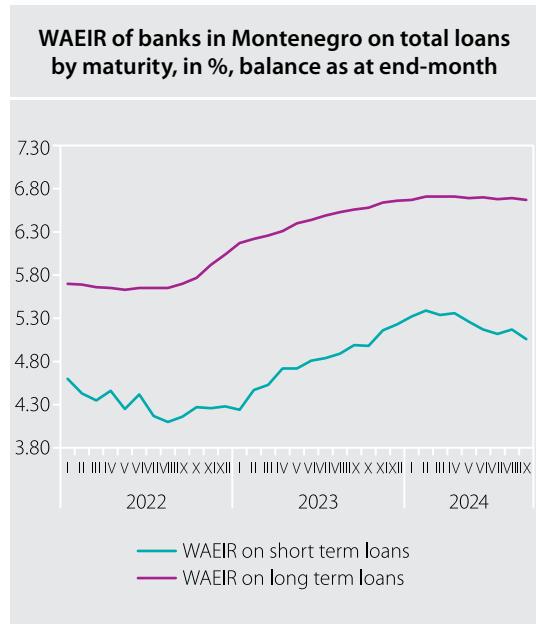
During the reporting period of 2024, we saw a downward trend in WAEIR on short-term and while WAEIR on long-term loans recorded an opposite trend. The WAEIR on short-term loans reached 5.06% in September 2024, being 0.07 pp above the level recorded in September 2023 yet 0.06 pp below its December 2023 level. The WAEIR on long-term loans amounted to 6.67% and it grew by 0.11 pp year-on-year, and by 0.01 pp relative to end-2023 (graph 2.31).

Graph 2.30



Source: Banks' reports and CBCG calculations

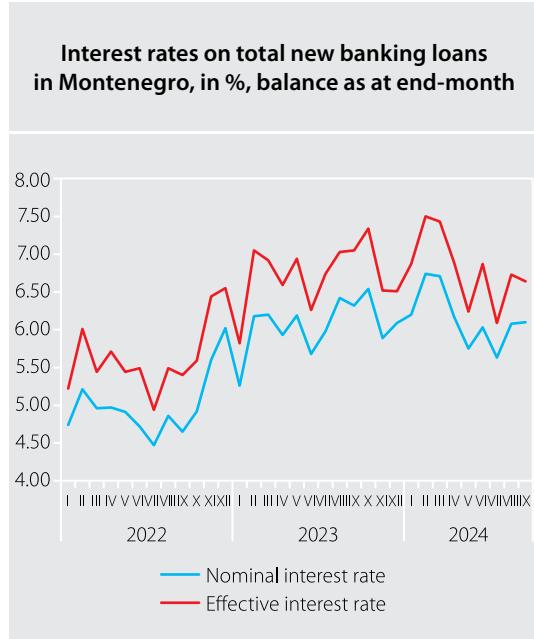
Graph 2.31



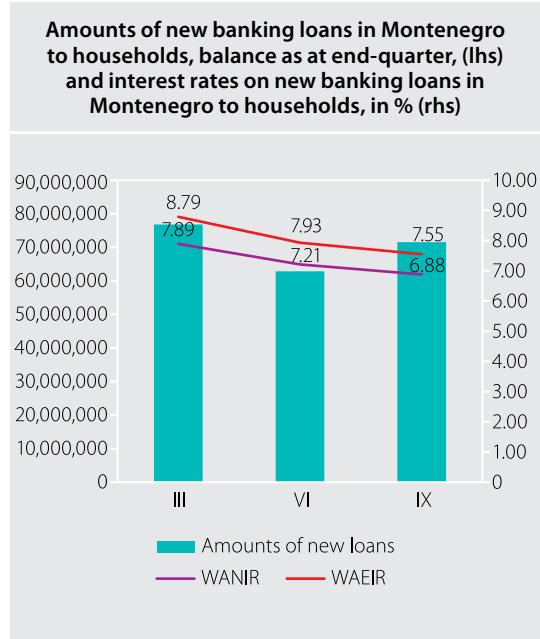
Source: Banks' reports and CBCG calculations

On new loans

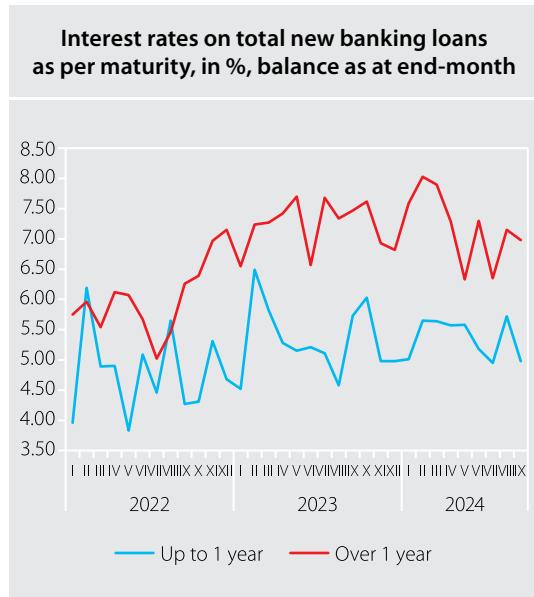
Interest rates on new loans fluctuated in Q3 2024 with a notable declining trend. In September 2024, the WANIR on these loans amounted to 6.10%, recording a decrease of 0.22 pp year-on-year, yet an increase of 0.01 pp relative to end-2023. At the same time, the WAEIR on new loans amounted to 6.64%, recording a 0.41 pp decrease compared to September 2023 yet a 0.13 pp increase compared to December 2023 (graph 2.32).

Graph 2.32

Source: Banks' reports and CBCG calculations

Graph 2.33

Source: Banks' reports and CBCG calculations

Graph 2.34

Source: Banks' reports and CBCG calculations

In March 2024, the CBCG launched an initiative to reduce interest rates on loans granted to households. All commercial banks supported this initiative and responded by creating a special promotional offer of retail loans with reduced interest rates. The initiative resulted in aggregate data for Q3 already pointing to decreased interest rates on retail loans. To wit, the WANIR and WAEIR on new banking loans to households were 6.88% and 7.55% in September 2024, showing respective decreases of 1.01 pp and 1.24 pp compared to Q1 2024 (graph 2.33).

The WAEIR on short-term loans stood at 4.98% at end-September 2024, being 0.75 pp lower than a year ago, and remaining unchanged compared to end-2023. At the same time, the WAEIR on loans with agreed maturity over one year amounted to 6.98% and it declined by 0.49 pp year-on-year, and by 0.16 pp compared to end-2023 (graph 2.34).

Observed by the purpose of banking loans disbursed during the first nine months of 2024, the highest WAEIR was recorded for short-term loans approved for education (16.10% in August and 15.36% in September), short-term loans for

purchasing cars (14.49% in May), and short-term cash non-purpose loans (14.04% in January). The lowest WAEIR recorded was that on new short-term loans for the purchase of consumables (0.03% in August).

2.2.2. Deposit interest rates

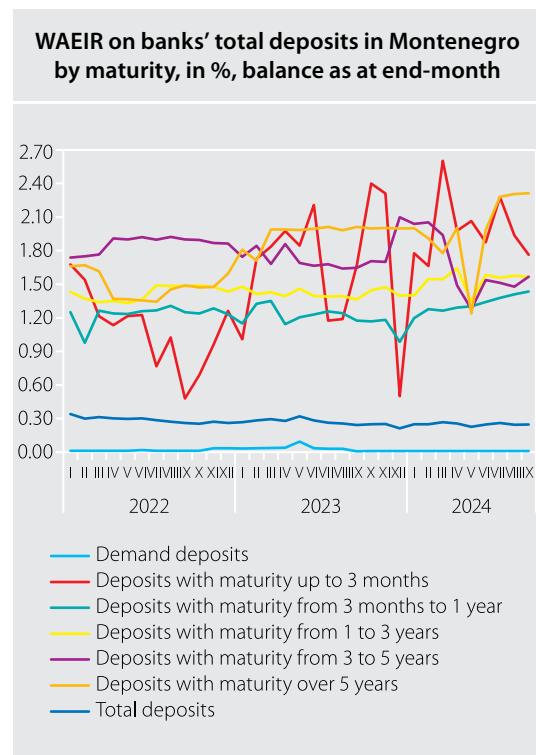
The WAEIR on deposits slightly fluctuated with a positive trend in Q3 2024. The WAEIR on short-term loans stood at 0.25% at end-September 2024, remaining unchanged compared to September 2023 and being higher by 0.03 pp compared to end-2023.

Interest rates on deposits with agreed maturity over three months and up to one year and deposits from three to five years declined both by 0.08 pp, respectively. Interest rates on deposits with other maturities increased with the highest increase of 0.30 pp in interest rates on deposits with maturity over five years.

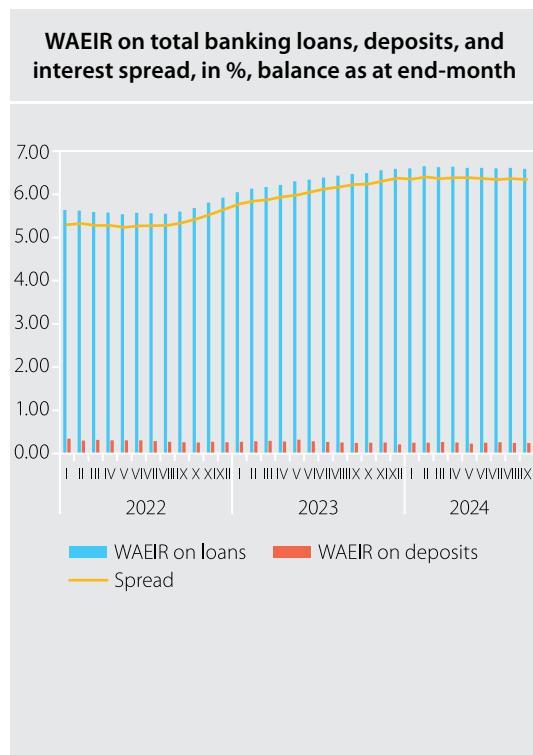
Interest rates on deposits with agreed maturity over three months and up to one year and deposits from three to five years declined both by 0.53 pp, respectively. Other interest rates recorded growths, with the highest being in interest rates on deposits with agreed maturity of up to three months by 1.16 pp (graph 2.35).

In September 2024, the difference between lending and deposit interest rates on total loans and deposits of banks amounted to 6.34 pp, being higher year-over-year when it amounted to 6.23 pp yet lower compared to end-2023 when it amounted to 6.38 pp (graph 2.36).

Graph 2.35



Graph 2.36



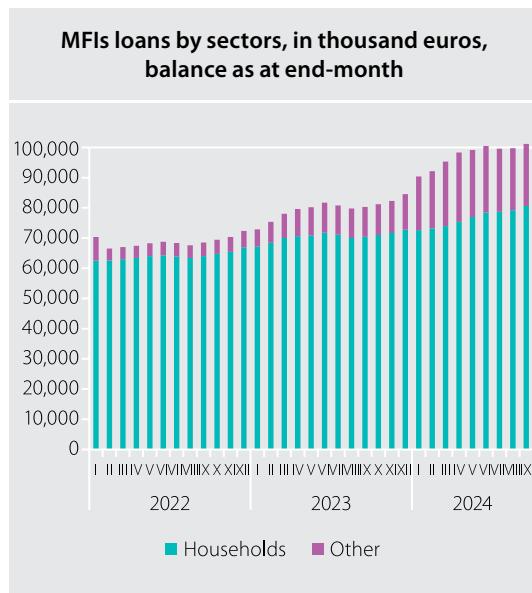
Source: Banks' reports and CBCG calculations

Source: Banks' reports and CBCG calculations

2.3. Microcredit financial institutions

At the end of September 2024, the balance sheet of microcredit financial institutions (MFIs) amounted to 101.21 million euros, which represents an increase of 16.63 million euros or 19.66% compared to the comparative period, i.e. 11.04 million euros or 12.24% compared to the end of the previous year.

Graph 2.37



Source: MFIs reports and CBCG calculations

At end-September 2024, total net MFI loans amounted to 95.91 million euros and they accounted for 94.76% of MFI assets, while gross loans amounted to 101.16 million euros or 94.29% of gross assets). Compared year-on-year, total net MFI loans were 20.87 million euros or 27.81% higher and by 16.29 million euros or 20.47% compared to the end of the previous year. Gross MFI loans recorded the year-on-year increase of 20.86 million euros or 25.98%, and the growth of 16.53 million euros or 19.53% compared to end-2023. The sectoral distribution of household loans shows that the prevailing share of 79.71% of MFI loans was granted to the household sector. Loans to nonfinancial sector accounted to 17.35%, 2.92% went to the financial sector, while the remaining 0.02% referred to non-residents (graph 2.37).

During the first nine months of 2024, MFIs approved a total of 67.46 million euros of new loans, which is an increase of 12.67 million euros or 23.12% year-on-year.

Looking at the maturity structure of new loans in the reporting period, loans approved for a period longer than one year amounted to 57.97 million euros and they accounted for 85.94% of all new loans, which is slightly lower than a year ago when it stood at 86.27%.

Looking at the purpose structure of new loans, the largest share in the amount of 32.39 million euros or 48.01% were loans for the acquisition of fixed assets, followed by loans for liquidity or working assets in the amount of 14.44 million euros or 21.41%, cash loans in the amount of 4.99 million euros or 7.39%, loans for housing purchase and renovation loans in the amount of 3.43 million euros or 5.09%, while 18.10% was for other purposes.

MFI borrowings accounted for 54.64% of total MFI liabilities and capital at the end of September 2024. Some 39.28% related to total capital, followed by “other liabilities” (5.39%), while issued securities accounted for 0.69% of total assets and liabilities.

At end-September this year, total MFIs’ capital amounted to 39.76 million euros, which is an increase of 1.32 million euros or 3.45% year-on-year and of 585,000 euros or 1.50% in relation to end-2023.

At end-September 2024, total MFI borrowings amounted to 55.30 million euros and they were 19.34 million euros or 53.78% higher year-on-year, i.e. 10.98 million euros or 24.77% higher compared to end-2023. The prevailing share of MFI loans of 57.36% were borrowings from foreign financial institutions. Borrowings from domestic banks accounted for 36.58%, borrowings from domestic financial institutions were 0.05%, while 6.01% were borrowings from other sources. At end-September 2024, short-term MFI borrowings accounted for 30.88% of total borrowings, while long-term borrowings made up 69.11%.

At the aggregate level, MFIs recorded a positive financial result of 3.07 million euros in the first nine months of 2024, which represents a decline of 532.000 euros or 14.78% compared to the same nine-month period of 2023.

2.3.1. MFIs interest rates

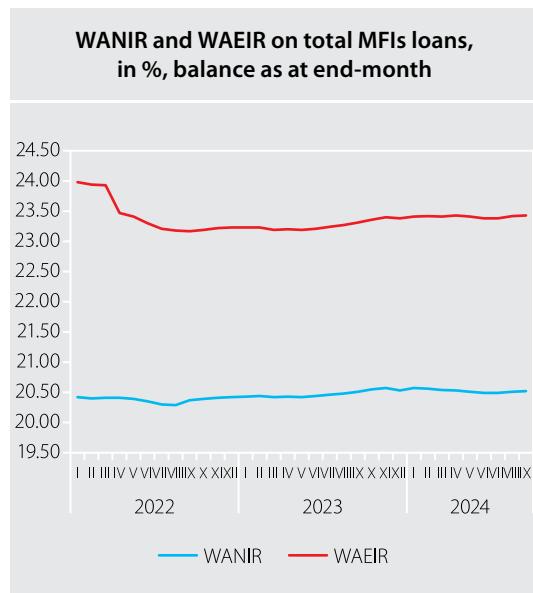
On total loans granted

At end-September 2024, the weighted average nominal interest rate (WANIR) on total MFI loans amounted to 19.43%, being 0.38 pp and 0.20 pp lower year-on-year and compared to the end of 2023, respectively.

The weighted average effective interest rate (WAEIR) reached 21.74% and it dropped 0.71 pp year-on-year and 0.45 pp in relation to end-2023 (graph 2.38).

The WAEIR on total short-term loans stood at 22.29% at end-September this year, being 0.13 pp higher year-on-year or 0.81 pp higher compared to end-2023. At the same period, the WAEIR on total long-term loans stood at 21.71%, being 0.76 pp lower year-on-year and 0.53 pp lower compared to end-2023.

Graph 2.38

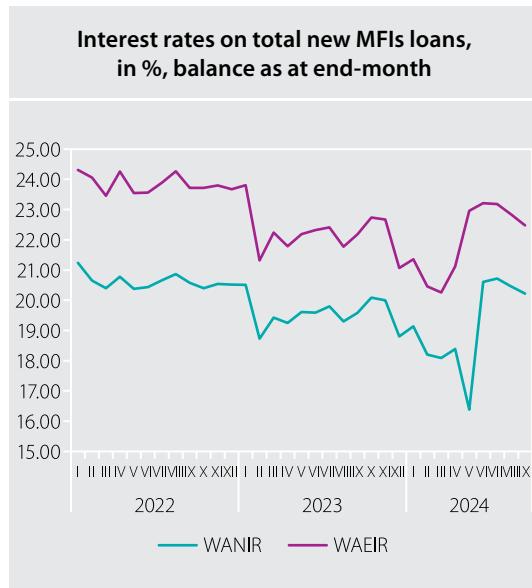


Source: MFIs reports and CBCG calculations

On new loans

At the end of the reporting period, the WANIR on new MFI loans amounted to 20.22%, recording the year-on-year increase of 0.64 pp and a 1.42 pp increase in relation to December 2023.

At the same time, the WAEIR on new loans amounted to 22.48% in September 2024, recording respective increases of 0.30 pp and 1.41 pp compared to September and December 2023 (graph 2.39).

Graph 2.39

Source: MFIs reports and CBCG calculations

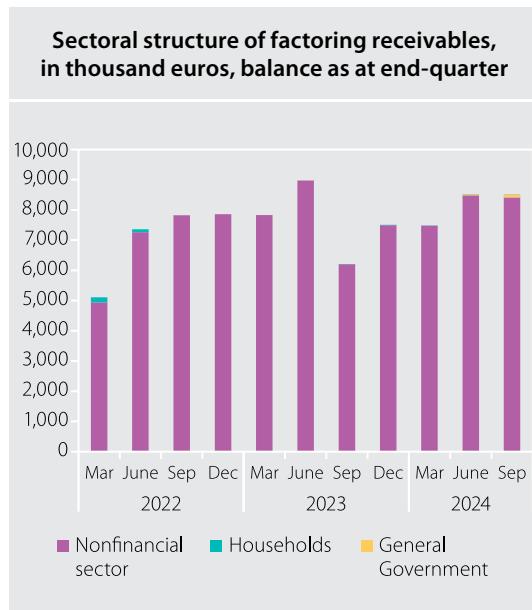
Observed by maturity, the WAEIR on new short-term loans stood at 21.74% in September this year, being 1.51 pp lower year-on-year yet 1.84 pp higher than at end-2023.

On the other hand, the WAEIR on loans with agreed maturity over one year amounted to 22.58% and it grew by 0.55 pp year-on-year, and by 1.29 pp in relation to end-2023.

Observed by purpose of loans granted by these institutions during the reporting period, the highest WAEIR was on short-term loans for car purchase (37.16% in January) then short-term loans for education (36.96% in August), short-term loans for construction or adaptation of construction objects (35.85% in February) and short-term loans for the preparation of tourist season (35.73% in June).

2.4. Factoring companies

As at end-September 2024, total assets and liabilities of factoring companies reached 9.58 million euros, which represents a 3.13 million euros or 48.43% increase year-on-year and a 1.46 million euros or 18.21% growth in relation to the end of 2023.

Graph 2.40

Source: Reports of factoring companies and CBCG calculations

The prevailing share of total assets in the amount of 8.51 million euros or 88.87% was factoring net receivables and they recorded a year-on-year increase of 2.31 million euros or 37.21%, yet an increase of 1.01 million euros or 13.39% compared to the end of 2023. Deposits with banks amounted to 379,000 euros, which is an increase of 163,000 euros or 75.46% more year-over-year, and a drop of 73,000 euros or 16.15% less compared to end-2023. The remaining amount of 464,000 euros were “other assets”, which increased by 379,000 euros or 5.5 times more year-on-year, and growth by 188,000 euros or 68.12% compared to the end of 2023.

The largest portion of gross receivables based on factoring in the amount of 8.41 million euros or 98.80% were related to the nonfinancial sector at the end of September 2024. General Government accounted for 101,000 or 1.19%, while the remaining 1,000 euros or 0.01% related to retail sector (graph 2.40).

Factoring companies were mostly financed from received loans, which at the end-September this year amounted to 7.09 million euros and made up 73.99% of total liabilities. Received loans recorded a growth of 2.26 million euros or 46.77% y-o-y and by 921,000 euros or 14.94% in relation to end-2023. Total capital of factoring companies amounted to 2.08 million euros and it made up 21.75% of the liabilities of these institutions, while the “other liabilities” category accounted for 408,000 euros or 4.26% of the total assets and liabilities. Compared year-on-year, total capital grew by 549,000 euros or 35.79%, i.e. 569,000 euros or 37.58% in relation to the end of the previous year. The category “other liabilities” recorded year-on-year growth of 318,000 euros year (or 4.5 times) yet a decline of 15,000 euros (3.55%) compared to the end of 2023.

2.5. Companies for the purchase of receivables

As at end-September 2024, total assets and liabilities of the companies for the purchase of receivables reached 8.45 million euros, which represents 225,000 euros or 2.74% increase year-on-year and 161,000 euros or 1.94% growth in relation to the end of 2023.

At the end of the reporting period, the structure of total assets and liabilities of companies for the purchase of receivables shows that net receivables based on purchased receivables accounted for the prevailing share of 6.30 million euros or 74.60% of total assets, recording a y-o-y decline of 58,000 euros or 0.91% and a decline of 181,000 euros or 2.79% compared to end-2023. Deposits accounted for the 1.01 million euros or 11.96% of total assets and they grew by 699,000 euros or three times more than at end-2023. The category “other liabilities” accounted for 451,000 euros or 5,34% of total assets and recorded respective declines of 581,000 euros (56.30%) and 969,000 euros (68.24%) compared year-over-year and to December 2023, respectively.

Companies for the purchase of receivables financed themselves mainly from capital which amounted to 5.07 million euros at end-September 2024 and it accounted for 60.02% of total liabilities. Received loans amounted to 1.41 million euros or 16.66% of total liabilities, while the remaining portion of 1.97 million euros or 23.32% referred to the category “other liabilities”. Compared year-on-year, total capital grew by 755,000 euros or 17.50%, and by 569,000 euros or 13.32% in relation to the end of the previous year. Received loans recorded a decline of 256,000 euros or 15.39% year-on-year, and by 1,000 euros lower compared to end-2023. The category “other liabilities” recorded year-on-year growth of 274,000 euros year (or 12.22%) yet a decline of 434,000 euros (18.06%) compared to the end of 2023.

2.6. Investment and Development Fund

At the end of September 2024, total assets and liabilities of the Investment and Development Fund amounted to 406.33 million euros and decreased by 23.64 million euros or 5.50% year-on-year, and by 27.38 million euros or 6.31% compared to the end of the previous year.

At end-September 2024, total liabilities amounted to 293.89 million euros or 72.33% of total liabilities, and were 36.46 million euros or 11.04% lower year-on-year and 35.42 million euros or 10.76% lower compared to end-2023.

Non-performing assets amounted to 26.34 million euros, accounting for 6.84% of total assets. In relation to September 2023, total non-performing assets were lower by 14.04 million euros or 34.78%, and by 9.39 million euros or 26.27% compared to end-December 2023.

In the first nine months of 2024, the Investment and Development Fund recorded a profit of 8.94 million euros, 2.67 million euros or 42.60% more compared year-on-year.