

# MONETARY DEVELOPMENTS

02



## 2.1. Most important developments in the banking sector

During the first three months of 2025, the banking sector of Montenegro was highly liquid although daily (1.27) and ten-day liquidity ratios (1.30) were lower y-o-y and compared to the end of 2024.

Liquid assets of banks decreased by 0.95% year-on-year. At the same time, the loans to deposits ratio increased from 0.79 to 0.86.

Total assets of banks amounted to 7,136.19 million euros and increased by 515.03 million euros or by 7.78% on the annual level, mostly due to the growth of total loans in the amount of 599.51 million euros or 14.07%. At the annual level, there was a decrease in cash assets and deposit accounts with central banks in the amount of 144.44 million euros or 15.62%, as well as an increase in investments in securities in the amount of 42.96 million euros or 3.18%. At the same time, in the structure of the banks' liabilities, the dominant share of 78.90%, as well as the largest growth of 297.45 million euros or 5.58%, was held by deposits (which amounted to 5,630.74 million euros).

Observed by sector, loans granted to residents increased the most on an annual basis, in the amount of 511.00 million euros or 14.75% (85.24% of the total growth of loans in the observed period). Observed by purpose, most banking loans disbursed were cash loans (22.06%) and liquidity loans (19.15%). Banks granted new loans in the total amount of 502.29 million euros in the reporting quarter, which is 135.03 million euros or 36.77% more year-on-year. The main share of these loans, 151.89 million euros or 30.24%, were cash loans, and liquidity loans that accounted for 146.13 million euros or 29.09%.

Non-performing assets of banks amounted to 216.66 million euros and they declined by 67.05 million euros or 23.63% on the annual level, as well as their share in total assets of banks by 1.25 pp (3.04%). At the same time, non-performing loans, which make up the largest portion of non-performing assets, decreased by 56.61 million euros (or 26.94%) and amounted to 153.50 million euros, and their share in total loans decreased by 1.77 pp to 3.16%.

The allocated reserve requirement increased in line with the growth of the base for its calculation (deposits in banks) by 22.60 million euros or 7.90% on the annual basis and it reached 308.65 million euros.

At end-March 2025, the weighted average effective interest rate on total loans amounted to 6.41% being 0.22 pp lower year-over-year and 0.09 lower compared to end-2024. As a result of the initiative to reduce interest rates on retail loans, which was accepted by all banks on a voluntary basis, the average weighted active nominal interest rate (WANIR) on new retail loans amounted to 6.39% in March 2025. It recorded a decline of 1.50 pp year-on-year, i.e. a drop of 0.02 pp relative to the previous quarter. Weighted average deposit effective interest rate on total deposits was 0.27% at the end of March 2025 and was unchanged on an annual basis, while compared to the end of the previous year, it recorded an increase of 0.02 pp.

The total capital of banks amounted to 926.09 million euros and increased in all eleven banks, and at the system level it recorded an annual growth of 106.35 million euros or 12.97%. The solvency ratio at the banking system level stood at 20.14% (a 0.26 pp annual growth) and it was above the statutory minimum of 8%.

At the end of the reporting quarter, banks recorded a positive financial result in the total amount of 34.17 million euros, which represents the annual decrease of 4.50 million euros or 11.63%. All eleven banks reported profit.

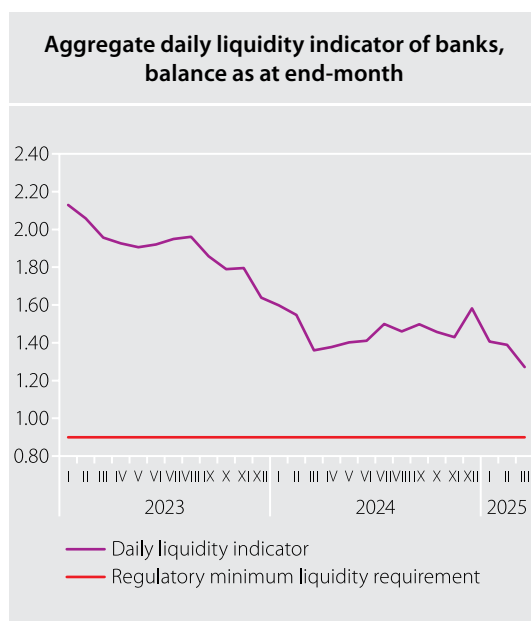
### 2.1.1. Banks' liquidity

During the first quarter of 2025, the banking sector of Montenegro was highly liquid, as shown by the key liquidity indicators which were significantly above the prescribed minimum<sup>31</sup> at the aggregate level (graphs 2.1 and 2.2).

Observed by banks, all eleven banks regularly settled their current liabilities and maintained their daily and ten-day liquidity ratios above the statutory minimums.

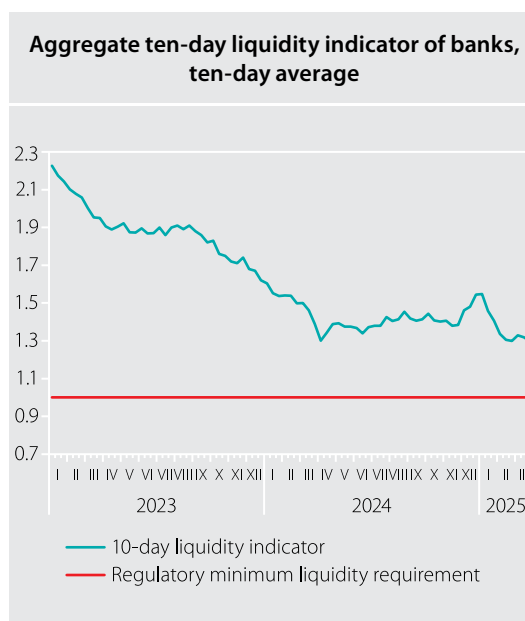
At the end of the observed period, the daily liquidity ratio amounted to 1.27 and it was lower year-on-year (1.36), as well as compared to the end-2024 when it stood at 1.58.

Graph 2.1



Source: Banks' daily reports

Graph 2.2



Source: Banks' ten-day reports

<sup>31</sup> The Decision on liquidity risk management in credit institutions (OGM 127/20 and 140/21) is in force, which stipulates the obligation of banks to maintain minimum liquidity ratios on a daily (0.9) and ten-day basis (1.0), as well as a minimum level of the liquidity coverage ratio of the banking system (100%): ([https://www.cbcg.me/slike\\_i\\_fajlovi/eng/fajlovi/fajlovi\\_brzi\\_linkovi/propisi/supervision/dec\\_on\\_liquidity\\_risk\\_management\\_in\\_ci\\_140-21.pdf](https://www.cbcg.me/slike_i_fajlovi/eng/fajlovi/fajlovi_brzi_linkovi/propisi/supervision/dec_on_liquidity_risk_management_in_ci_140-21.pdf)).

At end-March 2025, ten-day liquidity ratio amounted to 1.30 and it was lower year-on-year (1.39) and compared to the end-2024 when it stood at 1.54.

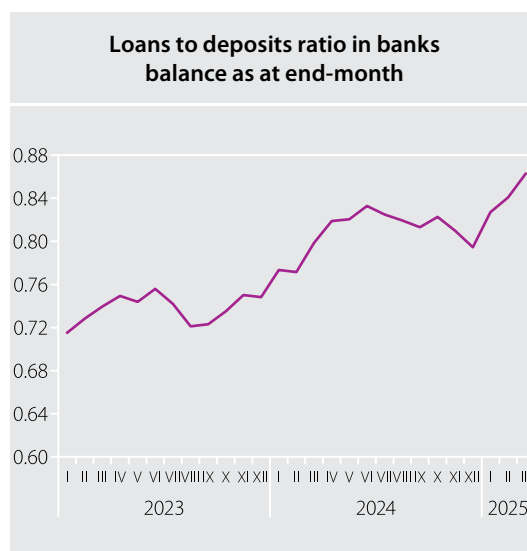
In the first three months of the current year, the average daily liquidity indicator amounted to 1.36, while it amounted to 1.51 the same period last year.

All banks regularly settled their current liabilities and maintained their daily and ten-day liquidity ratios above the statutory minimums during the reporting period.

At the end of the reporting period, banks' liquid assets amounted to 1,276.56 million euros, which represents an annual decrease of 12.18 million euros or by 0.95%, while compared to the end of the previous year it was lower by 394.84 million euros or by 23.62%. The share of liquid assets in total assets was 17.89% at end-March 2025, 19.46% year-on-year, and 23.05% at end-December 2024.

The loans to deposits ratio stood at 0.86 at end-March 2025, being by 0.06 pp higher than a year ago when it amounted to 0.80, and 0.07 pp higher compared to end-2024 (graph 2.3).

**Graph 2.3**



Source: Banks' monthly reports

## 2.1.2. Aggregate balance sheet of banks

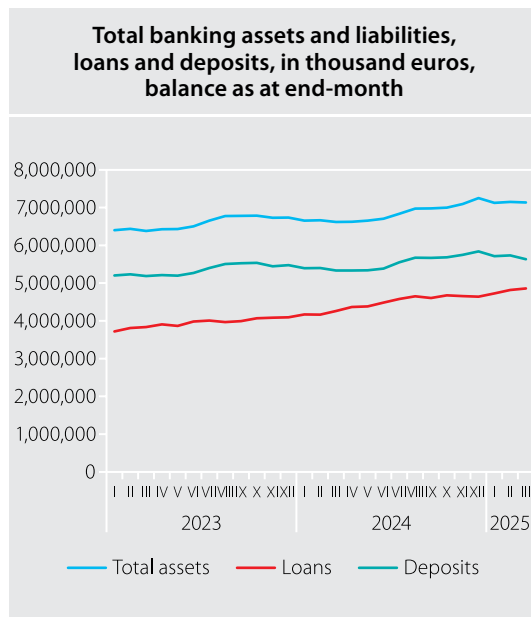
At end-March 2025, total assets of banks amounted to 7,136.19 million euros, recording the increase of 515.03 million euros or 7.78% compared y-o-y, and the decrease of 114.30 million euros or 1.58% compared to end-2024.

At the annual level, the growth of total assets is mostly the result of the growth of total loans, which increased by 599.51 million euros or 14.07%, as well as the increase in receivables based on securities in the amount of 42.96 million euros or 3.18%, while cash and deposit accounts with central banks recorded a decrease in the amount of 144.44 million euros or 15.62%.

Observed in relation to the end of the previous year, the growth of total assets is mostly the result of an increase in total loans in the amount of 219.41 million euros or 4.73%, as well as investments in securities in the amount of 74.16 million euros or 5.63%. However, cash and deposit accounts with central banks recorded a decrease in the amount of 427.84 million euros or 35.41%.

As for the structure of liabilities, the largest year-on-year growth was recorded by deposits, 297.45 million euros or 5.58%, followed by total capital in the amount of 106.35 million euros or 12.97%. Also, growth was recorded in borrowings in the amount of 90.20 million euros or 37.72%, "other liabilities" in the amount of 20.49 million euros or 9.01%, as well as financial derivatives in the amount of 548,000 euros or 34.21%.

Graph 2.4



Source: Bank reports and CBCG calculations

Observed by the structure of liabilities, the largest growth compared to the end of the previous year was recorded with borrowings in the amount of 59.38 million euros or 21.99%, followed by total capital with an increase of 35.18 million euros or 3.95%. On the other hand, deposits recorded a decline of 208.10 million euros or 3.56%, “other liabilities” which dropped by 453,000 euros or 0.18%, as well as financial derivatives that declined by 307,000 euros or 12.49%.

In the structure of banks’ assets, total loans had a prevailing share of 68.09% in the observed period (by 3.76 percentage points more compared to the comparative period of the previous year, while compared to the end of the previous year they were higher by 4.10 pp). On the liabilities side, the dominant share of 78.90% is recorded by deposits with banks (by 1.65 pp less compared to the comparative period of the previous year, i.e. a drop of 1.63 pp compared to the end of the previous year) (graph 2.4).

### Box 2.1 – Concentration index of the banking sector in Montenegro

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

Table 1

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

	2023				2024			2025	
	III	VI	IX	XII	III	VI	IX	XII	III
To assets	1,332.56	1,343.25	1,364.47	1,394.54	1,386.50	1,407.93	1,417.88	1,437.94	1,451.09
To loans	1,754.27	1,742.43	1,793.87	1,749.70	1,733.32	1,720.60	1,717.61	1,690.97	1,733.24
To deposits	1,301.77	1,310.43	1,341.10	1,364.09	1,342.39	1,365.74	1,406.83	1,412.03	1,396.64

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.

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).

At end-March 2025, the HHI for assets, loans and deposits was in the range of 1,000.00 - 1,800.00, which indicates a moderate concentration<sup>32</sup> of the banking sector (table 1). At the same time, the highest

<sup>32</sup> 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).

degree of concentration was recorded in the case of credit concentration, followed by concentration according to assets, while the concentration according to deposits is the lowest.

Observed according to assets, the HHI amounted to 1,451.09 index units at the end of March 2025, which recorded an annual growth of 64.58 index points, and an increase of 13.14 index points compared to the end of the previous year.

Observed according to loans, the HHI was 1,733.24 index units at the end of March 2025, which represents an annual decrease of 0.08 index points, yet an increase of 42.27 index points compared to the end of the previous year.

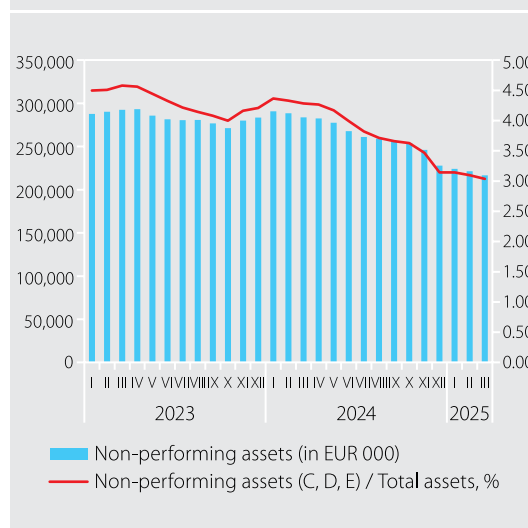
Observed according to deposits, the HHI amounted to 1,396.64 index units at the end of March 2025, which recorded an annual growth of 54.26 index points, and a decrease of 15.39 index points compared to the end of the previous year.

At end-March 2025, NPLs of banks amounted to 216.66 million euros, which a decrease of 67.05 million euros or 23.63% year-on-year and a decline of 11.19 million euros or 4.91% compared to end-2024. The share of non-performing assets in banks' total assets amounted to 3.04%, which is the year-on-year decline of 1.25 pp and a decrease of 0.11 pp in relation to end-2024 (graph 2.5).

At the end of March this year, banks recorded a positive financial result in the total amount of 34.17 million euros, which represents the annual decrease of 4.50 million euros or 11.63%. All eleven banks reported profit.

**Graph 2.5**

**Non-performing assets, in thousand euros (lhs) and the share of non-performing in total banks' assets, in % (rhs), balance as at end-month**



Source: Bank reports and CBCG calculations

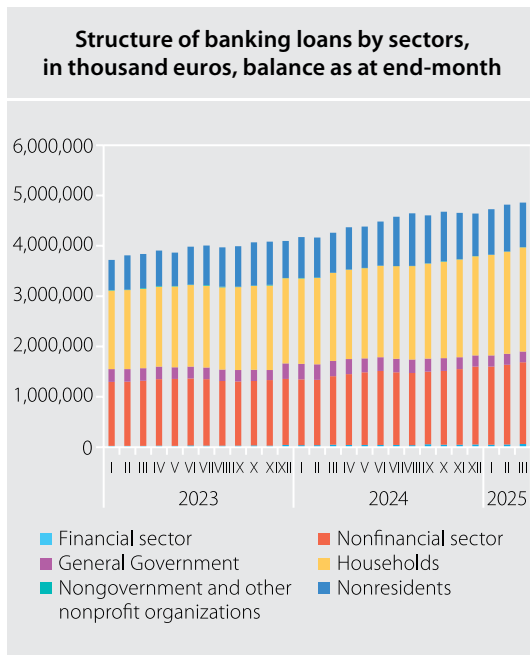
### 2.1.3. Banks' lending activity

Total banking loans were on an uptrend during the reporting quarter, increasing at an average monthly rate of 1.55%, which represents a growth compared to the previous year when they grew at an average monthly rate of 1.33%. At the end of the observed period, banking loans amounted to 4,859.13 million euros, which is 599.51 million euros or 14.07% more year-on-year and 219.41 million euros or 4.73% more in relation to end-2022. In relation to the same period of the previous year, growth was recorded in ten banks, while a decrease was recorded in one bank. In relation to the end of the previous year, eight banks recorded credit growth whereas three banks saw the decline.

The sectoral structure of banking loans indicates that the largest portion of loans in the amount of 3,975.61 million euros or 81.82% was granted to residents. Of total disbursed loans, 42.60% were grant-

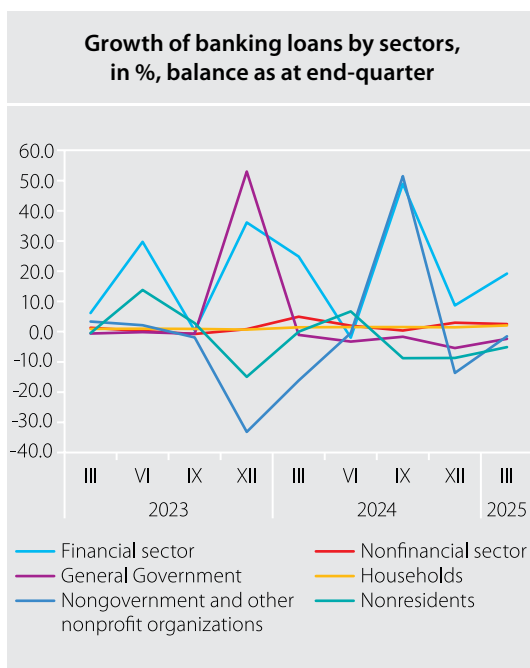
ed to the retail sector, 33.41% to the non-financial sector, 4.43% to the General government, 1.28% to the financial sector, while 0.09% related to non-government and other non-profit institutions. At the end of the reporting period, loans granted to non-residents accounted for 883.52 million euros 18.18% of total loans granted, of which 14.48% related to the financial sector, 2.52% to the nonfinancial sector, and 1.19% to natural persons (graph 2.6).

Graph 2.6



Source: Bank reports and CBCG calculations

Graph 2.7



Source: Bank reports and CBCG calculations

Observed by sectors, the largest year-on-year growth was recorded with loans granted to residents, in the amount of 511.00 million euros or 14.75% while loans granted to non-residents recorded a growth of 88.51 million euros or 11.13%. When it comes to residents, the retail sector recorded the highest loan growth of 325.59 million euros (18.66%) followed by non-financial sector loans with 259.91 million euros (19.06%). Growth was also recorded in loans granted to the financial sector in the amount of 13.63 million euros or 28.01%, while General government loans declined by 87.76 million euros or 28.96%, as well as to non-government and other non-profit organizations in the amount of 357,000 euros or 7.38%.

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 176.02 million euros or 4.63%, whereas loans granted to non-residents recorded an increase of 43.39 million euros or 5.16%. When it comes to residents, the retail sector recorded the highest loan growth of 100.34 million euros (5.09%) followed by non-financial sector loans with 77.06 million euros (4.98%). Banking loans granted to the financial sector also rose by 7.98 million euros or 14.70%. On the other hand, a decrease in approved loans in the amount of 9.06 million euros or 4.04% was recorded with the General government sector, as well as with NGOs and other non-profit institutions in the amount of 299,000 euros or 6.26%.

If we look at the monthly growth rates of total loans by sector, it can be seen that the smallest oscillations in the movement of total approved loans have the General government sector, the non-governmental and other non-profit organizations sector, the non-financial sector, the population and non-residents, while the oscillations during the first quarter of 2025 are present in the financial sector (graph 2.7).

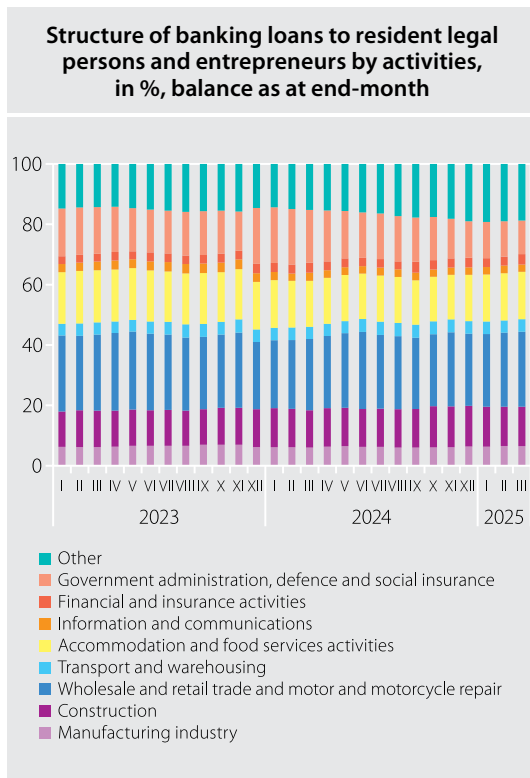
At the end of March 2025, the debt based on loans of resident legal persons and entrepreneurs amounted to 1,910.46 million euros, which represents an increase of 186.69 million euros or 10.83% on the annual level. In relation to the end of the previous year, debt growth arising from loans to resident legal persons and entrepreneurs amounted to 75.74 million euros or 4.13%. The nominal growth of the loan debt is mostly the result of the growth of loans granted to the following activities: wholesale trade and retail trade and repair of motor vehicles and motorcycles, electricity supply, accommodation and food service activities, construction, manufacturing industry, artistic, entertainment and recreational activities, and real estate activities. On the other hand, the decrease in loans at the annual level was recorded in the following activities: state administration and defence, compulsory social security, agriculture, forestry and fishing, mining and quarrying, water supply. Growth compared to the end of the previous year is largely the result of growth in loans granted to the following activities: wholesale and retail trade and repair of motor vehicles and motorcycles, accommodation and food service activities, financial and insurance activities, manufacturing industry. On the other hand, a decrease in loans at the annual level was recorded in the following activities: state administration and defence, compulsory social security, water supply, and administrative and ancillary service activities (table 2.1).

Table 2.1

Banking loans to resident legal persons and entrepreneurs by activities, in thousand euros and %, balance as at end-month							
Industry	31/03/2024	31/12/2024	31/03/2025	March 2025 March 2024		March 2025 December 2024	
	in 000 euros	in 000 euros	in 000 euros	in 000 euros	in %	in 000 euros	in %
1. Agriculture, forestry and fishery	20,120	15,527	16,584	-3,536	-17.57	1,057	6.81
2. Mining and quarrying	16,388	12,557	13,050	-3,338	-20.37	493	3.93
3. Manufacturing industry	103,310	116,642	123,812	20,502	19.85	7,170	6.15
4. Electricity supply	26,705	83,550	85,803	59,098	221.30	2,253	2.70
5. Water supply	11,552	9,075	8,503	-3,049	-26.39	-572	-6.30
6. Construction	213,480	247,178	249,360	35,880	16.81	2,182	0.88
7. Wholesale and retail trade and repair of motor vehicles and motorcycles	406,945	438,835	474,764	67,819	16.67	35,929	8.19
8. Transport and warehousing	70,186	75,890	79,303	9,117	12.99	3,413	4.50
9. Accommodation and food service activities	262,575	281,700	300,887	38,312	14.59	19,187	6.81
10. Information and communications	45,767	45,311	45,133	-634	-1.39	-178	-0.39
11. Financial and insurance activities	57,976	59,141	66,329	8,353	14.41	7,188	12.15
12. Real estate activities	59,563	75,035	75,209	15,646	26.27	174	0.23
13. Professional, scientific and technical activities	43,264	44,411	44,624	1,360	3.14	213	0.48
14. Administrative and ancillary service activities	27,109	33,374	32,898	5,789	21.35	-476	-1.43
15. Public administration and defence, compulsory social security	300,919	222,291	212,988	-87,931	-29.22	-9,303	-4.19
16. Education	1,071	1,273	1,172	101	9.43	-101	-7.93
17. Human health and social work activities	15,314	14,363	17,871	2,557	16.70	3,508	24.42
18. Artistic, entertainment and recreational activities	25,556	40,521	44,278	18,722	73.26	3,757	9.27
19. Other service activities	15,968	18,047	17,890	1,922	12.04	-157	0.87
20. Total	1,723,768	1,834,721	1,910,458	186,690	10.83	75,737	4.13

Source: Banks' reports and CBCG calculations

Graph 2.8

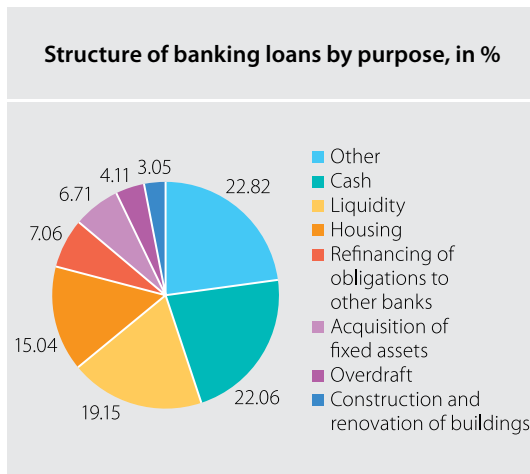


Source: Bank reports and CBCG calculations

In the structure of loans of legal persons by activity at end-March 2025, the main share of 24.85% was of loans to wholesale and retail trade and repair of motor vehicles and motorcycles, followed by loans for accommodation and food service activities with 15.75%, and construction activity loans with a share of 13.05%, loans granted to public administration and defence and compulsory social security with a share of 11.15%, while all other activities accounted for 35.20% of loans (graph 2.8).

Observed by purpose, the main share of banking loans referred to cash loans (22.06%), liquidity loans (19.15%), housing loans (15.04%), loans for refinancing liabilities to other banks (7.06%), overdraft loans (4.11%), and loans for construction and renovation of buildings (3.05%). The remaining part of 22.82% of banks' loans related to the purchase of cars, credit card loans, consumer loans, preparation for the tourist season, for the purchase of securities and other purposes (graph 2.9).

Graph 2.9



Source: Bank reports and CBCG calculations

Compared to the same three-month period in 2024, cash loans rose by 193.44 million euros or 22.02%, followed by housing loans which increased by 117.14 million euros or 19.09% (table 2.2). On the other hand, a decline was recorded in loans for the purchase of securities, consumer loans, as well as loans for the preparation of the tourist season.

Compared to the same three-month period in 2024, liquidity loans rose by 130.00 million euros or 16.24%, followed by cash loans which increased by 58.79 million euros or 5.80% (table 2.2). On the other hand, decline was recorded with consumer loans and credit card loans.

Table 2.2

Banking loans by purpose, in thousand euros, balance as at 31 March 2024, 31 December 2024, and 31 March 2025							
Loan purpose	31/03/2024	31/12/2024	31/03/2025	March 2025 March 2024		March 2025 Dec 2024	
	in 000 euros	in 000 euros	in 000 euros	in 000 euros	in %	in 000 euros	in %
1. Liquidity (working assets)	851,231	800,606	930,603	79,372	9.32	129,997	16.24
2. Construction and renovation of buildings	141,223	144,018	148,268	7,045	4.99	4,250	2.95
3. Refinancing of liabilities to other banks	315,552	338,187	342,940	27,388	8.68	4,753	1.41
4. Car purchase	19,340	27,884	28,361	9,021	46.64	477	1.71
5. Purchase of securities	3,955	1,363	1,362	-2,593	-65.56	-1	-0.07
6. Purchase of fixed assets	297,562	319,183	325,823	28,261	9.50	6,640	2.08
7. Preparation of tourist season	14,642	13,490	13,865	-777	-5.31	375	2.78
8. Consumer loans	22,183	21,048	20,318	-1,865	-8.41	-730	-3.47
9. Cash (general purpose)	878,345	1,012,988	1,071,781	193,436	22.02	58,793	5.80
10. Housing loans	613,512	703,347	730,655	117,143	19.09	27,308	3.88
11. Credit cards	21,121	22,784	22,530	1,409	6.67	-254	-1.11
12. Overdraft	167,151	168,282	199,511	32,360	19.36	31,229	18.56
13. Other	913,797	1,066,537	1,023,108	109,311	11.96	-43,429	-4.07
14. Total	4,259,614	4,639,717	4,859,125	599,511	14.07	219,408	4.73

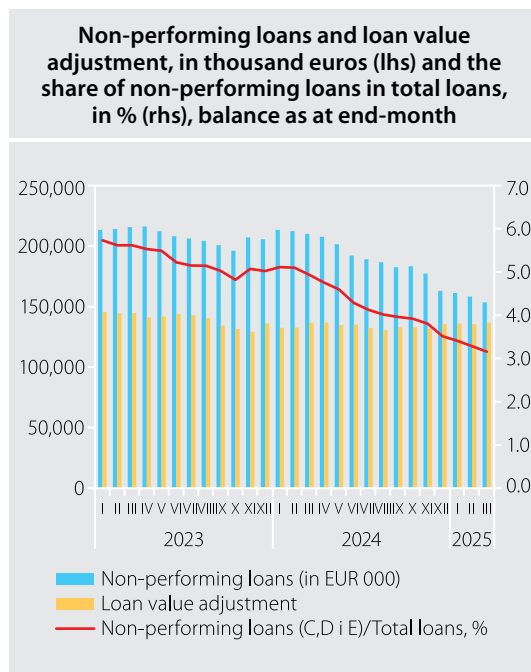
Source: Banks' reports and CBCG calculations

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 96.87%, and in terms of maturity, long-term loans (with agreed maturity over one year) prevailed and made up 79.06%. Loans with the repayment period of over three years amounted to 3,422.37 million euros and they accounted for 89.09% and 70.43% of total loans.

At end-March this year, banks' non-performing loans (NPLs) amounted to 153.50 million euros and they were 56.61 million euros or 26.94% lower year-over-year and 9.55 million euros or 5.86% in relation to end-2024. At the end of the reporting period, NPLs accounted for 3.16% of total banking loans, and their share in total loans decreased by 1.77 pp annually and by 0.36 pp in relation to end-2024.

Observed in relation to the comparative period, in the structure of resident legal entities by activity, the growth of non-performing loans was recorded only in the information and communications sector, in the amount of 157,000 euros or 50.16%, while a decrease was recorded in all other activities. The most significant decline was recorded in the resident construction sector, in the amount of 14.97 million euros or 56.08%, and in the non-resident sector in the amount of 8.29 million euros or 15.33%.

Observed in relation to the end of the previous year, in the structure of resident legal entities by activity, the largest increase in non-performing loans was recorded in information and communications in the amount of 70,000 euros or 17.50%, as well as in the mining and quarrying in the amount of 48,000 euros or 11.32%, while in all other activities there was a decrease, the most significant of which was in the accommodation and food services, in the amount of 1.82 million euros or 5.99%.

**Graph 2.10**


Source: Banks' reports and CBCG calculations

At the end of March 2025, the total value adjustment amounted to 136.61 million euros and recorded a decrease of 117,000 euros or 0.09% at the annual level, while compared to the end of the previous year it recorded an increase of 1.03 million euros or 0.76%. The coverage of non-performing loans by value adjustment amounted to 89.00% and it increased year-on-year when it amounted to 65.07%, as well as compared to end-2024 when it reached 83.15% (graph 2.10).

At the end of the reporting period, past due loans amounted to 116.10 million euros or 2.39% of total banking loans. These loans decreased by 3.74 million euros or 3.33% year-on-year and yet they increased 21.96 million euros or 23.32% in relation to end-2024. The share of past due loans recorded a decline of 0.25 pp year-on-year and an increase of 0.36 pp in relation to the end of the previous year.

### New loans

During the first three months of 2025, banks approved a total of 502.29 million euros of new loans, which is an increase of 135.03 million euros or 36.77% year-over-year.

New loans' maturity structure reveals that the main share of 432.50 million euros or 86.10% of new loans were granted against the maturity period of over one year, which is 9.09 pp more than a year ago (graph 2.11).

The purpose structure of new loans shows that the main share of these loans in the amount of 151.89 million euros or 30.24% was of cash loans, followed by loans for liquidity with 146.13 million euros or 29.09%, then loans for realisation of investment programmes with 52.27 million euros or 10.41%, and loans for the purchase and adaptation of apartments with 49.07 million euros or 9.77%. Some 40.47 million euros or 8.06% of new loans were approved for the refinancing

**Graph 2.11**


Source: Banks' reports and CBCG calculations

of liabilities to other banks, while 15.07 million euros or 3.00% of new loans were approved for the construction and adaptation of buildings. Some 14.78 million euros or 2.94% of new loans were approved for the purchase of fixed assets. A sum of 12.99 million euros or 2.59% related to non-purpose mortgage loans, while the remaining 3.90% or 19.62 million euros related to the remaining purposes:

purchase of consumer goods, purchase of cars, purchase of land, preparation for the tourist season, education and other purposes.

### 2.1.4. Bank investments in securities

Thus, the amount of banks' receivables from securities amounted to 1,392.30 million euros as at end-March this year, being 42.96 million euros or 3.18% higher year-over-year and 74.16 million euros or 5.63% higher compared to the previous year-end (graph 2.12). During the first quarter of 2025, bank investments in securities grew at an average monthly rate of 1.88%, while compared to the same period of the previous year, they grew at an average monthly rate of 0.96%.

At end-March 2025, the largest part of 52.11% of total securities related to banks' investments in securities issued by non-residents (equity and debt securities of the private sector), while 47.59% related to investments in various state securities. The remaining 0.30% related to investments in securities issued by other resident sectors.

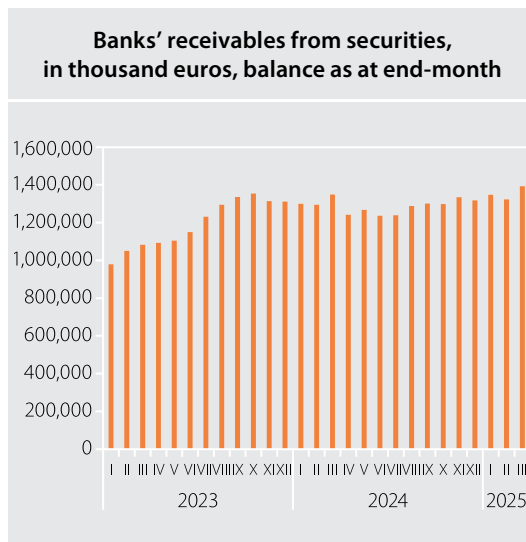
The total amount of banks' receivables on the basis of non-residents' securities was 725.48 million euros and is higher by 61.34 million euros or 9.24% compared to the same period of the previous year, while compared to the end of the previous year it is higher by 17.41 million euros or 2.46%.

At end-March this year, the total amount of banks' receivables based on the General government's securities amounted to 662.60 million euros, which represents a decrease of 18.62 million euros or 2.73% year-on-year, and 56.49 million euros or 9.32% increase in relation to end-2024.

Of the total amount of securities of the General government, 650.44 million euros or 98.17% were bank investments in Government's Eurobonds, 12.15 million euros or 1.83% to domestic government bonds, while there were no investments in government T-bills (graph 2.13).

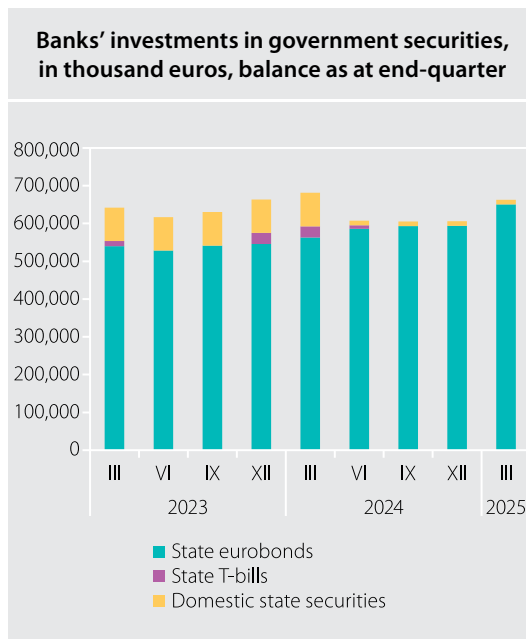
Investments in government Eurobonds increased annually by 87.61 million euros or 15.57%, while compared to December 2024 they increased by 56.61 million euros or 9.53%. Investments of banks in domestic government bonds recorded an annual decrease in the amount of 76.82 million euros or 86.34%, while compared to the end of the previous year they were lower by 121,000 euros or 0.99%.

Graph 2.12



Source: Banks' reports

Graph 2.13



Source: Banks' reports

Receivables of banks arising from securities of other sectors amounted to 4.22 million euros in the observed period, being 246,000 euros or 6.19% higher on an annual basis, while recording an increase of 252,000 euros or 6.35% compared to end-2024.

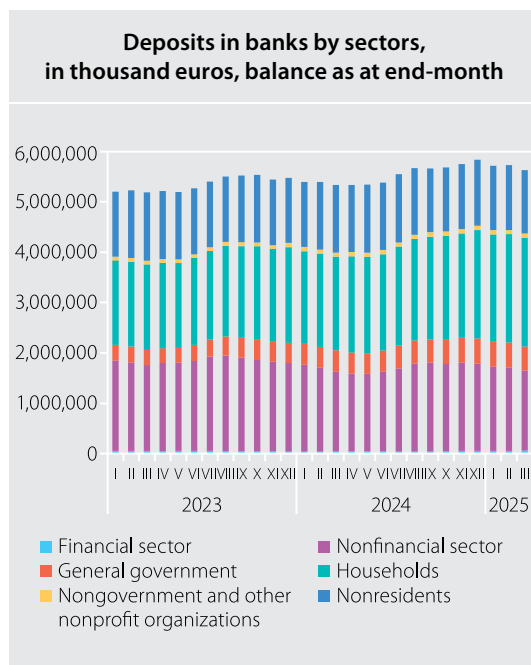
### 2.1.5. Deposits

At end-March 2025, total deposits of banks amounted to 5,630.74 million euros, recording the increase of 297.45 million euros or 5.58% compared y-o-y, and the decrease of 208.10 million euros or 3.56% compared to end-2024. Deposits of this sector declined at an average monthly rate of 1.20% during this period, while in the same period of the previous year they declined at the rate of 0.86%.

Residents' deposits accounted for the main share of total deposits with 4,373.21 million euros or 77.67%. In the structure of total deposits, 38.29% referred to the household sector, 28.17% to the non-financial sector, 8.48% to the General Government, 1.57% to NGOs and other non-profit organisations, 1.16% to the financial sector and 22.33% to non-resident deposits.

All sectors other than the non-residents recorded the year-on-year growth in deposits. Resident deposits recorded a growth in the amount of 380.70 million euros or 9.54% while non-resident deposits declined by 83.25 million euros or 6.21%. In terms of residents' deposits, the highest growth was recorded in the retail sector of 295.89 million euros or 15.91%, followed by the General government with a growth of 53.25 million euros or 12.54%. Deposits of the financial sector recorded a growth of 15.85 million euros or 32.49%, followed by the non-financial sector with a growth of 8.80 million euros or 0.56%, while deposits of non-government and other non-profit organizations recorded growth in the amount of 6.91 million euros or 8.45%.

Graph 2.14



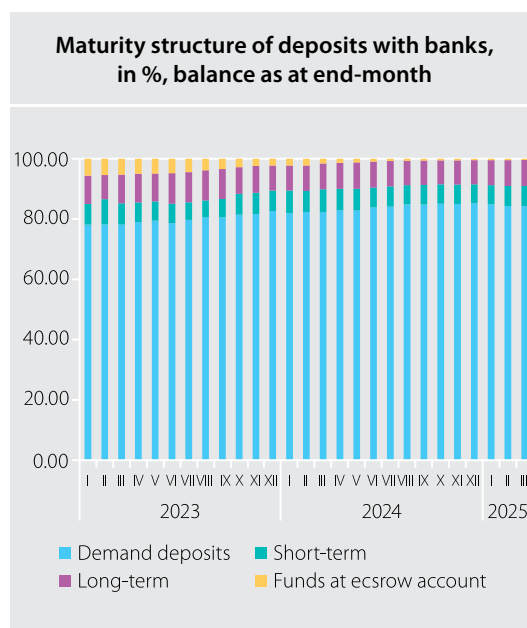
Source: Banks' reports and CBCG calculations

Compared to the end of the previous year, there was a decrease in deposits in most sectors, except for the financial sector, the sector of non-government and other non-profit organizations and the retail sector. At the same time, residents' deposits recorded a higher nominal decline (157.00 million euros or 3.47%) than non-residents' deposits (51.10 million euros or 3.90%). As for residents' deposits, the biggest decline was seen with the non-financial sector of 147.04 million euros or 8.48%, followed by the General government whose deposits dropped by 20.91 million euros or 4.19%. The largest growth of residents' deposits was recorded in the financial sector in the amount of 8.46 million euros or 15.07%, followed by deposits of non-government and other non-profit organizations with a growth of 1.45 million euros or 1.66%, while the retail sector recorded growth in the amount of 1.04 million euros or 0.05% (graph 2.14).

Of total deposits, demand deposits accounted for 4,743.74 million euros or 84.25%, time deposits made up 862.57 million euros or 15.32%, while funds in escrow accounts amounted to 24.44 million euros or 0.43%.

Observed on the annual basis, demand deposits increased by 355.30 million euros or 8.10% in the reporting quarter, while they were 235.82 million euros or 4.74% lower than at end-2024. Long-term deposits were 31.58 million euros or 6.93% higher year-over-year, while compared to the end of the previous year they increased by 20.17 million euros or 4.32%. Short-term deposit dropped by 26.89 million euros or 6.69% on the annual level and increased by 11.72 million euros or 3.22% compared to at end-2024. Funds in escrow accounts dropped by 62.54 million euros or 71.90% on the annual level and by 4.17 million euros or 14.58% compared to at end-2024.

Graph 2.15



Source: Banks' reports and CBCG calculations

The share of demand deposits in total deposits stood at 84.25% at end-March this year, which is an increase of 1.96 pp year-over-year and a drop of 1.04 pp in relation to the end of the previous year. The share of long-term deposits in total deposits was 8.65% and it increased by 0.11 pp year-on-year and 0.65 pp compared to end-2024. The share of short-term deposits in total deposits amounted to 6.67%, which is a 0.88 pp decline year-over-year and a 0.44 pp increase in relation to the end of the previous year. Funds in escrow accounts accounted for 0.43% of total deposits as at end-March, which represents the year-over-year decrease of 1.20 pp and a 0.06 pp decrease compared to end-2024 (graph 2.15).

## 2.1.6. Retail and non-financial sector

### 2.1.6.1. Retail sector

Total debt of the retail sector arising from loans taken from banks amounted to 2,070.09 million euros at end-March 2025, which is 42.60% of the total disbursed banking loans. The indebtedness of this sector increased by 325.59 million euros or 18.66% year-on-year and 100.34 million euros or 5.09% compared to the end of 2024. The average monthly rate of growth of loans to this sector amounted to 1.67% during the first three months of the current year, while in the same period of the previous year the average monthly growth rate was 1.07%.

The retail sector borrows primarily from banks and against the maturity exceeding one year. At end-March 2025, long-term loans accounted for 99.18% of total loans granted to this sector.

Debt per capita<sup>33</sup> amounted to 3,319.15 euros at the end of the reporting period, recording an increase of 522.04 euros or 18.66% year-on-year and 160.90 euros or 5.09% increase in relation to end-2024.

<sup>33</sup> Population estimate for 2024 as at 1 January 2024 amounts to 623,680. Source: MONSTAT.

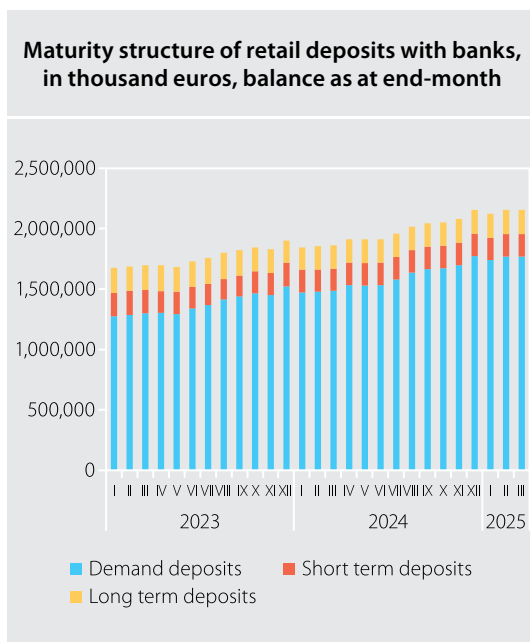
During Q1 2025, the level of deposits was characterized by slight positive trends with certain deviations. On average per month, deposits of this sector grew at a rate of 0.02% during this period, and a rate of 0.71% compared year-on-year. At end-March 2025, retail sector deposits amounted to 2,155.92 million euros, which is 295.89 million euros or 15.91% more year-on-year and 1.04 million euros or 0.05% less than at end-2024.

At end-March 2025, demand deposits accounted for 82.09% of total retail deposits, short-term deposits made up 8.58%, while 9.33% referred to funds deposited for a period over one year. Demand deposits grew by 285.49 million euros or 19.23% year-on-year, while compared to the end of the previous year they recorded a decrease of 400,000 euros or 0.02%. Short-term deposits of households recorded an increase of 2.46 million euros or 1.35% on an annual basis, i.e. a decrease of 1.64 million euros or 0.88% compared to the end of the previous year. Deposits of this sector recorded an increase of 7.94 million euros or 4.11% compared to the same period last year and an increase of 3.08 million euros or 1.55% compared to the end of the previous year. In recent years, changes in the level of short-term, long-term and demand deposits have led to a change in the structure of total deposits, in which the share of long-term deposits decreases in favour of demand deposits (graph 2.16).

During the first three months of 2025, the funds deposited in banks by the retail sector were higher than the loans granted to this sector. At the end of the observed period, net retail sector savings amounted to 85.83 million euros and they dropped by 29.70 million euros year-on-year when it amounted to 115.53 million euros, while it declined by 99.31 million euros compared to end-2024 when it amounted to 185.14 million euros (graph 2.17).

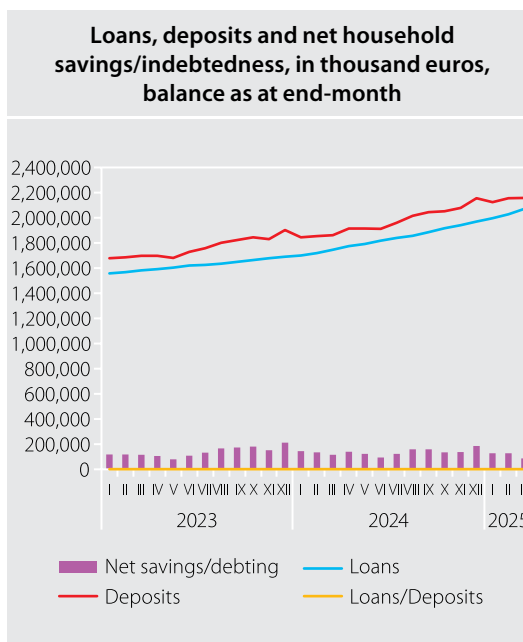
The loans to deposits ratio for this sector amounted to 0.96 and it was somewhat higher than a year ago when it stood at 0.94, as well as compared to the end of 2024 when it stood at 0.91.

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

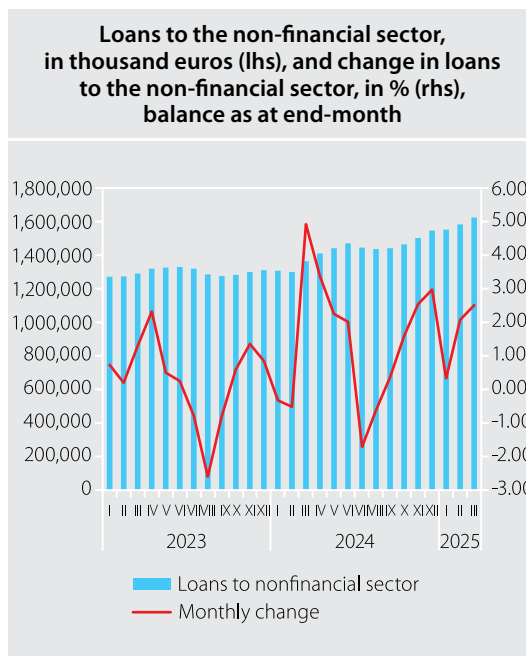
At the end of March this year, the non-financial sector<sup>34</sup> had a debt arising from bank loans in the total amount of 1,623.49 million euros, which is 33.41% of total banking loans granted. Loans to this sector increased by 259.91 million euros or 19.06% at the annual level and by 77.06 million euros or 4.98% in relation to end-2024. On average per month, loans in this sector grew at a rate of 1.64% during the period January - March 2025, while in the same period last year they grew at a rate of 1.36% (graph 2.18). Liquidity loans (working capital) amounted to 930.60 million euros or 57.32% of total loans of the non-financial sector at end-March this year and they rose 79.37 million euros or 9.32% year-on-year and 130.00 million euros or 16.24% compared to end-2024.

The non-financial sector was the second most important depositor in Montenegro's banking system. Total deposits of this sector reached 1,586.31 million euros and they accounted for 28.17% of total deposits at end-March 2025. Deposits by the non-financial sector recorded an increase of 8.80 million euros or 0.56% compared to the same period last year but also a decline of 147.04 million euros or 8.48% compared to the end of the previous year.

During Q1 2025, deposited assets of the non-financial sector with banks were lower than their borrowings. The net debt of this sector was 37.18 million euros, which is lower compared to the same period of the previous year, when the net savings of this sector amounted to 213.93 million euros, as well as compared to the end of the previous year, when net savings were realized in the amount of 186.93 million euros (graph 2.19).

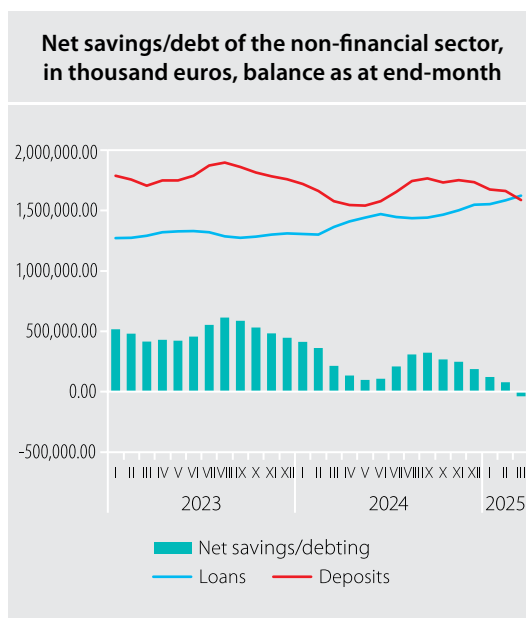
At end-March this year, the loans to deposits ratio for the non-financial sector amounted to 1.02 and it increased in relation to the same month last year when it amounted to 0.86, and compared to end-2024 when it amounted to 0.89.

**Graph 2.18**



Source: Banks' reports and CBCG calculations

**Graph 2.19**



Source: Banks' reports and CBCG calculations

<sup>34</sup> The non-financial sector includes both state-owned and private companies.

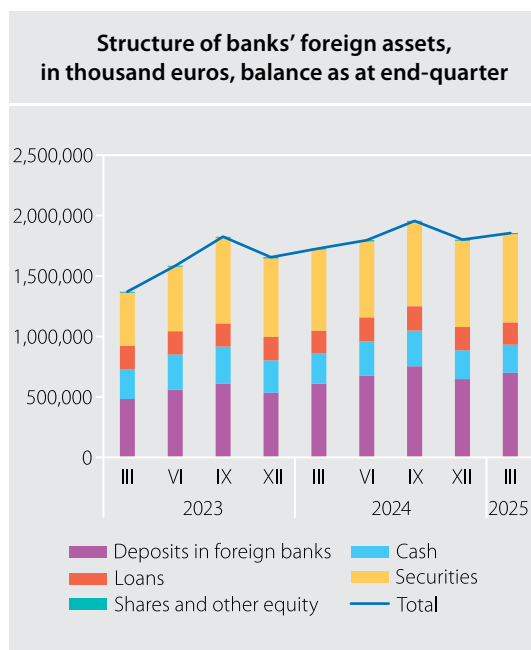
## 2.1.7. Banks' foreign assets and liabilities

As at end-March 2025, banks' foreign assets reached 1,855.75 million euros, which represents a 127.81 million euros or 7.40% increase year-on-year and a 54.71 million euros or 3.04% growth in relation to the end of the previous year.

Observed in relation to the same period of the previous year, the growth of foreign assets is mostly the result of an increase in deposits with foreign banks in the amount of 91.06 million euros or 14.94%. In addition, there was an increase in investments in debt securities of banks in the amount of 60.72 million euros or 9.05%, as well as an increase in shares and other equity investments in the amount of 497,000 euros or 6.85%. In the structure of foreign assets of banks, a decrease related to the comparative period was recorded in cash in the amount of 22.07 million euros or 8.67%, followed by loans to non-residents in the amount of 2.40 million euros or 1.29%, while a slight decrease was recorded in the category of other claims from non-residents.

Compared to the end of the previous year, the growth of foreign assets was mainly the result of an increase in foreign banks' deposits of 52.78 million euros or 8.15%. In addition, there was an increase in investments in debt securities of banks in the amount of 17.22 million euros or 2.41%, as well as an increase in shares and other equity investments in the amount of 51,000 euros or 0.66%. Certain items of foreign assets recorded a decrease in this period. A decrease was recorded in loans to non-residents in the amount of 9.25 million euros or 4.80%, cash in the amount of 6.08 million euros or 2.55%, while in the category of other liabilities from non-residents there was a decrease of 11,000 euros or 23.91% (graph 2.20).

Graph 2.20



Source: Banks' reports

The most important category in the structure of foreign assets of banks are investments in debt securities, which at the end of March of the current year amounted to 731.70 million euros and made up 39.43% of foreign assets. In addition to investments in debt securities, deposits (37.74%) and cash (12.53%) had a significant share in the structure of foreign assets, while loans to non-residents accounted for 9.88%. The remaining 0.42% referred to shares and other equity investments, while the share of other foreign liabilities was negligible.

As at end-March 2025, banks' foreign liabilities amounted to 1,555.34 million euros, which is an increase of 37.02 million euros or 2.44% year-on-year. The growth of banks' foreign liabilities is mostly the result of the growth of borrowings from non-residents in the amount of 122.11 million euros or 81.49%, as well as the growth of debt securities to non-residents in the amount of 144,000 euros or 3.39%. A decrease in relation to the comparative period was recorded in deposits

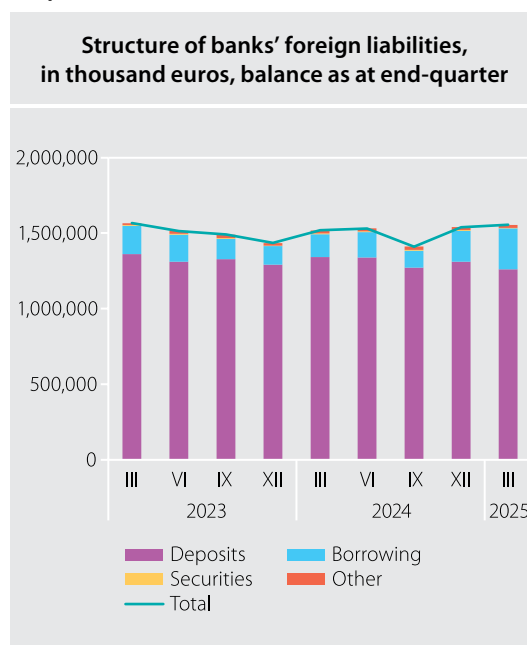
of non-residents in the amount of 83.32 million euros or 6.20%, as well as in other foreign liabilities in the amount of 1.92 million euros or 9.07%.

Compared to the same period of the previous year, foreign liabilities of banks recorded an increase of 15.51 million euros or 1.01%. The growth of banks' foreign liabilities is mostly the result of the growth of borrowings from non-residents in the amount of 66.36 million euros or 32.27%, as well as the growth of other foreign liabilities in the amount of 297,000 euros or 1.57%. A decrease in relation to the observed period was recorded in deposits of non-residents in the amount of 51.09 million euros or 3.90%, as well as in debt securities in the amount of 53,000 million euros or 1.19%.

The main share in foreign liabilities of 1,259.75 million euros or 80.99% was held by deposits of non-residents, followed by borrowing from non-residents in the amount of 271.96 million euros or 17.49%, the category "other foreign liabilities" in the amount of 19.24 million euros or 1.24%, and debt securities to non-residents with 4.40 million euros or 0.28% (graph 2.21).

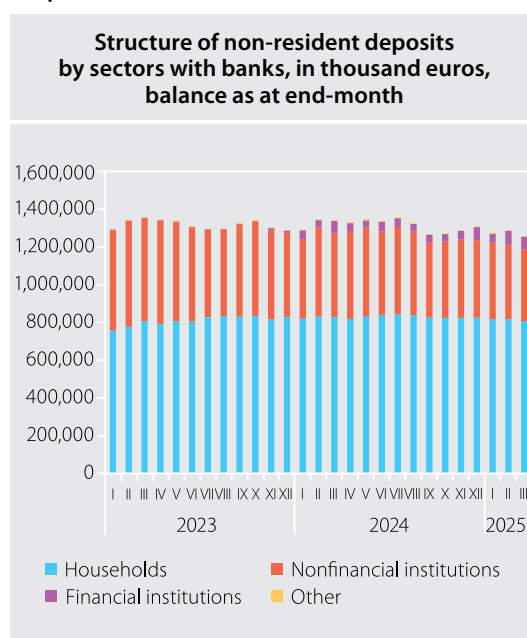
The most significant foreign source of bank financing at the end of March of the current year was deposits of natural persons with 807.73 million euros or 64.23% of the total non-resident deposits, which recorded an annual decrease of 20.10 million euros or 2.43%, and a decrease of 18.39 million euros or 2.23% compared to the end of the previous year. The second most important foreign depositors were foreign companies with a share of 379.87 million euros or 30.21%, and they recorded an increase of 66.18 million euros or 14.84% annually, but they decreased by 29.16 million euros or 7.13% compared to end-2024. Of the remaining 5.56% of foreign financing sources, 5.34%, or 67.13 million euros, related to deposits from foreign depository and other financial institutions (annual growth of 3.71 million euros or 5.85%, and a decrease of 2.10 million euros or 3.03% compared to the end of the previous year). The remaining 0.22% of foreign sources of funds or 2.80 million euros, were deposited by non-resident non-government and other non-profit organizations (annual decrease of 676,000 euros or 19.46%, i.e. a decrease of 1.45 million euros or 34.16% compared to the end of the previous year) (graph 2.22).

**Graph 2.21**



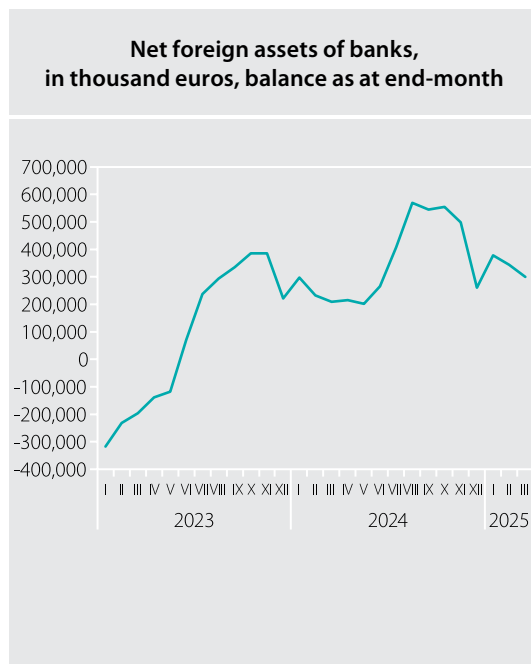
Source: Banks' reports

**Graph 2.22**



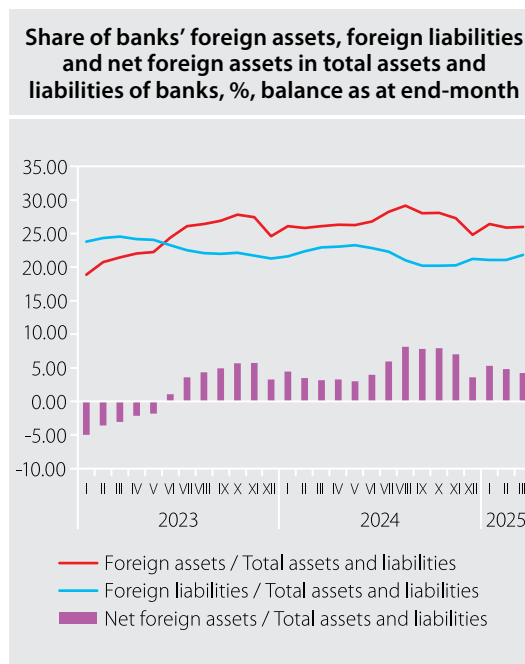
Source: Banks' reports

Graph 2.23



Source: Banks' reports

Graph 2.24



Source: Bank reports and CBCG calculations

At the end of the first quarter of 2025, the foreign assets of banks (1,855.75 million euros) were significantly higher than the liabilities of banks. At the end of March of the current year, net foreign assets amounted to 300.41 million euros and are higher by 90.78 million euros relative to the comparative period (209.63 million euros), and by 39.2 million euros compared to the end of the previous year (261.21 million euros) (graph 2.23).

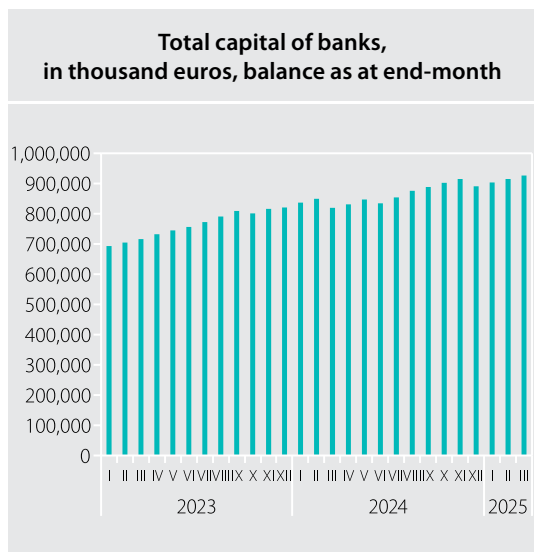
The ratio of foreign liabilities to total assets of banks shows that non-residents financed 21.80% of banks' total assets, while 26.00% of banks' total assets and liabilities related to banks' claims on non-residents. The gap between foreign assets and foreign liabilities of banks amounted to 4.21 pp at end-March 2025. The difference between the share of foreign assets and foreign liabilities in the total assets and liabilities of banks increased relative to the comparative period when it amounted to 3.17 pp, as well as compared to the end of the previous year when it amounted to 3.60 pp (graph 2.24).

### 2.1.8. Banks' capital

At the end of March 2025, the total capital of banks amounted to 926.09 million euros and recorded an annual growth of 106.35 million euros or 12.97%, i.e. a growth of 35.18 million euros or 3.95% compared to the end of the previous year (graph 2.25).

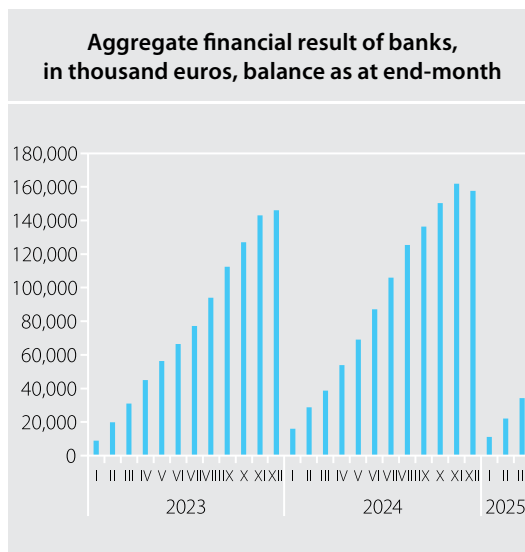
Observed on the annual level, all banks recorded growth in capital. There was no recapitalisation in any of the banks in the first quarter of 2025.

**Graph 2.25**



Source: Banks' reports and CBCG calculations

**Graph 2.26**



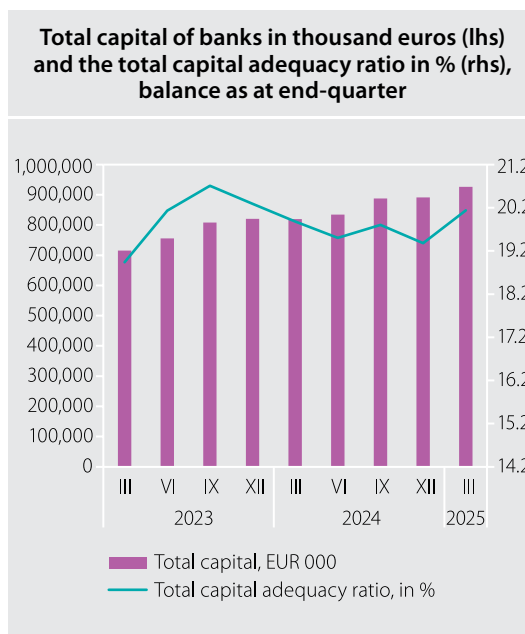
Source: Banks' reports and CBCG calculations

The total financial result was positive at the end of the reporting quarter and it amounted to 34.17 million euros, which represents an increase of 4.50 million euros or 11.63% at the annual level (graph 2.26).

As for the ownership structure of banks' capital, foreign capital accounted for the main share of 87.99%, followed by domestic private capital with 10.94%, while the state had a minor share of 1.07%.

Adequacy ratio of the banking system was above legally prescribed minimum of 8%. At the end of the observed period, it was 20.14% and is higher compared to the same period of the previous year when it was 19.88% (graph 2.27), as well as compared to the end of the previous year when it was 19.38%.

**Graph 2.27**

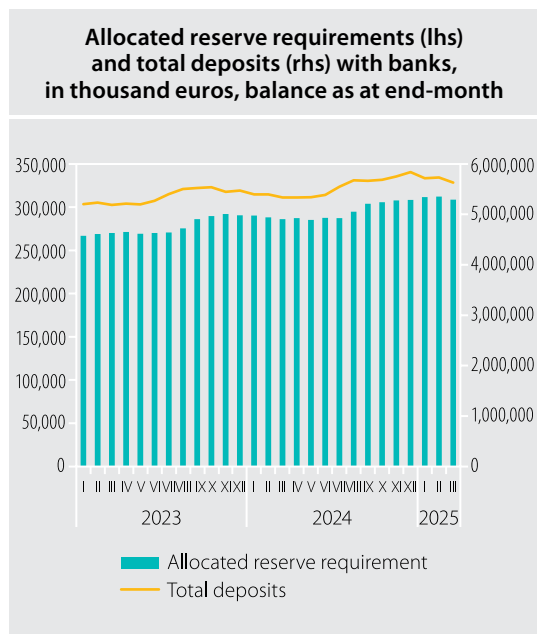


Source: Banks' reports and CBCG calculations

### 2.1.9. Banks' reserve requirements

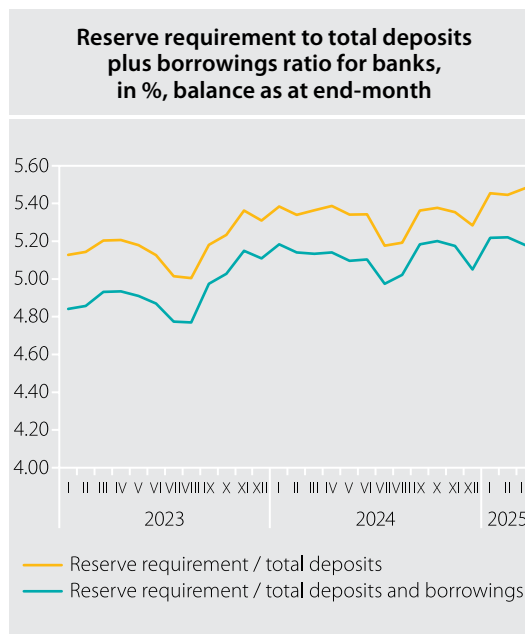
At the end of the observed period, allocated reserve requirement amounted to 308.65 million euros, and on an annual level it recorded an increase of 22.60 million euros or 7.90%. Compared to end-2024, reserve requirement decreased by 152,000 euros or 0.05% (graph 2.28).

Graph 2.28



Source: Banks' reports

Graph 2.29



Source: Banks' reports

The effective reserve requirement rate, measured by allocated reserve requirement and total deposits ratio amounted to 5.48%, recording an increase year-on-year when it amounted to 5.36%, as well as compared to end-2024 when it reached 5.28%.

The reserve requirement to total deposits plus borrowings ratio amounted to 5.18%, recording an annual increase compared to March 2024 when it was 5.13% as well as in relation to end-2024 when it amounted to 5.05% (graph 2.29).

In the total amount of allocated reserve requirement at end-March 2025, 73.00% was allocated to reserve requirement accounts in the country, while 27.00% was allocated to the CBCG account abroad.

In the reporting period, none of the banks resorted to reserve requirement for liquidity purposes, while all eleven banks allocated the statutory amount of reserve requirement.

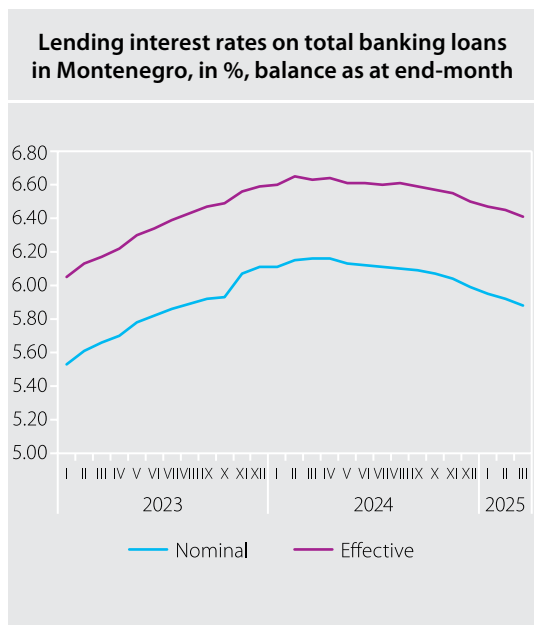
## 2.2. Banks' interest rates

### 2.2.1. Lending interest rates

#### On total loans granted

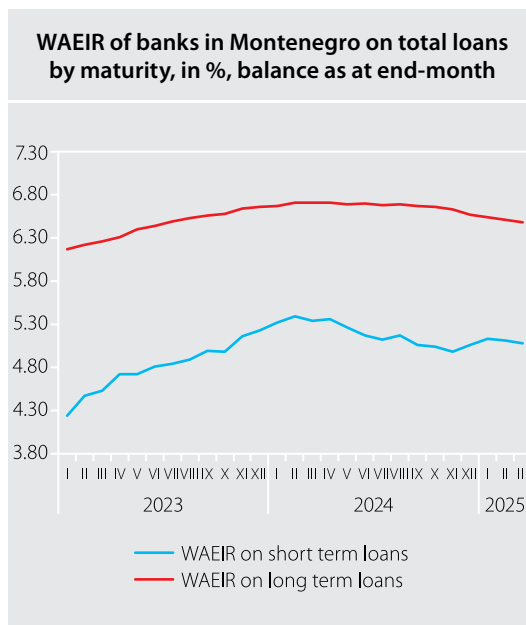
In March 2025, the weighted average nominal interest rate (WANIR) on total loans granted amounted to 5.88% and it was 0.28 pp lower year-on-year, and 0.11 pp lower relative to end-2024. The weighted average effective interest rate (WAEIR) on total loans granted amounted to 6.41%, being 0.22 pp lower annually and 0.09 pp below end-2024 level (graph 2.30).

**Graph 2.30**



Source: Banks' reports and CBCG calculations

**Graph 2.31**



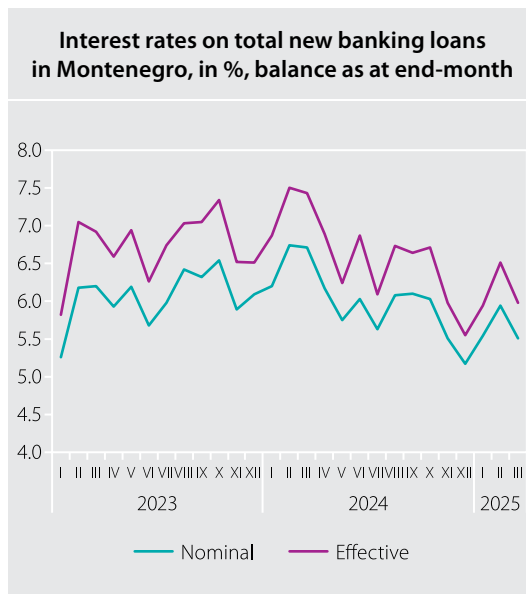
Source: Banks' reports and CBCG calculations

During the first quarter of 2025, there was a downward trend in WANIR on long-term loans, as well as in WAEIR on short-term and long-term loans, while WANIR on short-term loans oscillated slightly. WAEIR on short-term loans amounted to 5.08% in March 2025 and on the annual level recorded a decrease of 0.26 pp, while compared to the end of the previous year it was higher by 0.02 pp. The WAEIR on long-term loans amounted to 6.48%, which is 0.23 pp and 0.09 pp below March and December 2024 levels, respectively (graph 2.31).

**On new loans**

During the first quarter of 2025, the interest rates on new loans usually fluctuated significantly, but at a lower level relative to the comparative period of the previous year, while compared to the end of the year, as usual, they recorded an increase. WANIR on new loans amounted to 5.51% in March 2025 and recorded a decrease of 1.20 pp at the annual level, while compared to the end of the previous year, it recorded an increase of 0.34 pp. At the same time, the WAEIR on new loans amounted to 5.98% and on the annual level it recorded a decrease of 1.45 pp, while compared to the end of the previous year it recorded an increase of 0.43 pp (graph 2.32).

**Graph 2.32**

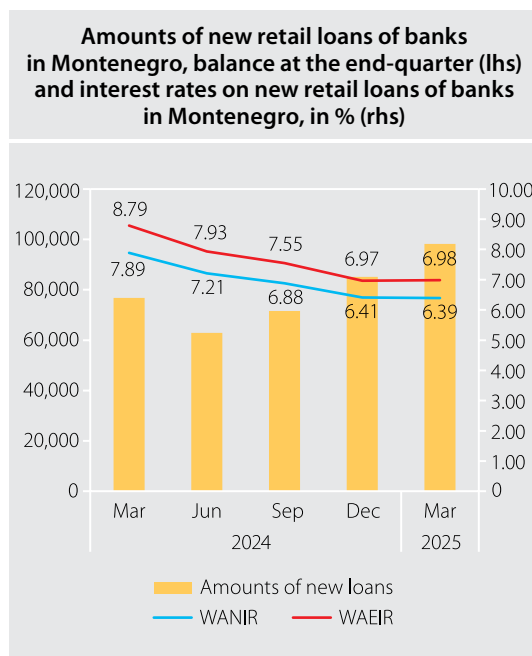


Source: Banks' reports and CBCG calculations

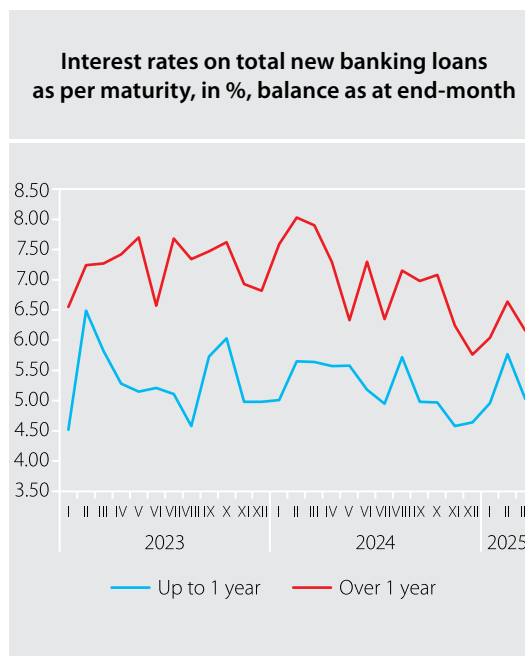
In March 2024, the Central Bank launched an initiative to reduce interest rates on retail loans. This initiative was supported, on a voluntary basis, by all banks in Montenegro, through favourable loans with reduced interest rates, intended for citizens. As a result, the level of interest rates on retail loans continued to decrease, during the first quarter of 2025. Namely, WANIR on new retail loans in March 2025 was 6.39%, while WAEIR was 6.98%, which represents a decrease of 1.50 pp and 1.81 pp, respectively, compared to the first quarter of 2024 (graph 2.33).

WAEIR on short-term loans amounted to 5.03% in March 2025 and on the annual level recorded a decrease of 0.61 pp, while compared to the end of the previous year it was higher by 0.39 pp. In the same period, WAEIR on total loans with a maturity over one year amounted to 6.16%, which represents a decrease of 1.74 pp at the annual level, while compared to the end of the previous year, it recorded an increase of 0.40 pp. (graph 2.34).

As for the purpose of loans granted in Q1 2025, the highest WAEIR was recorded on long-term loans granted for education (25.09% in January, 11.25% in March), short-term loans for refinancing liabilities to other banks (10.71% in February), short-term non-purpose cash loans (10.46% in February). The lowest WAEIR on new loans was recorded with long-term loans for the purchase of consumer goods (0.03% in January).

**Graph 2.33**


Source: Banks' reports and CBCG calculations

**Graph 2.34**


Source: Banks' reports and CBCG calculations

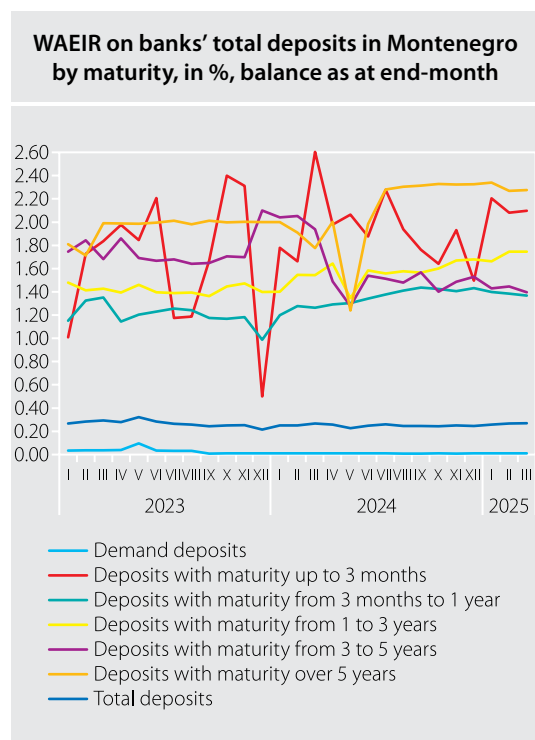
## 2.2.2. Deposit interest rates

The WAEIR on deposits recorded minor growth in Q1 2025. In March 2025, it amounted to 0.27% and remained unchanged compared to March of the previous year, while compared to the end of the previous year, it recorded a growth of 0.02 pp.

Compared to the same period of the previous year, decline was recorded in interest rates on deposits with a maturity of up to three months (by 0.51 pp), as well as interest rates on deposits from three to five years (by 0.54 pp). Interest rates on deposits of other maturities recorded growth, with the highest growth, of 0.50 pp, recorded in interest rates on deposits with maturities over five years (graph 2.35).

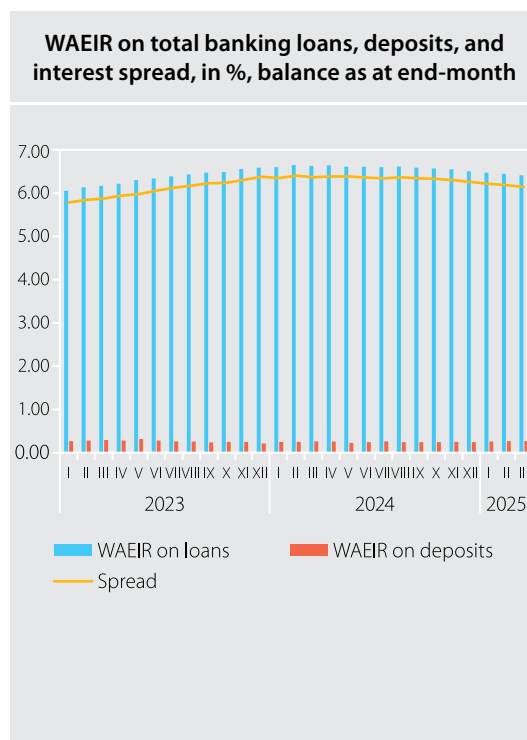
In March this year, the difference between lending and deposit interest rates on total loans and deposits of banks amounted to 6.14 pp, being lower than in the same month last year when it amounted to 6.36 pp as well as in relation to end-2024 when it amounted to 6.25 pp (graph 2.36).

Graph 2.35



Source: Banks' reports and CBCG calculations

Graph 2.36



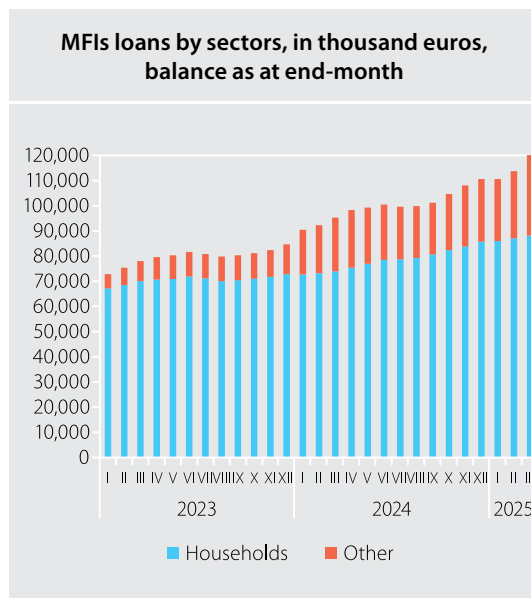
Source: Banks' reports and CBCG calculations

## 2.3. Micro-credit financial institutions

At end-March 2025, total assets and liabilities of microcredit financial institutions (MFIs) amounted to 120.80 million euros and they recorded the year-on-year increase of 25.59 million euros or 26.88% and a 9.73 million euros or 8.76% increase in relation to the end of 2024.

Total MFIs net loans at end-March 2025 amounted to 114.78 million euros (95.01% of MFIs net assets), while gross loans amounted to 120.11 million euros (99.42% of gross assets). Observed annually, MFIs net loans increased by 24.63 million euros or 27.33%, and compared to the end of the previous year by 9.46 million euros or 8.98%. Gross MFIs loans increased by 24.81 million euros or 26.03%, i.e. by 9.51 million euros or 8.60% compared to December of the previous year. The sectoral allocation of gross loans shows that the dominant part of 73.37% of MFIs loans was related to retail sector. Some 22.80% related to the non-financial sector, 3.65% to the financial sector, while the remaining 0.18% related to non-residents (graph 2.37).

Graph 2.37



Source: MFIs reports and CBCG calculations

During Q1 2025, MFIs approved a total of 29.78 million euros of new loans, which is an increase of 9.03 million euros or 43.54% y-o-y.

Looking at the maturity structure of new loans in the reporting period, loans approved for a period over one year amounted to 25.85 million euros and they accounted for 86.80% of all new loans, which is 1.58 pp more than a year ago.

Observing the purpose structure of new loans, the largest share in the amount of 15.26 million euros or 51.22% were loans for the acquisition of fixed assets, followed by liquidity loans for the working capital in the amount of 5.98 million euros or 20.09%, cash loans in the amount of 1.81 million euros or 6.09%, loans for agriculture in the amount of 1.69 million euros or 5.66%, while 16.94% was for other purposes.

In the structure of MFIs liabilities, borrowings with 60.06% recorded the highest share. Total capital accounted for 34.89%, “other liabilities” accounted for 4.47%, while issued securities accounted for 0.58% in the structure of total assets and liabilities.

As at end-March 2025, banks’ foreign assets reached 42.14 million euros, which represents a 2.00 million euros or 4.99% increase year-on-year and a 1.77 million euro or 4.37% growth in relation to the end of the previous year.

Total MFI borrowings amounted to 72.56 million euros and they were 23.00 million euros or 46.40% higher year-on-year, i.e. 8.55 million euros or 13.36% higher compared to end-2024. The largest part of MFI loans, i.e. 66.68% of their total amount, consisted of loans taken from foreign financial institutions. Some 24.69% related to loans taken from domestic banks, 0.03% to loans taken from other domestic financial institutions, while 8.60% related to loans from other sources. Short-term MFI borrowings and long-term borrowings accounted for 31.24% and 68.76% of total borrowings, respectively.

At the aggregate level, during the first three months of 2025, MFIs recorded a positive financial result in the amount of 1.24 million euros, which was higher by 269,000 euros or 27.62% year-on-year.

### 2.3.1. MFIs interest rates

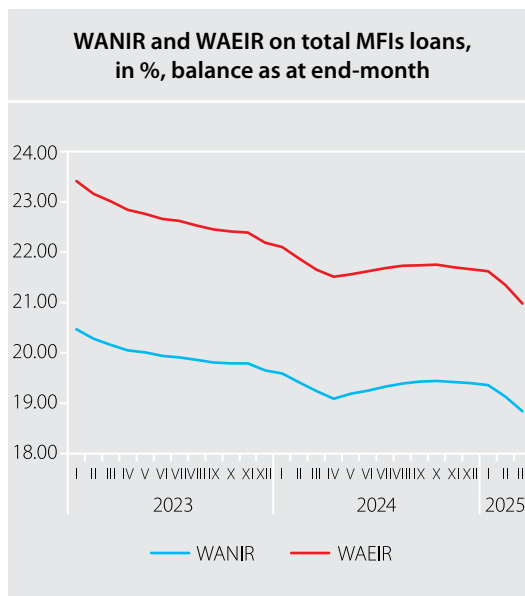
#### On total loans granted

At end-March 2025, the WANIR on total MFI loans amounted to 18.84%, being 0.40 pp lower year-on-year and 0.56 pp lower compared to the end of 2024.

The WAEIR reached 20.98% and it dropped 0.67 pp year-on-year and 0.68 in relation to end-2024 (graph 2.38).

The WAEIR on total short-term loans stood at 20.64%, being 0.42 pp lower year-on-year or 1.16 pp lower compared to end-2024. At the same period, the WAEIR on total long-term loans stood at 21.00%, being 0.69 pp lower year-on-year or 0.65 pp lower compared to end-2024.

**Graph 2.38**



Source: MFIs reports and CBCG calculations

#### On new loans

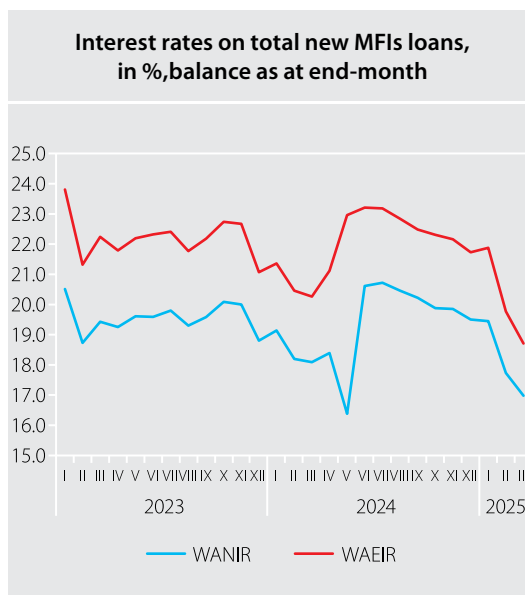
In March 2025, the WANIR on these loans amounted to 16.98%, recording a decrease of 1.11 pp year-on-year, and 2.52 pp decrease relative to end-2024.

The WAEIR on new loans stood at 18.71%, being 1.55 pp lower than a year ago and 3.02 pp lower than at end-2024 (graph 2.39).

Observed by maturity, the WAEIR on new short-term loans amounted to 20.10% in March 2025 and was reduced by 1.05 pp on an annual basis, and by 1.59 pp compared to the end of the previous year.

On the other hand, WAEIR on loans approved with maturity over one year amounted to 18.52% and decreased by 1.59 pp annually, and by 3.21 pp compared to the end of the previous year.

**Graph 2.39**



Source: MFIs reports and CBCG calculations

Observed by the purpose for which the loans were granted during Q1 2025, the highest WAEIR rates were recorded on short-term loans for construction and adaptation of buildings (38,45% in February, 36.30% in January and 36,02% in March), followed by short-term loans for purchase of motor vehicles (35.52% in January), long-term loans for education (35.75% in January) and on short-term loans for tourist season preparations (32.43% in March).

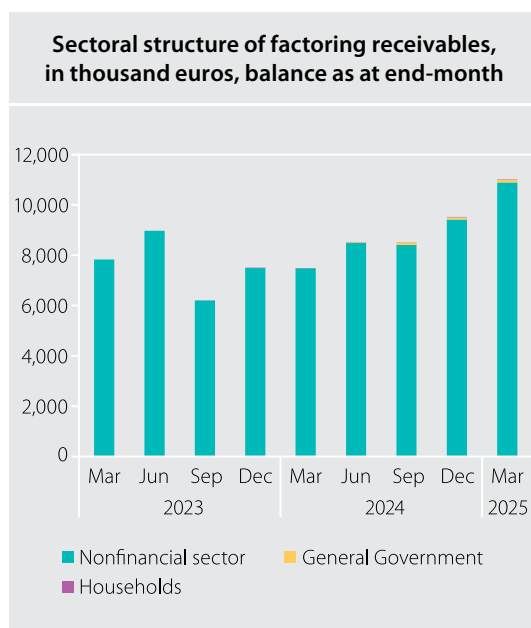
## 2.4. Factoring companies

Total assets and liabilities of factoring companies amounted to 11.90 million euros, which is an increase of 3.92 million euros or 49.10% year-on-year and a growth of 526,000 million euros or 4.62% compared to end-2024.

The main share of total assets in the amount of 11.02 million euros or 92.58% was factoring receivables and they recorded an annual increase in the amount of 3.54 million euros or 47.25%, but also an increase of 1.50 million euros or 15.76% compared to the end of the previous year. Deposits with banks amounted to 254,000 euros, which is a decrease of 16,000 euros or 5.93% year-over-year, and a fall of 923,000 euros or 78.42% compared to end-2024. The remaining amount of 686,000 euros were “other assets”, which increased by 419,000 euros or 2.5 times year-on-year, while they decreased by 14,000 or 2.00% compared to the end of 2024.

Major part of gross receivables from factoring of 10.89 million euros or 98.82% related to the non-financial sector. General government accounted for 115,000 euros or 1.04% while the remaining 15,000 euros or 0.14% referred to the retail sector.

Graph 2.40



Source: Reports of factoring companies and CBCG calculations

Factoring companies finance themselves primarily from received loans, which at the end of March this year amounted to 9.21 million euros and they made up 77.34% of total liabilities. Year-on-year, received loans grew by 3.18 million euros or 52.75%, while they were 504,000 euros or 5.79% higher relative to end-2024. Total capital of factoring companies amounted to 2.33 million euros and it made up 19.55% of the liabilities of these institutions, while the “other liabilities” category accounted for 370,000 euros or 3.11% of the total assets and liabilities of these companies. Compared year-on-year, total capital grew by 567,000 euros or 32.22%, i.e. 158,000 euros or 7.28% in relation to the end of the previous year. The category “other liabilities” recorded annual growth of 174,000 euros (1.9 times) and 136,000 euros (26.88%) decline in relation to end-2024.

## 2.5. Companies for the purchase of receivables

At end-March 2025, total assets and liabilities of the companies for the purchase of receivables amounted to 8.14 million euros and they recorded the year-on-year decrease of 213,000 million euros or 2.55% and a 58,000 million euros or 0.71% decrease in relation to the end of 2024.

In the structure of the assets and liabilities of companies for the purchase of receivables at the end of the observed period, the dominant share in the amount of 5.82 million euros or 71.51% of total assets was net receivables based on purchased receivables, which recorded a year-on-year decrease in the amount of 673,000 euros or 10.37%, and 353,000 euros or 5.72% fall relative to end-2024. Deposits amounted to 867,000 euros or 10.66% of total assets, which is an increase of 111,000 euros or 14.68% year-over-year, and a fall of 8,000 euros or 0.91% compared to end-2024. The category “other assets” accounted for 1.45 million euros or 17.83% of total assets and recorded an annual growth of 349,000 euros or 31.67%, i.e. a growth of 303,000 euros or 26.39% compared to the end of the previous year.

Companies for the purchase of receivables financed themselves mainly from capital which amounted to 5.65 million euros at end-March 2025 and it accounted for 69.48% of total liabilities. Received loans amounted to 609,000 million euros or 7.49% of total liabilities, while the remaining portion of 1.87 million euros or 23.03% referred to the category “other liabilities”. Compared year-on-year, capital grew by 984,000 euros or 21.08%, i.e. 250,000 euros or 4.63% in relation to the end of the previous year. Loans to this sector decreased by 799,000 million euros or 56.75% at the annual level and by 126,000 million euros or 17.14% in relation to end-2024. The category “other liabilities” recorded annual decline of 398,000 euros (17.52%) and 182,000 euros (8.85%) decline in relation to end-2024.

## 2.6. Development Bank of Montenegro

At end-March 2025, total assets and liabilities of Development Bank of Montenegro<sup>35</sup> amounted to 405.66 million euros and they recorded the year-on-year decrease of 18.96 million euros or 4.47% and a 13.83 million euros or 3.30% decrease in relation to the end of 2024.

Total liabilities amounted to 293.85 million euros or 72.44% of total liabilities and recorded an annual decrease of 24.08 million euros or 7.57%, i.e. a decrease of 16.25 million euros or 5.24% compared to the end of the previous year.

Non-performing assets amounted to 23.44 million euros and accounted for 5.78% of total banks' assets. Non-performing assets recorded annual decline of 9.65 euros (29.16%) and 1.93 euros (7.59%) decline in relation to end-2024.

In the first three months of the current year, Development Bank of Montenegro recorded a positive financial result in the amount of 2.42 million euros, which is the year-on-year decrease of 770,000 euros or 24.16%.

<sup>35</sup> The Development Bank of Montenegro (DBM), established by the Law on the Development Bank of Montenegro Podgorica (OGM 99/24), is the legal successor of the Investment and Development Fund of Montenegro.