

## **Remiković for “Dan”: EU Membership Will Bring Greater Competition and Lower Interest Rates**

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“We entered the new year and the continuation of reforms with a strong, stable, and resilient banking sector, as confirmed by key indicators, which are at historic highs. The banks’ capital adequacy ratio stands at 19.39 per cent, more than twice the statutory minimum of 8 per cent, enabling banks to absorb potential shocks while continuing to support lending activity and economic growth,” **Milan Remiković**, Vice Governor of the Central Bank of Montenegro, told Dan.

“The total assets of the banking sector last year amounted to around 7.9 billion euros, nearly matching Montenegro’s estimated GDP, which underscores the central role of banks in financing the economy. Bank capital stands at approximately 1 billion euros, with annual growth of around 10 per cent, while lending activity recorded strong growth of about 16 per cent — four-fold higher than the projected GDP growth rate. Deposits are growing at a rate of 4 per cent, above GDP growth, indicating a high level of public and business confidence in the banking system.”

It is encouraging that the level of non-performing loans is at a historic low — 2.67 per cent, observed from 2007 to the present — which confirms that lending growth is occurring on a healthy and sustainable basis, Remiković noted.

He recalled that at the beginning of the second quarter of 2024, the CBCG initiated, and all commercial banks in Montenegro accepted, a campaign to lower interest rates for the population, offering citizens reduced rates on the most in-demand types of loans.

“As a result of this initiative, we are observing a downward trend in interest rates, both for the total portfolio and for new loans granted to individuals. Compared with March 2024, i.e., before the start of the campaign, when the average weighted effective interest rate on newly retail loans was 8.79 percent, by December 2025 this rate had fallen to 6.66 percent, a decrease of 213 basis points.”

On this solid foundation, the CBCG continues to pursue its strategic objectives, one of the key ones being the preparation of the financial system for EU membership. As Vice-Governor, I see my role in further strengthening the system’s stability and sustainability, improving the regulatory and supervisory framework, developing skilled personnel, and enhancing the CBCG’s institutional capacities for its future functioning within the European System of Central Banks.

“I believe that trust is a fundamental pillar of a stable financial system. My goal, together with Governor Irena Radović and my colleagues at the CBCG, is to ensure that Montenegro enters the EU with a stable, resilient, and credible financial sector, capable of supporting sustainable economic development and improving citizens’ quality of life over the long term.”

### **What is the essence of banking supervision, and where are weaknesses most commonly observed in practice that require a supervisor’s intervention?**

In a modern financial system, the focus of supervision is primarily on the banking institutions themselves. Banks have a legal obligation to operate in accordance with regulations, to manage risks properly, and to

safeguard their clients' funds. The role of the CBCG's supervision is to verify whether banks are fulfilling these obligations and operating in compliance with the law.

The most common weaknesses requiring supervisory intervention relate primarily to underdeveloped or inadequately applied risk management policies, particularly credit risk, and deficiencies in internal controls. For this reason, a significant part of the CBCG's supervisory activity focuses on verifying banks' compliance with regulatory requirements, including capital adequacy, liquidity, provisioning, and the accuracy of financial reporting. Special attention is also given to the licensing of banks, i.e., granting licences to banks, which must meet prescribed conditions, possess adequate organisational capacities, maintain clearly defined internal procedures, and employ qualified staff to ensure their operations are fully compliant with applicable regulations.

Additionally, supervision is conducted to ensure that problems are identified and addressed promptly, before they develop into significant risks. Supervision also has a preventive function to ensure that banks operate responsibly, clients are protected, and the financial system remains stable and aligned with the best European practices.

#### **Domestic Banks supervised in collaboration with the Dutch, Belgian, and German colleagues**

In September, the project Assessment of CBCG's Needs for Alignment with ESCB and Eurosystem Standards was launched, conducted in cooperation with partner institutions: the Dutch Central Bank (DNB), the National Bank of Belgium (NBB), and the German Central Bank (Bundesbank).

"This project covers all aspects of the CBCG's operations, including bank supervision, with the aim of identifying areas for improvement and defining a clear roadmap for further reforms by this June, so that the CBCG will be fully prepared for EU accession and membership in the European System of Central Banks and the Eurosystem," explained Remiković.

#### **Will the Montenegrin banking system and the CBCG be ready for 2028 and entry into the EU financial market?**

"The Montenegrin banking system represents a sound and fully functional part of the financial sector, with regulations and supervisory practices largely aligned with EU legislation. Through very intensive and structurally significant regulatory reforms, particularly over the past two years under the leadership of the CBCG, the regulatory framework, supervisory mechanisms, and institutional capacities have been substantially strengthened.

During 2025, the CBCG delivered a complete set of laws and by-laws necessary for closing Negotiating Chapter 9 – Financial Services. Of particular importance is the Law on Credit Institutions, which aligns with the Capital Requirements Directive (CRD). The Council of the CBCG adopted this law and submitted it to the Government of Montenegro for further procedure in September 2025, well ahead of the EU deadline for member states, which was 11 January 2026. This pace clearly demonstrates the CBCG's strong commitment and intention to achieve full compliance with EU regulatory standards as quickly as possible.

We see readiness for EU membership as a continuous and responsible process, conducted in close cooperation with the banking sector and European institutions. Such a systematic approach provides a solid foundation for Montenegro to enter the European Union in 2028 with a stable, resilient, and credible banking system, fully prepared to operate within the single European financial market.

Considering the aforesaid, I can say with full confidence that the Montenegrin banking system and the CBCG will be completely ready for 2028 and full integration into the European financial market. I believe that achievements such as joining SEPA and the forthcoming implementation of the TIPS Clone instant payment system best reflect the CBCG's commitment to meeting European standards even prior to Montenegro's full EU membership."

**What will this mean for Montenegrin citizens in terms of financial security, interest rates, and the movement of money and capital?**

For Montenegrin citizens, full integration into the European financial market primarily means a higher level of financial security. EU membership entails the application of the strictest rules on bank supervision, deposit protection, and client rights, which further strengthens trust in banks and overall system stability. Citizens will benefit from safer banks, greater transparency, and clearer mechanisms of protection in the event of potential problems in the financial sector.

Regarding interest rates, entry into the European financial market implies a gradual alignment with conditions prevailing in the EU, with increased competition among banks and easier access to funding sources. In the long term, this creates room for more favourable interest rates, especially for housing and investment loans, as well as for the development of new financial products. While interest rates depend on the broader economic environment, a more stable system and greater investor confidence tend to reduce borrowing costs.

When it comes to the movement of money and capital, both citizens and businesses will have easier and safer access to the European market. This means simpler cross-border transactions, increased investment flows, and the ability to use financial services under conditions similar to those in the EU member states. Ultimately, such an environment contributes to greater economic stability, the creation of new jobs, and an improvement in citizens' living standards."

**Serving the Public Interest as Vice-Governor**

**What does the role of Vice-Governor of the CBCG mean to you, especially at a time when our country is at the doorstep of the European Union?**

For me, the role of Vice-Governor of the Central Bank of Montenegro represents a great honour, yet a significant professional and personal responsibility, given that it is a position dedicated to serving the public interest, preserving monetary and financial stability, and strengthening the trust of citizens and investors in Montenegro's banking and financial system.

This role carries particular weight at a time when Montenegro is in the final stages of European integration, which requires deep alignment of the regulatory and supervisory framework with EU standards, especially in banking, which forms the dominant part of the financial system. In this process, the CBCG plays a central role through the implementation of European regulations, cooperation with EU institutions, and the strengthening of the resilience of the financial system."