10 September 2026

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

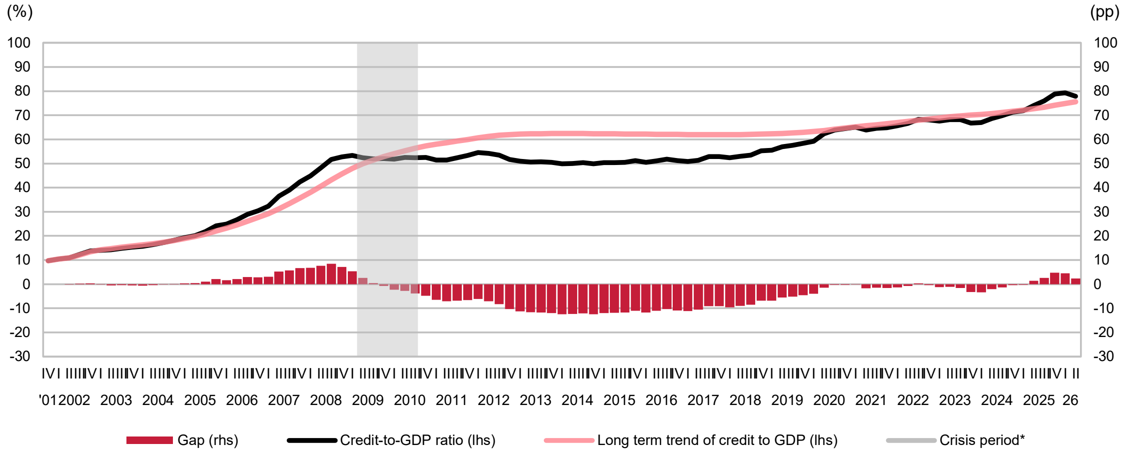
Pursuant to Article 14, paragraph 1, item 11) of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012, 14/2015, 40/2015 – CC decision, 44/2018 and 19/2025) and Section 436 of the Decision on Capital Adequacy of Banks (RS Official 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 10 September 2026 decided to keep the countercyclical capital buffer (CCyB) rate for the Republic of Serbia at 0.5% of a bank's risk-weighted assets. By keeping the CCyB rate on hold, the NBS acts 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 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 buffer 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 June 2026 data, the credit-to-GDP gap is 2.4 pp. In Q2 2026, the gap expanded by 1.0 pp in y-o-y terms.

Chart 1 **Credit-to-GDP ratio and its long-term 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

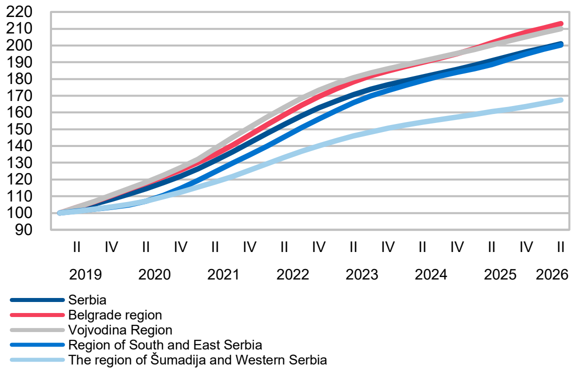
The latest available data of the Republic Geodetic Authority and the Apartment Price Index (Chart 2) indicate that flat prices in the Republic of Serbia continued to rise moderately y-o-y in Q2 2026. The y-o-y growth rate in flat prices in Serbia in Q2 2026 equalled 5.25%, while in q-o-q terms the prices rose by 1.2%.[1]

In Q2 2026, the total number of issued permits for new construction increased by 18.3% relative to the same quarter the year before.

The LtV ratio, measured by the ratio of housing loans for which flats were mortgaged and the estimated value of those flats, measured 62.8% in Q2 2026 (64.5% in Q1 2026).[2]

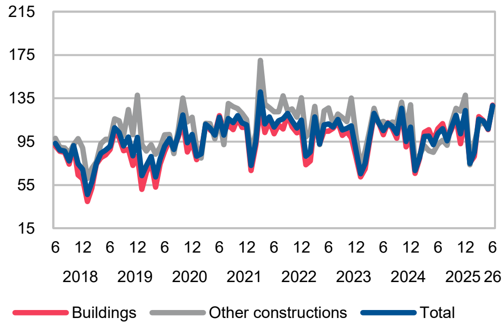
[1] Republic Geodetic Authority – *Report on the Apartment Price Index for Q2 2026.*
[2] Source: NBS Real Estate Database.

Chart 2 **Housing price index**
(Q1 2019 = 100)



* Source: Republic Geodetic Authority.

Chart 3 **Indices of the number of newly issued building permits**
(index, 2025= 100)



Source: Statistical Office of the Republic of Serbia.

The July NBS bank lending survey shows that, in Q2 2026, banks tightened credit standards for all types of corporate loans by purpose and company size, due to the higher costs of lending sources, interbank competition, risk perception and risk appetite. Simultaneously, household lending standards remained unchanged. Banks estimated that in Q2 2026 corporate loan demand increased, influenced equally by needs for financing working capital and investments. In Q2 2026, households upped demand for consumer, dinar cash and refinancing loans, as well as for FX-indexed housing loans. Banks assessed that this was underpinned by the purchase of durable consumer goods, refinancing needs, real estate purchase and wage growth.[3]

Indicators of external imbalance

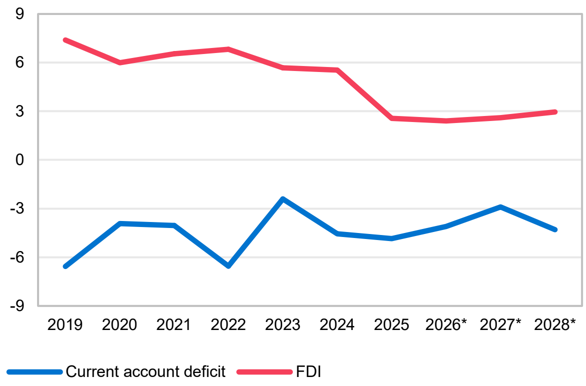
In H1 2026, the current account deficit measured EUR 1.4 bn, or 3.1% of GDP. Despite the still subdued external demand and the effects of the global energy shock, the current account deficit was as much as 30.5% lower than in the same period last year. This was primarily attributable to a narrowing of the deficit in trade in goods and services, reflecting faster y-o-y growth in exports than in imports of goods and services (7.9% vs. 4.9%). Export growth was driven by the exports of the manufacturing industry, primarily by branches related to the automotive industry, as well as by higher copper ore exports, with a significant contribution from services exports.[4]

FDI inflows in the first six months of 2026 were lower than in the same period of the previous year, amounting to EUR 1.2 bn. At the same time, however, residents invested significantly less abroad, which contributed to net FDI inflows in the first six months of 2026 (EUR 840 mn) being 2.5% higher

[3] *Inflation Report*, August 2026 and *Report on the Bank Lending Survey*, Q2 2026.
[4] *Inflation Report*, August 2026.

than in the same period of the previous year. FDI inflows were predominantly in the form of reinvested earnings and equity capital. Going forward, the high geographical and project diversification of FDI is expected to be maintained, with the bulk of inflows directed towards export-oriented sectors, as so far. In the coming years, FDI inflows are expected to average around 3% of GDP, given heightened global uncertainties, which may affect decisions regarding the scale and timing of investment project implementation.[5]

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



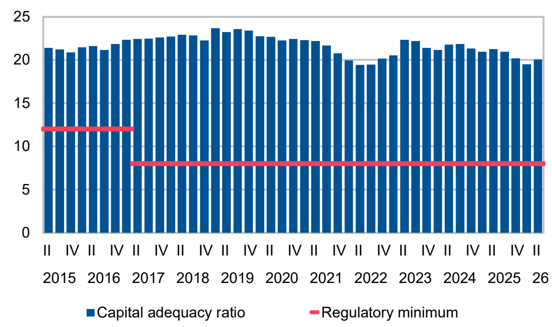
* NBS projection, August 2026
Source: NBS.

Main banking sector indicators

The banking sector is stable, well capitalised and highly liquid. At end-Q2 2026, the capital adequacy ratio at the banking sector level was 20.0%, well above the regulatory minimum.[6]

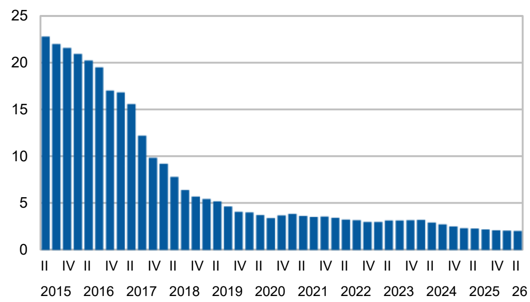
At end-Q2 2026, the loan-to-deposit ratio (LtD) measured 0.85. The sustained value of this indicator at levels below 1 means that banks largely rely on domestic, stable sources of funding, such as deposits.

Chart 5 **Capital adequacy ratio**
(%)



Source: NBS.

Chart 6 **Non-performing loans**
(share in total gross loans, %)



Source: NBS.

Despite the multidimensional crisis we have faced over the past six years, The share of NPLs in total banking sector loans went down, touching a historical low in June 2026 (2.04%). Since August 2015, when the NPL Resolution Strategy was adopted and numerous measures were taken to

[5] *Inflation Report*, August 2026.

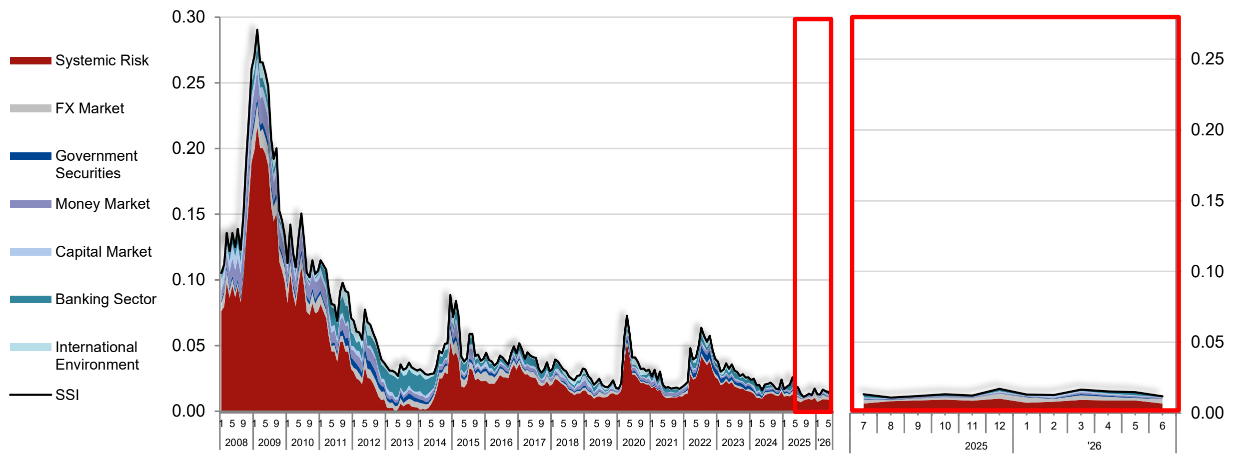
[6] Since 30 June 2017, the minimum CAR is 8% (minimum core capital ratio is 6% and minimum Common Equity Tier 1 capital ratio is 4.5%). Also, in addition to meeting these conditions, a bank shall maintain its capital at all times at the level necessary for the coverage of all risks to which the bank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

reduce NPLs, the share of NPLs decreased by 20.2 pp. The share of NPLs in total loans was almost unchanged at end-Q2 2026 relative to end-Q1 2026, while going 0.3 pp down relative to Q2 2025. The share of NPLs in total loans dropping to a record low indicates that the previous tightening of financial conditions did not have any negative effects on the quality of bank assets and that the NBS measures were timely and adequate.

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**



At end-Q2 2026, the SSI was lower than in Q1 2026.

In early July 2026, Fitch Ratings affirmed, for the fourth consecutive time, its positive outlook for Serbia's attainment of an investment-grade rating, while maintaining the country's credit rating at BB+. As in its previous reports, Fitch Ratings highlighted that Serbia's credit rating is supported by an adequate policy mix, including a strong commitment to preserving foreign-exchange rate stability, prudent fiscal management, high foreign exchange reserves, and higher GDP per capita compared with countries with the same credit rating.

The NBS will remain cautious and will 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.