

# Montenegro

## Influential parent banks and a well-liked regulator

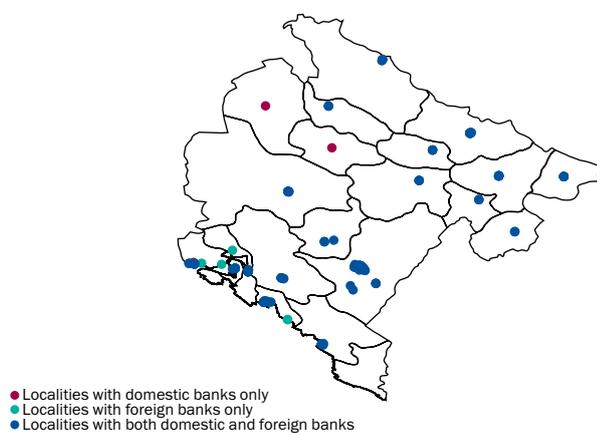
The bank branch landscape of Montenegro is sparse, with clusters in Podgorica and along the Adriatic Sea while regional capitals serve as the banking hubs for the remainder of the country (Chart 1). Most regions have access to both foreign and domestic banks with foreign-owned banks listed as a strong competitor by all responding banks in terms of small and medium-sized enterprise (SME), large enterprise and retail lending. In 2007 private domestic banks were also considered strong competitors by the majority of banks but since then their competitiveness has waned.

Foreign-owned banks in Montenegro appear to rely heavily on their parent banks for guidance. For instance, five out of the six foreign banks interviewed report that their parent bank actively steers their lending. Parent bank influence was also rated “important” or “very important” in credit risk portfolio management and the strategic choice of customers (Chart 2). Only 20 percent of foreign-owned banks (the lowest portion in the region) report relying less on their parent for financial support since the crisis.

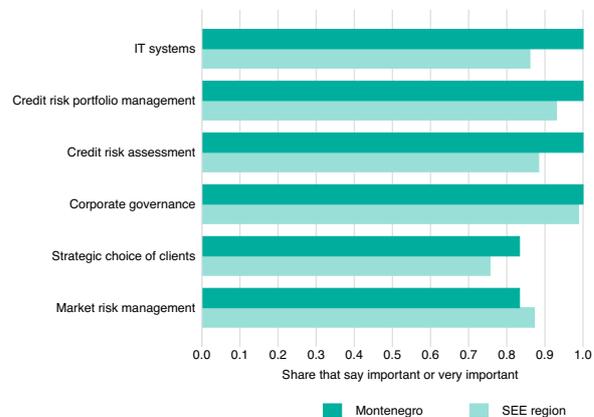
The perception of legal institutions in Montenegro is less than favourable. Less than 20 percent of Montenegrin banks “agree” or “strongly agree” that the court system is fair and impartial, with less than 10 percent believing it is able to enforce its decisions, and no bank agrees that it is quick and efficient (Chart 3). Montenegro also has some of the longest periods in the region for the estimated time to enforce a bank’s security over the collateral on a defaulted loan; an average of 20 months for court-approved enforcements and 12 months for out-of-court enforcements. The laws are also seen as unsatisfactory in enabling efficient enforcement and protecting secured creditor rights.

However, banks view their regulator in a more positive light. Every respondent bank agreed or strongly agreed the regulator is fair, impartial and able to enforce its decisions, while 70 percent agree it is quick and efficient. When questioned about the capital requirements of the regulator, all Montenegrin banks reported them to be about right, with only a small percentage reporting that too little is required (Chart 4).

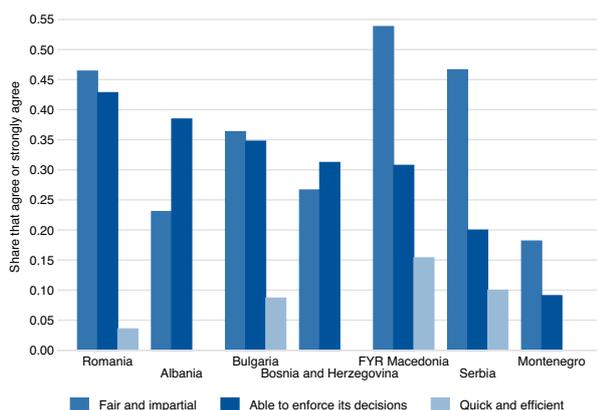
**Chart 1** Bank localities by ownership



**Chart 2** Areas of parent bank influence



**Chart 3** Perceptions of the court system



**Chart 4** Perceptions of capital requirements

