

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 and 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 12 March 2026, decided to keep the countercyclical capital buffer (CCyB) rate for the Republic of Serbia at 0.5%. By introducing the obligation to maintain the CCyB, the NBS acts proactively with a view to strengthening financial stability, especially against the background of heightened global uncertainty. The maintenance of the CCyB creates an additional layer of capital which may be released if certain risks materialise, thereby helping to preserve Serbia's banking sector resilience.

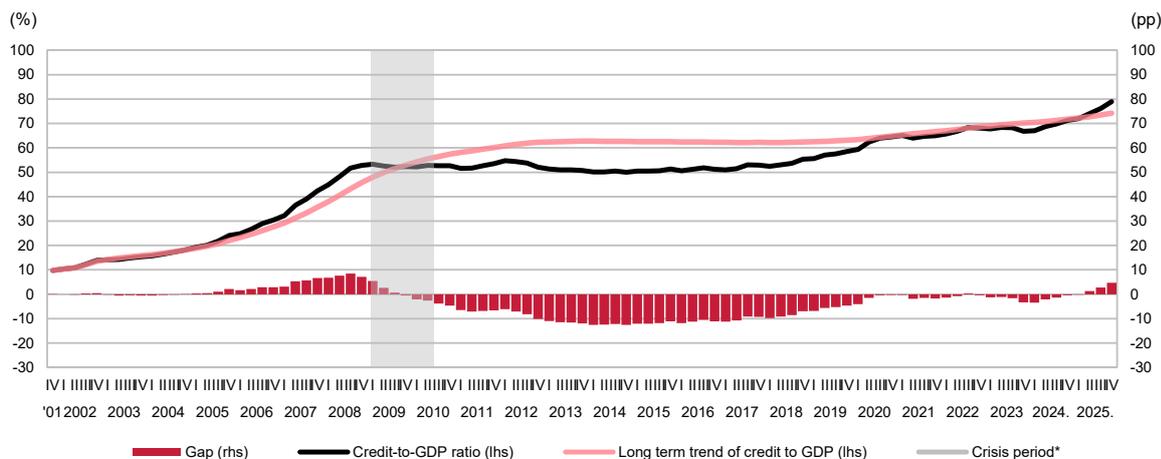
The CCyB is additional Common Equity Tier 1 capital that banks are required to maintain above the prescribed regulatory minimum in the amount equal to their risk-weighted assets multiplied by the specific CCyB rate. This instrument mitigates the cyclical dimension of systemic risk, creating an additional 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. Vibrant lending growth in place since 2024 brought the share of total loans in GDP above its long-term trend. Taking that into account, at its meeting of 11 December 2025, NBS Executive Board set the CCyB rate at 0.5%, applicable as of 15 December 2026. According to December 2025

data, the credit-to-GDP gap is 4.7 pp. In Q4 2025, the gap expanded by 5.1 pp in y-o-y terms.

Chart 1 Credit-to-GDP ratio and its long run trend



Source: NBS.
*Based on SSI.

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 in the Republic of Serbia continued to rise moderately y-o-y. The y-o-y growth rate in Q3 2025 equalled 6.0%.¹

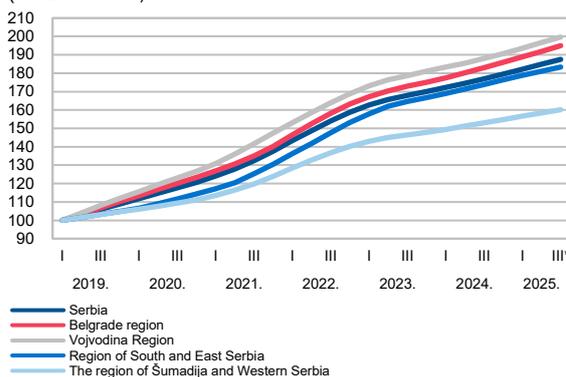
In Q4 2025, the total number of issued permits for new construction increased by 4.9% relative to the same quarter the year before.

The LtV ratio, measured by the ratio of mortgage-backed housing loans for which a flat was mortgaged and the estimated value of the flats, dropped to 63.9% in Q4 2025, from 65.4% in Q3 2025.²

¹ Republic Geodetic Authority – Report on the Apartment Price Index for Q3 2025 (the latest available data).

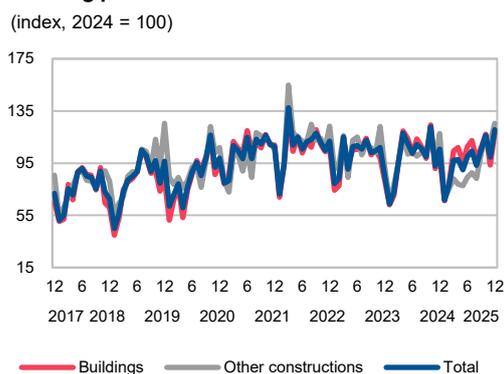
² Source: NBS Real Estate Database.

Chart 2 Housing price index
(Q1 2019 = 100)



* The latest data available.
Source: Republic Geodetic Authority.

Chart 3 Indices of the number of newly issued building permits
(index, 2024 = 100)



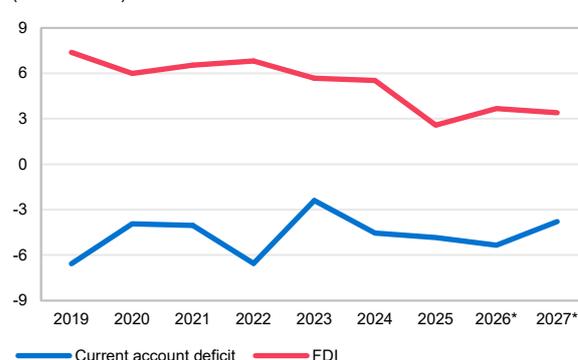
Source: Statistical Office of the Republic of Serbia.

The January NBS bank lending survey shows that, in Q4 2025, banks relaxed credit standards for dinar corporate and household loans. FX-indexed loans standards easing in the household segment was driven by a higher risk appetite, improved expectations regarding the general economic outlook and more favourable prospects in the real estate market. Households upped demand for dinar cash, consumer and refinancing loans, as well as for FX-indexed housing and consumer loans. This was underpinned by refinancing needs and durable consumer goods and real estate purchases, along with the relative general economic improvement in the form of wage growth. Corporate demand expanded for nearly all loan categories, driven by working capital and capital investment needs. Banks do not expect any major change in household and corporate credit standards in Q1 2026, while anticipating a mild contraction in corporate loan demand and a further increase in household loan demand.³

Indicators of external imbalance

The current account deficit measured EUR 4.3 bn in 2025, up by EUR 0.5 bn y-o-y. Its share in GDP was close to its average equilibrium rate. Taking into account the anticipated further rise in the imports of goods and services, the current account deficit is expected to measure 5.4% of GDP in 2026. In 2027, as services exports go

Chart 4 Current account deficit and FDI
(in % of GDP)



* NBS projection, February 2026
Source: NBS.

³ Report on the Bank Lending Survey, Q4 2025.

up due to the hosting of Expo 2027, the above share ought to subside to below 4%.⁴

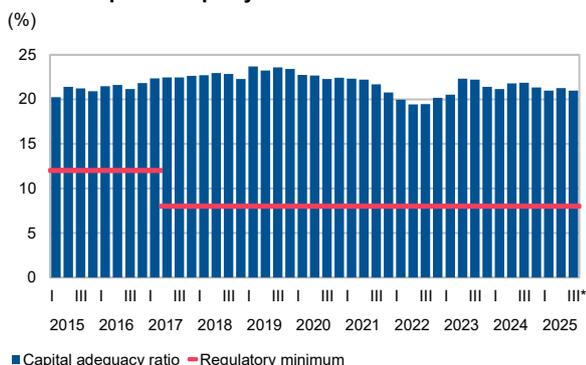
FDI inflow measured EUR 3.5 bn in 2025, which is 33.5% lower than the record-high inflow in 2024. Residents stepped up their investment abroad, so net FDI inflow came at EUR 2.3 bn. More than two-thirds of FDI inflows were in the form of equity capital and reinvested earnings. FDIs stayed diversified in terms of geography and project and are expected to remain so going forward. The bulk of FDIs will likely continue to be channelled to export-oriented sectors. Estimates place FDIs at around 4% of GDP in the coming 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 was 21.0%, well above the regulatory minimum.⁶

At end-Q4 2025, the loan-to-deposit ratio (LtD) measured 0.83. The sustained value of this indicator at levels below 1 means that banks largely rely on domestic, stable sources of funding, such as deposits.

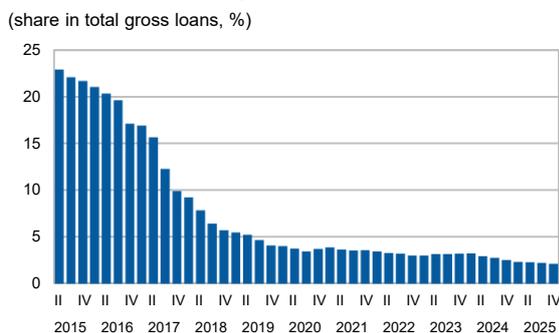
Chart 5 Capital adequacy ratio



*The latest available data.

Source: NBS.

Chart 6 Non-performing loans



Source: NBS.

The share of NPLs in total banking sector loans subsided, to an all-time low (2.1%) in December 2025. Since August 2015, when the NPL Resolution Strategy was adopted and numerous measures were taken to reduce NPLs, the share of NPLs decreased by 20.1 pp. At end-Q4 2025, the share of NPLs in total loans edged down by 0.1 pp q-o-q and by 0.4 pp y-o-y. The continued

⁴ Inflation Report, February 2026.

⁵ Inflation Report, February 2026.

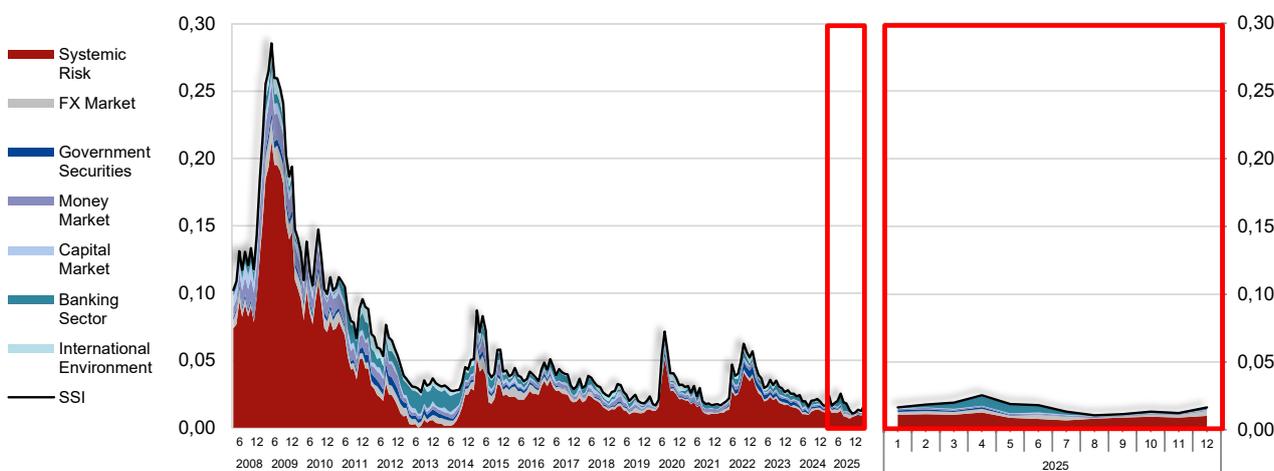
⁶ Since 30 June 2017, the minimum CAR is 8% (minimum core capital ratio is 6% and minimum Common Equity Tier 1 capital ratio is 4.5%). Also, in addition to meeting these conditions, a bank shall maintain its capital at all times at the level necessary for the coverage of all risks to which the bank is 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.

slide in the share of NPLs in total loans indicates that the previous tightening of 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.

Chart 7. Systemic stress indicator dynamics and contribution of the most important factors to the Systemic stress indicator



Source: NBS.

At end-Q4 2025, the SSI rose slightly relative to Q3 2025.

In late January 2026, Fitch Ratings affirmed Serbia’s rating at BB+, with a positive outlook for investment-grade rating. According to the agency, Serbia's ratings are supported by prudent fiscal management, high international reserves and other macroeconomic policies supporting domestic economy’s stability and prospects. In late February 2026, Moody’s affirmed Serbia’s credit rating at Ba2, with a stable outlook. The agency highlighted that Serbia’s ratings are underpinned by a strong fiscal position and declining public debt burden which provides fiscal space that allows the country to absorb shocks. It also noted that while economic fundamentals have been preserved, risks limiting economic growth have intensified.

The NBS will remain cautious and make timely decisions with a view to preserving and strengthening the 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 solvency and liquidity macroprudential stress tests.