11 December 2025

EXPLANATION FOR THE COUNTERCYCLICAL CAPITAL BUFFER RATE FOR THE REPUBLIC OF SERBIA

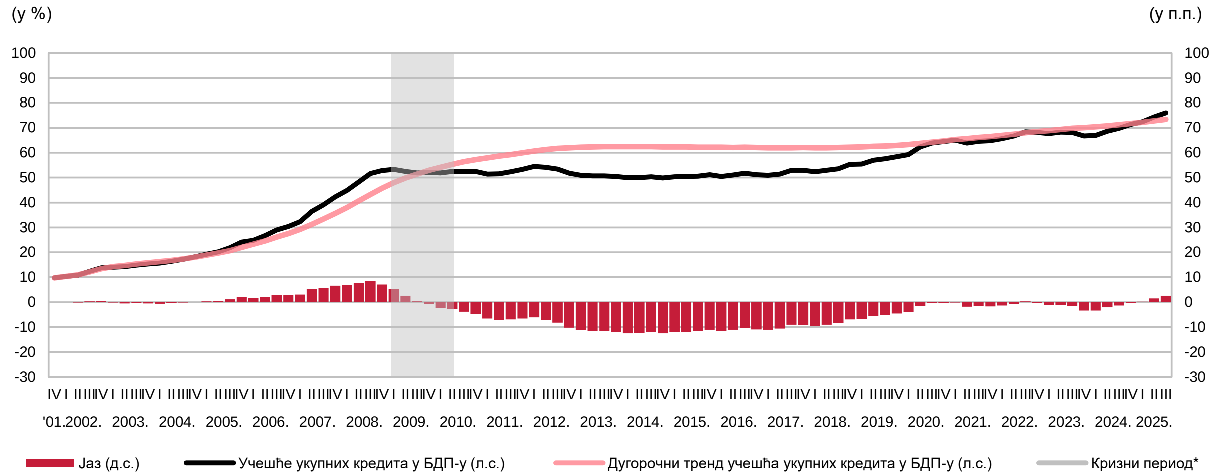
Pursuant to Article 14, paragraph 1, item 11) of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012, 14/2015, 40/2015 – CC decision, 44/2018 and 19/2025) and Section 436 of the Decision on Capital Adequacy of Banks (RS Official Gazette, Nos 103/2016, 103/2018, 88/2019, 67/2020, 98/2020, 137/2020, 59/2021, 67/2022, 137/2022, 48/2023, 110/2023, 102/2024, 41/2025, 70/2025, 101/2025 and 104/2025 – correction, hereinafter: Decision on Capital Adequacy), the NBS Executive Board, at its meeting of 11 December 2025 decided to keep the countercyclical capital buffer (CCyB) rate for the Republic of Serbia at 0.5% of a bank's risk-weighted assets, taking into account that the credit-to-GDP ratio is more than 2 pp above its long-term trend, which is a reference guide for the introduction of a countercyclical capital buffer. The determined CCyB rate will be applied as of 15 December 2026. In this way, by raising the the CCyB rate, the NBS acts proactively to strengthen financial stability, especially in an environment of heightened global uncertainty. The maintenance of the countercyclical capital buffer ensures timely allocation of additional Tier 1 capital, thereby strengthening the resilience of Serbia's banking sector.

The CCyB is additional Common Equity Tier 1 capital that banks are required to maintain above the prescribed regulatory minimum in the amount equal to their risk-weighted assets multiplied by the specific CCyB rate. This instrument mitigates the cyclical dimension of systemic risk, creating an additional buffer of Common Equity Tier 1 capital during periods of pronounced credit growth, which can be released when systemic risks materialise.

The NBS sets the CCyB rate for the Republic of Serbia on a quarterly basis, taking into account the reference guide, applicable guidelines and recommendations of the European Systemic Risk Board and other variables it considers relevant for monitoring the cyclical dimension of systemic risk. In accordance with Section 436, paragraphs 2 and 3 of the Decision on Capital Adequacy, the guide for setting the CCyB rate is the deviation of the share of loans in GDP from long-term trend (credit-to-GDP gap). The CCyB rate for the Republic of Serbia is set in line with the recommendation for setting the CCyB rate of the European Systemic Risk Board (ESRB/2014/1).

Chart 1 shows the share of credit to the non-government sector in GDP, the long-term trend and the estimated credit-to-GDP gap. After a period of credit expansion between 2000 and 2008, in late 2009 the credit-to-GDP gap entered the negative territory. Lending growth in place since 2014 brought the share of credit in GDP close to its long-term trend, while the acceleration in lending, recorded since the start of 2024, pushed the credit-to-GDP ratio above its long-term trend. According to September 2025 data, the estimated credit-to-GDP gap is 2.5 pp. The gap value in Q3 2025 rose by 3.9 pp y-o-y and by 1.0 pp q-o-q.

Графикон 1. **Учешће укупних кредита у БДП-у и оцена дугорочног тренда**



Извор: НБС.
*На основу показатеља системског стреса.

In addition to the credit-to-GDP gap, other optional indicators were also taken into account when setting the CCyB rate for the Republic of Serbia, in accordance with Section 436, paragraph 4 of the Decision on Capital Adequacy. The optional indicators used relate to the real estate market, external imbalance and banking sector developments.

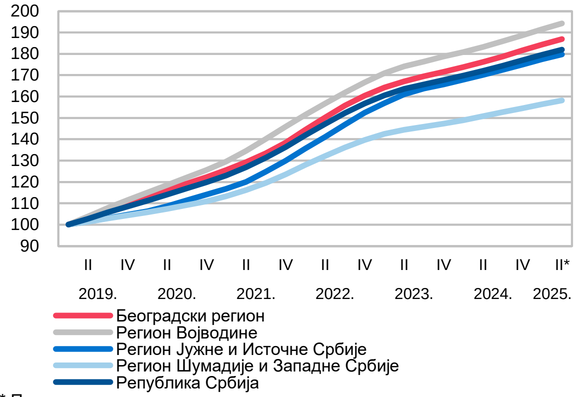
Real estate market

The latest available data of the Republic Geodetic Authority and the Apartment Price Index (Chart 2) indicate that flat prices continued to go moderately and steadily up y-o-y in Q2 2025. Flat prices increased by 5.8% y-o-y, and by 1.4% q-o-q in Q2 2025 (preliminary data).[1]

[1] Republic Geodetic Authority – Report on the Apartment Price Index for Q2 2025 (latest available data).

Графикон 2. **Индекс цена станова**

(Т1 2019 = 100)

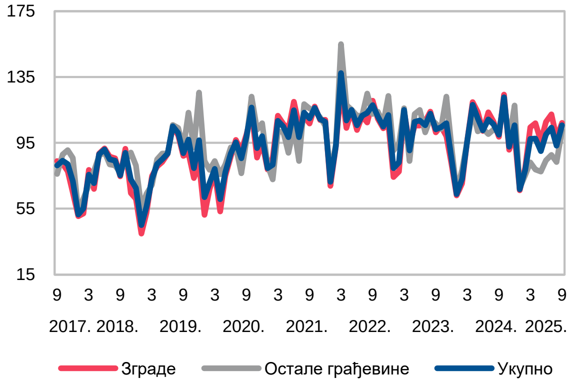


* Последњи доступни подаци.

Извор: Републички геодетски завод.

Графикон 3. **Индекси броја издатих дозвола новоградње**

(индекс, 2024 = 100)



Извор: Републички завод за статистику.

In Q3 2025, the total number of issued permits for new construction decreased by 3.9% y-o-y.

The LtV ratio, measured by the ratio of mortgage-backed housing loans and the estimated value of the flats mortgaged, remained almost unchanged in Q3 2025 relative to the quarter before, measuring 65.4% (65.5% in Q2 2025).[2]

The results of the October NBS bank lending survey show that banks eased their corporate and household credit standards in Q3 2025. In the household sector, credit standards were relaxed for almost all types of loans, primarily owing to inter-bank competition. According to banks, corporate and household loan demand increased in Q3 2025. Households upped their demand primarily for dinar cash and refinancing loans, and also for FX-indexed housing loans. The driving factors were the the need for the refinancing of outstanding loans, real estate purchases, wage and employment growth and purchase of durable consumer goods. Banks expect further standards relaxation in Q4 2025 and further expansion of both corporate and household loan demand.[3]

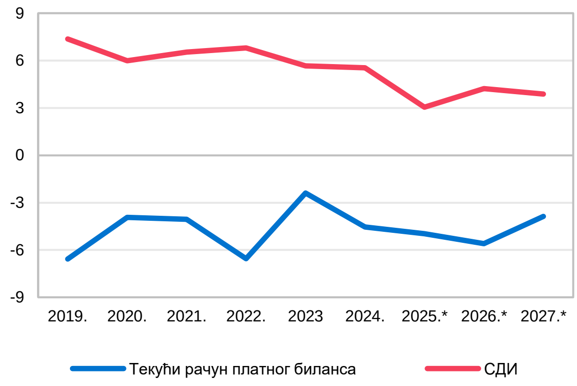
[2] Source: NBS Real Estate Database.

[3] Inflation Report, November 2025.

Indicators of external imbalance

The current account deficit measured EUR 2.8 bn in the first nine months of 2025. It is expected to be around 5% of GDP in 2025, which is close to the average equilibrium rate. In 2026, the current account deficit will likely measure around 5.6% of GDP, while in 2027 the specialised exhibition “Leap into the Future – Serbia Expo 2027” and growth in the export of tourist services will help lower its level to around 4% of GDP.[4]

Графикон 4. **Дефицит текућег рачуна платног биланса и стране директне инвестиције**
(у % БДП-а)



* Процена НБС, новембар 2025.
Извор: НБС.

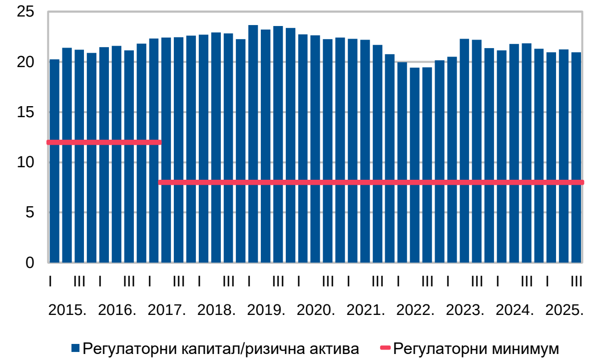
In the first nine months of 2025, FDI inflow measured EUR 2.5 bn (EUR 1.5 bn net). FDIs were mostly in the form of equity capital and reinvested earnings, while staying diversified in terms of geography and project. Going forward, FDIs are expected to remain broadly diversified in terms of geography and project, and the bulk of the investments will still remain chanelled to export-oriented sectors. Estimates place FDIs at around 4% of GDP in the following years.[5]

Main banking sector indicators

The banking sector is stable, well capitalised, highly liquid and profitable. At end-Q3 2025, the capital adequacy ratio at the banking sector level equalled 21.0%, well above the regulatory minimum.[6]

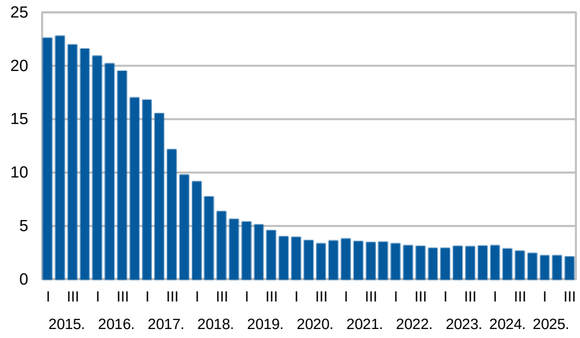
[4] Inflation Report, November 2025.
[5] Inflation Report, November 2025.
[6] Since 30 June 2017, the minimum CAR is 8% (minimum core capital ratio is 6% and minimum Common Equity Tier 1 capital ratio is 4.5%). Also, in addition to meeting these conditions, a bank shall maintain its capital at all times at the level necessary for the coverage of all risks to which the bank is or may be exposed in its operation, i.e. at least in the amount necessary for maintaining the increased capital adequacy ratios – if the National Bank of Serbia, in accordance with Section 5 of this Decision, has set capital adequacy ratios for a bank higher than the prescribed ones.

Графикон 5. **Показатељ адекватности капитала**
(у %)



Извор: НБС.

Графикон 6. **Проблематични кредити**
(учешће у укупним бруто кредитима, у %)



Извор: НБС.

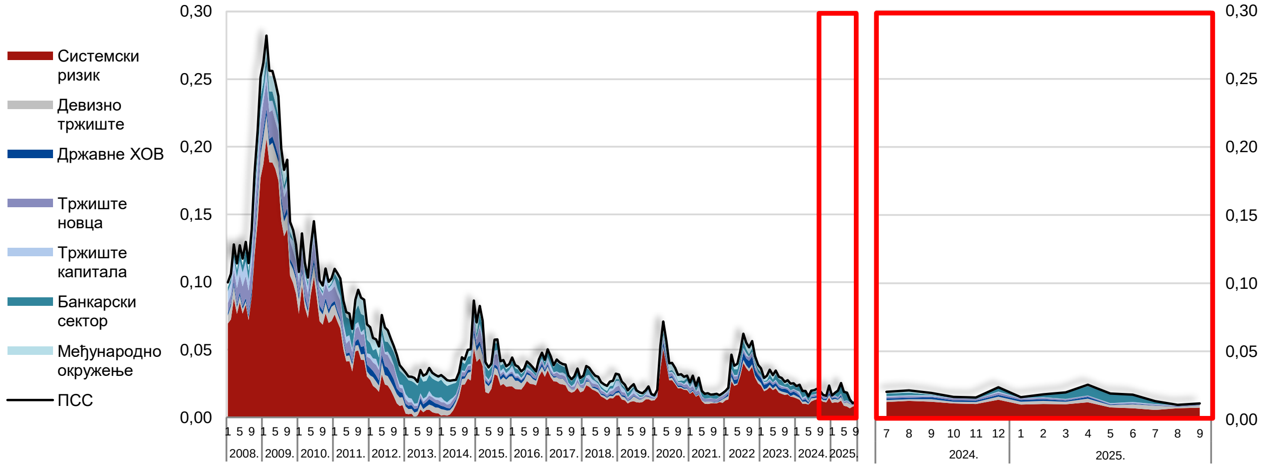
At end-Q3 2025, the loan-to-deposit ratio (LtD) measured 0.85. The sustained value of this indicator at levels below 1 means that banks largely rely on domestic, stable sources of funding, such as deposits.

Despite the multidimensional crisis we have been facing over the past five years, the share of NPLs in total banking sector loans decreased and is at an all-time low, according to the latest data. This is mostly the result of the implementation of the NPL Resolution Strategy from 2015, and other regulatory activities of the NBS throughout the preceding period. In September 2025, the share of NPLs stayed at a record low of 2.2%. At end-Q3 2025, the share of NPLs in total loans edged down by 0.1 pp q-o-q and was 0.5 pp lower in y-o-y terms. The share of NPLs in total loans dropping to a record low level indicates that previously tight financial conditions did not have a negative effect on the quality of bank assets.

Assessment of systemic risk of the Serbian financial system

The Systemic Stress Indicator (hereinafter: SSI) was developed with a view to identifying periods of elevated stress and the level of systemic risk in the financial system of the Republic of Serbia. The SSI covers a series of indicators which capture the level of financial stress in six key segments of the Serbian financial system: FX market, government securities market, money market, capital market, banking sector and the international environment.

Графикон 7. **Кретање Показатеља системског стреса и приказ доприноса најзначајнијих фактора ризика Показатељу системског стреса**



Извор: НБС.

At end-Q3 2025, the SSI dropped slightly relative to end-Q2 2025. The decrease in the SSI was mostly due to the low and stable systemic risk component.

In late July 2025, Fitch Ratings affirmed Serbia’s credit rating at BB+, with a positive outlook. This decision was supported by a sound policy mix, responsible public finance management, high FX reserves and stronger economic development compared with the ’BB’ median. The positive outlook reflects the expected investment-led economic growth, underpinned by the “Leap into the Future – Serbia Expo 2027” project, strengthening of the country’s external position, continued public debt reduction and stabilisation of inflation.

The NBS will remain cautious and make timely decisions with a view to preserving and strengthening the achieved financial system stability. Improvement of the domestic macroeconomic environment in the past period and continuous upgrades to the banking regulatory framework helped to maintain a stable, well-capitalised and highly liquid banking sector. The stability of the banking system is also confirmed by the results of the latest quarterly solvency and liquidity macroprudential stress tests.