

## **CBCG PRESENTS ITS KEY RESULTS IN 2024 AND PLANS FOR THE UPCOMING PERIOD**

At today's press conference, the CBCG presented its most important results in 2024 and an overview of plans for the upcoming period.

In her presentation, Governor **Irena Radović** highlighted that 2024 brought significant reforms, intensive work aligning with the ESCB standards, and preserving and improving financial stability.

"The year behind us has brought impressive achievements - Montenegro's admission to SEPA, drafting systemic laws sent to the Government for further procedure from May to September to fulfil the closing benchmarks for closing Chapters 4 - Free movement of capital and 9 - Financial services, consolidating the institution and adopting the CBCG Strategic Plan 2025-2028. At the same time, the CBCG's strong international activity, including meetings with the heads of key European institutions and national central banks of the Eurosystem, confirmed our commitment to aligning with European standards and adopting best practices," said Governor Radović.

"Intensive activities to align domestic legislation with the EU's legal framework and continuous banking sector supervision have resulted in a safe and sound banking system, characterised by good business indicators," said the Governor. Bank assets exceeded seven billion euros, almost equal to the estimated 2024 GDP. Banks' capital increased by 12% year-over-year. Loans grew by 14% in the last 12 months, nearly four times more than the projected GDP growth rate, while the record amount of new loans of 1.58 billion euros in 11 months exceeds the previous year by 30%. Deposits progressed by 5.05% in 11 months this year, exceeding the projected GDP growth rate for 2024. Banks' solvency ratio is 19.80%, significantly exceeding the statutory minimum of 8%. Non-performing loans (NPLs) are constantly decreasing, accounting for 3.81% of total loans at present, the lowest level in the last 15 years (keep in mind that they reached 25.3% in 2011).

This March, the CBCG initiated an action to lower interest rates, which all banks operating in Montenegro supported and offered reduced interest rates on the most popular household loan types. The initiative resulted in a weighted average effective interest rate on new household loans dropping by 1.08 percentage points.

To improve citizens' information, the CBCG has developed a mobile application for comparing consumer loan offers, where citizens can find information about current bank offers in one place and choose the most favourable one. Also, aiming for faster and more efficient loan request processing, it improved the Credit Registry's functionality by introducing electronic access to legal and natural persons with an electronic certificate and its continuous 24/7 availability every day of the year, including public holidays.

The CBCG participated in drafting the Draft Law on Consumer Credits, which is currently in the parliamentary procedure, abolishing fees for housing loans and their early repayment and proposing setting the highest allowed effective interest rate on consumer loans.

Intending to create preconditions for Montenegro's broader economic integration, the CBCG implemented numerous activities to improve the payment system in 2024. The finalisation of the CBCG Payment System Modernisation Project, the most significant system change since its launch in 2005, is underway. The CBCG payment system is fully aligning with the ISO 20022 international standard for financial data exchange, enabling faster and more accurate transaction processing with increased automation and a reduced possibility of errors. To further improve services for citizens and the economy and bring Montenegro closer to EU standards, the CBCG started activities on developing a national instant payment system, i.e. implementing the TIPS (Target Instant Payment Settlement) clone system, based on the EU's TIPS payment system in cooperation with the Bank of Italy and the World Bank. This system, which will come to life in 2026, enables the real-time execution of transactions and the full use of the SEPA integration benefits through the possibility of introducing the SEPA Instant scheme.

The Governor highlighted a historic moment in 2024 - Montenegro's accession to the Single Euro Payment Area (SEPA), the country's major step towards joining the EU. This achievement confirms the compliance of the Montenegrin financial system with European standards, bringing concrete benefits for citizens and the economy through safer, faster and much cheaper transactions. Membership in SEPA will also contribute to attracting foreign investments, reducing the non-observed economy, strengthening domestic companies' competitiveness, financial inclusion, and Montenegro's greater integration into the European economy. As the bearer of activities related to Montenegro's membership in SEPA, the CBCG continues to coordinate this process with full commitment.

In 2024, the CBCG committed itself to fulfilling the pre-accession obligations from the nine negotiation chapters in which it participates. The joint work of the CBCG with the Ministries of Finance, Economic Development and Internal Affairs, the Capital Market Authority and the Insurance Supervision Agency resulted in preparing sixteen laws and sending them to the Government of Montenegro and those under the CBCG competency including systemic regulations that govern the most critical issues for the financial sector's operations. Moreover, it adopted very extensive secondary legislation.

During 2024, it performed many activities to improve the national framework for preventing money laundering and terrorist financing (AML/TF). In 2024, for the first time since its existence, the CBCG imposed statutory permitted fines from 0.1% to 0.5% of the regulatory capital against five Montenegrin banks after determining the irregularities in their acting concerning the AML/CFT area. It initiated a stricter criminal policy to strengthen combating financial crime, with pecuniary fines of up to five million euros available to the CBCG, the Capital Market Authority and the Insurance Supervision Agency, pecuniary fines of up to one million euros available to the Ministry of Finance, Ministry of Interior/Police Administration, Ministry of Justice, Agency for Electronic Communications, and Bar Association of Montenegro.

Recognising financial literacy as a priority, the CBCG has implemented numerous activities to improve the population's financial literacy and coordinates implementing of the Programme for Financial Education Development in Montenegro 2023–2027. More than 20 public, private and non-governmental institutions are involved in financial

education activities. In 2024, the CBCG signed the Protocol on financial education in schools with innovative learning methods with the Ministry of Education, Science and Innovation and the Innovation Fund.

The CBCG supports sustainable development goals, which involve the financial sector as a significant player and leads a policy of proactive action to strengthen financial institutions' resilience to climate change challenges and promote the green economy. CBCG coordinates the development of *the Financial Sector's Road Map towards Sustainable Finances*, which aims to define concrete steps and goals in this area.

To further strengthen transparency and public accountability, the CBCG initiated implementing an independent assessment of its transparency. The IMF's expert team conducted the assessment, and their preliminary findings recognised the significant steps forward of the CBCG to implement transparent policies.

CBCG leads implementing the global *We Finance Code* initiative in Montenegro in cooperation with the EBRD and the Frankfurt School of Finance & Management. The initiative aims to increase access to financing and create a more favourable environment for women entrepreneurs. In addition, the CBCG implements the *Women on Boards Montenegro* program to prepare women for leadership positions and achieve economic growth through inclusion. The program contributes to implementing the EU Directive on equal representation of the genders, which requires that women make up at least 40% of boards and 33% of managerial positions by June 2026. The CBCG announced a public call for the second generation of *Women on Boards* and has already received six times more applications than the planned number of places (20).

It was emphasised that the CBCG is a financially independent institution that covers all its expenses from its gains from providing services to the banking and financial sectors. In 2024, the CBCG achieved excellent internal economy results, with the expected profit by the end of 2024 of about 11 million euros, of which 50% will be directed to the state budget. From 2021 to 2024, the CBCG transferred about 15 million euros of profit to the state budget.

The Governor pointed out that the CBCG is actively working to strengthen its staffing capacities, and it improved the recruitment process in 2024 to ensure that transparency and meritocracy are the only postulates of employment in the CBCG. Commitment to personnel development includes defining organisational values, recognising internal talents and investing in their professional development. To promote excellence and support to the most talented staff in Montenegro, the CBCG launched the *Acknowledge the Knowledge - The Chance for the Best* scholarship program for young staff.

In addition, the CBCG presented its recently adopted *CBCG Strategic Plan 2025-2028*, the first such comprehensive strategic document since the CBCG's establishment. The plan defines the CBCG development vision and mission, the values on which this institution will base its operations in the coming period and specific goals with measurable success indicators.

“With a clear vision of a modern, innovative and transparent central bank acting in the interest of its citizens and the economy, we continue to build an environment in which the financial system supports Montenegro’s sustainable economic development”, said the Governor. She announced that the CBCG’s activities in the next four-year period will focus on further strengthening the financial system, modernising it, and integrating it into the European framework, applying the highest standards in finance.