

Macroeconomic Developments and Financial Sector Movements in Serbia

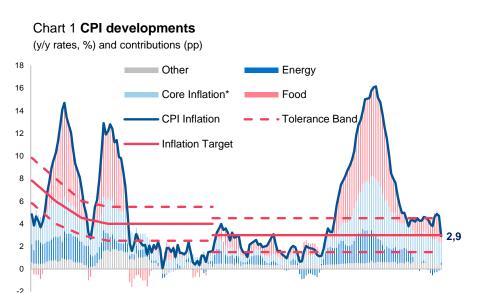
October 2025

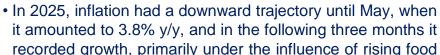


Sustained Macroeconomic Stability

- Despite the multidimensional crisis, Serbia has shown resilience and saved economic stability, as evidenced by GDP growth, which by 2024 was over 18% higher than the pre-pandemic level, high export growth and geographically and project widespread FDI inflows, continued growth in employment and wages in the private sector, as well as the country's foreign exchange reserves at a level significantly higher than the criteria determining their adequacy, which resulted in obtaining an investment grade credit rating by Standard & Poor's agency in October 2024.
- Inflationary pressures have been significantly reduced during 2024, and since then inflation has stabilized around the upper bound of the target tolerance band of 3±1.5%.
- As a result of the Decree on Special Conditions for Conducting Trade in Certain Types of Goods, adopted by the Government to cap wholesale and
 retail trade margins at 20% for a six-month period, y/y inflation in September this year significantly slowed to 2.9%, accompanied by a notable
 slowdown in food price growth. Core inflation continued to slow and stood at 3.9% y/y in September.
- Real GDP growth in H1 2025 was 2.0% y/y. Growth is expected to gradually accelerate in H2, driven by further growth in automotive industry production and exports, as well as the implementation of infrastructure projects planned under the "Leap into the Future Serbia Expo 2027" program. For the entire year 2025, we project real GDP growth of 2.75%.
- The GDP growth projection for the next two years will be in the range of 4–5%, with 2027, due to the holding of the specialized international exhibition "Expo", expected to be closer to the upper limit of the projected range.
- In the seven months of 2025, the CAD amounted to EUR 2.3 bn with high growth in both exports of goods and services (8.9% y/y) and imports (9.6% y/y). For the whole of 2025, we expect a current account deficit of 5.3% of GDP, driven by investment needs and growth in disposable income. Next year the current account deficit will be at a similar level as this year, and then in 2027, as a result of higher services exports due to the Expo exhibition, it will decrease to around 4% of GDP.
- Due to product and geographic diversification and mostly export-oriented investments, Serbia's exports of goods showed resilience despite the
 decrease in demand from the EU and the region, and in 2024 grew by 6.9%, while in the period Jan-August this year, grew at an even higher rate of
 8.9% y/y, driven by exports of the manufacturing industry (19 out of 23 branches recorded y/y growth), where exports of the auto cluster stand out.
- Formal employment grew slightly by 0.1% y/y in eight months of 2025, driven by private sector employment growth. According to the Labour Force Survey, the unemployment rate in Q2 2025 was 8.5%, with record participation rate (15-64) of 73.2%. Real average wage growth in the period January-July was 6.3% y/y.
- In the eight months of 2025, the general government deficit amounted to RSD 55.8 bn, with primary surplus of RSD 57.4 bn. The share of central government public debt at the end of August 2025 was 43.2% of GDP and is 3.5 pp lower than at the end of 2024.
- Taking into account the actual and expected inflation movements, as well as geopolitical and trade tensions in the world's leading economies, which
 may affect the prices of primary products, supply chains and capital flows, the National Bank of Serbia kept the key policy rate at 5.75% in October
 2025.
- Banking sector stability has been preserved the NPL indicator in August 2025 was at historical minimum of 2.2%.

Inflation in September is Around the Target Midpoint Value 3±1.5%





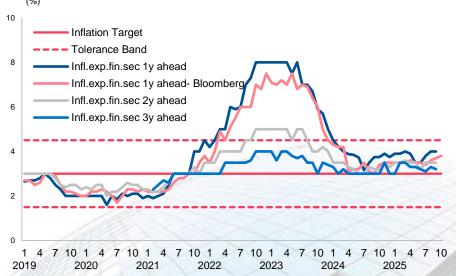
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

prices in unfavorable weather conditions.

• As a result of implementation of the Regulation on margin caps, y/y inflation slowed significantly in September, to 2.9%.

- The Regulation applies to nearly the entire category of food products, which led to a significant slowdown in the growth of food and non-alcoholic beverage y/y prices (from 7.8% in August to 1.7% in September).
- We expect inflation to continue to move relatively stable around the central target value for the rest of the year.



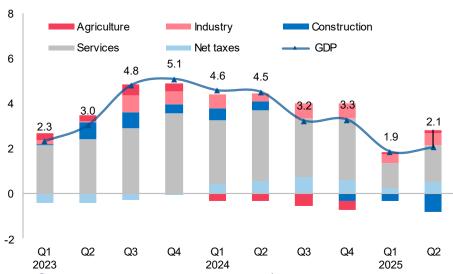


- Core inflation has decreased to 3.9% in September, driven by a slowdown in the growth of both goods and services prices within the core inflation.
- Since the beginning of 2024, the financial sector's inflation expectations have been anchored within the target range and in September amounted to 4.0%, while expectations one year ahead, according to the October Bloomberg survey, are at a slightly lower level (3.8%).
- Medium term expectations of the financial sector have been hovering between 3.0% and 3.5% for a past year.



After Real GDP Growth of 2% y/y in Q1, We Expect a Gradual Acceleration in the Rest of the Year

Chart 3 Contributions to the GDP growth rate, production side (y/y rates in % and contributions to growth, in pp)



- Real GDP growth in H1 was 2.0% y/y, with slightly higher dynamic in Q2 compared with Q1.
- The positive contribution to the growth in H1 came from industry (0.5 pp), mostly from the manufacturing industry, where the positive effects of the production of electric vehicles and car took place.
- The largest contribution to growth in H1 was made by the service sectors overall (1.4 pp), despite the slowdown in trade and decline in tourism, positive contribution also came from net taxes, while on the other hand, a decline in H1 was recorded in construction (-0.5 pp).
- · SORS data on the actual production of autumn crops indicate that agriculture in 2025 will most likely record lower yields than estimated for H1.

Table 1 Movements of some macroeconomic indicators (y/y rates in %)

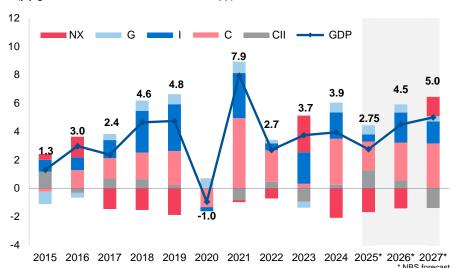
	202	24			
	Q3	Q4	Q1	Q2	July-Aug
Industrial production	3.7	5.0	2.1	3.1	3.0
- Mining	4.0	7.2	4.9	3.2	9.7
- Manufacturing	7.0	7.2	3.7	3.8	0.8
- Energy sector	-13.3	-6.7	-5.7	-1.6	11.5
Retail trade	4.9	1.9	1.2	3.6	2.3
Tourist arrivals	-0.4	5.8	-0.2	-4.3	-0.2
Import of consumer goods	13.5	10.5	17.3	8.9	8.9
Construction material production	-6.7	-0.1	2.0	0.9	2.6

- Data for the July-August period indicate that industry growth in Q3 will be at a similar level as in Q2, with an acceleration in mining and a recovery in electricity production.
- · For Q3, we also expect a gradual recovery in construction, as suggested by available indicators for July and August (production and imports of construction materials, the number of issued building permits, activity in mining related to construction material, etc.).
- Overall, the services sector will continue to be the main contributor to GDP growth with expected gradual recovery of tourism andretail trade growth.

GDP Growth Projection in 2025 Amounts to 2.75%; for 2026 and 2027 it is in the Range of 4-5%

Chart 5 GDP developments

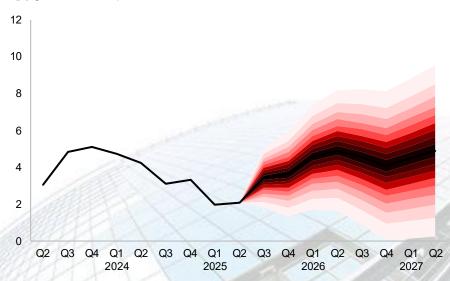
(y/y growth rates in % and contributions in pp)



- According to the SORS final data, real GDP growth in 2024 was 3,9%, and thus unchanged compared to the initial estimate.
- With a gradual acceleration of GDP in Q3, then in Q4, which will be contributed by further growth in automotive industry production and exports, as well as the implementation of infrastructure projects planned under the "Leap into the Future - Serbia Expo 2027" program, we project growth of 2.75% for the entire 2025, with the downside risk being agricultural production, which is likely to be lower than estimated.

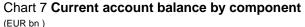
Chart 6 GDP growth projection (from August IR)

(y/y growth rates in %)



- For the next two years we project that GDP growth will be in the range of 4–5%, and in 2027, when the international exhibition "Expo" will took place, we expect it to be closer to the upper limit of the projected range. GDP growth in the coming years will be also driven primarily by the manufacturing and service sectors, with a stronger expected contribution from the construction sector.
- The risks to the GDP projection stem largely from the pronounced geopolitical tensions, and partly from the risks regarding the trade policies of the world's leading economies. The risks also stem from the growth rate of domestic demand, and, overall, we assess them as symmetric.

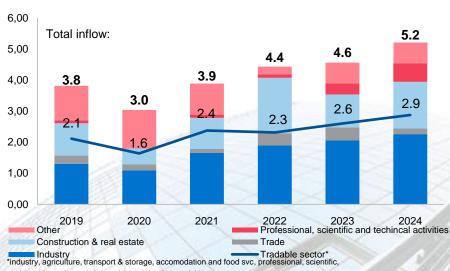
This Year and Next, the Current Account Deficit is **Expected to be in Range 5.0-5.5% of GDP**





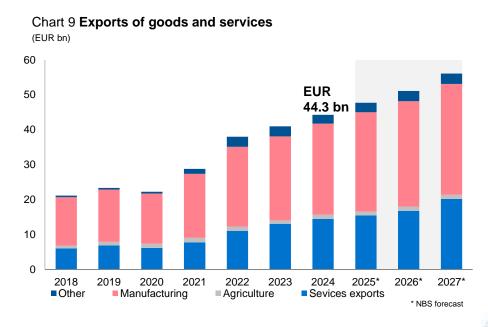
- In seven months of this year, the current account deficit amounted to EUR 2.3 bn. which is about EUR 600 mln higher compared to same period last year, mainly driven by a lower sevrices and secondary income suficit.
- We expect CAD to be around 5-5.5% of GDP in 2025 and 2026, as a result of investment cycle and higher disposable income, and then decrease to about 4% of GDP in 2027. influenced by a higher export of services from hosting **EXPO** exhibition.

Chart 8 Sector structure of FDI (EUR bn)

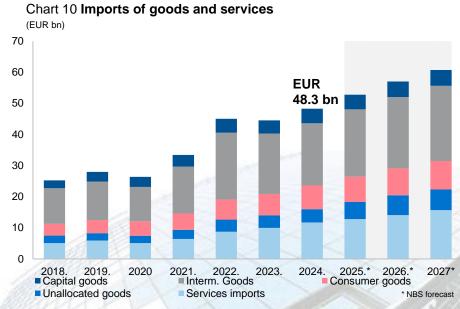


- techincal,inovative, administrative and auxiliary activities
- Out of a total FDI of EUR 28.4 bn in the period 2018–2024, nearly 60% was directed toward tradable sectors, including approximately EUR 7.7 bn into the manufacturing, and in the last two years, participation in activities with higher added value (scientific, technical and innovative activities) has been growing.
- FDI are geographically diversified, with the largest share coming from the EU, as well as an increasing share from Asian countries.
- In Jan-July 2025, FDI inflow amounted to EUR 1.9 bn, while net inflow reached EUR 1.3 bn due to increased resident investments abroad.

Export Growth will be Driven by Past Investments and the Recovery of External Demand; While Import Growth by the Investment Cycle and Higher Disposable Income



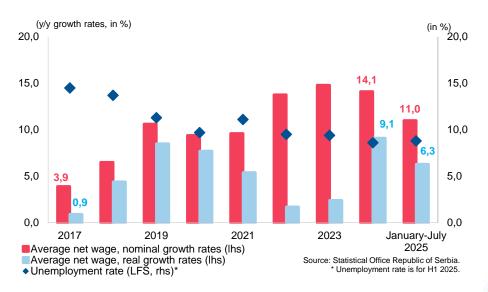
- Exports of goods accelerated from 6.9% in 2024 to 10.6% y/y in the first seven months of 2025, despite weak external demand and problems in the automotive industry in Europe. Exports of motor vehicles accelerated growth to 18.1% y/y, and exports of rubber and plastics to 19.6% y/y, as a result of increased capacity in the automotive industry.
- Services exports in seven months of 2025 increased by 5.3% y/y, driven by the increase in the export of ICT services (13.1% y/y).



- After a growth of 6% in 2024, in the period January-July 2025, imports of goods recorded a growth of 9.4% y/y, with the largest contribution coming from imports of intermediate and consumer goods.
- Service imports in seven months of 2025 grew by 10.1% y/y, mainly due to higher tourism, which growth rate amounted to 24.4% y/y.

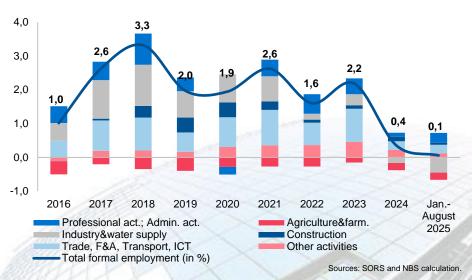
Slight Growth in Formal Employment Since the Beginning of the Year, with Slower Real Wage Growth

Chart 11 Nominal net wages by sector, unemployment rate (LFS)



- The average nominal net wage in the period January-July 2025 was 107,449 dinars (917 euros), with the growth slowing down to 11.0% (real growth slowed down to 6.3% y/y). The minimum net wage is 9.4% higher as of October 2025.
- The coverage of the average consumer basket by the average wage increased during the first six months of 2025 to 100.1%, from 94.5% in 2024.
- According to the Labor Force Survey, the unemployment rate in Q2 2025 was 8.5%, with the youth unemployment rate (15-24) at 22.8%. The employment rate in Q2 was 51.5% and the participation rate (15-64) was at the level of 73.2%.

Chart 12 Contribution to y-o-y growth in total formal employment by economic sector (period average, in pp)

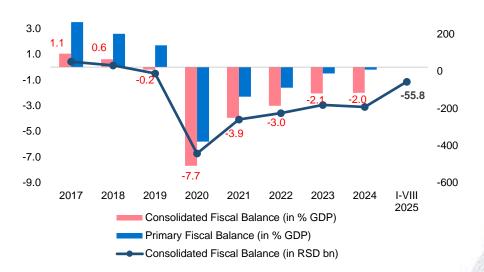


- According to CROSO data, in the period January-August 2025, a slight y/y employment growth of 0.1% was achieved, and the total number of employees amounted to 2.37 million persons, with the number of employees in the private sector amounting to about 1.76 million persons (y/y growth of 0.2%).
- The growth in total employment comes from the growth in employment in 11 out of 19 activities.
- Productivity growth in H1 2025 (1.9% y/y) was result of faster growth in economic activity than employment.

Fiscal Deficit of up to 3% of GDP in 2025-2027 with a Continuation of the Downward Trajectory of Public Debt

Chart 13 General government fiscal balance and primary fiscal balance

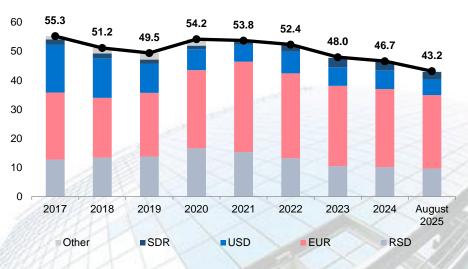
(in % of GDP and in RSD bn)



- In the eight months of 2025, the fiscal deficit amounted to 55.8 billion dinars, with a primary surplus of 57.4 billion dinars. Revenue growth of 5.8% y/y was led by social security contributions, VAT and income tax. Expenditures increased by 9.1% y/y in the same period, driven by higher expenditures on wages, pensions and purchases of goods and services.
- Capital expenditures in eight months of 2025 amounted to 342 billion dinars and were 3.1% y/y higher.

Chart 14 Public debt (central government)

(% share in GDP)

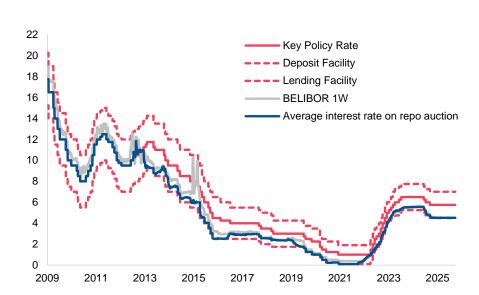


- The share of central government public debt in GDP is on a declining path and is within the Maastricht criteria.
- At the end of August 2025, the share of central government public debt was 43.2% of GDP (general government public debt 43.5% of GDP).
- According to the *Fiscal Strategy for 2026 with projections* for 2027 and 2028, fiscal deficit in the period 2025-2027 will amount to 3.0% of GDP, and in 2028 to 2.5% of GDP. This should ensure a continued slight decrease in the share of the state sector's public debt in GDP from 46.8% at the end of 2025 to 46.2% at the end of 2028.



The Key Policy Rate Maintained at 5.75% in October





In making such decision, the Executive Board primarily took into account the following factors:

- actual and expected inflation and factors from the domestic and international environment that influence its movement;
- that caution is necessary in conducting monetary policy because primarily due to geopolitical and trade tensions that may affect world prices of primary products, supply chains and capital flows
- that by adopting a new set of measures aimed at citizens with lower incomes and pensioners, financing conditions have been eased on this basis.

Chart 16 Interest rates in the primary market of government securities



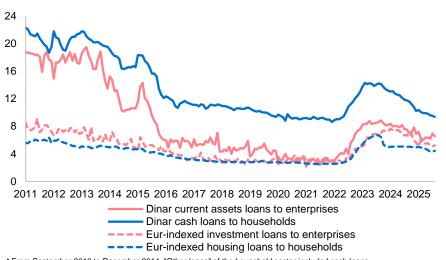


- * Excluding coupon securities with the rate linked to the NBS key policy rate.
- The entire portfolio of dinar government securities consists of long-term securities (5+ years).
- In January 2025, The first auction of dinar government bonds was held after receiving the investment credit rating, which was the most successful auction to date, based on record sales volume and demand (111.3 billion dinars and 158 billion dinars, respectively). The coupon and execution rates were equalized at 5.25%.
- At the auctions of 10.5-year dinar bonds in March, May and September securities were sold in the amount of 51.1 billion dinars at nominal value, with the yield reduced to 5.10%.

More Favorable Borrowing Conditions and Growth in Credit Activity to the Private Sector

Chart 17 Interest rates on loans - new business

(p.a. in %)



- * From September 2010 to December 2014, "Other loans" of the household sector included cash loans and other loans, From January 2015, "Cash loans" are shown separately.
- The easing of monetary policy by the NBS and the ECB is reflected in more favorable borrowing terms for corporates and households:
 - In August 2025 the interest rate on dinar loans to the corporates equaled to 6.6%, and for euro loans to 4.8%;
 - in August 2025 the interest rate on dinar loans to households equaled to 9.3% and for euro loans to 4.7%.
- Interest rates on housing loans of 4.5% in August was below the capped rate of 5%, which also contributed by the realization of loans under more favorable terms within the state program subsidized housing loans for young people.

Chart 18 Bank lending to enterprises and households

(y/y rates, constant exchange rate 30 September 2024, in %)



- Lending activity accelerated to 12.0% y/y in August (from 8.2% y/y at the end-2024), with corporate loans accelerating to 8.3% y/y (from 4.8% y/y in end-2024), and loans to households to 14.9% y/y (from 10.4% y/y in end-2024).
- Household lending was driven by the growth in cash and housing loans, which is also supported by the implementation of the "Mortgage Loans for Youth" program.
- Within corporate loans, the growth of investment loans (11.9% y/y in August) and liquidity and working capital loans (9.8% y/y in August) stands out.

Serbia Received an Investment Grade Rating in October 2024, as a Result of Strengthening Macroeconomic Fundamentals

Table 1 Changes in Credit Ratings and Outlooks

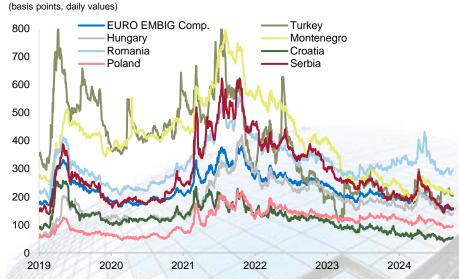
	2020	2021	2022	20	24
S&P	BB+ /stable ³⁾	BB+ /positive ⁷⁾	BB+ /stable ⁴⁾	BB+ /positiv e ²⁾	BBB- /stable ⁶⁾
Fitch				BB+ /positiv e ⁵⁾	
Moody'		Ba2 /stable ¹⁾		Ba2 /positiv e ⁵⁾	
S		/Stable /		/positive /	

Source: NBS.

Note: There was no change in rating/outlook in 2023.

- Standard & Poor's assigned Serbia an investment grade credit rating (BBB-) in October 2024, with a stable outlook. Moody's maintained Serbia's credit rating at Ba2 in August 2024, with an improved outlook to positive. Additionally, Fitch confirmed Serbia's credit rating at BB+ in July 2025, with a positive outlook.
- Key factors contributing to the favorable credit rating include high real GDP growth compared to the pre-pandemic level, doubled foreign exchange reserves, a significant reduction in the share of public debt in GDP, as well as the responsible management of monetary and fiscal policies.

Chart 19 Risk premium indicator for euro-denominated debt – EURO EMBIG



- The moderate growth of Serbia's risk premium at the beginning of this year is primarily a consequence of increased global uncertainty due to increasing protectionism and has been declining from May, as a result of reduced uncertainty and the achievement of trade agreements between the US and the EU.
- Compared to the end of 2024, Serbia's risk premium on eurodenominated debt was lower by 50 basis points at the end of September, amounting to 155 bp.

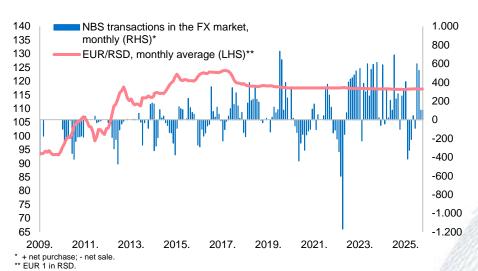
¹⁾ March, ²⁾ April, ³⁾ May, ⁴⁾ June, ⁵⁾ August, ⁶⁾ Октобар, ⁷⁾ December.



Relative Stability of Exchange Rate Has Been preserved, With FX Reserves at High and Adequate Levels

Chart 20 Exchange rate developments and NBS transactions in the FX market

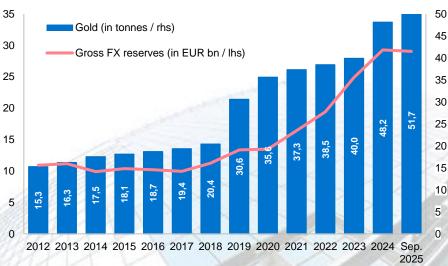
(EUR/RSD lhs, in mm EUR rhs)



- The dinar gained 0.1% against the euro in 2024, while NBS net purchased EUR 2.725 bn in the IFEM.
- Depreciation pressures were dominant during Q1 2025, driven mostly by seasonally increased demand for foreign exchange by energy importers, with appreciation pressures prevailing in later months. The dinar weakened against the euro by 0.2% over the nine months.
- Since the beginning of the year, the NBS has net purchased EUR 430.0 million in order to maintain relative exchange rate stability.

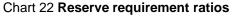
Chart 21 NBS FX reserves

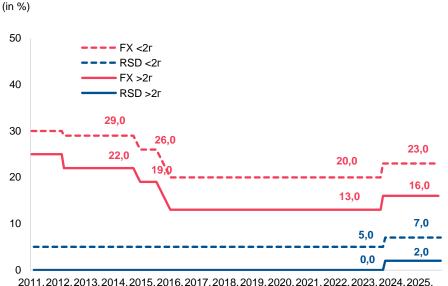
(in EUR bn, in tonnes)



- Foreign exchange reserves have practically returned to the record level from the end of 2024 in recent months and amounted to EUR 29.1 billion at the end of September.
- Such level of FX reserves covers slightly less than seven months' worth of goods and services imports and around 162% of M1 money supply, which is far above the adequacy standards.
- Since 2012 the quantity of gold has been increased by over three times to 51.7 tonnes in September, while the value reached close to 19% of total foreign exchange reserves.

Dinarisation of the Financial System on an Upward Trajectory



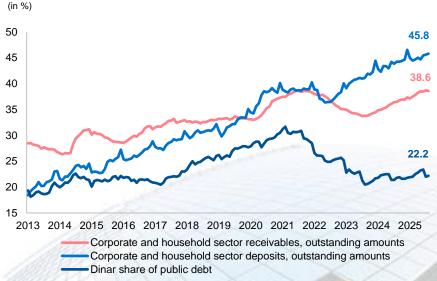


NBS stimulates the dinarisation process by delivering low and stable inflation in medium-term, preserving relative exchange rate stability and using other measures to stimulate dinar sources of finance.

NBS increased required reserves (RR) in September 2023:

- FX RR rates by 3 pp (to 23%/16% for liabilities with the contracted maturity of below and over 2Y, respectively), while increasing dinar allocations of FX RR by 8 pp (to 46%/38%, depending on maturity of liabilities).
- the RSD RR rate by 2 pp each (to 7% and 2%, depending on maturity of liabilities).

Chart 23 Dinarisation of the corporate and household sector receivables and deposits, and dinar share of public debt

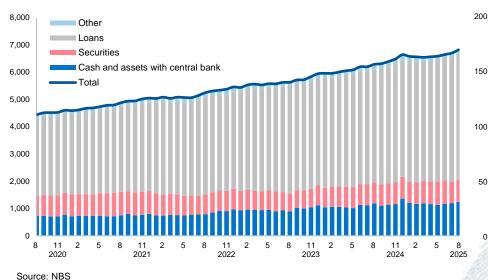


- The dinarisation of households' receivables had a marked growth trend - from 35.1% (2012) to 56.0% (August 2025).
 This resulted in an increase of dinarisation of total corporates and households' receivables to 38.6% in August (by 10.6 p.p. more compared to the end of 2012).
- Dinar savings have increased by almost 40% during 2024, and rising trend continued in 2025 as well, as it amounted RSD 205.0 end-September. With the share of dinar deposits with the corporates of close to 62%, the dinarisation of the deposits of the corporates and households increased by 26.5 p.p. compared to the end of 2012 and in August 2025, it was 45.8%.



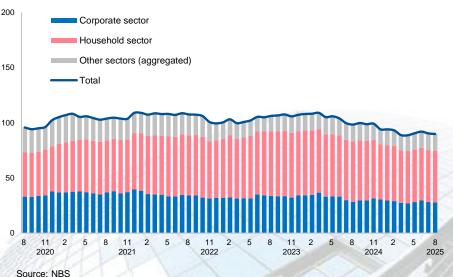
Traditional Banking Mostly Financed by Domestic Deposits

Chart 24 **Structure of banking sector assets** (RSD bn)



- Risk aversion during the earlier periods' crisis led to intensified banks' investments in low-risk government securities. The share of securities in total net assets of the banking sector was 11.9% at the end of August 2025.
- Retail and corporate deposits dominate the liabilities' structure and at the end of August 2025 were 45% and 31%, respectively.
- There is currency matching of assets and liabilities, given that the net open foreign exchange position accounts for only 1.3% of regulatory capital at the end of August 2025.

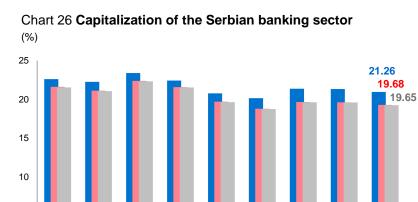
Chart 25 **Asset quality – Non-performing loans (NPL)** (RSD bn)



- Successful implementation of NPL Resolution Strategy and other measures led to a significant decrease of NPL stock in bank's portfolios and reduced NPL ratio to its historical minimum of 2.2% at the end of August 2025.
- At the end of August 2025, the largest portion of outstanding gross NPLs related to the household sector (52.3%) and corporate sector (30.8%).
- The main channels of NPLs' reduction are repayments, write-offs, and transfer (sale) to third parties.



Conservative Framework Contributed to the Banking Sector Resilience to Shocks





2017

2018

2019

Total capital ratio

2020

5

 High banking sector capitalization is a result of strong prudential measures.

2021

■Tier 1 to RWA

2022

2023

■ CET1 ratio

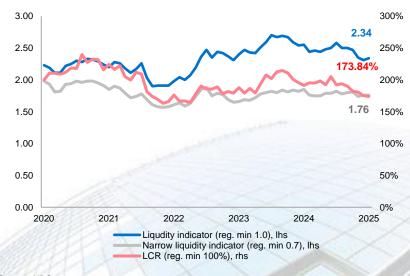
2024

2025

(June)

- Banks have built significant capital reserves which enable them to successfully cover risks even in the case of worstcase stress scenario.
- The highest quality CET1 capital makes more than 90% of total banking sector regulatory capital.
- The high solvency of the banking sector is also indicated by the leverage ratio which was 10.4% at the end of June 2025.

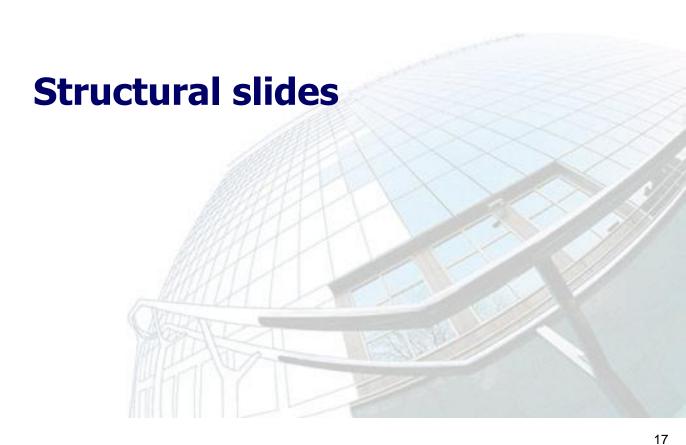
Chart 27 Liquidity indicators of the Serbian banking sector



Source: NBS

- Serbian banking sector is highly liquid all relevant liquidity indicators are at levels significantly higher than the prescribed minimums.
- Liquid assets made 42.0% of the total net assets of the banking sector in August 2025.
- The loan to deposit ratio for non-financial customers was 79.2% at the end of August 2025, which is another indicator of the stable funding structure and banking sector's liquidity.



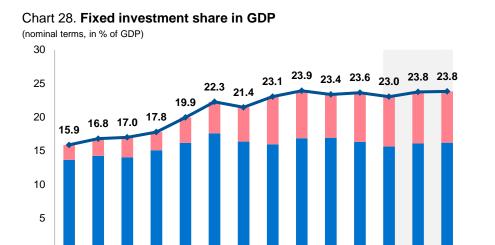




Private investment

Gross fixed investment

Capital, Labour and TFP



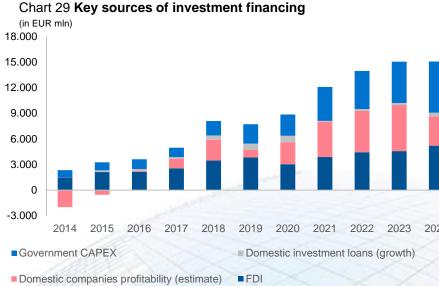
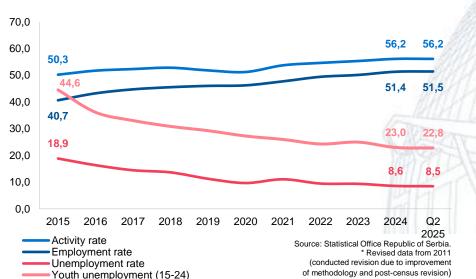


Chart 30. Labour market indicators according to the Labour Force Survey*

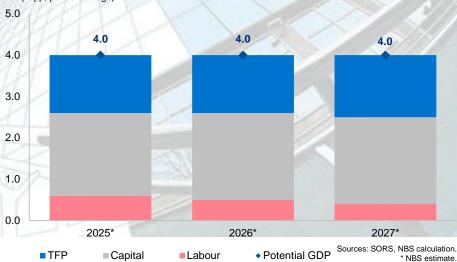
2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025*2026*2027*

Government investment

* NBS estimate









Geographic Structure of Foreign Trade

Chart 32 Goods exports by country in H1 2025 / 2024 (EUR mn and % of total)

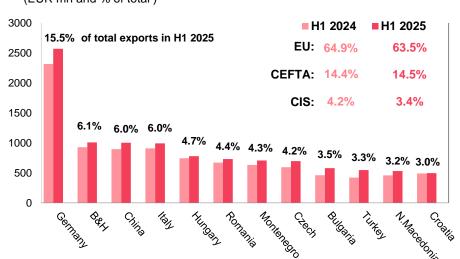


Chart 34 Services exports by country in H1 2025 / 2024 (EUR mn and % of total)

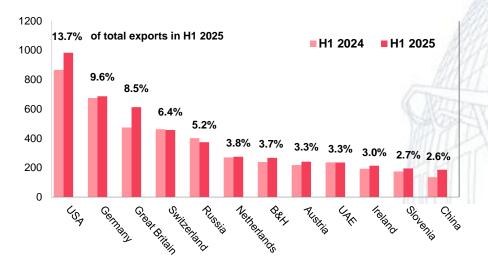


Chart 33 Goods imports by country in H1 2025 / 2024

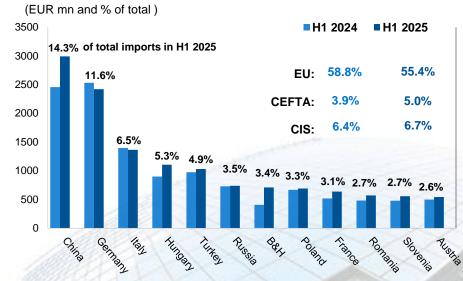


Chart 35 Services imports by country in H1 2025 / 2024

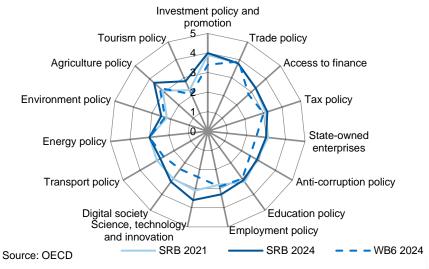




Competitiveness and FDI

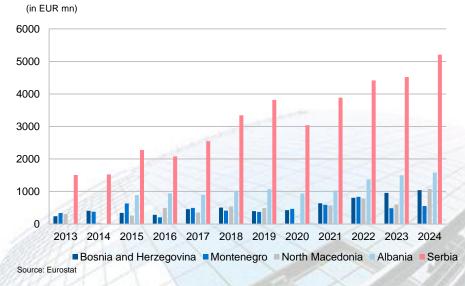
Chart 36. Serbia's Competitiveness Outlook performance

(scores, 5 is the highest)



- The rise in Serbia's competitiveness is confirmed by OECD Western Balkans Competitiveness Outlook 2024.
- Comparing to 2021 report Serbia made progress in 8 out of 15 policy dimensions
- Serbia made the biggest improvements in policy dimensions of agriculture, science, technology and innovation and employment.
- Serbia is outperforming the average of Western Balkans across 13 policy dimensions.

Chart 37. FDI inflow, by country



- Some of the main achievements:
- strong progress in improving transport infrastructure, particularly for rail transport, increased broadband connectivity, established an intraday electricity market;
- reginal leader in attracting FDI and in trade, with increasing high-value-added exports, efficient tax administration;
- significant advancement in digital transformation (i.e. expanding e-government services, national open data portal is the most advanced platform, introduction of new technologies including AI).

New Law on the Protection of Financial Service Consumers limited interest rates on loans to natural persons

☐ Housing loans:

- until 31 December 2025: A nominal interest rate higher than 5% may not be applied to existing and new housing loans with a variable interest rate, and a nominal interest rate higher than 5% may not be contracted for new housing loans with a fixed interest rate.
- from 1 January 2026 to 31 December 2027: A nominal interest rate higher than the weighted average interest rate for existing housing loan agreements with a variable interest rate in the same currency (indexation) increased by 1/5 may not be applied to housing loans with a variable interest rate. A nominal interest rate higher than the weighted average interest rate for new housing loan agreements with a fixed interest rate in the same currency (indexation) increased by 1/5 may not be contracted with respect to housing loans with a fixed interest rate.
- as of 1 January 2028: A nominal interest rate higher than the weighted average interest rate for existing housing loan agreements with a variable interest rate in the same currency (indexation) increased by 1/4 may not be applied to housing loans with a variable interest rate. A nominal interest rate higher than the weighted average interest rate for new housing loan agreements with a fixed interest rate in the same currency (indexation) increased by 1/4 may not be contracted with respect to housing loans with a fixed interest rate in the same currency (indexation).
- At the time of concluding the housing loan agreement, the EIR may not exceed the default interest rate referred to in Art.
 11 of the Law reduced by 2.5 p.p.
- Other loans: In the case of loans with a variable interest rate, a nominal interest rate higher than the weighted average interest rate for existing contracts of the same type, in the same currency (indexation) increased by 1/4 may not be applied. At the time of concluding these agreements, the EIR may not exceed the default interest rate referred to in Art. 11 of the Law increased by 4 p.p.
- Credit cards: At the time of concluding the contract, the EIR may not exceed the default interest rate referred to in Art. 11 of the Law increased by 6 p.p., while the nominal interest rate on contracts concluded before the beginning of the application of Art. 76 of the Law may not exceed the default interest rate referred to in Art. 11 of the Law increased by 6 p.p.
- Overdrafts: At the time of concluding the contract, the EIR may not exceed the default interest rate referred to in Art. 11 of the Law increased by 8 p.p., while the nominal interest rate on contracts concluded before the beginning of the application of Art. 76 of the Law may not exceed the default interest rate referred to in Art. 11 of the Law increased by 8 p.p.



Regulatory assumptions created for numerous loan payment reliefs

By amending the regulations within its competence, the NBS has enabled the implementation of the state program of housing loans for young people

✓ When approving loans under this program, the banks can apply an LTV (loan to value) limit of 99% (client participation in financing purchase of real estate from a loan can be 1%), as well as a lower risk weight of 35% on the total exposure based on a housing loan that is approved within the program of state support for young people for the purchase of their first residential real estate, with the state guarantee covering 20% of the bank's insured portfolio in the first ten years of repayment.

Payment reliefs for first home buyers

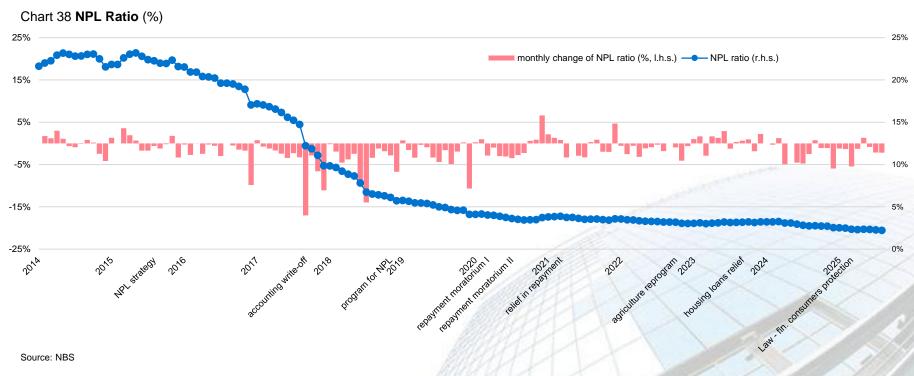
- ✓ From 15 September 2025, the banks offer loans for the first home buyers with an income of up to 100,000 dinars, with nominal interest rate by up to 0.5 p.p. lower than the average interest rate on loans approved by the bank under its standard offer in July 2025.
- ✓ Permanent relief: lower risk weight for housing loans for first home buyers if the amount of the loan is up to 90% of the value of the mortgaged real estate, which helps our citizens to buy their first home.

Relief for cash, consumer and other loan beneficiaries

- ✓ From 15 September 2025, the banks offer cash and consumer loans up to one million dinars, as well as loans for refinancing cash and consumer loans, for citizens whose monthly income is up to 100,000 dinars, with a nominal interest rate by 3 p.p. lower than the average interest rate on loans approved by the bank within its standard offer in July 2025.
- ✓ From 16 August 2025, consumer loans in dinars may be approved upon a signed debtor's statement on employment and earnings if the loan is of small value (loan amount up to 150,000 dinars with a maturity of up to three years with an effective interest rate of 0%) and low risk (the share of non-performing loans in total loans of the same type and characteristics of less than 0.5%).
- ✓ Permanent relief: one restructuring by extension of repayment period for cash, consumer and other general-purpose loans to individuals up to nine years (11 years for consumer loans for purchasing motor vehicles) without consequences for the bank's capital.



NPL Indicator



- The decrease in NPL ratio by 20.97 p. p., from record high of 23.18% in May 2015 to record low of 2.21% in August 2025 is the result of a systematic approach, timely implementation of adequate measures and sustainability of achieved results.
- The most prominent measures and regulations that contributed to NPL reduction were:
 - Strategy for NPL Resolution (for the period 2015-2018)
 - Decision on accounting write-off of the bank's balance sheet assets (in force since September 2017)
 - Program for NPL Resolution (for the period 2018-2020)



Capital Buffers – Implementation of Macroprudential Policy Measures

- Capital buffers increase the resilience of banks to losses, reduce excessive or underestimated exposures and restrict the distribution of capital.
- These macroprudential instruments should limit systemic risks in the financial system, which can be cyclical (capital conservation buffer and countercyclical capital buffer) or structural (capital buffer for a systemically important bank and systemic risk buffer).
- The following capital buffers are used in the Republic of Serbia:
 - Capital conservation buffer;
 - Countercyclical capital buffer, in order to mitigate and prevent excessive credit growth;
 - Capital buffer for a systemically important bank, with the objective to limit the systemic impact of misaligned incentives in terms of favoring certain financial institutions;
 - Systemic risk buffer, introduced to limit the risk of euroisation, one of the key structural non-cyclical systemic risks to the stability of the financial system of the Republic of Serbia.
- The capital conservation buffers may consist only of Common Equity Tier 1 capital equal to 2.5% risk-weighted assets for capital conservation buffer, 1% or 2% risk-weighted assets for capital buffer for systemically important banks, depending on the systemic importance level and 3% of total foreign currency and foreign currency-indexed placements of a bank approved to corporates and households in the Republic of Serbia for systemic risk buffer. Countercyclical buffer rate is set at 0%.
- Capital buffers apply as of 30 June 2017.



Serbia's Economic Outlook

*NBS projection

Serbia															
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*	2026*
Real GDP, y-o-y %	-0.4	0.5	-1.8	1.3	3.0	2.4	4.6	4.8	-1.0	7.9	2.7	3.7	3.9	2.75	4.5
Private consumption, in %	-2.2	-1.8	-0.3	-0.4	1.9	2.1	2.8	3.7	-2.1	7.7	3.5	0.5	5.2	3.2	4.2
Government consumption, in %	2.0	-2.7	-0.9	-4.2	-1.7	2.3	3.8	3.7	3.4	4.1	1.3	-2.4	3.9	3.7	3.3
Gross fixed investment, in %	13.9	-12.1	-3.5	5.4	5.5	7.6	16.8	16.9	-1.4	14.7	2.2	9.7	7.7	2.0	8.5
Exports, in %	2.9	18.0	4.3	9.0	10.9	7.9	9.0	7.3	-4.6	20.4	17.0	2.7	5.2	6.0	5.4
Imports, in %	1.5	7.2	5.1	6.8	6.4	10.3	11.1	9.8	-4.0	17.7	16.1	-1.4	8.0	7.9	6.8
Unemployment Rate, in % ⁴	25.9	24.0	20.6	18.9	16.4	14.5	13.7	11.3	9.7	11.1	9.5	9.4	8.6	8.8	
Nominal Wages, in % ⁵	9.0	6.2	1.4	-0.2	3.7	3.9	6.5	10.6	9.4	9.6	13.8	14.8	14.1	11.0	
Money Supply (M3), in % ⁶	9.4	4.6	7.6	6.6	11.6	3.6	14.5	8.4	18.1	13.3	6.9	12.7	13.5	9.6	/
CPI, ² in %	7.3	7.9	2.1	1.4	1.1	3.2	2.0	1.9	1.6	4.0	11.9	12.1	4.6	4.6	4.0
National Bank of Serbia Key Policy Rate, ³ in %	11.25	9.5	8.00	4.50	4.00	3.50	3.00	2.25	1.00	1.00	5.00	6.50	5.75	5.75	
Current Account Deficit BPM-6 (% of GDP)	-10.5	-5.5	-5.4	-3.3	-2.8	-5.0	-4.6	-6.6	-3.9	-4.1	-6.6	-2.4	-4.5	-5.3	-5.5
General Government Deficit (% of GDP) ⁷	-6.2	-4.9	-5.9	-3.3	-1.1	1.1	0.6	-0.2	-7.7	-3.9	-3.0	-2.1	-2.0	-3.0	-3.0

¹ Excluding the effect of change in inventories

² Average inflation in corresponding year.

³ Latest data

⁴ Labour Force Survey. Revised data from 2011. The estimate for 2025 is data for H1 2025.

⁵ Since 2018, nominal wages published according to the new methodology. The estimate for 2025 is data for the period January-July 2025.

⁶ June data

⁷ Ministry of Finance projection for 2025 and 2026.



Banking Sector Overview

Serbia	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	August
<u>.</u>		0.4		07	20	20	00	04	00	00	2025
Number of banks ¹	30	31	29	27	26	26	23	21	20	20	19
Employees	24,257	23,847	23,055	22,830	23,087	22,823	22,550	21,995	21,899	22,286	21,840
Branches	1,730	1,719	1,627	1,598	1,598	1,576	1,515	1,371	1,341	1,337	1,298
HHI Assets	796	813	813	779	800	786	867	936	986	983	1,053
Share of foreign banks, %	76.1	76.7	76.9	75.4	75.7	86.0	87.0	83.6	76.9	77.5	78.0
Assets (net), EUR m	25,059	26,253	28,440	31,931	34,731	39,132	42,931	46,500	50,705	56,705	58,183
Capital, EUR m	5,090	5,122	5,631	5,725	6,002	6,098	6,120	6,138	6,981	7,890	7,789
Loans (gross), EUR m	16,175	16,442	17,565	19,406	21,111	23,439	25,938	28,142	28,534	31,787	34,701
Of which gross NPL, EUR m	3,491	2,800	1,730	1,105	862	871	927	848	916	804	767
Gross NPL ratio, %	21.6	17.0	9.8	5.7	4.1	3.7	3.6	3.0	3.2	2.5	2.2
IFRS impairment of NPLs	62.3	67.8	58.1	60.2	61.5	59.0	56.3	58.1	60.5	62.3	62.3
Deposits, EUR m	16,523	18,242	19,924	23,115	25,197	28,984	32,483	35,504	38,389	43,555	44,539
Pretax Income, EUR m	79.9	172.5	579.8	640.6	575.6	391.9	458.1	849.1	1,179	1,507	1,094
CAR ² , %	20.9	21.8	22.6	22.3	23.4	22.4	20.8	20.2	21.4	21.3	21.3
CET1 ratio ² , %	-	-	21.5	21.1	22.3	21.5	19.7	18.8	19.6	19.6	19.7
Leverage ² , %			11.1	12.6	13.6	12.4	11.1	10.3	10.3	9.9	10.4
Liquidity ratio	2.1	2.1	2.0	2.0	2.2	2.2	2.1	2.2	2.5	2.5	2.3
Liquidity coverage ratio, %			239.5	213.3	199.3	211.8	199.8	177.5	193.7	192.4	173.8
FX ratio, %	4.4	2.7	2.9	4.5	1.5	1.0	1.0	1.8	1.2	1.8	1.3
ROA, %	0.3	0.7	2.1	2.1	1.7	1.1	1.1	1.9	2.4	2.8	2.9
ROE, %	1.6	3.4	10.6	11.3	9.8	6.5	7.5	13.8	18.0	20.3	20.9
Net interest margin³, %	4.3	3.9	3.7	3.6	3.3	3.0	2.7	2.9	4.0	4.1	3.7

¹ The NBS revoked operating licence from Univerzal banka Beograd on 31 January 2014 and from Jugobanka Jugbanka Kosovska Mitrovica on 2 April 2018. The NBS issued operating licence to Mirabank on 16 December 2014 and the bank started its operations in April 2015. The NBS issued operating licence to Bank of China Srbija on 20 December 2016. The Findomestic banka was merged to Direktna banka on 1 July, 2017. Jubanka ad Beograd was merged to AlK banka on 23 Decembar, 2017. Piraeus bank was merged to Direktna banka on 26 October 2018. Vojvođanska banka was merged to OTP banka on 25 April 2019 (under Vojvođanska business name). OTP banka was merged into Vojvođanska banka on 29 April 2021 (under OTP business name). Mits bank was merged to Banka Poštanska Štedionica on 30 June 2021. Direktna banka was merged to Eurobank under the Eurobank Direktna business name on 10 December 2021. NLB banka was merged to Komercijalna banka on 29 April 2022 under the NLB - Komercijalna banka business name. Naša AlK banka was merged to AlK banka on 01 December 2022. RBA banka was merged to Raiffeisen banka on 29 April 2023. On 28 March 2025, Eurobank Direktna akcionarsko društvo Beograd was merged with AlK banka a.d. Beograd (which changed its business name to AikBank akcionarsko društvo Beograd), as of which date there are 19 banks operating in the banking sector of the Republic of Serbia.

² Last available quarterly data is as of June 30, 2025

³ Net interest margin to average total asset