ANNUAL FINANCIAL STABILITY REPORT

2025

National Bank of Serbia

Introductory note

Financial stability means that the financial system – financial intermediaries, financial markets and financial infrastructures – is capable of ensuring efficient allocation of financial resources and fulfilling its key macroeconomic conditions not only in normal conditions, but also if financial imbalances and shocks occur in the domestic and international environment.

Under conditions of financial stability, economic agents have confidence in the banking system and ready access to financial services, such as payments, lending, deposits and risk hedging.

Articles 3 and 4 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) mandate the National Bank of Serbia to contribute, without prejudice to its primary objective, to maintaining and strengthening of the stability of the financial system, and to determine and implement measures and activities to that effect. In striving to achieve this statutory objective, the National Bank of Serbia actively cooperates with other relevant state and international institutions.

As part of the above measures and activities, the National Bank of Serbia undertakes regular and comprehensive analyses of the macroeconomic environment and functioning of key financial institutions, markets and infrastructure; identifies risks that pose a threat to the stability of the financial system; identifies trends that may increase the vulnerability of the financial system; and launches debate on new regulatory initiatives and their potential effect on the financial system and the real sector of the economy. The National Bank acts both preventively and correctively by changing the financial regulatory framework. If necessary, the National Bank also manages the consequences of external shocks and other crisis situations, lessening potentially negative effects on financial stability.

The *Financial Stability Report* aims to provide information about the situation in the financial system, identify potential risks to financial stability and raise awareness of economic agents to those risks. We expect the *Report* to contribute to improved transparency and strengthened confidence in the domestic financial system, which will underpin its stability and support stable and sustainable economic growth.

The analyses in the *Report* were prepared by the Financial Stability Department. The *Report* uses data available as at end-2025.

The *Financial Stability Report* was adopted by the National Bank of Serbia's Executive Board in its meeting of 11 June 2026. Earlier issues of the *Report* are available on the National Bank of Serbia's website (http://www.nbs.rs).

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ABBREVIATIONS

ARIMA – Autoregressive Integrated Moving Average
ASB - Association of Serbian Banks
BIS – Bank for International Settlements
bn – billion
bp – basis point
CAR – Capital Adequacy Ratio
CESEE – Central, Eastern and Southeastern Europe
EBA – European Banking Authority
ECB – European Central Bank
EMBI – Emerging Markets Bond Index
EU – European Union
FDI – foreign direct investment
Fed – Federal Reserve
GDP – gross domestic product
IFEM – Interbank Foreign Exchange Market
IMF – International Monetary Fund
lhs – left hand scale
IPS – Instant Payments Serbia
LtD – Loan-to-Deposit ratio
LtV – Loan-to-Value ratio
mn – million
NMIC – National Mortgage Insurance Corporation
NPL – non-performing loan
PD – probability of default
pp – percentage point
Q – quarter
rhs – right hand scale
RTGS – Real Time Gross Settlement
s-a – seasonally adjusted
SORS - Statistical Office of the Republic of Serbia
VAT – value added tax
VPFs – voluntary pension funds
y-o-y – year-on-year

Other generally accepted abbreviations are not cited.

External risks	Mitigating measures
– escalation of the Middle East conflict and its impact on energy supply and prices, and thereby on the intensity of inflationary pressures, which could prolong the period of restrictive monetary policy and elevated interest rates; – potential further escalation and spread of existing and new geopolitical tensions at the global level; – growth of fiscal deficits and public debt in key European economies due to increased spending on national security, energy, and population ageing; – tightening of global financing conditions and increased risk aversion in international capital markets, with a potential reduction in capital flows to emerging economies; – slowdown in global economic growth, including a deceleration of economic activity in the euro area, as well as in other Serbia's key trading partners; – fragmentation of global supply chains due to rising protectionism, growing trade barriers and geopolitical tensions; – challenges in the international non-bank financial sector and their transmission to the global banking system through interconnectedness channels, potentially leading to a weakening of financial service consumers' confidence; – increasing frequency and sophistication of cyber threats, with the potential to jeopardise business continuity and infrastructure and undermine the stability of the functioning of and confidence in the financial system; – structural disruptions in the labour market due to accelerated digitalisation and the integration of artificial intelligence, with a potential impact on the stability of household income.	– liquidity support to the domestic financial system in order to mitigate the effects of external shocks, while maintaining continuous cooperation with international financial institutions; – strengthening of energy reserves, energy diversification through the construction of additional storage capacities, coupled with accelerated transition to green and renewable energy sources, as well as the implementation of targeted support measures for the most vulnerable corporates and households; – preservation of macroeconomic stability through the application of fiscal rules, while strengthening structural competitiveness and diversifying channels for access to international sources of financing; – maintaining a flexible monetary policy stance aimed at price stability and anchoring of inflation expectations, while supporting stable economic growth; – preservation of the relative stability of the dinar exchange rate against the euro, while simultaneously maintaining FX reserves at a high and adequate level in order to strengthen resilience to potential external shocks; – adequate implementation of microprudential and macroprudential policy by applying relevant tools with a view to timely identifying systemic risks and preserving financial system stability; – preservation of banks' domestic deposit base, while ensuring high coverage of loans with stable domestic sources of funding; – continuation of active cooperation with international financial institutions and supervisors of parent banking groups, with continuous alignment of the domestic regulatory framework in order to prevent cross-border spillover of risks; – continuous improvement of the information systems of all participants in the financial market, through the prudent application of innovative tools and technologies in financial institutions and the continuous strengthening of the security and resilience of information systems; – support for the technology sector by encouraging investment in digital technologies and artificial intelligence to increase the economy's productivity and the resilience of the domestic labour market.

Internal risks	Mitigating measures
– dented macroeconomic stability and economic growth, as well as an increase in domestic inflation due to the spillover of global risks and volatility in global commodity and capital markets onto domestic prices through inflation expectations;	– cautious conduct of monetary policy in order to cushion the impact of external shocks on energy and primary commodity prices, supply chains and capital flows to emerging economies, including the Republic of Serbia; – strengthening the effectiveness of the interest rate channel of the monetary policy transmission mechanism, and transparent and responsible communication with the public with the aim of keeping inflation expectations of the financial and corporate sector anchored; – preservation of the relative exchange rate stability and a favourable investment climate; – application of other measures aimed at preserving investment and consumer confidence, as well as capital flows; – implementation of targeted fiscal support measures for the most vulnerable corporates and households, without creating any major inflationary pressures;
– an increase in crude oil and petroleum product prices, with the consequent pressure on operating costs;	– implementation of temporary regulatory measures to contain the second-round effects of the spillover of cost-push pressures onto other prices, while taking care not to undermine the sustainability of public finances; – use of strategic reserves of petroleum products to prevent supply disruptions, while replenishing and maintaining an adequate level of those reserves;
– a high level of euroisation of the domestic financial system;	– preservation of the general macroeconomic and financial stability, as well as relative exchange rate stability, to strengthen confidence in the local currency; – continued implementation of the measures and activities envisaged by the Strategy of Dinarisation of the Serbian Financial System; – implementation of regulations and measures in the field of monetary, microprudential and macroprudential policy with the aim of encouraging the use of dinar sources of funding; – encouraging higher profitability of dinar savings compared to FX savings, and financial instruments in the local currency; – strengthening the application of FX risk hedging instruments;

Internal risks	Mitigating measures
	– continued development of the capital market and higher volume of dinar government securities issued in the domestic market, while extending their maturities in order to reduce currency risk in public debt management; – continued issuance of dinar mini-bonds for financing small and medium-sized enterprises as a key segment of the economy, to provide alternative dinar sources of financing and develop the domestic capital market;
– the impact of the prolonged period of elevated interest rates on access to funding sources, debtors' ability to meet their credit obligations, asset quality and long-term profitability of banks;	– adequate implementation of prudential instruments and capital buffers to preserve sustainable lending to corporates and households; – adoption of timely and adequate support measures for affected corporate and household sectors aimed at preventing a potential rise in NPLs; – enhanced monitoring of banks' asset quality; – using banks' profits to build additional capital reserves; – improvement of the credit risk management system and strengthening of banks' internal controls with regard to the timely identification of potential deterioration in asset quality; – further strengthening and enhancement of the regulatory and institutional frameworks for debtor insolvency and debt restructuring;
– uncertainty regarding residential and commercial real estate price developments and their impact on the value of collateral and the quality of bank loans.	– enhanced monitoring and analysis of real estate market trends, along with improved collection, distribution and analysis of data on the mortgaged real estate; – continuous monitoring of collateral quality in the banking sector through adequate real estate valuation; – adequate application of macroprudential instruments targeted at debtors and credit institutions, which increase resilience to risks arising from the real estate market.

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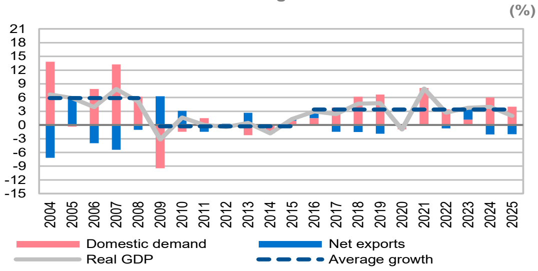
Overview

The international economic and financial environment in 2025 was mostly shaped by trade uncertainties, particularly in the first half of the year when the US announced and selectively implemented trade policy changes. This affected trade flows, investor decisions, and capital movements, with the latter half of the year marked by a gradual adjustment to the new trade policy and tariff regime. As the conflict in the Middle East escalated in early 2026, the global economy faced new challenges stemming from an energy market shock, reigniting inflationary pressures and undermining the stability of global energy supply.

The global economy grew by 3.4% in 2025, unchanged from 2024. In the period before the flare-up of the Middle East conflict, economic growth picked up slightly in advanced economies (from 1.8% in 2024 to 1.9% in 2025) and slowed marginally in emerging economies (from 4.5% in 2024 to 4.4% in 2025). As inflationary pressures eased and euro area posted moderate economic growth, the ECB trimmed its rates four times in 2025, by a total of 100 bp. At end-2025, the interest rates on main refinancing operations, and on deposit and lending facilities, measured 2.15%, 2.00% and 2.40%, respectively. During the year, the Fed lowered the federal funds rate range three times, by a total of 75 bp, to 3.50–3.75% at end-2025. The outlook for global growth, nevertheless, remains overshadowed by rising geopolitical and trade risks, as reflected in the latest forecasts. According to the IMF's projections published in April 2026, global growth will slow to 3.1% in 2026 and accelerate slightly to 3.2% in 2027.

The macroeconomic environment in the Republic of Serbia in 2025 was characterised by moderate economic growth and a marked slowing of inflation from September onwards, which had a positive impact on the preservation of financial stability. Serbia's real GDP growth measured 2.0% in 2025, propped up by increased activity in the service sectors and industry. Average annual inflation in 2025 measured 3.8% and y-o-y inflation equalled 2.7% in December, which is within the NBS target band.

Real GDP growth – demand contributions
(%)



Sources: NBS and SORS.

Serbia's GDP growth slowed to 2.0% in 2025, reflecting heightened global uncertainty, rising protectionism and sharp geopolitical tensions. Growth was supported by the service sectors, as well as by industry, where expanding production capacities in the automotive industry were the key driver. A negative contribution came from the construction sector and, to a lesser extent, agriculture, as weather conditions were unfavourable for the production of autumn crops and fruit. GDP growth is expected to accelerate to 3.0% in 2026. Average annual inflation in 2025 measured 3.8% and y-o-y inflation equalled 2.7% in December, remaining within the NBS target band of 3±1.5%. The NBS kept its key policy rate, and lending and deposit facility rates, at 5.75%, 7.00% and 4.50%, respectively, taking into account inflation outturns and projections, and domestic and international factors affecting inflation.

Despite heightened global market volatility, changes in the international monetary environment and geopolitical challenges, global financial markets functioned smoothly in 2025. In such an environment, the relative stability of the

In 2025, the NBS intervened by selling EUR 580 mn, net, maintaining the relative stability of the dinar exchange rate against the euro. In January 2025, the Republic of Serbia for the first time issued a 10.5-year bond, maturing on 27 July 2035. Investor confidence in the domestic currency and the

dinar exchange rate against the euro was preserved. Standard & Poor's raised Serbia's credit rating to investment-grade level of BBB– in late 2024 and this rating was maintained throughout 2025. In January and July 2025, and once again in January 2026, Fitch affirmed Serbia's credit rating at BB+, with a positive outlook, while Moody's affirmed Serbia's credit rating at Ba2, with a stable outlook.

long-term stability of the financial system was also reflected in the securities market. In February 2025, the Securities Commission approved the publication of a single prospectus for the public offering of long-term green corporate bonds denominated in dinars. These bonds, with a total nominal value of RSD 4.1 bn and a five-year maturity, were issued in April 2025 and admitted to trading on the regulated market segment of the Belgrade Stock Exchange. In late December 2025, the Belgrade Stock Exchange and the Athens Stock Exchange marked the start of trading on the Greek trading platform. During 2025, two banks in the Republic of Serbia issued mini-bonds for seven companies, further strengthening the role of banks as leaders in providing innovative financial solutions in the domestic market.

Macroeconomic stability was preserved in 2025 and fiscal policy remained prudent. There was a slight increase in the share of the fiscal deficit in GDP, while the share of public debt continued to decline. Capital investments climbed to a record-high level, remaining one of the key fiscal policy priorities. The share of the current account deficit in GDP edged up slightly, but it remained close to its equilibrium level, with export growth continuing, primarily in the automotive industry. Though FDI inflows declined from a year earlier, investment activity picked up moderately. The share of external debt in GDP continued to subside. The responsible conduct of economic policy is also confirmed by successful cooperation with the IMF, reflected in the successful completion of two reviews under the Policy Coordination Instrument.

The Serbian Government continued to conduct a prudent and responsible fiscal policy, which helped preserve macroeconomic stability amid sharp global uncertainties and geopolitical tensions. Despite these challenges, the domestic economy demonstrated a high degree of resilience, reflected in a declining public debt, stable investment activity and continued export growth. The general government fiscal deficit measured 2.4% of GDP in 2025. The share of central government public debt in GDP continued its downward trend, declining from 46.7% to 44.4%. Capital investments climbed to a record-high level, remaining one of the key fiscal policy priorities, particularly in the areas of infrastructure, energy, digitalisation and projects implemented under the "Leap into the Future – Serbia Expo 2027" programme. Successful cooperation with the IMF continued under the Policy Coordination Instrument (PCI), further confirming the credibility of Serbia's economic policy and contributing to the preservation of macroeconomic and financial stability. The current account deficit widened to 4.9% of GDP in 2025, mostly because of a lower surplus on services trade and a higher deficit on the primary income account. These developments were partly offset by export growth and a subdued deficit on goods. Although it widened, the current account deficit stayed close to its equilibrium level. FDI inflows amounted to EUR 3.5 bn and retained a broad sectoral and geographical distribution, supporting the expansion of export capacities and the stability of the economy. The external debt-to-GDP ratio declined to 57.6% at end-2025, signalling preserved sustainability of the external position. Overall, these results confirm that, even in the face of complex global conditions, Serbia maintained the stability of its public finances, preserved the downward public debt trajectory and ensured the resilience of its economy to external shocks.

Gross FX reserves measured EUR 29.0 bn at end-2025, covering 6.7 months' worth of imports of goods and services. The application of different stress scenarios and composite indicators of reserve adequacy confirmed that FX reserves are more than adequate to protect Serbia's financial system and economy, even if extreme shocks from the international environment materialise.

Gross NBS FX reserves measured EUR 29.0 bn at end-2025 while net FX reserves equalled EUR 24.6 bn, covering 6.7 months' worth of imports of goods and services. The end-2025 level of FX reserves was more than adequate to safeguard financial system stability, as confirmed by all reserve adequacy metrics and all scenarios applied in the stress test model.

Corporate lending picked up notably thanks to the easing of credit standards and higher loan demand in 2025. The capacity of the corporate sector to service its loan obligations was fully preserved in 2025. This trend is confirmed by historically the lowest share of NPLs in total corporate loans.

Domestic corporate loans, excluding the exchange rate effect, gained 11.3% in 2025, mostly driven by an increase in investment loans, as well as in liquidity and working capital loans which remained the most common corporate loan category. As dinar loans expanded more than FX and FX-indexed loans, the degree of dinarisation of corporate receivables climbed from 20.9% at end-2024 to 22.9% at end-2025. By maturity, long-term receivables prevailed, accounting for 83.3% of total corporate loans, which, despite a mild decrease from end-2024, points to a low refinancing risk of corporate loans. At end-2025, the share of NPLs in total corporate loans fell to an all-time low of 1.4%.

Key labour market indicators stayed favourable in 2025, providing strong support to households' disposable income. Both dinar and FX savings rose in 2025, reaching new record highs, owing to macroeconomic stability and households' confidence in the domestic banking sector. Throughout 2025, the NBS continued to implement and adopt measures to preserve the living standards, particularly of lower-income population categories.

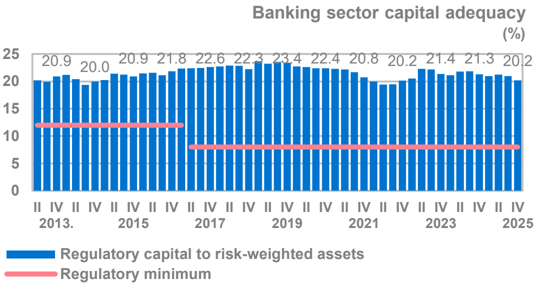
Positive trends in the labour market continued thanks to the preserved macroeconomic stability. According to the Labour Force Survey, the average employment rate in 2025 was 51.2%, and the average unemployment rate measured 8.7%. The average monthly net wage paid out in the Republic of Serbia in 2025 was RSD 109,462, up by 11.5% in nominal and 7.4% in real terms compared to the net wage paid out in 2024. The average pension paid out in 2025 was RSD 51,191, up by 11.0% in nominal terms from a year earlier. Residents' FX savings reached a record high of EUR 15.4 bn at end-2025, an increase of EUR 1.0 bn from end-2024, while dinar savings equalled RSD 203.4 bn, as much as RSD 15.9 bn more than at end-2024. The degree of dinarisation of household receivables continued to rise – to 56.2% at end-2025. The share of gross NPLs in total household loans was 2.7% in December 2025, down by as much as 0.7 pp from end-2024. All of the above confirms that the stability of the domestic banking sector has been preserved thanks to the well-timed and adequate measures of the NBS and the Serbian Government, which prevented the spillover of the negative effects of tightened global financial conditions from the previous period on households' loan repayment capacity.

Demand in the real estate market increased in 2025 thanks to favourable trends in the labour market, a gradual decline in interest rates and more flexible credit policies of banks. As a result, both buyers and investors were more active, further encouraging the development of this sector.

Real estate prices continued to rise in 2025, but the pace of their growth remained moderate for the third year in a row. According to the Republic Geodetic Authority, the average apartment price in Serbia measured EUR 1,719 per square metre in 2025, up by 8.6% relative to 2024. The total amount of funds in the real estate market equalled EUR 8.1 bn, or 8.6% more than in 2024, resulting in record-high turnover. The highest share (of around 60.0%) in total funds in the real estate market – EUR 4.8 bn – referred to trade in apartments, which is an increase by 17.4% relative to 2024. Also, the share of loan-financed real estate purchases increased in 2025, with 14% of all real estate purchases in Serbia financed from loans (10% in 2024). This mostly referred to apartments, with loan-financed purchases accounting for 31% of all apartment purchases in 2025 (23% in 2024).

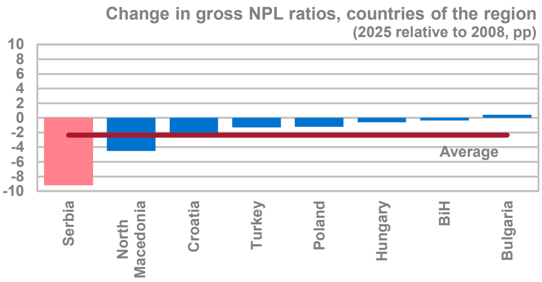
Serbia's banking sector, accounting for 90.4% of financial sector assets, remained well-capitalised, highly liquid and profitable in 2025. The net financial result was positive, with ROA of 2.8% and ROE of 20.6%.

Serbia's banking sector remained highly capitalised in 2025. The structure of its regulatory capital was optimal, dominated by the highest-quality CET1 capital. The end-2025 capital adequacy ratio was 20.2%, well above the regulatory minimum. High capitalisation is also reflected in the leverage ratio of 10.0% at end-2025, more than triple the prescribed



Source: NBS.

Lending growth remained dynamic, with the share of NPLs in total loans continuing down to new all-time lows. This confirms that the NBS's measures were well-timed and adequate, helping preserve financial stability despite all global challenges.

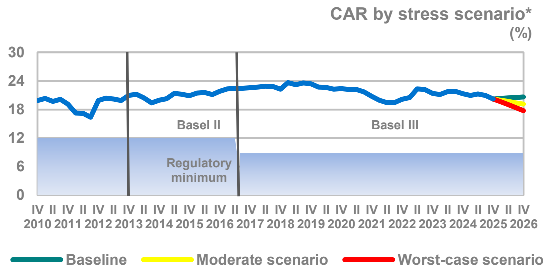


Sources: NBS and IMF.

Domestic deposits dominate the structure of bank sources of funding.

minimum (3%). At 2.2, the average monthly liquidity ratio was much higher than the prescribed minimum (1.0). Serbia's banking sector recorded a positive financial result in 2025, with ROA of 2.8% and ROE of 20.6%. Domestic lending activity remained vibrant. Its acceleration reflected not only the effects of past monetary policy easing by the NBS and continued policy easing by the ECB, but also the relaxation of banks' credit standards. A further impulse came from robust corporate and household loan demand, and the measures of the NBS and the Government resulting in greater accessibility of credit products and enhanced financial protection of consumers, particularly lower-income household categories. At end-2025, total domestic loans to the non-monetary sector, excluding the exchange rate effect, gained 15.4% from end-2024. According to the results of the bank lending surveys, corporate credit standards were tightened in early 2025, only to be relaxed from Q2 onwards. Household credit standards were eased in 2025, primarily for FX-indexed housing and consumer loans, and for dinar cash and refinancing loans. The share of NPLs in total loans continued to decrease, falling to a new all-time low of 2.1% at end-2025, thanks to expanding lending activity and a reduction of NPLs in the nominal amount. NPLs have been on a downward path for several years, despite heightened geopolitical tensions and higher costs of loan repayment in the preceding period, as a result of a systemic approach to the NPL resolution. The strengthening of the domestic deposit base, which in 2025 was more than enough to cover the amount of loans, enabled banks to reduce their dependence on other sources of funding and their exposure to influences from the international environment.

The results of the macroprudential stress tests conducted at end-2025 amid heightened global geopolitical uncertainty point to the preserved stability and resilience of the Serbian banking sector. The banking sector as a whole would remain resilient, with sufficient capacities to mitigate the consequences of financial risks, even in case of the strongest assumed shocks. Network modelling indicates a low systemic risk component, signalling that banks' interconnectedness could not result in potential shock propagation through the banking sector.



* NBS estimate.
Source: NBS.

Even in an environment of sharp global geopolitical risks, Serbia's banking sector would stay highly resilient, capitalised and liquid in all assumed scenarios. The capital adequacy ratio meets all the prescribed capital adequacy regulatory minimums and all requirements for the coverage of capital buffers, in all scenarios. Based on the results of macroprudential solvency stress tests, the capital adequacy ratio would measure 17.7% even in the worst-case scenario, remaining well above the regulatory minimum. Also, the banking sector would remain highly liquid even in the conditions of an extreme hypothetical outflow of deposits. Network modelling-based analysis of the banking system indicates that there is no materially significant systemic risk component in Serbia's banking sector, which means that potential isolated shocks would not trigger contagion.

Macroprudential stress tests confirm that the banking sector has sufficient capacities to mitigate the consequences of risks in the conditions of elevated global geopolitical uncertainties, even in case of the most adverse developments.

The key performance indicators of the Serbian insurance sector were preserved in 2025, confirming the capacity of this sector to timely settle its obligations to insurance beneficiaries.

The insurance sector ended the year 2025 with a positive net result after tax of RSD 15.9 bn. The end-2025 value of the combined ratio of non-life insurance undertakings equalled 90.5%, indicating a premium level adequate for meeting

The insurance sector is well-capitalised, liquid and profitable.

obligations under insurance contracts. Total premium continued to rise, measuring RSD 191.5 bn in 2025, up by 8.0% from a year earlier. The Serbian insurance sector is adequately capitalised given the risks to which it is exposed. The main capital adequacy ratio, i.e. the ratio of available to required solvency margin, was 222.7% for non-life insurance and 242.7% for life insurance at end-2025. Thanks to the stable operating conditions and adequate reserves built up in the preceding period, the resilience of the insurance sector was preserved, enabling uninterrupted and timely fulfilment of obligations to policyholders, insurance beneficiaries and third injured parties.

Positive trends continued in the voluntary pension funds sector in 2025. Net VPF assets went up further, mostly supported by returns on investment and higher contributions.

Net VPF assets increased in 2025 to RSD 66.7 bn at year end, up by 8.1% from end-2024. The main factor behind net VPF asset growth was the return on investment worth RSD 2.9 bn. The FONDex index measured 3,801.8 points at end-2025, up by 165.2 points y-o-y. The annual return on FONDex, which is the weighted average return of all funds, measured 4.5% in 2025, while the return since the start of VPF operations was 7.2% at end-2025. The VPF sector has been developing steadily, with substantial potential to play an important role in Serbia's pension system in the period ahead.

The financial leasing sector continued to post positive results in 2025. The sector's balance sheet assets increased further and their quality was preserved. At the same time, the share of non-performing receivables in total receivables declined.

Balance sheet assets of financial lessors continued rising and measured RSD 227.4 bn at end-2025, up by around 12% from end-2024. The share of non-performing receivables in total receivables declined further from a year earlier. At end-2025, gross past due outstanding receivables made up 1.76% of gross financial lease receivables. Together with the preserved portfolio quality, this helped the sector achieve a pre-tax result of RSD 2.45 bn. The structure of lessees was dominated by companies, accounting for 83.6% of total receivables at end-2025. The financing of passenger vehicles had a major share in the composition of investments by lease asset (44.9% in 2025). In the period ahead, lessors will focus on ongoing improvement and adaptation of their services to accommodate changes in the business environment and respond to evolving customer needs.

The development of the payment services sector continued, thanks also to the amended Law on Payment Services. Further progress has been made in the digital assets market, which is regulated by the Law on Digital Assets applied since end-June 2021.

At end-2025, there were six payment institutions, and six e-money institutions. The Law Amending the Law on Payment Services, enacted in 2024 and applied as of May 2025, further enhanced the regulatory framework for payment services by promoting innovation, reinforcing competition and transparency, and improving consumer protection and payment security. The development of the digital assets market continued, with three virtual currency service providers operating at the end of 2025. This enabled the use of virtual currency services covered by these licences in Serbia, through domestic licensed companies supervised by the NBS.

The Republic of Serbia officially joined the Single Euro Payments Area (SEPA) on 22 May 2025. As of May 2026, the banking sector has been fully operational for processing cross-border payments under the SEPA Credit Transfer scheme, marking the completion of Serbia's full

On 22 May 2025, the Republic of Serbia became a member of the Single Euro Payments Area (SEPA), marking a significant step towards further integration of the domestic financial system into European financial flows. As of May 2026, the banking sector in the Republic of Serbia has become fully operational for the execution of cross-border payments

integration into the common European system. SEPA membership provides households and businesses with faster, more secure and more efficient cross-border payment services, while at the same time enhancing Serbia's integration into European economic and financial flows.

through the SEPA Credit Transfer scheme, thereby achieving full integration into the SEPA payment system and enabling households and businesses to make faster, safer and more efficient cross-border payments in line with EU standards. This achievement is the result of years of efforts by the NBS to modernise the payment infrastructure, align the regulatory framework with EU legislation, and enhance the payment services system, thereby creating the conditions for strengthening Serbia's economic and financial ties with the European market.

The NBS remains committed to continuous enhancement of the regulatory framework with a view to preserving and strengthening financial system stability. Working proactively in the preceding period, the NBS implemented a range of monetary and macroprudential measures aimed at supporting the domestic economy and households amid heightened global uncertainty.

At its meeting of 11 December 2025, the NBS Executive Board adopted the Decision on the Countercyclical Capital Buffer Rate for the Republic of Serbia, setting the rate at 0.5%, to be applied as of 15 December 2026. At the Board's meeting held on 12 March 2026, the rate was maintained at 0.5%. Maintaining the countercyclical capital buffer creates additional capital that can be released if potential cyclical risks materialise, thereby contributing to the long-term stability of the domestic banking sector. The Law on the Protection of Financial Service Consumers, adopted in March 2025, systemically regulated the capping of interest rates on all credit products to protect the interests of financial service consumers, while at the same time contributing to the preservation and strengthening of the financial system stability.

In support of the government housing loans programme for young people and based on the provisions of the Law on Establishing the Guarantee Scheme and Subsidising a Part of Interest as a Measure to Support Young People in Purchasing Their First Residential Property, the NBS Executive Board adopted the Decision Amending the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items. The amendments prescribe in more detail the assessment of creditworthiness of housing loan applicants, including unemployed persons and persons employed under fixed-term contracts, subject to the provision of appropriate collateral.

The 2025 amendments to the Law on Banks further enhanced the regulatory framework for bank resolution, including the introduction of the Bank Resolution Fund as a mechanism of financial support for the resolution of a bank or a banking group. The Fund was established by the January 2026 Decision on Establishing the Bank Resolution Fund and Rules for Investment and Management of the Fund Assets. The setting up of the Fund is a step further in the process of alignment with EU regulations and best practices, particularly in the area of crisis management in the banking sector.

The stability of the domestic financial system and risks across its individual segments were assessed based on the composite systemic stress indicator and other financial soundness indicators. These indicators suggest that financial stability in the Republic of Serbia was preserved in 2025 despite risks arising from elevated global geopolitical uncertainty. The

At end-2025, the composite systemic stress indicator was below its end-2024 level. Its decrease reflected favourable developments in the government securities market, underpinned by sustained macroeconomic indicators and a decline in Serbia's risk premium, as well as stable money market conditions and a sound banking sector. Developments in the foreign exchange market worked in the opposite direction. The systemic stress indicator remained low throughout 2025, pointing to the resilience and sustained

Serbian financial system remained stable during the year, with a low-level systemic risk.

stability of the financial system as a whole despite marked global uncertainties.

I International and domestic environment

The international economic and financial environment in 2025 was shaped primarily by pronounced trade tensions, particularly in the first half of the year, following the announcement and subsequent introduction of higher tariffs by the USA. These developments affected trade flows, investor decisions and capital movements, while H2 was dominated by a gradual adjustment to the new trade policy framework and tariff regime. Geopolitical conditions remained relatively stable throughout 2025, until the escalation of the conflict in the Middle East at the end of February 2026. The Serbian economy demonstrated a significant degree of resilience to external risks in 2025, maintaining stable GDP growth, a moderate FDI inflow, and growth in private-sector employment and wages, while the slowdown in inflation contributed to the preservation of macroeconomic stability. Serbia's sovereign risk premiums on both US dollar- and euro-denominated debt were lower at end-2025 than at end-2024. Average annual inflation stood at 3.8% in 2025, with a noticeable deceleration towards the end of the year, when it reached 2.7%. Following the upgrade of Serbia's sovereign credit rating to investment grade (BBB–) by Standard & Poor's in 2024, that rating level was maintained throughout 2025. Fitch Ratings affirmed Serbia's sovereign credit rating at BB+ in January and July 2025, and again in January 2026, while maintaining a positive outlook. At the same time, Moody's Ratings affirmed the Republic of Serbia's sovereign credit rating at Ba2, while revising the outlook from positive to stable.

I.1 International environment

Global economic growth remained stable in 2025 at 3.4%, unchanged from 2024. However, since end-February 2026, following the conflict in the Middle East, countries around the world have been facing the consequences of the direct and indirect effects of higher commodity prices and heightened uncertainty in financial and commodity markets.

In 2025, global economic developments were influenced by the adverse effects of higher trade barriers, as well as by the favourable impact of investment in technology, relatively favourable financial conditions and economic stimulus. According to the IMF,[1] the global economy has demonstrated in recent years its ability to absorb numerous shocks, and the developments observed in 2025 were part of that broader adjustment process. Although geopolitical tensions had already been present following the outbreak of the conflict in the Middle East, it was only with the escalation of the conflict at end-February 2026 that they began to represent a new test for global resilience. Against the backdrop of multi-year disruptions that have reshaped international relations and heightened geopolitical uncertainty, particular importance is attached to identifying long-term drivers of growth. Among these, the development of artificial intelligence stands out as a source of significant potential for increasing productivity and improving living standards, while also giving rise to new challenges, including the risk of corrections in overvalued financial markets and the possibility of technology-driven labour displacement. The global economy is facing the consequences of both the direct impact of rising commodity prices and the indirect effects that are particularly pronounced in an environment of higher energy and food prices, accompanied by increased risk aversion in financial markets. Emerging market and developing economies that rely on imports of key commodities are exposed to asymmetric risks, as the depreciation of their currencies may amplify the effects of higher energy and food prices. The global economic impact will depend primarily on the duration, intensity, and scale of the conflict. This new shock has hit the world economy at a sensitive moment – less than a year after changes in US trade policy – while the transition to a new international trading system is still ongoing. Before the conflict, the global economy had been performing better than expected. Growth reached 3.4% in 2025, unchanged from 2024. Economic growth accelerated in advanced economies (from 1.8% in 2024 to 1.9% in 2025), while in emerging market economies it slowed slightly (from 4.5% in 2024 to 4.4% in 2025). According to IMF projections from April 2026, the global economic growth is expected to slow to 3.1% in 2026, before picking up slightly to 3.2% in 2027. Compared with the January 2026 projections, this is a downward revision for 2026, as growth had previously been projected at 3.3%, while the growth forecast for 2027 remained unchanged.

Economic growth in the euro area, with which we have the most significant financial and trade links, accelerated to 1.4% in 2025 (from 0.9% in 2024). According to IMF data from April 2026, the highest GDP growth rates within the euro area in 2025 were

[1] IMF WEO, April 2026.

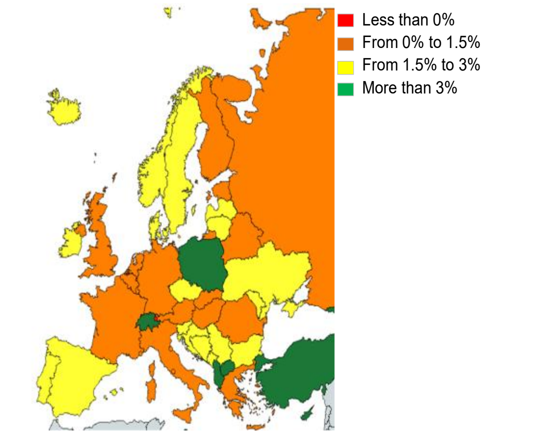
recorded in Ireland (12.3%), Malta (4.0%), Cyprus (3.8%), Croatia (3.2%), and Bulgaria (3.1%). All euro area countries recorded GDP growth in 2025. The largest euro area economies posted the following growth rates in 2025: France (0.9%), Italy (0.5%), and Germany (0.2%). Emerging and developing European economies recorded a higher GDP growth rate in 2025 (2.0%) than the euro area (1.4%). The highest economic growth rates among developing European economies were recorded in Albania (3.7%), Turkey and Poland (3.6% each), followed by North Macedonia (3.5%) and Montenegro (2.7%).

According to the assessment of the IMF, a temporary global inflation decline is expected, with headline inflation rising from 4.1% in 2025 to 4.4% in 2026, before falling again to 3.7% in 2027. This is an increase of 0.6 pp for 2026 compared with the January 2026 assessment, reflecting higher energy and food prices. The overall impact of the Middle East conflict on economic growth in advanced economies is estimated as moderate, with growth reduced by 0.1 pp in 2026 relative to the January forecast. US economic growth is projected at 2.3% in 2026, supported by fiscal policy and the effects of interest rate cuts implemented in 2025, although rising trade barriers since April 2025 continue to weigh on economic activity. In the euro area, growth is expected to slow from 1.4% in 2025 to 1.1% in 2026, followed by a mild recovery to 1.2% in 2027. The forecast has been revised downward by 0.2 pp compared with the January WEO update for both 2026 and 2027, as the positive momentum from late 2025 is gradually being offset by the negative effects of the conflict in the Middle East. These effects are compounded by the long-lasting consequences of higher energy prices following the conflict between Russia and Ukraine, which continue to weigh on production, alongside additional pressure stemming from the real appreciation of the euro against the currencies of countries exporting similar goods (Chart I.1.1).

According to the European Commission's May 2026 forecasts, the EU economy is expected to grow by 1.1% in 2026 and 1.4% in 2027, while the euro area is projected to expand by 0.9% in 2026, followed by an acceleration to 1.2% in 2027. The European Commission assesses that the new energy shock, triggered by conflicts in the Middle East and disruptions in the supply of oil and liquefied natural gas, has slowed economic activity and re-intensified inflationary pressures in Europe. However, it is emphasized that the EU is now more resilient to energy shocks than during the 2021–2022 crisis, thanks to reduced dependence on fossil fuels, a higher share of renewable energy sources, and lower energy intensity in the economy. After declining to 2.1% in 2025, euro area inflation is projected by the European Commission to edge back up to 3.0% in 2026, before slowing to 2.3% in 2027. A similar dynamic is expected for the EU as a whole, with inflation increasing from 2.5% in 2025 to 3.1% in 2026, and then retreating to 2.4% in 2027. Rising energy and transport prices will contribute the most to inflation accelerating in 2026, while a gradual easing of inflationary pressures is anticipated in 2027, assuming a stabilisation of global energy markets. According to market expectations, the ECB and most central banks in the EU will maintain a restrictive monetary policy for longer than previously anticipated, due to the renewed rise in inflation. At the same time, higher financing costs and increased uncertainty will negatively affect investment and private consumption, while export growth will remain constrained due to weaker external demand and intensified competitive pressures in global markets.

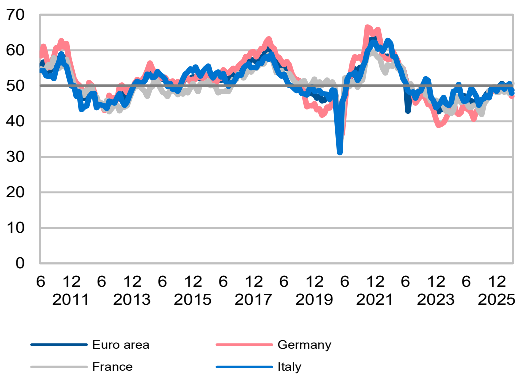
The manufacturing activity indicator for the euro area (PMI Manufacturing) stood at 48.8 points in December 2025, which is higher than at end-2024 (45.1 points).[2]

Chart I.1.1 **GDP growth projections for 2026 − European countries**
(%)



Source: IMF.

Chart I.1.2 **Activity indicator* (manufacturing)**
(index points)



* Purchasing Managers Index (PMI).
Source: Standard & Poor's.

[2] Index value above 50 points indicates growth, and below 50 points a decline in the economic activity.

At end-2025, the indicator recorded the following values in the leading euro area economies: Germany 47.0 points, Italy 47.9 points, and France 50.7 points. In 2025, the PMI Manufacturing in the euro area reached its lowest level in January – 46.6 points – while, at the country level, Germany and France recorded their lowest value in the same month, at 45.0 points (Chart I.1.2).

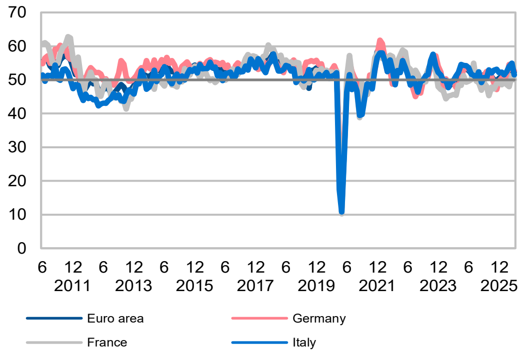
The euro area services activity indicator (PMI Services) stood at 52.4 points in December 2025, which was higher than at end-2024 (51.6 points). Among the largest euro area economies, Germany recorded the highest PMI Services value at end-2025 (52.7 points), while France recorded the lowest (50.1 points) (Chart I.1.3). The services activity indicator reached its lowest level in February, recording 45.3 points in France, while the lowest value in the euro area was recorded in May (49.7 points).

The unemployment rate in the euro area stood at 6.3% at end-2025, slightly above the level recorded at end-2024 (6.2%). The unemployment rate in the EU was 6.0% in December 2025, also slightly higher than at end-2024 (5.9%). The lowest unemployment rate in December was recorded in the Czech Republic (3.1%), while in Poland and Bulgaria it stood at 3.2%, with Finland (10.3%) and Spain (10.2%) recording the highest figures. Owing to historically low unemployment rates, the labour market continues to support economic growth in the euro area.

In the USA, the unemployment rate increased from 4.1% in December 2024 to 4.4% in December 2025. The participation rate remained almost unchanged at 62.4%, while the employment rate declined from 59.9% to 59.7%. All indicators point to a gradual easing of labour market conditions.

The movement of global oil prices during most of 2025 showed a downward trend due to excess global supply, primarily driven by increased production from OPEC+ member countries and the USA, alongside a simultaneous slowdown in demand and growth in global inventories. After pronounced volatility in mid-2025 and a rise in oil prices following the outbreak of the conflict in the Middle East, oil prices declined in H2, averaging USD 62.7 per barrel in December, down by 15.0% from end-2024. According to market futures data from February 2026, a pronounced short-term uncertainty has been detected, with oil prices increasing due to geopolitical risks; however, a gradual stabilisation of the market is expected in the medium term. At the beginning of 2026, geopolitical tensions and the conflict in the Middle East contributed to rising global prices of energy and other primary commodities.

Chart I.1.3 **Activity indicator* (services)**
(index points)



* Purchasing Managers Index (PMI).
Source: Standard & Poor's.

I.1.1 ECB and Fed's monetary policy and overview of economic developments in 2025

The reduction in inflation and inflationary pressures enabled the ECB and the Fed to continue easing monetary policy during 2025. The key ECB interest rates – the main refinancing operations rate, the deposit facility rate, and the marginal lending facility rate – stood at 2.15%, 2.00%, and 2.40%, respectively, at end-2025. The ECB reduced its key interest rates on four occasions in 2025, continuing the monetary easing trend initiated in 2024. After the last reduction in June 2025, the ECB did not further ease monetary policy in 2025 or at the beginning of 2026, while at the same time continuing to reduce its balance sheet according to plan, at a moderate pace. The Fed also continued to ease monetary policy in 2025, but adopted a more cautious approach. At the beginning of the year, the federal funds rate was kept in the range of 4.25% to 4.50%, while inflation gradually declined and the labour market remained relatively strong. From September to the end of the year, the Fed continued its cycle of interest rate cuts on three occasions, bringing the target range down to 3.50–3.75% by the end of 2025. This policy was driven by the need to support economic activity while maintaining control over inflation.

At end-2025, the ECB's key interest rates – the main refinancing operations rate, the deposit facility rate, and the marginal lending facility rate – stood at 2.15%, 2.00%, and 2.40%, respectively. The ECB reduced its key interest rates on four occasions during 2025, continuing the monetary easing trend that began in mid-2024. Throughout 2025, the ECB also continued to reduce its balance sheet according to plan, in order to normalise monetary policy following a period of exceptionally expansionary monetary conditions.

At end-2025, the Fed's benchmark interest rate ranged between 3.50% and 3.75%. The monetary policy easing cycle, which began in 2024, continued in September 2025, from which point the Fed cut interest rates on three occasions, by a total of 75 bp. At its meetings in January and March 2026, the Fed kept the target interest rate range unchanged.

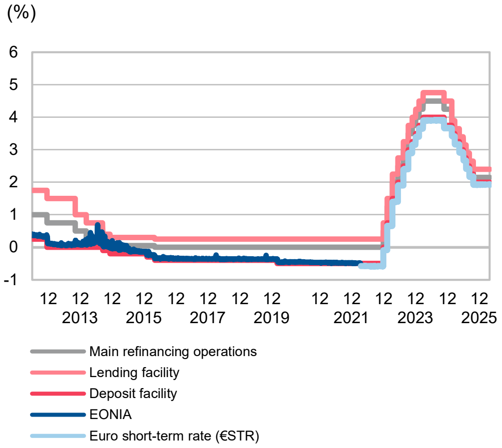
The central banks in the CSEE region operating under inflation-targeting regimes pursued a cautious monetary policy. In 2025, the central banks of Romania and Hungary kept their interest rates unchanged. The central bank of Romania kept its policy rate unchanged at 6.50%, a level that was maintained until the end of April 2026. The decision to keep the interest rate at that level was driven by the fact that inflation in Romania remained relatively high (9.7% at end-2025). The central bank of Hungary kept its policy rate unchanged at 6.50% throughout 2025. At its February 2026 meeting, however, the rate was reduced by 25 bp to 6.25%, thereby resuming the easing cycle after a 16-month break. The central bank of Poland reduced its key policy rate by a total of 175 bp in 2025, bringing it to 4.00% at the end of the year. Inflation within the target range and slower wage growth created room for monetary policy easing. After keeping the policy rate unchanged in January and February 2026, the central bank of Poland trimmed it by 25 bp in March, to 3.75%. The Czech central bank reduced its policy rate by 25 bp in both February and May 2025, bringing it down to 3.50%, thereafter keeping the rate unchanged amid inflation contracting to 2.1% y-o-y. The policy rate remained at that level in Q1 2026.

In December 2025, inflation in the euro area declined to 2.0% y-o-y, reaching its target level and falling below the rate recorded in December 2024, when it stood at 2.4% y-o-y. Core inflation (excluding food, energy, alcohol and tobacco prices) also decreased, from 2.7% in December 2024 to 2.3% y-o-y in December 2025. The decline in euro area inflation was primarily driven by the continued y-o-y decrease in energy prices and, to a lesser extent, by the lower y-o-y contribution of food and industrial product prices (excluding food and energy). On the other hand, wage growth kept services prices elevated in y-o-y terms.

According to the ECB's March 2026 projections, average inflation is expected to reach 2.6% in 2026, 2.0% in 2027, and 2.1% in 2028. Inflation has been revised upward compared with the December projections, particularly for 2026, reflecting expectations that energy prices will be higher because of the Middle East conflict.

Headline inflation in the USA, measured by the Consumer Price Index (CPI), reached 2.7% y-o-y in December 2025, slightly below the level recorded at end-2024, when it stood at 2.9%. End-2025 inflation was influenced by the lower prices of petroleum products, particularly petrol prices, where the base effect also played out, as well as by slower growth in the prices of both used and new vehicles. In addition, in December 2025, y-o-y growth in services prices also slowed, contributing to a decline in core inflation (excluding food and energy) in the USA to 2.6% y-o-y, its lowest level since March 2021. The Personal Consumption Expenditures (PCE) price indices, both headline and excluding food and energy, recorded y-o-y growth of 2.9% and 3.0% in December 2025, respectively, representing increases of 0.2 pp and 0.1 pp compared with 2024. In March 2026, the Fed revised upward its December projections for the average annual growth rates of the PCE price index (total and excluding food and energy) for 2026, when both rates are expected to measure 2.7%. For 2027 and 2028, the projected rates are 2.2% and 2.0%, respectively.

Chart I.1.4 **ECB's interest rates and EONIA/€STR**



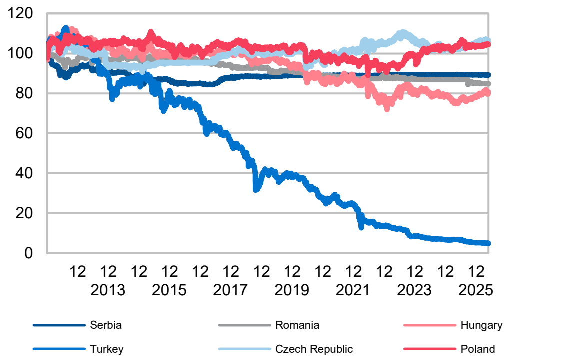
Sources: ECB and Bloomberg.

Viewed over 2025 as a whole, the US dollar depreciated by 11.3% against the euro. At the beginning of the year, in mid-January, the euro was valued at around USD 1.02, while by the end of December it had reached approximately USD 1.17 per euro. The weakening of the dollar resulted from expected interest rate cuts by the Fed, rising uncertainty due to protectionist policies, and high fiscal and trade deficits. At the same time, the recovery of the euro area and improved growth prospects made the euro more attractive for investment, thereby further undermining the dollar's status as a safe-haven currency.

Viewed at the annual level, the dinar nominally depreciated by 0.2% against the euro in 2025. Compared with end-2024, the dinar nominally appreciated by 12.5% against the US dollar during 2025, driven by the euro's appreciation against the dollar on international market. Regional currencies exhibited divergent movements against the euro. In 2025, the Hungarian forint appreciated by 6.4%, the Czech koruna by 3.9%, and the Polish zloty by 1.1%, while the Turkish lira depreciated by 27.2% and the Romanian leu by 2.4% (Chart I.1.5).

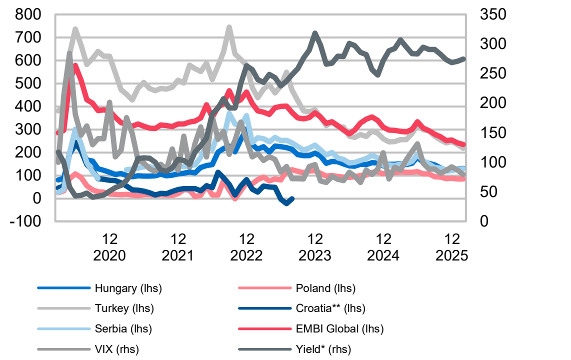
Volatility in international financial markets, measured by the implicit measure of financial market volatility (VIX), ranged from 13.5 points (end-December) to 52.3 points (at the beginning of April) in 2025 (Chart I.1.6). High VIX values indicate increased market uncertainty and investor risk aversion, while lower values point to more stable market conditions.

Chart I.1.5 **Exchange rates of selected national currencies against the euro***
(daily data, 31 Dec 2010 = 100)



* Growth indicates appreciation.
Sources: Central bank websites.

Chart I.1.6 **EMBI for Serbia and its regional peers, VIX and yields on US bonds**
(bp, 31 Jan 2020 = 100)



* On derived ten-year US bonds.
** Data for Croatia available until 30 June 2023.
Sources: J.P. Morgan and Bloomberg.

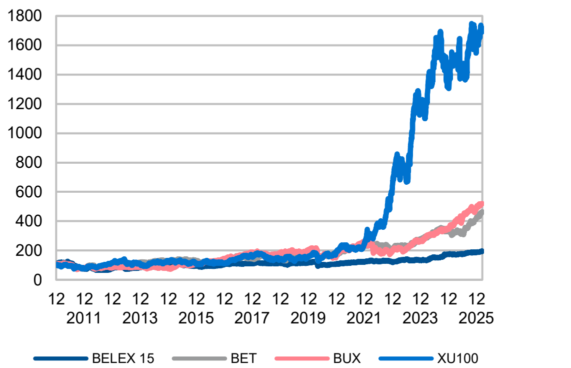
Global risk premium, based on the EMBI Composite, trended up in Q1 2025 due to market participants' concerns that rising tariffs and trade barriers at the global level could generate new inflationary pressures. From Q2 onwards, the global risk premium predominantly followed a downward trend, driven by continued monetary policy easing by the ECB and the Fed, as well as the easing of trade tensions after the USA reached agreements with key partners. The EMBI for Serbia stood at 131 bp at end-December 2025 (147 bp at-end 2024). Throughout the year, it remained below the composite risk measure for emerging market countries for dollar-denominated debt, which equalled 231 bp at end-December 2025 (295 bp at end-December 2024). Serbia's EURO EMBIG measured 159 bp at end-2025 (205 bp at end-2024). The EURO EMBIG Composite stood at 149 bp at end-2025 (195 bp at end-2024).

The values of stock market indices in the financial markets of the region were at a higher level at end-2025 compared to end-2024, both in Serbia and in the observed countries, with the most pronounced index growth recorded in Romania (Chart I.1.7).

According to the euro area Bank Lending Survey from January 2026,[3] banks in the euro area reported a net tightening of credit standards for loans to enterprises in Q4 2025, to a greater extent than had been expected. The tightening was more pronounced for loans to large enterprises than for loans to SMEs, as well as for both short- and long-term loans. The main factors behind the tightening were the deterioration in the economic outlook and prospects for certain sectors, increased perceived risks, and greater risk aversion among banks. At the same time, overall lending conditions tightened further, primarily because of higher interest rates, stricter collateral requirements, and other lending conditions, although margins on average loans partially offset this effect. Banks also reported a further increase in the share of rejected loan applications, particularly among large enterprises. Demand for corporate loans continued slightly up, but remained relatively weak and heterogeneous across countries and company sizes. The modest increase in the demand was mainly driven by greater needs for financing working capital and inventories, as well as other financing requirements, while fixed investment had a largely neutral impact.

As regards household lending, credit standards for housing loans were eased slightly, primarily due to stronger competitive pressures, while risk perceptions worked in the opposite direction. Lending conditions for housing loans were also eased, owing to a reduction in margins on average loans, although interest rate developments exerted a tightening effect. Demand for housing loans continued to increase, although at a more moderate pace than in the previous period. Improved prospects in the real estate market were the main driver of growth, while consumer confidence acted as a constraining factor. At the same time, credit standards for consumer loans to households were tightened

Chart I.1.7 **Selected stock exchange indices**
(index points, 31 Dec. 2010 = 100)

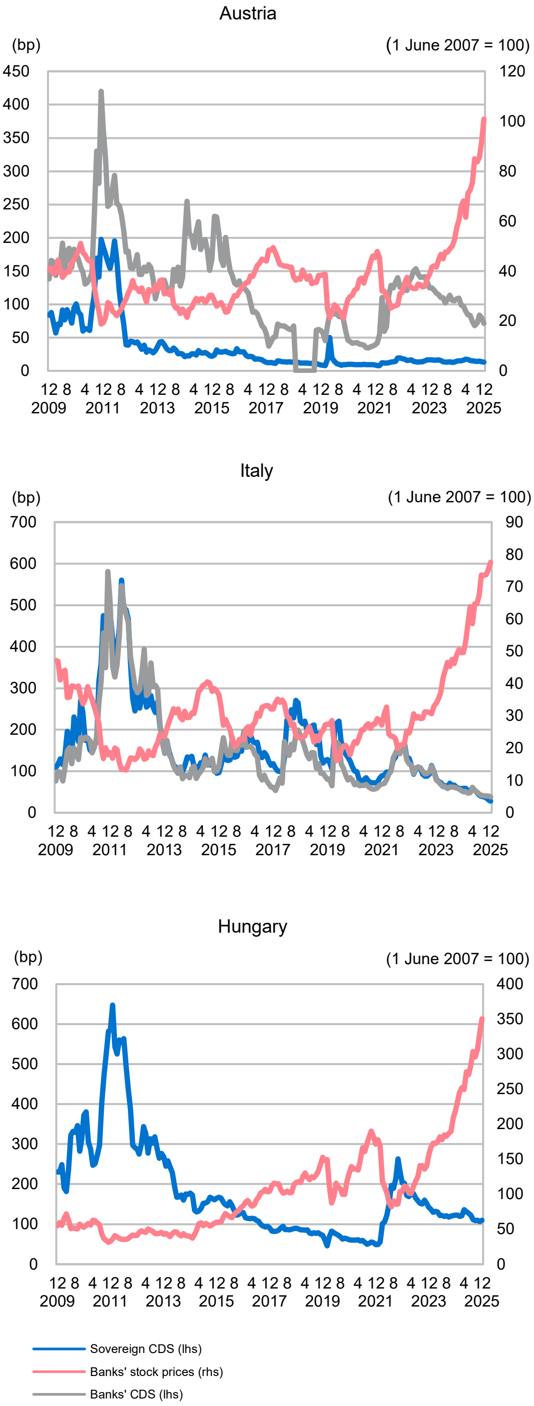


Sources: Stock exchange websites.

[3]www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/ecb.blssurvey 2025q4~379c8b7d7d.en.html

further, owing to higher margins on riskier loans and increased risk aversion among banks.

Chart I.1.8 **Developments in the home markets of selected banking groups present in Serbia***



*Note: CDS spreads and stock prices are non-weighted average values for parent banks originating from each country. Monthly data represent daily data averages.
Sources: Bloomberg and Reuters.

Demand for consumer loans declined slightly, primarily due to weaker consumer confidence, while interest rates had only a limited stimulative effect. Credit standard tightening is expected to continue for corporate and consumer loans in Q1 2026, while more moderate easing is anticipated for housing loans, accompanied by a slight increase in demand across all lending segments.

I.1.2 Lending in CESEE countries

In 2025, strong demand for loans was maintained across the CESEE region, while loan supply remained moderately constrained. At the same time, banking groups increased their exposure to the region in 2025.

According to the EIB CESEE Bank Lending Survey[4] from July[5] and December[6] 2025, loan demand increased, while loan supply remained moderately constrained. In the period ahead, loan demand is expected to remain favourable, driven primarily by the corporate sector, while household demand for consumer and housing loans is expected to decline. Following a period of contraction, banks also expect a slight improvement in loan supply. Loan demand is expected to increase, particularly in the case of SMEs and for consumer loans. On the other hand, demand for loans from large enterprises is expected to decline, as is demand for housing loans.

The deterioration of loan supply conditions in the previous period was mainly driven by a combination of domestic and international factors, primarily changes in regulation. Although CESEE banks benefited from the strong performance of global and European banking groups, loan supply conditions are expected to weaken in the period ahead. The most significant factors influencing this outlook are expected to be local and EU regulatory requirements, as well as the funding conditions of banking groups and developments in domestic markets.

Access to funding sources in CESEE countries remained favourable in the previous period and is expected to improve further at the beginning of 2026. More advantageous funding conditions were supported by improved access to corporate deposits. Access to intra-group funding was also favourable, albeit less significant. Going forward, banking groups expect funding conditions to improve further, primarily owing to growth in corporate and household deposits, as well as financing from international financial institutions. Developments in the home markets of banking groups present in the Republic of Serbia are shown in Chart I.1.8.

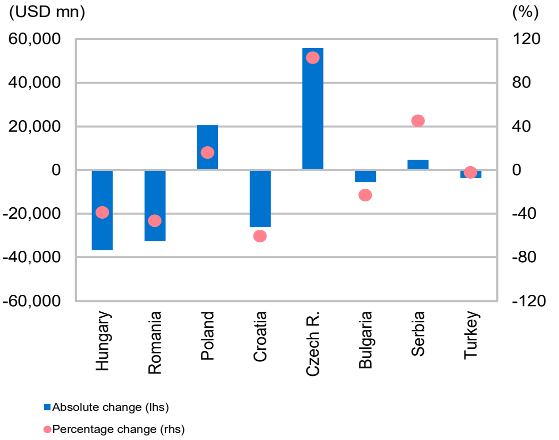
Credit quality improved in the previous period, particularly in the household sector, followed by the

[4] The survey, published twice a year, was developed within the Vienna Initiative to monitor cross-border activities and deleveraging in the CESEE region.

[5] https://www.eib.org/files/publications/20250055-080725-economics-cesee-bls-2025-h1-en.pdf

[6] https://www.eib.org/files/publications/20250283-171225-economics-cesee-bls-2025-h2-en.pdf

Chart I.1.9 **Change of cross-border exposure to selected countries, Q3 2008 – Q4 2025**



Source: BIS, locational statistics, resident principle, gross.

corporate sector. Although banks expect credit quality to deteriorate over the next six months, similar negative expectations in recent years have often failed to materialise.

In the prior period, cross-border exposure of CESEE banking groups was reduced by approximately 10% of banking groups, while an additional 10% sold their subsidiaries, and a similar share of banking groups restructured their operations. All of these banking groups expect to make further decisions over the next six months. Deleveraging at the group level – reflected in a reduction of loan-to-deposit (LtD) ratios – was significant prior to 2020, but has moderated in the recent period. The survey results indicate that nearly two-thirds of banks now aim to increase their LtD ratios, while a smaller number plan to reduce it.

With regard to their long-term strategies in the CESEE region, two-thirds of banking groups plan to increase their exposure, while one-third intend to maintain stable operations. Notably, no banking group plans to scale down its activities in the region.

According to BIS, compared with the onset of the global financial crisis (Q3 2008), cross-border exposure of euro area banks to countries in the region declined by Q4 2025, except for the Czech Republic, Serbia and Poland. In percentage terms, the largest reductions in exposure were recorded for Croatia, Romania and Hungary, while the smallest reduction was observed in the case of Turkey (Chart I.1.9). The deleveraging of foreign banks in the CESEE region following the 2008 global financial crisis did not have any significant consequences for Serbia's financial stability, owing to a strengthened domestic deposit base, as well as adequate and timely measures taken by the NBS. Compared with both the pre-pandemic period (Q4 2019) and Q4 2024, exposure to all observed countries increased.

I.2 Overview of domestic macroeconomic developments

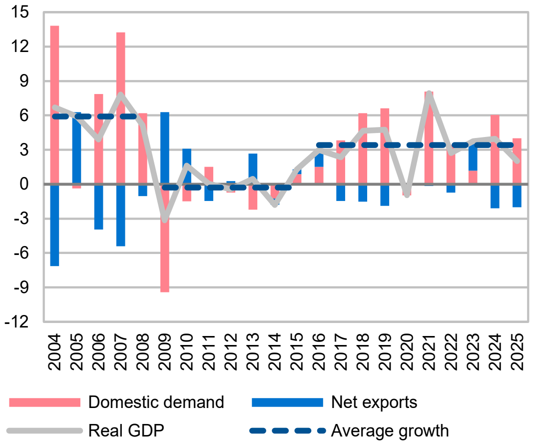
Real GDP growth in Serbia amounted to 2.0% in 2025, with a positive contribution stemming from increased activity in the services sector and industry. Average annual inflation in 2025 stood at 3.8%, below the average for 2024, when it measured 4.6%. At end-2025, inflation came at 2.7%, remaining below the NBS's target midpoint (3.0±1.5%).

Prolonged global uncertainty, rising protectionism and pronounced geopolitical tensions contributed to a slowdown in economic growth to 2.0% in 2025. Growth was predominantly driven by the services sectors (aggregate contribution of 1.5 pp), followed by industry (0.2 pp), owing primarily to increased production capacities in the automotive industry. A decline was recorded in construction (-0.3 pp contribution) and, to a lesser extent, in agriculture, due to adverse weather conditions affecting the production of autumn crops and fruit (without a significant impact on growth). Observed from the expenditure side, growth was driven by domestic demand (4.0 pp contribution), within which household consumption and investment contributed the most (2.0 pp and 1.5 pp, respectively). On the other hand, higher real growth in imports of goods and services than in exports, amid rising investment and disposable income, resulted in a negative contribution of net exports to economic growth (-2.0 pp).

In 2026, GDP growth is expected to accelerate to 3.0%. Growth will be led by domestic demand, with positive contributions from both consumption and fixed investments. Consumption growth will be supported by higher disposable income stemming from increases in wages and pensions, as well as by more favourable lending conditions, while the implementation of infrastructure projects under the "Leap into the Future – Serbia Expo 2027" programme will stimulate investment growth. Due to faster projected growth in imports than in exports, amid still subdued external demand and rising investment and disposable income, net exports are expected to make a negative contribution to growth. In 2027, GDP growth is projected at around 4.5%, with the acceleration relative to 2026 likely to be driven by higher exports of services owing to the hosting of the Expo. Over the medium term, the economy is expected to grow at a stable pace around its potential level of approximately 3.5% annually.

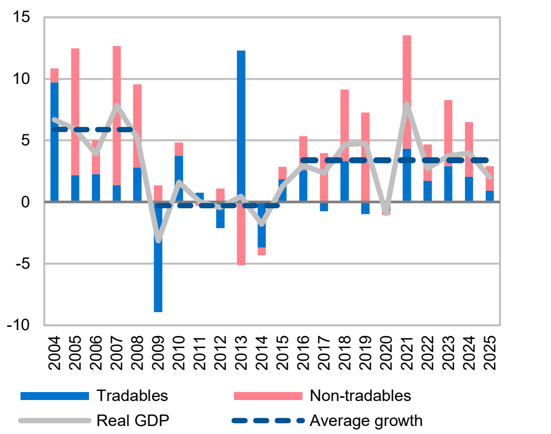
Average annual inflation in 2025 stood at 3.8%, while y-o-y inflation in December measured 2.7%, remaining within the NBS target tolerance band of 3.0±1.5%. During 2025, inflation moved within the target band, with inflationary pressures gradually subsiding. In mid-2025, inflation rose to above the midpoint value, but under the impact of restrictive monetary policy and lower import costs, it resumed a

Chart I.2.1 **Real GDP growth – demand contributions**
(%)



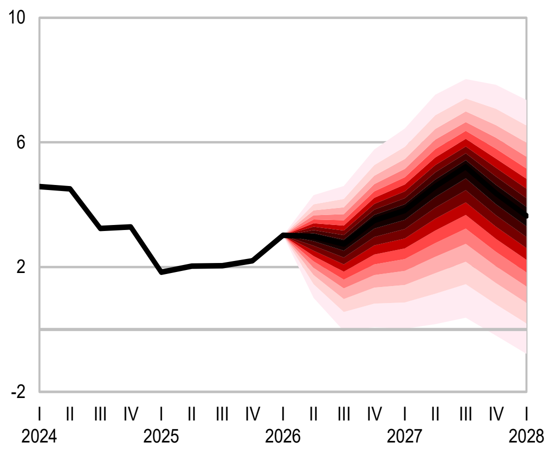
Sources: SORS and NBS.

Chart I.2.2 **Real GDP growth – supply contributions**
(%)



Sources: SORS and NBS.

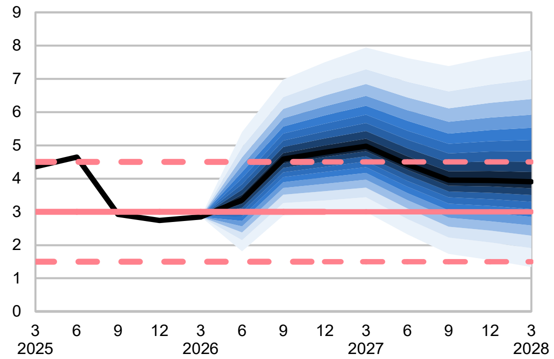
Chart I.2.3 **Projection* of real GDP growth**
(y-o-y growth rates, %)



* May 2026.
Source: NBS.

downward trajectory in the subsequent months. After higher y-o-y inflation in mid-2025 – 4.6% y-o-y in June and 4.9% y-o-y in July – mainly due to higher

Chart I.2.4 **Inflation projection***
(y-o-y growth rates, %)



* May 2026.
Source: NBS.

food prices (particularly fruit) and rising global oil prices, inflation eased in the remainder of the year, mirroring largely the stabilisation of food and energy prices. A key contribution to this came from the adoption of a government decree capping wholesale and retail trade margins at 20%. Core inflation moved somewhat above headline inflation during 2025, but it also showed a trend of gradual deceleration. It stood at 4.7% in mid-year and declined to 4.0% by the end of the year, indicating a gradual weakening of cost-push pressures. The decrease in core inflation resulted from slower growth in services prices and the stabilisation of domestic demand under restrictive monetary conditions.

According to the central projection from May 2026, y-o-y inflation is expected to continue moving within the target tolerance band (3.0±1.5%) in the current and the next quarter, while toward the end of this year and at the beginning of next year it is expected to move slightly above the upper bound of the target, partly due to the low base effect and partly owing to the effects of rising global energy and primary commodity prices. Thereafter, inflation will gradually decelerate and return within the target band by mid-year, where it is projected to remain until the end of the projection horizon.

Labour market developments in Serbia remained relatively favourable during 2025, marked by the stabilisation of employment and unemployment, alongside growth in real wages. According to the Labour Force Survey data, the average unemployment rate in 2025 increased by 0.1 pp relative to 2024, reaching 8.7%, while the average employment rate dropped by 0.2 pp over the same period, to 51.2%. Gross wages in 2025 increased by 11.6% in nominal and by 7.5% in real terms compared to 2024, while the average net wage rose by 11.5% nominally and by 7.4% in real terms.

During 2025, the NBS key policy rate and the rates on deposit and lending facilities were kept unchanged at

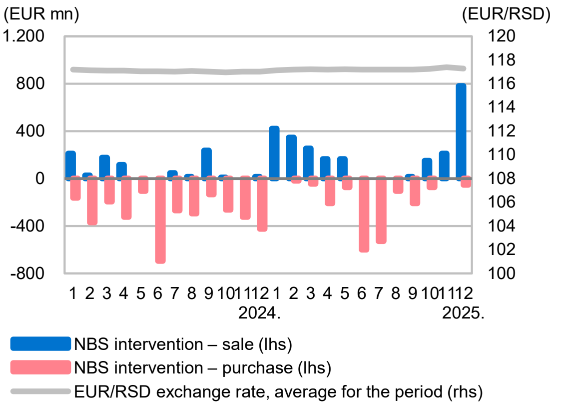
5.75%, 7.00% and 4.50%, respectively, in view of the actual and expected inflation, as well as factors from the domestic and international environment affecting inflation movement. Although inflation continued to decelerate during the year, the NBS maintained a cautious approach due to occasional pressures and uncertainties in global markets.

During 2025, the relative stability of the dinar exchange rate against the euro was preserved. Observed at the annual level, the dinar depreciated nominally against the euro by 0.2% in 2025. Compared to the end of 2024, the dinar strengthened nominally against the US dollar by 12.5% during 2025, driven by the strengthening of the euro against the dollar on international market. For the first time since 2020, in 2025 the NBS intervened with a net sale of foreign currency amounting to EUR 580 mn (with sales of EUR 2,505 mn and purchases of EUR 1,925 mn). As in previous years, this contributed to preserving the relative stability of the dinar exchange rate against the euro. Gross FX reserves at the end of 2025 reached EUR 29.0 bn, which is EUR 0.3 bn lower than at the end of 2024. The decline in gross foreign exchange reserves in 2025 was chiefly driven by outflows due to the government's net debt repayment under FX loans and other FX liabilities, as well as due to NBS interventions in the FX market. FX reserves cover M1 by 156.1% and 6.7 months of imports of goods and services, which is more than double the standard on the adequate level of import coverage by FX reserves. Net FX reserves[7] amounted to EUR 24.6 bn at the end of 2025, staying broadly unchanged from end-2024.

After increasing during Q1 2025, the global risk premium followed a downward trajectory in the remainder of the year. In Q1, the global risk premium trended upwards due to concerns of market participants that rising tariffs and trade barriers at the global level could generate new inflationary pressures. From Q2 onwards, the global risk premium followed a downward trajectory, reflecting continued monetary policy easing by the ECB and the Fed, as well as a reduction in trade tensions after the US reached agreements with key partners. The risk premium for Serbia, measured by the EMBI, stood at 131 bp at end-December 2025 (compared to 147 bp at end-2024). Serbia's risk premium remained below the composite measure of emerging market risk for USD-denominated debt throughout the year, which stood at 231 bp at end-December 2025 (compared to 295 bp at end-December 2024). At end-2025, the EURO EMBIG for Serbia equalled 159 bp (205 bp at end-2024). The composite measure of emerging market risk for euro-denominated debt amounted to 149 bp at end-2025 (195 bp at end-2024).

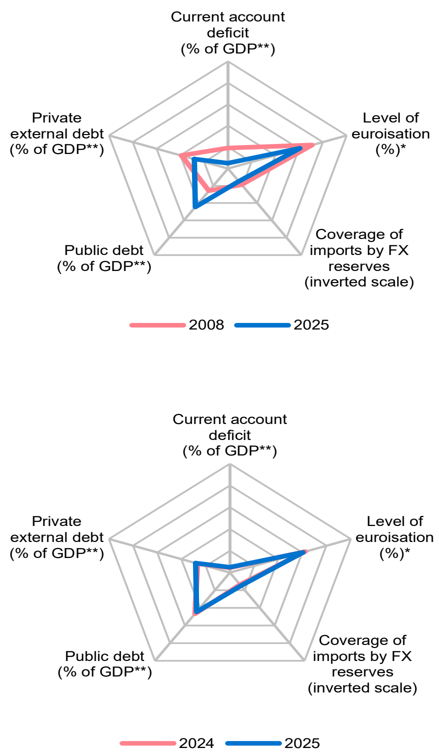
In 2024, the Republic of Serbia was, for the first time in its history, classified among countries with an investment-grade credit rating. Namely, in October 2024, Standard & Poor's upgraded Serbia's credit rating to BBB-. Fitch Ratings, in January and July 2025, and subsequently in January 2026, affirmed Serbia's credit rating at BB+, with a positive outlook for investment-grade status. According to the agency's assessment, the key factors behind this decision are the adequately conducted economic policy, as well as a

Chart I.2.5 **Exchange rate movements and NBS interventions in the IFEM**



Source: NBS.

Chart I.2.6 **Key macroeconomic risks**



* Share of FX and FX-indexed receivables in total receivables from households and corporates.
** GDP is compliant with ESA 2010 methodology.
Source: NBS.

[7] Gross FX reserves less banks' foreign currency required reserves, liabilities to the IMF under arrangements, and other obligations.

higher level of economic development compared to the rating peers. In addition, the positive outlook for a rating upgrade is underpinned by the expectation that economic growth will be driven by investments under the "Leap into the Future – Serbia Expo 2027" programme, as well as by the continued downward trajectory of public debt and strengthening of the country's external position. In February 2026, Moody's maintained Serbia's credit rating at Ba2, while changing the outlook from positive to stable. In the context of heightened political and geopolitical risks, Moody's assigned a stable outlook to the Republic of Serbia, highlighting the resilience of its economic fundamentals, as well as the continued strengthening of the country's fiscal and financial position.

The comparison of financial system vulnerability indicators for 2025 and 2024 suggests that the financial system resilience strengthened in 2025 as the share of public debt in GDP declined from 46.7% to 44.4%. Stronger resilience is also indicated by the decline in the degree of euroisation of the domestic financial system, measured by the share of FX and FX-indexed receivables from corporates and households in total bank receivables, which decreased by 2.0 pp in 2025 and to 60.7% at year end. On the other hand, in 2025, the share of private sector external debt in GDP increased by 1.6 pp to 28.2%, while the share of the current account deficit in GDP rose from 4.5% to 4.9%. The higher current account deficit in 2025 compared to the previous year reflects primarily a reduction in the surplus on trade in services, mainly due to increased net imports of tourism services, while exports of ICT services continued to record double-digit growth. On the financial account, the largest inflow was recorded under FDIs to Serbia, which amounted to EUR 3.5 bn at the level of the year. Due to increased residents' investments abroad, primarily driven by one-off factors, the net inflow under this item amounted to EUR 2.3 bn. During 2025, a decline in import coverage by FX reserves was recorded (from 7.3 months in 2024 to 6.7 months in 2025). Despite this slight decrease, the level of FX reserves remains significantly above international adequacy standards, confirming a high degree of resilience to external shocks.

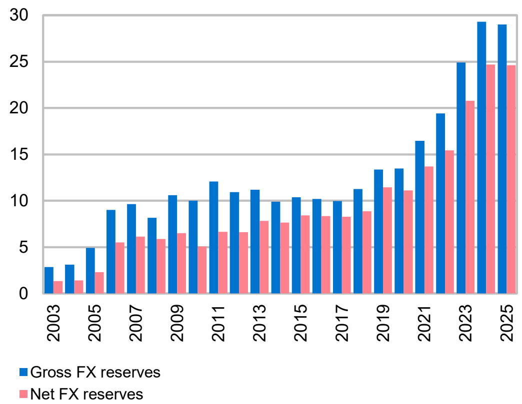
I.3 Foreign exchange reserves

At end-2025, gross NBS FX reserves amounted to EUR 29.0 bn, while net FX reserves measured EUR 24.6 bn. Gross FX reserves decreased by EUR 0.3 bn in the course of the year, their level however being more than adequate according to all metrics and guaranteeing the domestic financial system resilience to shocks from the international environment. The results of stress testing suggest that FX reserves are well above the levels adequate to safeguard the domestic financial system even in the event of materialisation of extreme scenarios.

At end-2025, gross NBS FX reserves stood at EUR 29.0 bn. October and November witnessed their highest level thus far (EUR 29.4 bn). FX reserves decreased by EUR 0.3 bn from end-2024, driven largely by the outflows on account of government net repayment of FX loans and other FX liabilities, as well as the NBS's interventions of net FX sale in the IFEM (Chart I.3.1 and Chart I.3.2).

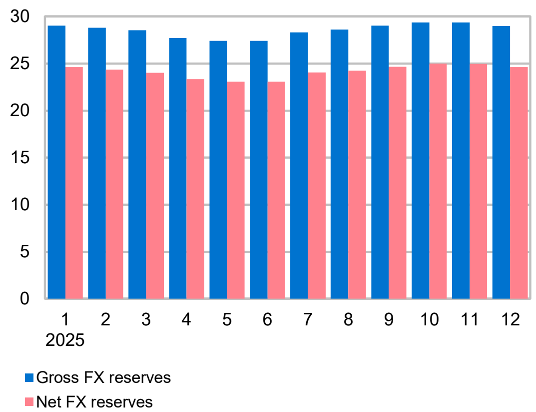
Gold reserves, which are a part of FX reserves, reached a record high of 52.5 tonnes at end-2025. Together with the increase in gold prices on the global market, this pushed the value of gold reserves to EUR 6.2 bn or

Chart I.3.1 **National Bank of Serbia FX reserves**
(EUR bn)



Source: NBS.

Chart I.3.2 **National Bank of Serbia FX reserves in 2025**
(EUR bn)



Source: NBS.

Table I.3.1 **Indicators of FX reserves adequacy, end-2025**

Indicators of adequacy	Adequate level (EUR bn)	Coverage of adequate level with gross FX reserves
Average three-month imports of goods and services	13.0	224%
Short-term external debt at remaining maturity	9.5	306%
20% money supply M3	9.4	309%
"Right measure for Serbia"	15.6	186%
FX reserves		
Gross	29.0	
Net	24.6	

Source: NBS.

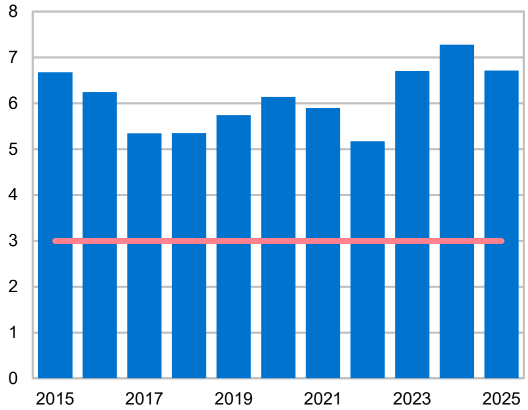
21.4% of gross FX reserves at end-2025, significantly more than at end-2024 (13.3%).

As an institution mandated to safeguard and strengthen the stability of the financial system, the NBS manages and maintains an adequate level of FX reserves, in line with liquidity and security principles. FX reserves are used for maintaining relative stability of the dinar exchange rate and financial sector stability, settlement of government liabilities to foreign creditors, and in times of crisis, for financing potential major balance of payments imbalances.

The adequacy of FX reserves is assessed by various analyses and indicators, from the aspect of materialisation of an individual risk or a mix of several risks. The most significant risks, based on which relevant indicators are constructed, are hindered financing of the imports of goods and services and of external debt of one-year maturity in the event of reduced capital inflows from abroad due to the limited access to the international capital market, and the risk of withdrawal of a portion of deposits from the banking sector.

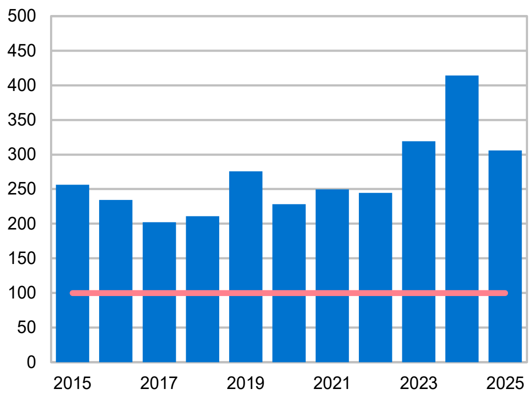
Traditional indicators of FX reserves adequacy analyse the protection against individual risks (Table I.3.1). The indicator of FX reserves import coverage compares FX reserves and the size and trade openness of the economy. The level of FX reserves is considered adequate if it covers three months' worth of the country's imports of goods and services. In addition to import coverage indicator, protection against individual risks is also measured by an indicator known as the

Chart I.3.3 **Months of imports covered by gross FX reserves**



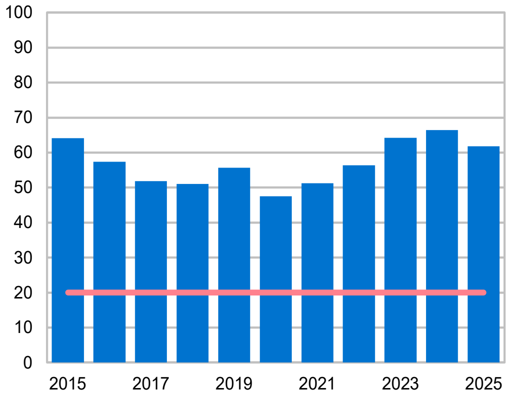
Source: NBS.

Chart I.3.5 **Short-term external debt at remaining maturity covered by gross FX reserves**
(%)



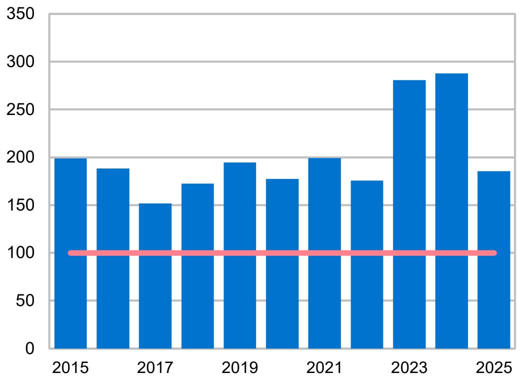
Source: NBS.

Chart I.3.4 **Money supply M3 covered by gross FX reserves**
(%)



Source: NBS.

Chart I.3.6 **"Right measure for Serbia" for gross FX reserves**
(%)



Source: NBS.

Greenspan–Guidotti rule,[8] which shows the capacity of a country to service its external debt in the course of one year. The adequate level is achieved when a country can cover at least 100% of its short-term external debt in case it is cut off from the international capital market for the duration of one year.

To measure the degree of protection against the risk of withdrawal of domestic currency deposits, we use an indicator that measures the ratio of FX reserves to monetary aggregates. The optimal level is achieved if FX reserves cover at least 20% of broad money (M3). At end-2025, Serbia's FX reserves were at a more than adequate level to serve as a protection against individual risks: they provided for the financing of over six months' worth of imports of goods and services, 305.8% coverage of external short-term debt at remaining maturity and 61.8% coverage of M3.

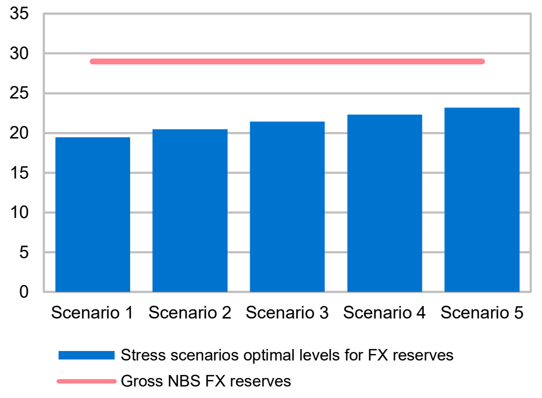
In order to make a comprehensive assessment of the adequacy of FX reserves, we developed "the right measure for Serbia" indicator[9] that takes into account the specificities of the Serbian economy. It implies the coverage of the sum of short-term external debt at remaining maturity, the current account deficit adjusted for FDI, 15% of FX and FX-indexed deposits and 5% of dinar deposits of corporates and households.

At end-2025, "the right measure for Serbia" indicator was also considerably above the optimal 100% (185.6%). A decrease in this indicator relative to last year (287.9%) is due primarily to a lower FDI inflow in 2025 compared to 2024 which saw a record high FDI inflow.

The Jeanne–Ranciere model[10] enables an optimal level of FX reserves as a share in GDP (ρ), depending on the size of the shock (λ), probability of a sudden stop (π), damage caused by the sudden stop of capital flows (γ), real depreciation (ΔQ), risk aversion (σ), return on reserves (r), opportunity cost of holding reserves (δ) and real GDP growth (g).

The model assumes that in a small and open economy, vulnerable to sudden stops to capital flows, economic policy makers set the optimal level of FX reserves. In the event of a sudden stop to financial flows, resulting in the impossibility of external debt rollover, it is assumed that a higher level of FX reserves will mitigate the decline in output and ensure smooth consumption. In this model, the optimal level of reserves is determined by the size and likelihood of a sudden stop to capital inflows, the potential output and consumption losses, the opportunity cost of holding reserves, and the degree of risk aversion.

Chart I.3.7 **Optimal levels of FX reserves under stress scenarios, December 2025**
(EUR bn)



Source: NBS.

Table I.3.2 **Stress scenarios for FX reserves**

Symbol	Parameter	Scenario 1	2	3	4	5
γ	Damage caused by sudden stop	7%	7%	7%	7%	7%
r	Yield on reserves	2.5%	2.25%	2.0%	1.75%	1.5%
g	Average GDP growth	3.0%	2.5%	2.0%	1.5%	1.0%
σ	Risk aversion	2	2	2	2	2
δ	Opportunity cost	1%	1%	1%	1%	1%
π	Probability of sudden stop	10%	10%	10%	10%	10%
λ	Size of shock (% of GDP)	20%	20%	20%	20%	20%
ΔQ	Real depreciation	0%	2.5%	5%	7.5%	10%
	Optimal level of reserves (EUR bn)	19.4	20.4	21.4	22.3	23.2
Gross NBS FX reserves (2025, EUR bn)				29.0		

Source: NBS.

Table I.3.2 gives an overview of stress scenarios for FX reserves, according to the Jeanne-Ranciere model, where the fifth scenario is extreme, i.e. least likely to occur.

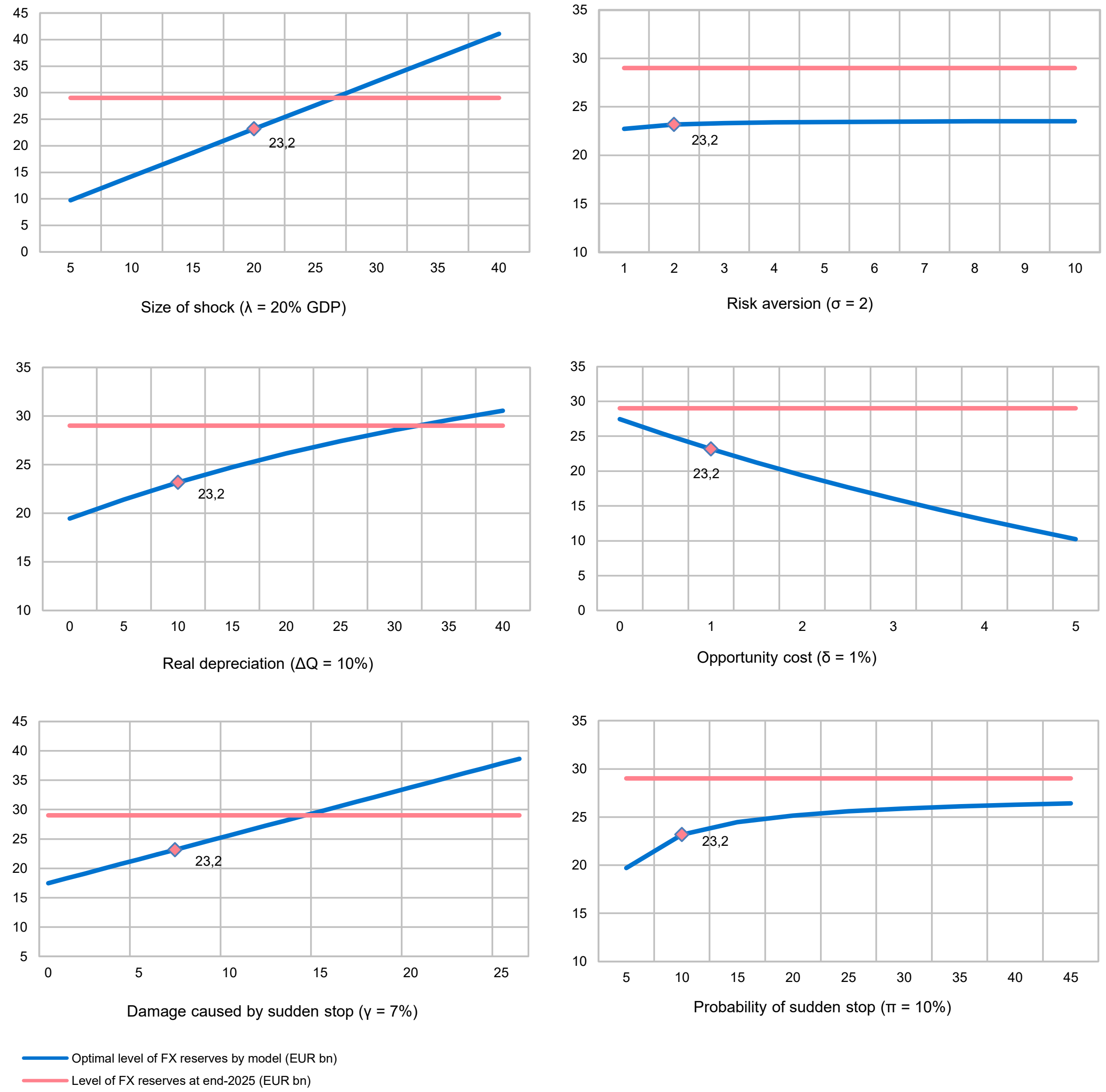
All five scenarios run on the used adequacy model, including all indicators of FX reserves adequacy, confirmed that the level of FX reserves at end-2025 was more than adequate. Chart I.3.8 shows the optimal level of FX reserves in case the fifth, most extreme scenario materialised.

[8] Guidotti, Pablo, Sturzenegger, Federico and Augustin Villar (2004), "On the Consequences of Sudden Stops", Economia, vol. 4, no. 2, p.171–203.

[9] For more details on this indicator, see the *Annual Financial Stability Report – 2011*.

[10] See O. Jeanne, R. Ranciere (2008), "The Optimal Level of International Reserves for Emerging Market Countries: A New Formula and Some Applications", CEPR Discussion Papers 7623, and the *Annual Financial Stability Report – 2011*.

Chart I.3.8 **Sensitivity analysis of FX reserves adequacy model parameters, based on the fifth stress scenario**



Source: NBS.

Text box 1: Role of FX reserves in enhancing financial system resilience – composite indicator analysis

The contemporary financial stability framework of the Republic of Serbia is characterised by a stable macroeconomic environment, which the NBS successfully maintains through proactive policy actions and continuous monitoring of developments in the international environment. Despite dynamic and uncertain global developments – such as adjustments of international financial market conditions and changes in the euro area monetary policy stance – the domestic financial system continues to demonstrate a high degree of resilience. In an environment marked by heightened geopolitical tensions and the fragmentation of global supply chains, investor risk aversion has increased, which may adversely affect FDI inflows and the country's export capacity. Although volatility in global energy and food prices remains beyond the direct influence of domestic economic policymakers, the flexibility of the macroeconomic framework enables timely policy adjustment.

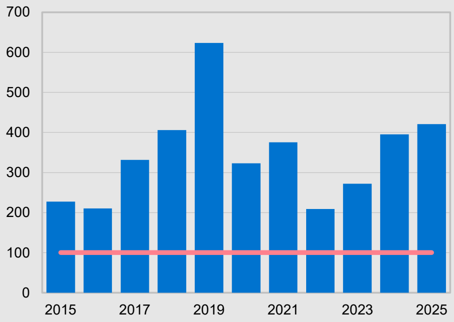
The characteristics of the domestic financial system, together with external developments, determine the optimal level of FX reserves. Inflation trends, along with the dynamics of domestic economic activity and investment, affect household disposable income and corporate performance. At the same time, current challenges such as climate change and cyber threats require continuous monitoring due to their impact on the financial infrastructure and the stability of the banking sector. In such an environment, maintaining an adequate level of FX reserves is a key pillar of macroeconomic policy, whose primary function is to preserve systemic liquidity and confidence in the domestic financial market.

This text box analyses the adequacy of NBS's FX reserves using composite measures, which enable a comprehensive assessment of the financial system's resilience to the external and domestic factors described above. Rather than considering individual indicators alone, the use of aggregate reserve adequacy measures provides a holistic view of the interaction between external influences and the structural characteristics of the domestic economic environment.

Composite indicators of FX reserve adequacy were developed to overcome the limitations of traditional indicators, which assess the impact of the international environment through isolated channels. In practice, pressures on FX reserves rarely originate from a single source; rather, they are typically the result of the simultaneous impact of multiple factors, such as sudden stops in capital inflows, difficulties in refinancing obligations, developments in external trade, or capital outflows driven by risk aversion. These indicators integrate various components of the balance of payments – including short-term external debt at a remaining maturity basis, current account financing needs, the volume of trade flows, and potential pressures on domestic liquidity – into a single analytical framework. Such a methodological approach enables a more objective and comprehensive assessment of FX reserve adequacy.

The Wijnholds–Kapteyn indicator[11] expands traditional indicators by incorporating domestic factors that reflect the dynamics of internal capital flows. Under this approach, FX reserves are viewed not only as a buffer against refinancing risks associated with short-term external debt, but also as a buffer against potential withdrawals of residents' deposits during periods of financial stress. FX reserve adequacy is assessed by comparing the value of FX reserves with the stock of short-term external debt by remaining maturity, augmented by the selected monetary aggregate (M2 or M3), depending on the specific characteristics of the country. Although the primary derivation of composite indicators generally relies on the monetary aggregate M2 (due to liquidity exposure through deposits denominated in the domestic currency), this approach has been adapted to the specific characteristics of the Republic of Serbia. Owing to the high degree of euroisation and the significant share of FX deposits in total resident deposits, the monetary aggregate M3 is used in the calculation instead of M2. This adjustment enables a more comprehensive assessment of potential FX demand, as M3 includes both dinar- and FX-denominated assets held by residents. Operationally, the Wijnholds–Kapteyn approach assumes that adequate FX reserves should provide 100% coverage of short-term external debt at remaining maturity and 10% coverage of the monetary aggregate M3, adjusted for EMBI. The continuous upward trend in this indicator persisted in 2025, when it reached 420.5%, significantly exceeding the defined adequacy threshold (Chart O.1.1).

Chart O.1.1 **Wijnholds–Kapteyn indicator for gross foreign exchange reserves**
(%)

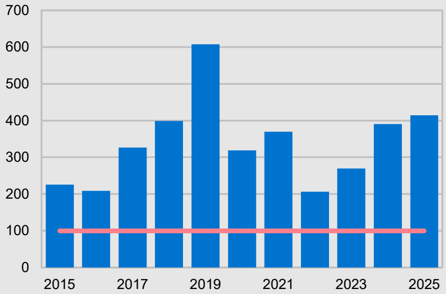


Source: NBS.

[11] Wijnholds, J. O. B., & Kapteyn, A. (2001). "Reserve adequacy in emerging market economies" (*IMF Working Paper No 01/143*). International Monetary Fund.

The Lipschitz–Messmacher–Mourmouras (LMM) indicator[12] is a further step towards an integral approach to assessing FX reserve adequacy based on stress scenarios. This model analyses the ability of FX reserves to mitigate a decline in domestic demand (aggregate expenditure) and to meet external liabilities in the event of a sudden stop in capital inflows. In addition to providing protection against risks associated with the inability to refinance short-term external debt or with currency substitution, the LMM approach explicitly incorporates the need to finance imports from FX reserves during periods of crisis. Under such circumstances, FX reserves act as a support mechanism for domestic consumption and economic activity amid reduced capital inflows. To assess these transmission channels, the LMM indicator includes coverage equivalent to 20% of annual imports (approximately two and a half months' worth of import financing). With regard to refinancing short-term external liabilities, the indicator requires full coverage (100%), implying that all government liabilities maturing within one year could be serviced exclusively from FX reserves. At the same time, the risk of outflows resulting from currency substitution[13] and withdrawals from the banking system due to a loss of confidence is incorporated by capturing a portion of the broadest monetary aggregate. Under the LMM approach, this component typically ranges between 5% and 10% of the monetary aggregate M3, with the upper limit of 10% generally interpreted as a conservative assumption for highly euroised economies, which is the assumption applied in the derivation of this indicator. The continuous increase in the LMM indicator persisted in 2025, when it reached 414.3%, significantly above the defined threshold for FX reserve adequacy (Chart O.1.2).

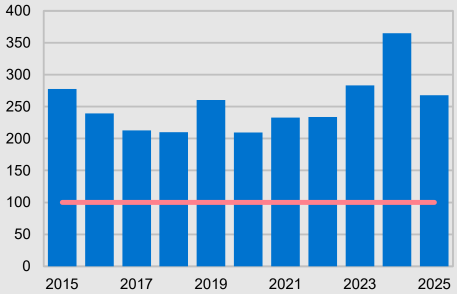
Chart O.1.2 **Lipschitz–Messmacher–Mourmouras indicator for gross foreign exchange reserves**
(%)



Source: NBS.

The Bussière–Mulder indicator[14] is a composite measure of FX reserve adequacy based on empirical evidence regarding the determinants of the external position of emerging market economies. This indicator expands the primary focus on short-term external debt at remaining maturity by recognising macroeconomic imbalances and competitiveness dynamics as additional FX reserves transmission channels. The indicator defines FX reserve adequacy in terms of the degree of coverage of short-term external debt by remaining maturity, adjusted for the current account deficit and the appreciation of the real effective exchange rate of the dinar. This approach assumes that persistent balance of payments deficits increase dependence on external financing, while a sustained appreciation of the real effective exchange rate may undermine external competitiveness, thereby increasing vulnerability to balance of payments pressures. More specifically, the Bussière–Mulder approach assumes that the required level of FX reserves increases by approximately 5% for each percentage point of the balance of payments deficit, reflecting additional financing needed to sustain domestic demand amid balance of payments imbalances. In addition, reserve requirements are increased by 1% for each percentage point of cumulative real effective exchange rate appreciation recorded over the previous four years, thereby quantifying the impact of price competitiveness on exports and the potential widening of the current account deficit over the medium term. This approach enables the assessment of potential external risks in the future and thus complements indicators based solely on short-term debt. In this regard, higher balance of payments deficits and real exchange rate appreciation imply greater demand for FX reserves, serving as indicators of exposure to systemic shocks and of the need to preserve macroeconomic stability while maintaining high liquidity of the overall financial system. In line with this methodology, the value of the Bussière–Mulder indicator stood at 267.7% at end-2025 (Chart O.1.3).

Chart O.1.3 **Bussière–Mulder indicator for gross foreign exchange reserves**
(%)



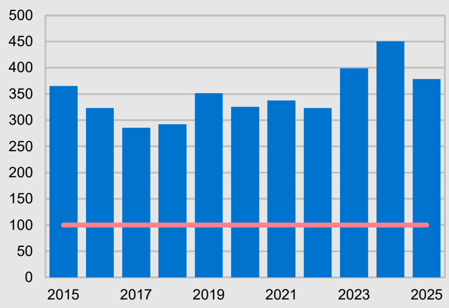
Source: NBS.

The Roaf–Norris indicator[15] is based on an analytical approach that does not view the external position through isolated channels, but instead takes into account the complexity of overall balance of payments developments. Historically, the dynamics and market experience during previous financial crises confirm that pressures on FX reserves rarely arise from isolated sources. On the contrary, such pressures are more likely to result from the simultaneous interaction of multiple factors affecting both the current and the capital account of the economy.

[12] Lipschitz, L., Messmacher, M., & Mourmouras, A. (2006). "Reserve adequacy: Much higher than you thought?" International Monetary Fund.
[13] Currency substitution refers to a process in which a foreign currency assumes the functions of the domestic currency as a means of exchange, a means of payment, and a store of value. In the context of FX reserve adequacy analysis, the risk of outflows due to currency substitution is operationalised by incorporating a portion of the monetary aggregate M3, thereby quantifying the volume of domestic liquidity that could, in the event of a crisis and a loss of confidence, be converted into FX assets, generating direct pressure on FX reserves.
[14] Bussière, M., & Mulder, C. B. (1999). "External vulnerability in emerging market economies: How high liquidity can offset weak fundamentals and contagion effects" (*IMF Working Paper No 99/88*). International Monetary Fund.
[15] Roaf, J., & Dabla-Norris, E. (2011). "Assessing reserve adequacy." International Monetary Fund.

The Roaf–Norris indicator assesses FX reserve adequacy by identifying the key channels through which moderate external shocks could materialise. Under such circumstances, a partial adjustment in external financing conditions is assumed, accompanied by significant pressures on external trade and confidence in the domestic financial system. Accordingly, FX reserve needs are defined as a weighted sum of four core components of the balance of payments and monetary flows:

Chart O.1.4 **Roaf–Norris indicator for gross foreign exchange reserves – baseline scenario**



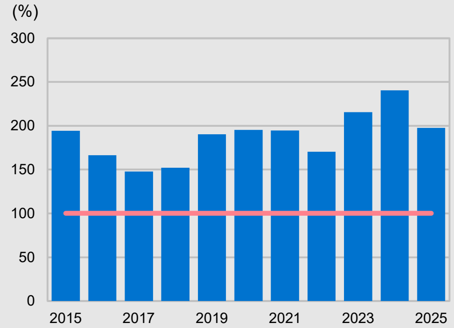
Source: NBS.

1. Short-term external debt at remaining maturity, which captures refinancing factors;
2. Portfolio investment liabilities, which reflect the risk of outflows resulting from the withdrawal of non-residents' capital from the domestic financial market;
3. Exports, used as a proxy for potential changes in the current account;
4. The monetary aggregate M3, which reflects the risk of outflows arising from currency substitution.

The weights assigned to these components are calibrated based on international empirical evidence regarding average outflows during periods of financial stress. In line with IMF literature, an adequate level of FX reserves under this scenario is defined as coverage of 30% of short-term external debt, 10% of portfolio investment liabilities, 5% of exports, and 5% of the monetary aggregate M3. The value of the Roaf–Norris indicator stood at 378.5% at end-2025 (Chart O.1.4).

Given that the global financial crisis of 2008–2009 revealed far deeper and more widespread disruptions in external financing than had previously been assumed, the Roaf–Norris framework was extended through the introduction of a stress scenario. This variant reflects conditions under which global capital markets are subject to significant adjustments, accompanied by limited access to external financing over an extended period. In this scenario, the potential loss of short-term external financing is increased to reflect a prolonged inability to refinance maturing debt, while, in the case of portfolio investments, account is taken of potentially larger withdrawals of non-resident capital driven by heightened global risk aversion. At the same time, the export shock is increased to account for a more pronounced contraction in external demand. The assumption that domestic monetary assets are converted into foreign currency remains unchanged, indicating that confidence-related pressures persist even in extreme conditions. Accordingly, the weights are adjusted upward to 50% of short-term external debt, 50% of portfolio liabilities, 15% of exports, and 5% of the monetary aggregate M3. Such an approach makes it possible to assess the resilience of FX reserves under extreme, yet plausible, conditions, thereby providing a more conservative and stringent evaluation of reserve adequacy. Even under assumptions of severe disruptions, the value of this indicator under the stress scenario stood at 197.6% (Chart O.1.5).

Chart O.1.5 **Roaf–Norris indicator for gross foreign exchange reserves – stress scenario**



Source: NBS.

An adequate level of FX reserves not only ensures the smooth servicing of international obligations, but also serves as a buffer against the spillover of systemic risks to the domestic credit market and the stability of the overall financial system. All of the composite indicators analysed confirm that NBS FX reserves are more than adequate, reflecting the credibility of monetary policy. Against the backdrop of complex international developments in 2025, an adequate level of FX reserves remains an important factor underpinning the stability of the domestic FX market and an integral component of the macroeconomic stability preservation strategy. By maintaining high FX reserve adequacy, the NBS secures the necessary manoeuvring space to implement policies that support and strengthen the resilience of the domestic financial system and foster long-term economic growth.

I.4 Fiscal policy, public and external debt

In 2025, fiscal discipline was preserved despite the multidimensional global crisis and heightened geopolitical uncertainties. A declining public debt-to-GDP ratio and a further rise in exports confirm the resilience of the domestic economy to changing trade policies and pronounced global fragmentation. Fiscal deficit came at 2.4% of GDP, a mild increase from the year before (2.0% of GDP). The share of central government public debt in GDP dropped from 46.7% at end-2024 to 44.4% at end-2025. The share of external debt in GDP at end-2025 stood at 57.6% of GDP, down by 1.0 pp relative to end-2024. A responsible fiscal policy is also confirmed by the continued successful cooperation with the IMF, as well as by favourable macroeconomic developments and trends, as rubber-stamped by international rating agencies, which highlight stable economic prospects, adequate economic policy conduct, rising FX reserves and financial stability as the key factors of the country's overall economic resilience.

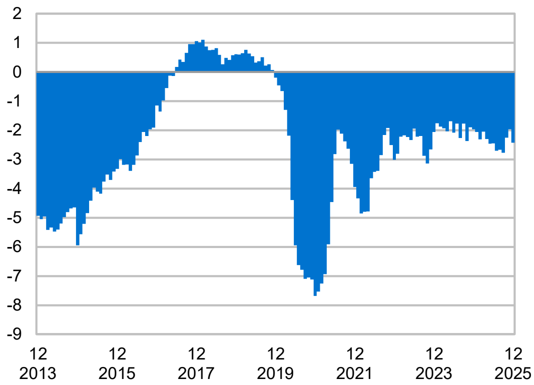
I.4.1 Fiscal policy

Despite persistently pronounced geopolitical and economic uncertainties in the international environment, the Republic of Serbia managed to preserve macroeconomic stability in 2025 as well. At the same time, continued investment in public projects, primarily in infrastructure, was one of the key drivers of economic activity. Despite lower FDI inflows compared to previous years, investment activity remained relatively stable in 2025, and the Republic of Serbia demonstrated resilience to external shocks, maintaining macroeconomic stability even amid an increasingly complex multidimensional global crisis.

In 2025, the application of a part of the set[16] of fiscal rules introduced in 2022 continued, contributing to the stability of public finances and the sustainability of the fiscal framework. The fiscal rules for managing the most significant categories of public expenditure, primarily those for public sector wages and pensions, have been in force since 2023 and represent a key instrument of fiscal consolidation. These rules place outlays for wages at no more than 10.5% of GDP in 2025,[17] and indexation of pensions depending on wage growth and inflation, thereby ensuring the stabilisation of these expenditures relative to developments in the real sector.

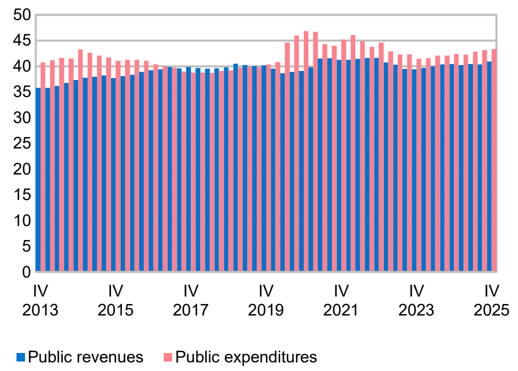
General government fiscal deficit amounted to RSD 252.8 bn in 2025, higher than in 2024 (RSD 191.9 bn), while its share in GDP came at 2.4% in 2025, compared to 2.0% in 2024 (Chart I.4.1).

Chart I.4.1 **Fiscal result***
(% of GDP)



* Ratio of 12m moving sums.
Source: NBS, based on data of the Ministry of Finance.

Chart I.4.2 **Public revenues and expenditures***
(% of GDP)



* Ratio of 4Q moving sums.
Source: NBS, based on data of the Ministry of Finance.

Looking at different government levels, the largest contribution to the deficit outcome came from the central government budget (RSD 271.4 bn).

The primary fiscal result,[18] as an indicator of the efficiency of the current fiscal policy and its impact on public debt in 2025, was also negative and came at RSD 78.8 bn (0.8% of GDP), slightly higher compared to 2024, when it stood at RSD 23.7 bn or 0.2% of GDP.

The fiscal deficit expanded in 2025 amid an increase in both fiscal revenues and expenditures relative to the year before. Total public revenues of the general government climbed by RSD 312.5 bn y-o-y. The strongest growth in public revenues was recorded for current revenues (by RSD 318.9 bn), with tax revenues increasing the most (by RSD 285.4 bn). Observed individually, the key impetus to growth came from contributions (which increased by RSD 163.4 bn y-o-y owing to favourable labour market developments) and VAT (by RSD 46.4 bn). Non-tax revenues also increased by RSD 33.5 bn y-o-y. On the other hand,

[16] Law Amending the Law on the Budget System (RS Official Gazette, No 138/2022).

[17] https://www.mfin.gov.rs//upload/media/aERCEl_6862360d919a0.pdf

[18] The primary fiscal result is the fiscal result adjusted for the impact of interest paid and charged. It shows whether the realised fiscal revenues suffice to cover fiscal expenditures other than those arising from public debt servicing.

revenues from donations declined in 2025 by RSD 6.4 bn from the previous year.

Total public expenditures of the general government increased by RSD 373.4 bn y-o-y. The bulk of this increase pertains to the current and capital expenditures. Current expenditures rose by RSD 363.9 bn y-o-y, reflecting primarily higher expenditures for social assistance and transfers (RSD 126.2 bn, mainly on account of higher pension expenditures – RSD 115.2 bn), as well as expenditures for employees (RSD 122.7 bn). At the same time, expenditures for called guarantees declined in 2025 by RSD 4.7 bn relative to 2024.

Spending on subsidies increased in 2025 relative to 2024 (by RSD 23.5 bn, or 9.9%). Their share in GDP reached 2.5% (2.4% in 2024). Most of the subsidies in 2025 went to the agricultural sector.

Amid still relatively high interest rates in 2025, interest payment expenses climbed by RSD 8.5 bn from 2024, to RSD 189.0 bn (1.8% of GDP).

Rising by RSD 10.7 bn from 2024, capital investment reached an all-time high of RSD 715.4 bn. However, the share of capital expenditures in total general government expenditure in 2025 (15.9%) declined from 2024 (17.1%), as did the share of capital expenditures in GDP from 7.2% in 2024 to 6.9%. Given the importance of infrastructure improvements for long-term sustainable economic growth, as well as planned infrastructure investments, capital investments will remain a fiscal policy priority going forward, primarily in transport and energy infrastructure, digitalisation, green transition and projects related to the “Leap into the Future – Serbia Expo 2027” programme. In the coming period, in addition to rising public investment, priorities will include improving the transparency and efficiency of capital project management, thereby further supporting the high quality of investments.

The achieved fiscal and overall economic results of the Republic of Serbia were also confirmed by the IMF. In December 2024, the IMF Executive Board approved a third Policy Coordination Instrument (PCI) for Serbia in the duration of 36 months. The aim of the programme is the preservation of macroeconomic and financial stability, maintenance of fiscal discipline and downward public debt trajectory, as well as further strengthening of the resilience of the energy sector and creation of room for the realisation of investment needs in this sector. The nature of the instrument is advisory, and it is intended for countries pursuing a strong and credible economic policy. In June 2025, the first review of the implementation of the agreed economic programme was successfully completed. It was concluded that macroeconomic results remained stable and strong, despite global challenges, and that the Republic of Serbia had successfully overcome all challenges it faced. In December 2025, the second review was also successfully completed. It was emphasised that the high level of FX reserves, substantial government deposits, as well as a resilient and well-capitalised banking sector, provide important support in overcoming current challenges. It was also highlighted that fiscal discipline is maintained and that monetary policy remains cautious, thereby preserving the credibility of economic policies. In June 2025, the regular Article IV consultations for the Republic of Serbia for 2025 were also successfully concluded.

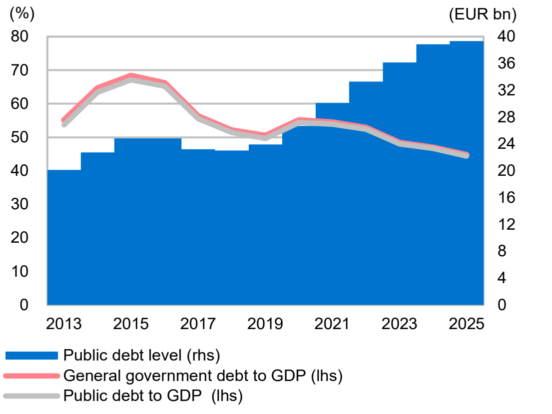
Going forward, fiscal policy will focus on preserving macroeconomic and fiscal stability, with a gradual reduction in the budget deficit in the medium run and the continuation of the declining public debt path. On the expenditure side, the focus will remain on pensions and wage policies, in addition to capital investments, aimed at maintaining social and economic stability and ensuring sustainable growth in households’ disposable income. On the revenue side, fiscal policy will focus on further gradual easing of the tax burden and broadening the tax base through improved collection via digitalisation and modernisation of the tax system.[19]

I.4.2 Public debt

Observed at the year end, the share of public debt in GDP has been on a downward trajectory since 2021. At end-2025, the share of central government debt in GDP came at 44.4%, down by 2.3 pp from end-2024 (Chart I.4.3).

The share of general government debt, which includes the non-guaranteed debt of local governments and AP Vojvodina, amounted to 44.7% of GDP at end-2025, or 2.2 pp less than a year ago. Observed in absolute amounts, central government debt equalled EUR 39.3 bn at end-2025 (EUR 38.9 bn at end-2024), and general

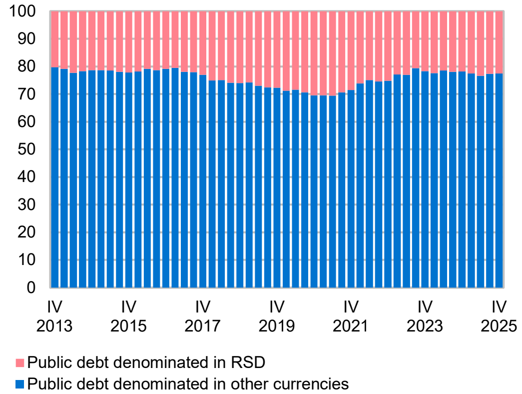
Chart I.4.3 **Public debt dynamics**



Source: Ministry of Finance.

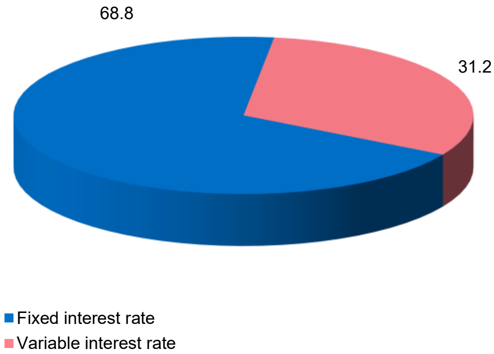
[19] https://www.mfin.gov.rs//upload/media/GYMqnI_690ddfe3d35ca.pdf

Chart I.4.4 **Public debt by currency**
(%)



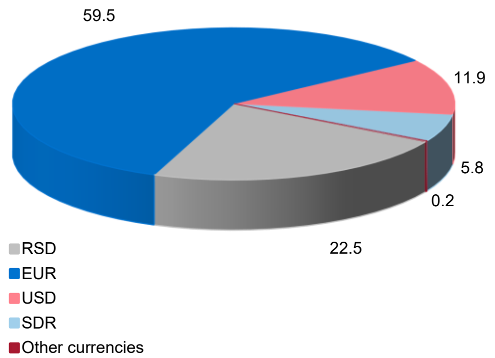
Source: Ministry of Finance.

Chart I.4.6 **Public debt interest rate composition, 31 December 2025**
(%)



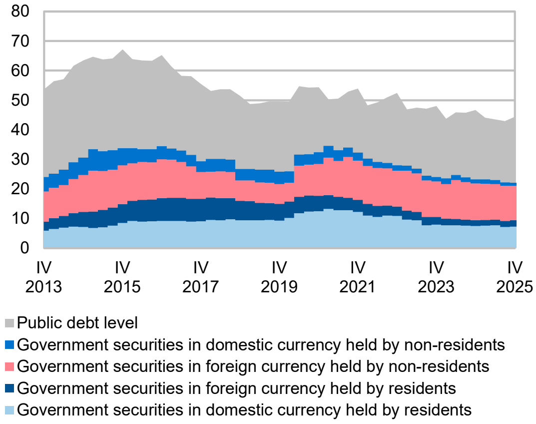
Source: Ministry of Finance.

Chart I.4.5 **Public debt currency composition, 31 December 2025**
(%)



Source: Ministry of Finance.

Chart I.4.7 **Public debt in government securities**
(% of GDP)



Source: NBS, based on data of the Ministry of Finance.

government debt EUR 39.6 bn (EUR 39.1 bn at end-2024).

The share of debt in foreign currency was high (77.5%) at end-2025, indicating the presence of FX risk (Charts I.4.4 and I.4.5). Relative to the previous year, the dinar portion of public debt increased by 0.7 pp, to 22.5%, and the euro share by 1.9 pp, to 59.5%. The share of public debt in the US dollars contracted by 2.0 pp from 2024, to 11.9%, owing to the depreciation of the dollar.

The share of debt at a fixed interest rate declined by 2.9 pp from 2024, to 68.8% at end-2025 (Chart I.4.6). Despite the decline, the share of debt at a fixed interest rate remains relatively high, indicating that public debt is not considerably exposed to the risk of interest rate changes.

In the course of 2025, the government borrowed partly by selling securities in the local market. The share of government securities in total central government public debt remained the same as in 2024 and measured 49.7% (Chart I.4.7).

In mid-January 2025, for the fourth time, the Republic of Serbia issued restitution bonds,[20] which regulate its liabilities in accordance with the Law on Property Restitution and Compensation.[21] Namely, the government issued 5Y, 10Y and 12Y bonds in the total amount of EUR 46.4 mn. Since end-January 2025, this issue of restitution bonds has also been included in the Belgrade Stock Exchange Prime Listing.

In 2025, five auctions of dinar government bonds with 10.5Y original maturity were held. The Republic of Serbia issued for the first time bonds with the maturity of 10.5 years in January 2025, after Standard & Poor's assigned Serbia an investment grade credit rating. This auction saw a record high sale of dinar government securities in the nominal amount of RSD 111.3 bn, almost four times higher than planned. Observed cumulatively, in all five auctions of 10.5Y government

[20] The previous issues of restitution bonds were organised in January 2022, 2023 and 2024.

[21] RS Official Gazette, Nos 72/11, 108/13, 142/14, 88/15 – CC decision, 95/18 and 153/20.

securities held in 2025, bonds were sold in the nominal amount of RSD 168.4 bn. The accepted rate went down gradually from 5.25% to 5.10%, where it stood in the last auction of these bonds in November 2025. The auctions attracted strong investor demand and notable participation of foreign investors, reflecting their interest in government securities and their presence in the Serbian capital market.

In the auction at end-July 2025, 5Y government securities were sold in the nominal amount of RSD 35 bn, at the accepted rate of 4.49%, while demand amounted to RSD 65.3 bn.

In 2025, two auctions of 12Y euro-denominated government bonds were held. The first auction was held at end-July 2025, in which government bonds were sold in the nominal amount of EUR 250 mn, in the full amount of the planned issue, at the accepted rate of 4.99%. Investors demonstrated strong demand for these government securities. In line with the interest shown by institutional market participants, and with a view to providing additional liquidity and supporting the development of the domestic market, the issue of these bonds was increased by EUR 200 mn. In the second auction, held in mid-December 2025, bonds were sold in the nominal amount of EUR 200 mn, at the accepted rate of 4.97%.

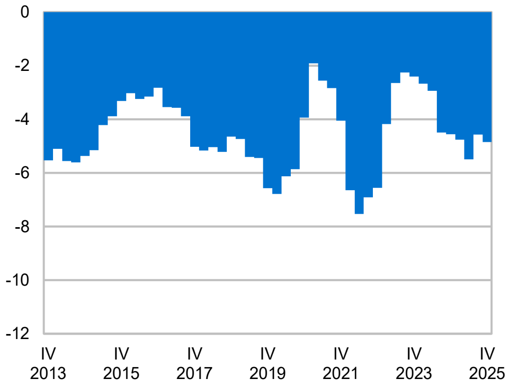
The positive perception of Serbia as an investment destination is also indicated by the fact that, as assessed by Standard & Poor's, Serbia is at an investment-grade level. Fitch Ratings kept Serbia's credit rating at BB+, with a positive outlook for attaining an investment grade in January and July 2025, and again in January 2026. The agency cites as key factors for such a decision an adequate economic policy conduct, notably responsible public finance management and rising FX reserves, as well as a higher GDP per capita compared to rating peers. In addition, the positive outlook for a rating upgrade also reflects the fact that economic growth will be driven by investments under the "Leap into the Future – Serbia Expo 2027" programme, alongside the continuation of the downward public debt trajectory and the strengthening of the country's external position. At end-February 2026, Moody's Ratings maintained Serbia's credit rating at Ba2, with a stable outlook. After Standard & Poor's raised Serbia's credit rating to investment grade (BBB-) in October 2024, whereby Serbia was listed among countries with investment grade rating for the first time in history, the agency published its periodic report on Serbia in mid-March 2026, reaffirming Serbia's credit rating at BBB-, with a stable outlook. In its report, Standard & Poor's also highlighted Serbia's improved external position and strong fiscal position with a credible medium-term fiscal framework, as well as the accumulated reserves providing a strong backstop against potential shocks.

I.4.3 External debt

Despite increasing in 2025, the share of the current account deficit in GDP remained close to its average equilibrium level. The current account deficit increase to 4.9% of GDP in 2025 (EUR 4.3 bn) from 4.5% of GDP in 2024 (EUR 3.8 bn) (Chart I.4.8) primarily resulted from a lower surplus on the services account and a higher deficit on the primary income account. A lower goods deficit, owing to a significant increase in export capacities, had a positive impact on the current account balance, and so did the surplus on the secondary income account. The decline in the services account surplus was driven mainly by the higher imports of tourist services, reflecting growth in household disposable income.

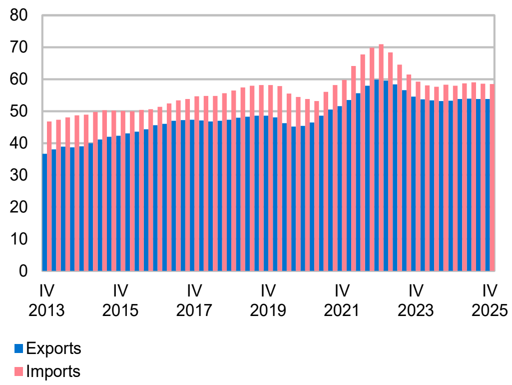
In 2025, both exports and imports of goods and services recorded strong growth, increasing by 7.6% and 7.4%, respectively, compared to the previous year (Chart I.4.9) Goods exports accelerated to 8.7% in 2025, driven by higher manufacturing exports, with the largest contribution coming from industries related to the automotive sector. At the same time, the rise in the export of services also continued (5.3%), with a

Chart I.4.8 **Current account***
(% of GDP)



* Moving sums for the last four quarters.
Source: NBS.

Chart I.4.9 **Exports and imports of Serbia***
(% of GDP)

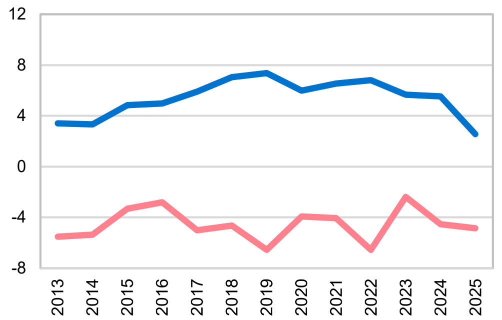


* Moving sums for the last four quarters.
Source: NBS.

significant contribution from the ICT sector, whose exports increased by 10.2%.

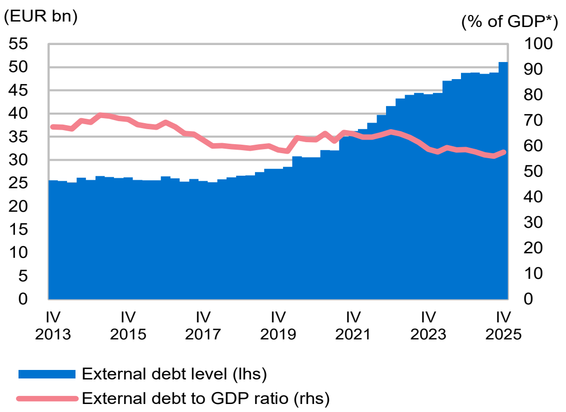
The import of goods in 2025 rose by 6.3% relative to 2024, with higher imports across all three categories – intermediate goods, consumer goods and equipment. The import of services increased by 10.9%, mainly under the impact of higher imports of tourist services (23.2%), which largely reflected the rise in household disposable income.

Chart I.4.10 **Current account deficit and FDIs**
(% of GDP)



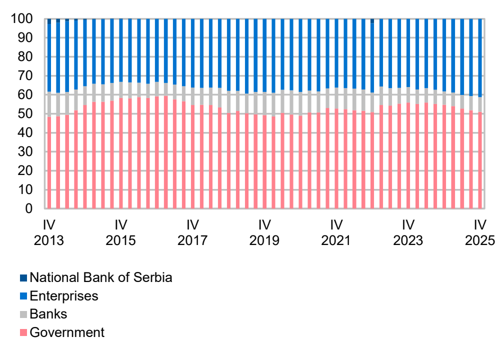
Source: NBS.

Chart I.4.11 **External debt dynamics**



* Moving sums for the last four quarters.
Source: NBS.

Chart I.4.12 **External debt by borrower**
(%)



Source: NBS.

Total FDI inflow amounted to EUR 3.5 bn in 2025, while net inflow stood at EUR 2.3 bn due to increased resident investment abroad (Chart I.4.10). FDI inflow in 2025 was lower than inflow from 2024, with global trade tensions and socio-political developments in Serbia exerting a negative impact on investor sentiment. Nonetheless, FDIs maintained their geographical and sectoral dispersion in 2025, contributing to a rise in export capacities and the strengthening of the country's overall macroeconomic stability.

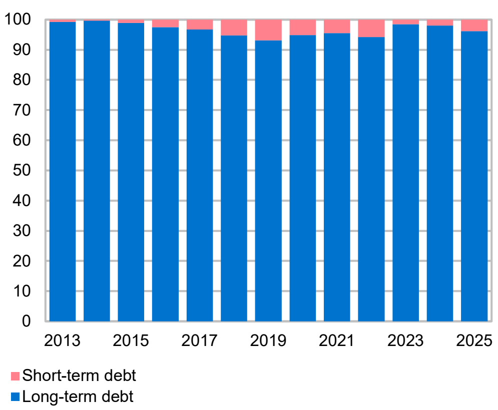
At end-2025, external debt stood at EUR 51.1 bn or 57.6% of GDP. Relative to end-2024, it expanded by EUR 2.3 bn, while its share in GDP declined by 1.0 pp (Chart I.4.11).

External debt increase in 2025 is primarily due to higher private sector borrowing. Relative to the previous year, private sector debt went up by EUR 2.9 bn, while the public sector debt declined by EUR 0.6 bn. Total debt of corporates and natural persons increased by EUR 2.4 bn, while banks' debt climbed by EUR 0.5 bn (Chart I.4.12).

The risk of external debt refinancing is relatively low, given that its maturity structure is favourable. The share of external debt with original and remaining maturity of over one year is high, measuring 96.2% at end-2025 (Chart I.4.13) and 81.4% (Chart I.4.14), respectively. The increase in the share of short-term debt (from 14.5% in 2024 to 18.6% in 2025) reflected changes in the debt structure of the public sector and banks, while the rest of the corporates recorded a more favourable maturity structure relative to the previous year.

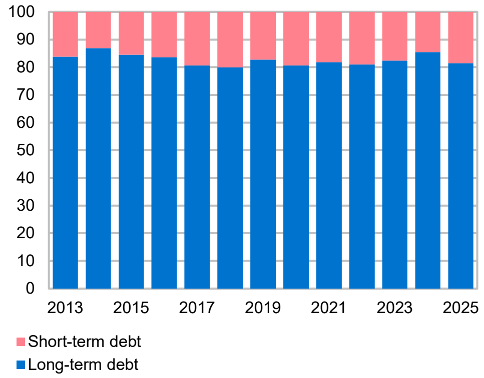
Of total external debt, 49.1% of liabilities were agreed at a fixed interest rate, 49.7% at a variable interest rate and 1.2% at no interest rate at all (Chart I.4.15). In the composition of external debt by interest rate type, liabilities at a variable interest rate were mainly concentrated in the banking sector (88.4%), while in the

Chart I.4.13 **External debt by original maturity**
(%)



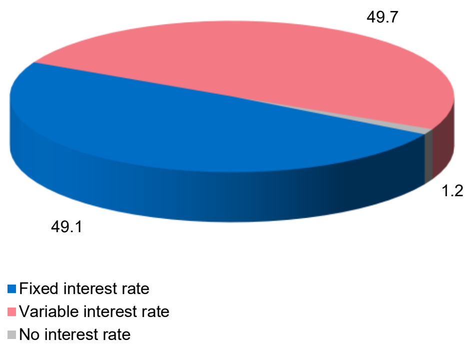
Source: NBS.

Chart I.4.14 **External debt by remaining maturity**
(%)



Source: NBS.

Chart I.4.15 **External debt interest rate composition, 31 December 2025**
(%)



Source: NBS.

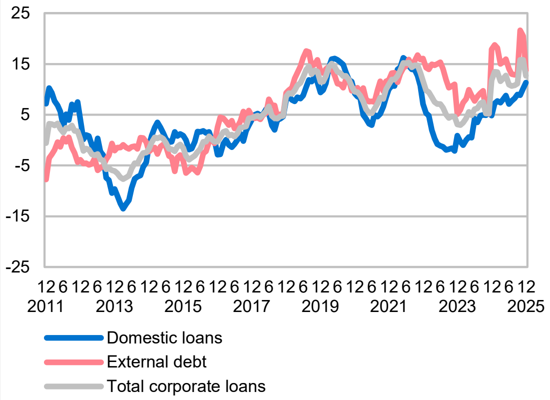
public sector, the highest share was that of fixed-rate debt (57.2%). In other sectors (corporates and natural persons), the composition was more balanced, with a slightly higher share of liabilities at a variable interest rate (50.9%) relative to fixed rate (46.2%). Liabilities without an agreed interest rate accounted for a relatively small share and mainly related to the external debt of corporates and natural persons.

I.5 Corporate sector

Corporate lending accelerated in 2025, owing to eased credit standards and growing loan demand. The corporate sector preserved its debt servicing capacity, with its NPL share at end-2025 recording a historical low.

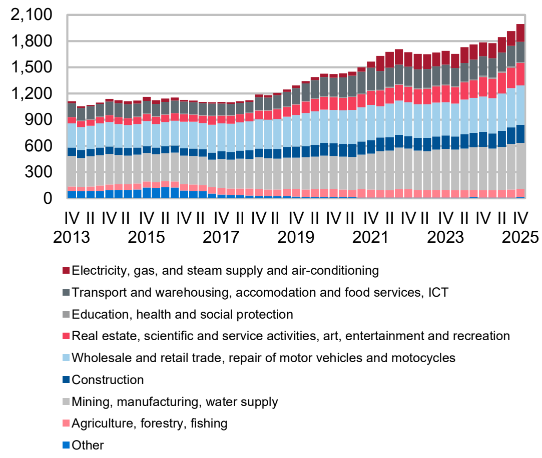
Corporate lending activity gained momentum in 2025 due to monetary policy easing by the NBS and further easing by the ECB. Lending was further spurred by

Chart I.5.1 **Corporate credit activity***
(y-o-y growth rates, %)



* Excluding the exchange rate effect.
Source: NBS.

Chart I.5.2 **Bank claims on corporates, by sector**
(RSD bn)



Source: NBS.

credit standard easing and higher corporate loan demand.

Excluding the exchange rate effect,[22] domestic corporate loans[23] increased by 11.3% in 2025. Excluding the exchange rate effect, the rise in total corporate lending, which includes external debt as well, measured 12.6% y-o-y at end-2025 (Chart I.5.1).

The increase in corporate loans in 2025 was led by rising liquidity and working capital loans, as well as investment loans, which suggests the strengthening of investment activity. Excluding the exchange rate effect, the dominant share in total corporate lending at end-2025, as in the previous period, pertained to liquidity and working capital loans (47.3%) and investment loans (43.4%).

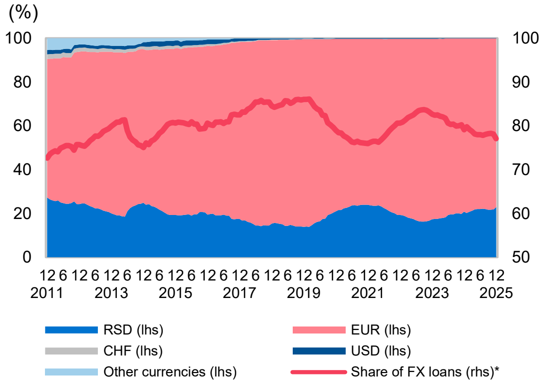
Total bank receivables[24] from the corporate sector at end-December 2025 rose 11.7% in nominal terms

[22] Calculated at the dinar exchange rate against the euro, Swiss franc and US dollar as at 30 September 2024 (the programme exchange rate used for monitoring the performance under the arrangement with the IMF), taking into account the currency structure of loan receivables.

[23] The corporate sector includes the public non-financial sector, companies and the non-financial sector undergoing bankruptcy.

[24] Receivables include loans, securities, interest and fee receivables and shares.

Chart I.5.3 **Currency structure of domestic bank claims on corporates**



* Share of FX and FX-indexed loans in total debt.
Source: NBS.

relative to end-2024, driven mostly by receivables from the sectors of wholesale and retail trade, repair of motor vehicles and motorcycles (RSD 44.2 bn or 10.9%), electricity, gas, steam and air conditioning supply (RSD 43.3 bn or 27.4%), real estate, scientific and service activities, arts, entertainment and recreation (up by RSD 35.9 bn or 16.1%), followed by construction (by RSD 34.1 bn or 19.7%), as well as mining, manufacturing and water supply (RSD 32.8 bn or 6.6%). Conversely, receivables recorded a decline only in the sector of education, healthcare and social protection (by RSD 0.7 bn or 5.0%). The majority of bank receivables from corporates at end-2025 were receivables from the sector of mining, manufacturing and water supply worth RSD 529.5 bn (26.5% of total receivables), followed by wholesale and retail trade, and repair of motor vehicles and motorcycles worth RSD 448.8 bn (22.5% of total receivables), the sectors of real estate, scientific and service activities, arts, entertainment and recreation worth RSD 258.4 bn (13.0% of total receivables), as well as transport and warehousing, accommodation and food services, and information and communications worth RSD 231.0 bn (11.6% of total receivables) (Chart I.5.2).

By company size,[25] in 2025 the volume of lending increased for micro enterprises and SMEs, as well as for large enterprises. Loans approved to micro enterprises and SMEs accounted for 60.6% of total corporate loans at end-2025, recording y-o-y growth of 15.2%, 4.7% and 14.9%, respectively. Loans granted to large enterprises accounted for 39.4% of total corporate loans, recording 12.0% y-o-y growth. Y-o-y growth in loans granted to medium-sized and large enterprises accelerated significantly at end-2025 compared to the previous year, by 11.1 pp and 11.7 pp, respectively, while a y-o-y rise in loans to micro and small enterprises was somewhat slower.

By maturity, at end-2025, long-term receivables were dominant. The share of long-term loans in total corporate loans measured 83.3% at end-2025, which, despite a mild 0.3 pp decrease relative to end-2024, indicates a low risk of refinancing in the corporate sector.

As for the composition of corporate lending growth in 2025, dinar loans recorded relatively faster growth than FX loans, contributing also to the higher degree of dinarisation in the corporate sector. At end-2025, the share of dinar receivables in total bank receivables from corporates equalled 22.9%, up by 2.0 pp from end-2024 (Chart I.5.3). This is partly a result of the implementation of a new measure prescribed by the Decision on Capital Adequacy of Banks.[26] Almost all FX and FX-indexed receivables pertain to euro receivables. To reduce exposure of the corporate sector to the currency risk, the NBS is actively promoting the use of hedging instruments, aiming to lower the risk of exchange rate volatility and thus bolster financial stability. Hedging instruments offered in the market are FX forward contracts (FX forwards), forward FX purchases (covered forward contracts) and currency swaps.

The share of NPLs in total corporate loans (companies and the public non-financial sector) measured 1.4% at end-2025, their historical low. This share decreased by 0.4 pp relative to end-2024. A lower share of NPLs in total corporate loans in 2025 reflected a decrease in the sector's NPLs by RSD 3.7 bn (-12.0%), and a rise in total corporate loans by RSD 192.4 bn (11.3%). Such developments indicate that in 2025 the quality of bank assets and the corporate sector's debt servicing capacity were preserved.

Since the adoption of the NPL Resolution Strategy in August 2015, the share of NPLs of this sector dropped by 23.0 pp at end-2025.[27] The share of NPLs declined in all economic branches, mostly in construction (by 48.8 pp) and real estate, scientific and service activities, arts, entertainment and recreation (by 38.0 pp).

Observed by sector, 2025 saw the sharpest decline of NPLs in agriculture, forestry and fishing by RSD 2.3 bn (a drop in the share by 2.8 pp to 1.1%), followed by transport and warehousing, accommodation and food services, and information and communications by RSD 2.1 bn (a drop in the share of 1.1 pp to 0.9%). Wholesale and retail trade, and repair of motor vehicles and

[25] Legal persons are classified in line with the provisions of the law governing accounting.

[26] This measure requires banks to reduce their capital when calculating the capital adequacy ratio if the share of FX and FX-indexed loans and banks' exposure based on debt securities in total loans to the non-financial and government sectors, and banks' exposure based on debt corporate securities approved and/or issued after 1 July 2023, exceeds 71% in 2025. The threshold decreases to 64% in 2026, 57% in 2027, and 50% from 2028.

[27] The successful implementation of the NPL Resolution Strategy and implementation of the Decision on the Accounting Write-Off of Bank Balance Sheet Assets remained important factors contributing to the sharp fall in NPLs from 2016. In accordance with the Strategy, the NBS adopted an Action Plan aimed at strengthening banks' capacity for NPL resolution and contributing to the development of the NPL market (https://nbs.rs/en/scripts/showcontent/index.html?id=8678). Activities in the Action Plan have been fully implemented.

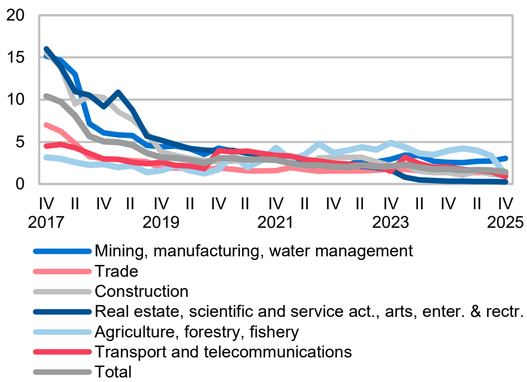
motorcycles recorded a decline by RSD 1.9 bn (a decrease in the share of 0.6% to 1.2%), as well as construction – by RSD 0.4 bn (a drop in the share by 0.4 pp to 0.9%). The highest increase (RSD 3.0 bn) in 2025 was recorded in mining, manufacturing and water supply (an increase in the share by 0.4 pp to 3.0%). Despite an increase in the volume of NPLs in the electricity, gas, steam and air conditioning supply sector, the share of NPLs stood at 0.4% at end-2025, unchanged from the previous year (Chart I.5.4).

The share of NPLs in total corporate loans declined by 0.4 pp y-o-y to 1.6% at end-2025, while the share of NPLs of the public non-financial sector increased marginally by 0.2 pp to 0.3%.

In terms of the currency structure (Chart I.5.5), the share of corporate FX-denominated NPLs stood at 1.4% at end-2025, down by 0.5 pp y-o-y. The share of NPLs in total dinar corporate loans stood at 1.6% at end-2025, up by 0.1 pp y-o-y.

Chart I.5.4 **NPL share in total loans of corporates by sector**

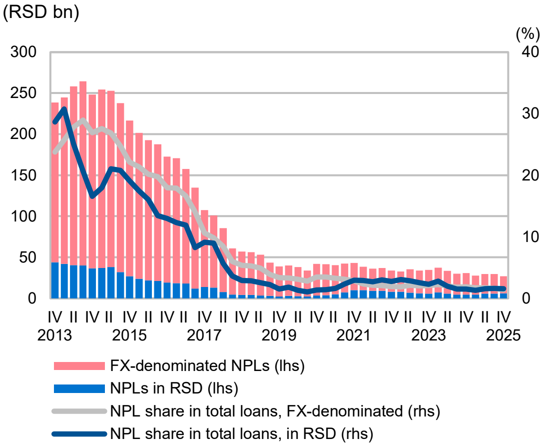
(%)



Source: NBS.

Chart I.5.5 **Corporate NPLs by currency**

(RSD bn)



Source: NBS.

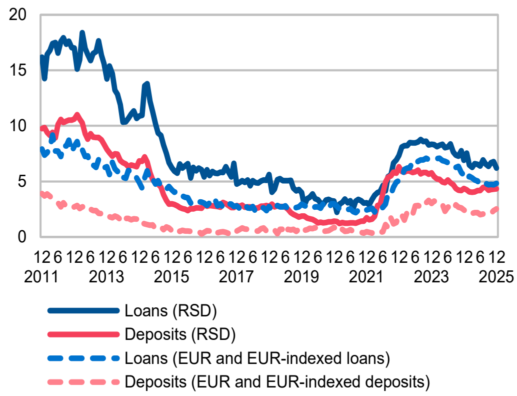
In 2025, banks wrote off RSD 6.5 bn of gross NPLs of the corporate sector.[28] On the other hand, the decline in the level of gross NPLs resulting from their assignment amounted to RSD 0.6 bn.

In 2025, the borrowing costs of corporates decreased relative to end-2024, due to past monetary policy easing by the NBS and continued easing by the ECB (Chart I.5.6). Observing the costs of borrowing in dinars, in December 2025, the weighted average interest rate on new dinar loans came at 6.21%, down by 0.69 pp from December 2024. The weighted average rate on new euro and dinar euro-indexed loans also decreased to 4.82% in December 2025 (0.74 pp lower than in December 2024). The interest rate on term dinar deposits of the corporate sector edged down marginally by 0.03 pp y-o-y, to 4.34% in December 2025, while the rate on euro deposits rose slightly by 0.09 pp y-o-y, to 2.53%.

According to the results of the Bank Lending Survey, banks tightened corporate lending standards at the start of 2025, reflecting greater caution due to increased risk perception, as well as weaker competition in the banking sector. The easing of credit standards has been recorded since Q2, particularly for dinar loans and long-term FX loans. This was supported by lower funding costs, banks' promotional activities and marketing campaigns targeted at specific client categories, as well as subsidised lending schemes. Also, certain banks approved loans partially secured through guarantee schemes, thereby facilitating access to loans for specific groups of clients. At the same time, price conditions improved through lower lending margins, commissions and fees, with the lengthening of maximum loan maturities. On the other hand, banks maintained a cautious approach by reducing maximum loan amounts and tightening collateral requirements. Standards were eased for small and medium-sized

Chart I.5.6 **Interest rates on corporate loans and deposits – new business**

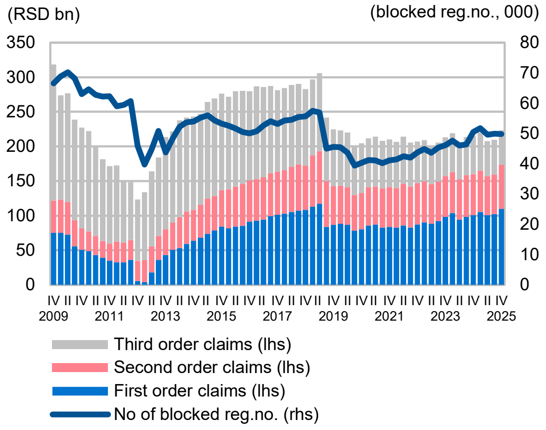
(weighted average, annual, %)



Source: NBS.

[28] Including write-offs of NPLs of companies and the non-financial sector undergoing bankruptcy.

Chart I.5.7 **Movement of claims through enforced collection by priority**



Source: NBS.

enterprises. After an initial decline, corporate loan demand increased until end-2025, both for dinar and FX and FX-indexed loans. This trend reflected the need for financing working capital and investments, while the use of internal and other sources of financing partly mitigated such increase.

At end-2025, there were 49,800 corporates with blocked accounts (Chart I.5.7), down by 1.3% from end-2024. The amount of blocked funds rose by 3.7% y-o-y, to RSD 223.2 bn at end-2025.

In 2025, the NBS Enforced Collection received from competent commercial courts 389 decisions on opening bankruptcy proceedings against debtors (down by 56 from 2024), and 307 decisions on closing bankruptcy proceedings (down by 76 from 2024). Further, it also received: 21 decisions on the suspension of bankruptcy proceedings (16 in 2024) and 53 decisions on the suspension of proceedings to sell the debtor's assets (36 in 2024). In addition, the NBS received 72 decisions on instituting a preliminary bankruptcy procedure with safeguard measures (64 in 2024), and nine decisions on the adoption of pre-pack reorganisation plans (21 in 2024).

In 2025, the competent state authorities implemented several programmes aimed at supporting corporates, primarily micro, small and medium-sized enterprises.

In October 2025, for the first time, the Ministry of Economy launched a subsidised loan programme for enterprises in the manufacturing sector, with the aim of further supporting production improvement, equipment modernisation, increased competitiveness and entry into new markets, as well as supporting investment, liquidity and faster economic development of micro, small and medium-sized enterprises, entrepreneurs and cooperatives. Funds provided under this programme are used to subsidise interest rates on loans for the purchase of new production equipment and working capital financing.[29]

Furthermore, the Ministry of Economy is implementing programmes for encouraging the development of entrepreneurship, micro enterprises and SMEs (including start-ups and young people,[30] holders of certificates for traditional and artistic crafts and home-made handicrafts,[31] the marketing of honey and other bee products,[32] as well as the development of processing capacities in the production of wine, beer and spirits).[33]

The programme for capacity building for business internationalisation provides support to companies seeking to strengthen their capacities and enter foreign markets,[34] while the programme for supporting the internationalisation of the food industry and the alcoholic beverages industry provides support to producers in improving food safety standards, optimising and modernising production processes, and introducing innovative technologies and digital tools. The programme is intended for micro and small legal persons, as well as entrepreneurs, and includes support for the development of export strategies, the introduction of international standards and certifications, as well as marketing activities and the identification of new customers.[35]

In addition, the Ministry of Economy awarded grants to micro enterprises whose majority founder and legal representative is a woman, to female entrepreneurs and cooperatives whose majority members are women engaged in the production of food products and operating in rural areas,[36] as well as to family-owned micro and small enterprises and entrepreneurs engaged in the production and processing of goods.[37]

In December 2025, the Law on the Tax on Greenhouse Gas Emissions[38] and the Law on the Tax on Imports of Carbon-Intensive Products[39] were adopted, applied since 1 January 2026. These regulations aim to reduce pollution, improve energy efficiency and ensure a more level playing field for the domestic industry in local and

[29]https://privreda.gov.rs/usluge/javni-pozivi/program-subvencionisanih-kredita-u-saradnji-sa-ras-i-postanskom-stedionicom

[30]https://privreda.gov.rs/usluge/javni-pozivi/javni-poziv-za-dodelu-bespovratnih-sredstava-po-programu-podsticanja-razvoja-preduzetnistva-kroz-0

[31]https://privreda.gov.rs/usluge/javni-pozivi/javni-poziv-za-dodelu-bespovratnih-sredstava-u-okviru-programa-podrske-razvoju-starih-i-umetnickih-0

[32]https://www.privreda.gov.rs/aktuelno/vesti-i-saopstenja/ministarstvo-privrede-raspisalo-novi-program-finansijske-podrske-za-plasman-meda

[33]https://fondzarazvoj.co.rs/programzapodsticajrazvojapreradjivackihkapacitetau oblastiproizvodnjevinau2025godini/

[34]https://privreda.gov.rs/usluge/javni-pozivi/javni-poziv-za-dodelu-bespovratnih-sredstava-u-okviru-programa-za-podizanje-kapaciteta-za

[35]https://ras.gov.rs/rs/program-podrshke-internatsionalizatsiji-prekhrambene-industrije-i-industrije-alkokholnikh-pia

[36]https://privreda.gov.rs/usluge/javni-pozivi/javni-poziv-za-dodelu-bespovratnih-sredstava-u-okviru-programa-podrske-za-razvoj-preduzetnistva-zena-0

[37]https://privreda.gov.rs/usluge/javni-pozivi/javni-poziv-za-dodelu-bespovratnih-sredstava-u-okviru-programa-finansijske-podrske-porodicnim

[38] RS Official Gazette, No 109/2025.

[39] RS Official Gazette, No 109/2025.

international markets. Their implementation encourages companies to invest in renewable energy sources, green construction and industrial decarbonisation. At the same time, the regulations aim to preserve the competitiveness of the domestic industry in the EU market.[40] Although in the short term the taxes could push production costs up for a large number of energy-intensive economic operators, in the medium and long term they are expected to encourage technological upgrading, energy efficiency improvements and access to European funds for the green economy. In addition, revenues collected through these taxes, in accordance with the laws, will be used to finance the green transition – development of renewable energy sources, energy efficiency, industrial decarbonisation and the energy transition.[41]

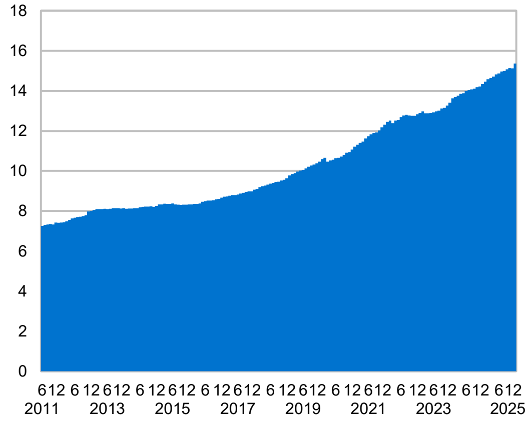
I.6 Household sector

Key labour market indicators remained relatively favourable in 2025. Household savings maintained an upward trend, reaching new record highs and strengthening the banking sector deposit base. The sustained upward trend in dinar savings in 2025 reflects citizens' confidence in the domestic currency. Saving in dinars proved more profitable than in FX. In 2025 the NBS continued to implement measures aimed at easing the repayment of obligations and preserving living standards, particularly of lower-income citizens.

Relatively favourable labour market developments continued in 2025. According to the Labour Force Survey, the average employment rate stood at 51.2% in 2025, down by 0.2 pp from 2024. The average unemployment rate went negligibly up, by 0.1 pp from 2024, to 8.7%. The average monthly net wage in Serbia equalled RSD 109,462 in 2025, having risen 11.5% in nominal and 7.4% in real terms, compared to 2024.[42] The average pension in 2025 equalled RSD 51,191, up by 11.0% in nominal terms from the previous year.[43]

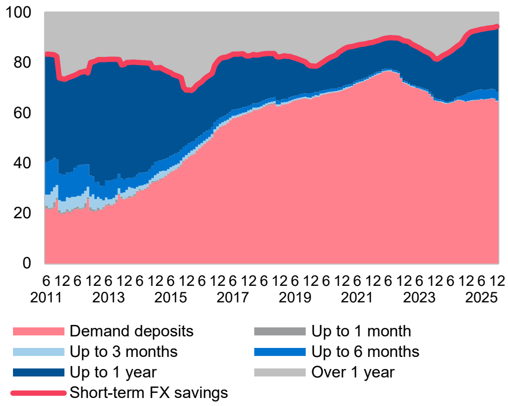
Both dinar and FX savings went up in 2025, reaching new record high levels thanks to the preserved macroeconomic and financial stability and citizens' confidence in the domestic banking sector. Savings went up, even amid pronounced global uncertainty, strengthening the banking sector deposit base as the main source of loan financing.

Chart I.6.1 **FX household savings**
(EUR bn)



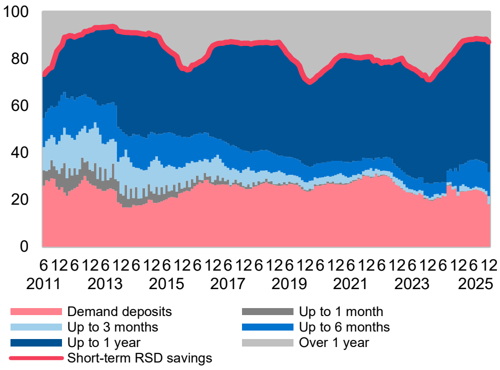
Source: NBS.

Chart I.6.2 **FX household savings by maturity**
(%)



Source: NBS.

Chart I.6.3 **RSD household savings by maturity**
(%)



Source: NBS.

FX savings of residents reached record EUR 15.4 bn at end-2025, up by EUR 1.0 bn from end-2024 (Chart I.6.1). The maturity structure of FX savings shows that the share of long-term savings in total FX savings went down in 2025 by 3.9 pp, to 5.5%, whereas the share of short-term savings went up to 94.5% (Chart I.6.2).

[40] From 1 January 2026, the EU will apply the Carbon Border Adjustment Mechanism (CBAM), which aims to prevent the relocation of production to countries with lower environmental standards. Under this mechanism, EU importers will be required to purchase certificates whose value corresponds to the amount of carbon dioxide emissions generated during the production of imported goods, such as: cement, iron, steel, aluminium, artificial fertilisers, hydrogen and electricity.

[41] https://www.mfin.gov.rs/en/documents2-2/revised-fiscal-strategy-for-2026-with-projections-for-2027-and-2028-2

[42] Source: SORS.

[43] Source: Pension and Disability Insurance Fund of the Republic of Serbia.

Since 2012, when the NBS started implementing the strategy of dinarisation of the financial system, resident savings in dinars rose almost 12 times, to RSD 203.4 bn at end-2025, up by RSD 15.9 bn from end-2024. Chart I.6.3 shows that in 2025, short-term dinar savings in total household dinar savings increased. Their share in total dinar savings of residents equalled 87.2% at the end of the year, up by 2.0 pp from end-2024.

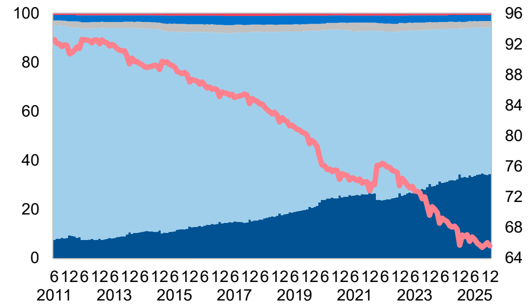
Promoting savings in the local currency and emphasising their higher profitability is a part of the NBS strategy of dinarisation of the financial system. Robust growth in dinar savings in the past 13 years, during the implementation of this strategy, led to a considerable increase in the dinarisation of household deposits, which reached its maximum at end-2025. This bolsters financial stability given that a higher degree of dinarisation of the financial system ensures greater efficiency of monetary policy measures and stronger resilience to the risk of exchange rate volatility, as well as reduced exposure to risks from the international environment.

The analysis of savings profitability[44] shows that in the past 13 years dinar savings were more profitable than euro savings both in the short and long run, reflecting relatively higher interest rates on savings in dinars than in euros, a more favourable tax treatment of income from savings in the domestic currency (they are not subject to tax) compared to savings in foreign currency (taxed at the rate of 15%), as well as preserved financial stability and a stable EUR/RSD exchange rate.

The share of dinar deposits in total household deposits[45] increased to 34.4% at end-2025, rising by 0.1 pp from end-2024. Euro deposits continued to account for the bulk of deposits (60.2% of all deposits), while their share was 0.5 pp higher than at end-2024. At end-2025, the share of dollar and Swiss franc deposits was low and amounted to 2.5% (Chart I.6.4).

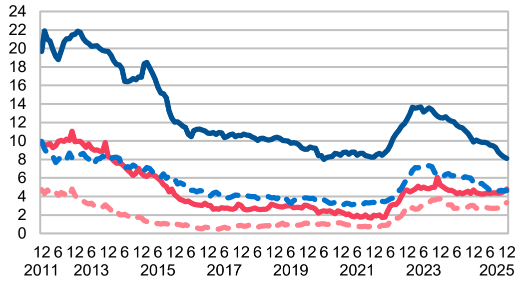
The cost of household borrowing decreased further compared to the previous year. Past monetary policy easing by the NBS and the continued easing by the ECB, as well as NBS activities which enabled more favourable borrowing conditions for lower-income citizens resulted in favourable borrowing conditions. Interest rates on new dinar loans to the household sector dropped by 1.77 pp, to 8.10% in December 2025. Interest rates on new euro-indexed and euro loans to the household sector declined by 0.88 pp, to 4.64% in December 2025 (Chart I.6.5). On the other hand, interest rates on household deposits increased marginally in 2025. Rates on new dinar deposits rose by 0.09 pp to 4.79% in December 2025. Interest rates on euro-indexed and euro deposits went up by 0.32 pp from December 2024, to 3.34% at end-2025.

Chart I.6.4 **Currency structure of household deposits**
(%)



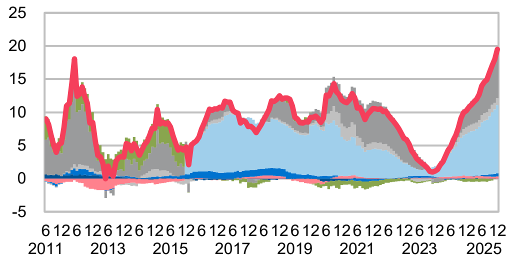
* The share of FX and FX-indexed deposits in total household deposits.
Source: NBS.

Chart I.6.5 **Interest rates on RSD, EUR and EUR-indexed household loans and deposits – new business**
(weighted average, %)



Source: NBS.

Chart I.6.6 **Contributions to growth in bank receivables from households, by purpose**
(y-o-y growth rates, pp)



* Until December 2014, cash loans were included in the category of other loans.
Source: NBS.

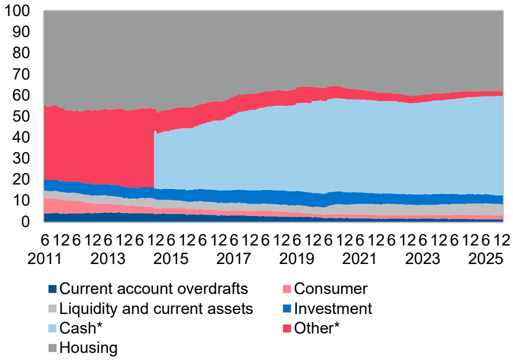
[44] https://www.nbs.rs/export/sites/NBS_site/documents-eng/publikacije/dinarizacija/analize/aliza_isplativosti_dds_e_II_2025.pdf

[45] In addition to savings, household deposits also include transaction deposits. The calculation includes the household sector without non-profit institutions serving households.

Total bank receivables[46] from the household sector[47] increased by 19.5% in nominal terms at end-2025 relative to a year earlier (Chart I.6.6). Broken down by purpose, a significant contribution to the nominal growth in household receivables came from the increase in cash and housing loans (10.3 pp and 7.3 pp, respectively), also supported by subsidised housing loans for youth. As for the shares of certain types of loans in total bank household receivables, gross housing loans made up 38.1% of total bank receivables from households, down by 0.1 pp from 2024. The share of receivables on account of gross cash loans in total receivables to households increased by 1.1 pp, to 47.2% at end-2025 (Chart I.6.7).

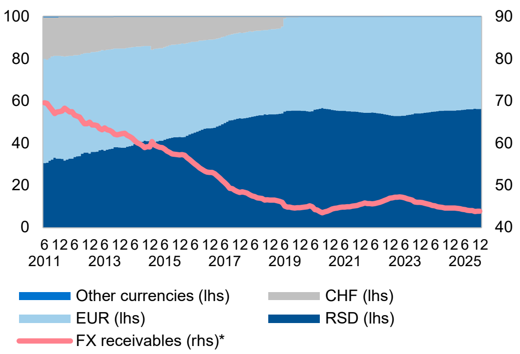
The volume of new loans to households (non-profit institutions included) in 2025 stood at RSD 1,108.0 bn, up by 41.7% from 2024. In 2025, cash loans were mainly granted to households (68.8% of new household loans, up by 0.4 pp from 2024). New housing loans accounted for 18.2% of new household loans in 2025, up by 2.6 pp from 2024.

Chart I.6.7 **Structure of bank receivables from households, by purpose**
(%)



* Until December 2014, cash loans were included in the category of other loans.
Source: NBS.

Chart I.6.8 **Currency structure of bank receivables from households**
(%)



* The share of FX and FX-indexed receivables in total receivables on households.
Source: NBS.

As for the currency composition, the bulk of new household loans (76.9%) was granted in dinars in 2025 much as a result of NBS regulations[48] which encourage borrowing in dinars. In the category of cash loans, new dinar loans accounted for 99.8% of total new loans in 2025. More dynamic approval of dinar household loans aided an increase in the share of dinar receivables in total household receivables by 0.8 pp, to 56.2% in 2025 (Chart I.6.8). The share of FX and FX-indexed receivables amounted to 43.8% at end-2025, with almost entirety of the receivables being euro-indexed and euro denominated.

Preserved macroeconomic and financial stability, together with measures aimed at supporting households, contributed to maintaining citizens' ability to regularly meet their financial obligations. Asset quality was preserved and further improved despite all challenges, with the share of gross NPLs in total household loans (gross NPL ratio) standing at 2.7% in December 2025, down by 0.7 pp from end-2024. At end-2025, the gross NPL ratio for housing loans declined by 0.4 pp compared to the previous year, to 1.0%, while for cash loans it decreased by 1.1 pp, to 3.8%.

A significant number of housing loans (53.8% of the total number of housing loans which stood at 169,719 at end-2025) were insured with the NMIC. At end-2025, there were 91,318 insured loans (down by 3,195 from end-2024). The initially insured amount was EUR 3.1 bn, of which EUR 1.7 bn was outstanding. At end-2025 the NMIC portfolio contained 242 past due loans worth EUR 10.0 mn. These loans were declared past due because of difficulties in repayment, and until the mortgaged property is sold, the NMIC is the one paying the annuities. Compared to 2024, the number of these loans went down by nine, while the outstanding amount of insured past due loans went down by EUR 0.1 mn. As at end-2025, a total of 778 mortgages under insured housing loans were foreclosed since the NMIC began operating (18 foreclosed mortgages in 2025).

In 2025, the NBS continued to implement and adopt measures aimed at protecting households' living standards, particularly those of lower-income citizens.

Following the expiry of the measure[49] limiting interest rates on housing loans until the end of 2024, in December 2024, the NBS adopted the Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumers[50], with a

[46] Receivables include loans, interests, fees and other receivables.

[47] The household sector comprises domestic natural persons, foreign natural persons – residents, private households with employed persons, registered farmers and entrepreneurs.

[48] Decision on Measures for Safeguarding and Strengthening Stability of the Financial System (RS Official Gazette, Nos 34/2011, 114/2017, 84/2020 and 102/2024).

[49] Decision on Temporary Measures for Banks Relating to Natural Persons' Housing Loans (RS Official Gazette, No 78/2023).

[50] RS Official Gazette, No 102/2024.

view to ensuring a gradual transition to a market interest rate. That measure was also of a temporary nature and was incorporated into the new Law on the Protection of Financial Service Consumers[51], adopted in March 2025. The Law takes a systematic approach to limiting nominal and effective interest rates on all credit products with a view to protecting the interests of financial service consumers, i.e. supporting citizens' disposable income, safeguarding the households' living standards, while preserving and strengthening financial system stability.

In addition to permanently regulating the method for determining maximum interest rates, the new Law on the Protection of Financial Service Consumers prescribes an obligation for banks to apply measures facilitating loan repayment for consumers in cases where circumstances arise during the contractual relationship that place the consumer in a difficult financial situation or involve other significant circumstances beyond the consumer's control. Therefore, in September 2025 the NBS adopted the Decision on Loan Repayment Relief[52], which has been applied since 15 October 2025. In accordance with the said Decision, circumstances that may place the consumer in serious financial hardship include, in particular, job loss, a significant reduction in income, serious illness, and severe injury resulting in reduced work capacity. Other significant circumstances include, in particular, difficult family circumstances, as well as divorce where the spouses were co-borrowers under the loan agreement or where one of the spouses acted as guarantor. Banks are required to offer to clients who find themselves in these circumstances full or partial debt refinancing, or modification of contractual terms, including, but not limited to, the following: extension of the repayment period, change in the type of contract, deferred payment of the entire loan amount, interest, principal, overdraft or overrunning, credit card debt, or certain loan instalments for a specified period, a reduction in the interest rate, approval for the borrower not to repay the loan during a certain period, during which the lender is not entitled to charge either regular or default interest on overdue obligations, but is entitled to charge the agreed regular interest on the remaining principal amount, partial debt repayment, change of the currency in which the obligation is denominated, if the monetary obligation is not expressed in dinars, partial debt write-off and debt consolidation, as well as declaring a suspension of loan repayment for a specified period, during which the lender does not charge either regular or default interest on due and unpaid receivables, nor regular interest on the remaining principal amount of the debt. In addition to these relief measures, since 2022 a measure has been applied under which borrowers facing repayment difficulties have been permanently granted the possibility of one extension of the loan repayment period.[53]

As part of measures aimed at improving households' standard of living, in August 2025 banks were presented with supervisory expectations to update their current offers so as to offer loans under more favourable terms to employees and pensioners with regular monthly income of up to RSD 100,000[54]. By 15 September 2025, banks published their special offers relating to dinar consumer and cash loans of up to RSD 1,000,000 (or higher, in accordance with the bank's decision), loans for refinancing cash and consumer loans without a limit on the amount, special cash loans and refinancing loans granted to pensioners with included life insurance, as well as housing loans for first-time home buyers. These loans are subject to more favourable lending conditions, including lower interest rates (up to 3 pp lower compared to the standard offer from July 2025 for cash and consumer loans, and up to 0.5 pp lower for housing loans), as well as the exemption from loan processing fees, which directly results in lower monthly instalments and reduced total borrowing costs for households.

Also, as of August 2025, the approval of low-value dinar consumer loans has been permanently simplified (loans up to RSD 150,000 with maturity of up to three years and an effective interest rate of 0%) and with lower risk, thereby further facilitating households' access to financing.[55]

In 2025 the regulatory framework set up by the NBS in December 2024 for the implementation of the government's youth housing loan programme[56] applied. Namely, when approving loans under this programme, banks may apply the so-called LTV limit of 99% (meaning that the client can make a downpayment of 1% of the real estate value purchased under the loan). In addition, banks may apply a lower risk weight of 35% to the entire exposure under a housing loan approved within the programme. Also, since 2020, banks have been permanently allowed to approve loans for first-time home buyers in the amount of up to 90% (instead of 80%) of the estimated value of such real estate.[57]

As so far, the NBS will continue to monitor cautiously developments in this sector and implement, when

[51] RS Official Gazette, No 19/2025.

[52] RS Official Gazette, No 78/2025.

[53] Decision Amending the Decision on Capital Adequacy of Banks (RS Official Gazette, No 137/2022).

[54] https://nbs.rs/sr/scripts/showcontent/index.html?id=20812

[55] Decision Amending the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items (RS Official Gazette, No 70/2025).

[56] Law on Establishing a Guarantee Scheme and Subsidising Part of the Interest as a Measure to Support Young People in Purchasing Their First Residential Property (RS Official Gazette, Nos 19/2025, 51/2025 and 109/2025).

[57] Decision on Measures for Safeguarding and Strengthening Stability of the Financial System (RS Official Gazette Nos 34/2011, 114/2017, 84/2020 and 102/2024).

necessary, measures aimed at further protecting households and preserving the stability of the financial system of the Republic of Serbia.

Table I.6.1 presents an overview of the main indicators relating to the household sector for the 2011–2025 period.

Table I.6.1 **Household sector performance indicators**
(%, unless indicated otherwise)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bank receivables from households															
RSD bn	601.7	652.7	673.7	724.6	759.1	838.6	904.2	1,017.3	1,111.3	1,243.0	1,374.2	1,457.5	1,473.8	1,624.8	1,941.5
EUR m	5,750.5	5,739.5	5,876.2	5,990.6	6,240.9	6,792.0	7,632.1	8,606.8	9,450.6	10,571.5	11,687.2	12,423.1	12,578.3	13,885.0	16,554.1
Total deposits of households															
RSD bn	855.2	988.7	1,044.6	1,125.9	1,165.5	1,258.0	1,275.9	1,393.5	1,558.7	1,751.6	1,989.3	2,048.7	2,255.8	2,555.9	2,745.8
EUR m	8,172.7	8,694.2	9,111.6	9,308.6	9,582.9	10,188.8	10,769.6	11,789.9	13,254.7	14,897.1	16,918.7	17,462.6	19,251.3	21,842.8	23,412.0
FX bank receivables to total receivables*	67.4	65.0	62.1	59.0	57.2	53.0	48.3	46.4	44.7	44.1	45.4	46.9	45.9	44.6	43.8
FX to total deposits*	90.7	92.1	89.4	88.7	87.1	85.1	84.2	81.8	79.0	74.3	72.8	73.5	69.6	65.7	65.6
FX deposits to FX bank receivables*	191.2	214.7	223.3	233.4	233.9	241.0	246.2	241.3	248.1	237.7	232.1	220.2	231.9	232.0	211.8
LTV ratio**	n/a	n/a	n/a	n/a	n/a	59.1	55.8	58.8	51.5	58.7	59.4	60.5	57.3	61.6	64.2
Average loan per resident															
RSD thousand	80.6	87.8	91.0	99.9	105.3	117.4	127.7	144.5	158.8	177.9	198.7	213.2	220.6	244.7	294.4
EUR	770.1	771.9	793.4	826.3	865.7	950.5	1,077.6	1,222.8	1,350.8	1,513.3	1,689.6	1,817.4	1,883.0	2,091.3	2,510.1
Average loan amount															
RSD thousand	439.6	460.4	489.9	511.1	472.2	483.9	483.8	516.3	553.1	564.0	575.6	586.6	579.7	621.1	761.7
EUR	4,201.4	4,049.0	4,273.1	4,225.3	3,882.5	3,918.7	4,083.5	4,368.4	4,703.4	4,796.5	4,895.5	5,000.1	4,947.6	5,308.1	6,494.3
Average loan per user															
RSD thousand	530.9	570.1	612.0	644.7	614.6	634.7	646.9	701.7	747.9	786.7	824.9	853.1	858.8	929.8	1,119.8
EUR	5,073.9	5,012.9	5,338.8	5,329.8	5,053.1	5,140.5	5,460.1	5,936.5	6,359.7	6,691.0	7,015.8	7,271.5	7,329.4	7,946.4	9,548.0

* FX receivables and deposits include FX-indexed claims and deposits.
**The LTV ratio is based on data from the NBS Real Estate Database and represents the ratio of housing loans for which a flat was mortgaged and the estimated value of flats.
Sources: SORS, ASB and NBS.

II Financial sector

Accounting for 90.4% of financial sector assets, the Serbian banking sector was well-capitalised, highly liquid and profitable in 2025. Commercial banks posted a positive net financial result, with 2.8% RoA and 20.6% RoE. Owing to favourable terms of borrowing and eased credit standards, domestic lending activity accelerated further, recording a 15.4% y-o-y rise at end-2025. The increase in lending activity and the decline in NPLs led to a further reduction in the share of NPLs in total loans to 2.1% at end-2025, which is their new historic low. This confirms that the NBS continuously implements adequate and timely measures with a view to strengthening the banking sector. Owing to preserved stability, the domestic financial sector continues to operate smoothly even amid challenging circumstances.

II.1 Banking sector

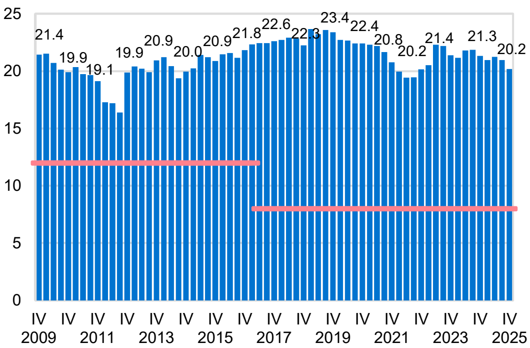
II.1.1 Capital adequacy

The Serbian banking sector remained highly capitalised in 2025, with a favourable regulatory capital structure dominated by the highest quality Common Equity Tier 1 capital (CET 1). CARs were considerably above the prescribed regulatory minimums. At end-2025, CAR measured 20.18% (Chart II.1.1) and was slightly below the regional average (Chart II.1.2). High levels of CET 1 capital ratio (18.60%) and Tier 1 capital ratio (18.63%) were also recorded.

Relative to end-2024, CAR went down by 1.1 pp y-o-y, mostly under the impact of risk-weighted asset growth, which rose by RSD 471 bn in 2025 to RSD 4,078 bn. Meanwhile, regulatory capital increased by RSD 54 bn, to RSD 823 bn at end-2025. Banks' CET 1 rose in 2025 by RSD 52 bn, to RSD 758 bn.

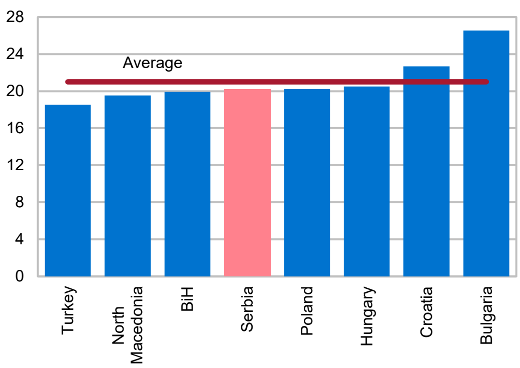
High capitalisation of the banking sector is also evidenced by the leverage ratio, which was introduced in Serbia's regulatory framework by Basel III regulations, and represents the ratio of a bank's Tier 1 capital to its total exposure amount, expressed as a percentage. Since October 2025, banks have been required to maintain a leverage ratio of no less than 3%.[58] At the banking sector level, the leverage ratio stood at 10.0% at end-2025, significantly above the prescribed minimum.

Chart II.1.1 **Banking sector capital adequacy**
(%)



Source: NBS.

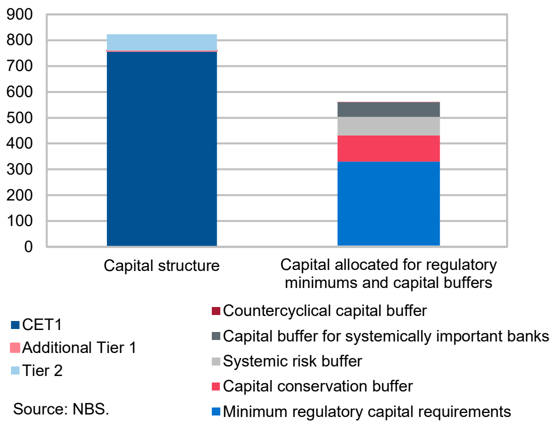
Chart II.1.2 **Regulatory capital to risk-weighted assets, countries of the region**
(2025, latest available data, %)



Sources: IMF and NBS.

[58] Decision Amending the Decision on Capital Adequacy of Banks (RS Official Gazette, No 41/2025).

Chart II.1.3 **Structure of regulatory capital and capital buffers**
(2025 eop, RSD bn)



Source: NBS.

At end-2025, banks allocated RSD 230.5 bn of CET 1,[59] or 5.7% of risk-weighted assets for the combined capital buffer. Maintaining capital buffers above the prescribed regulatory minimums increases banks' resilience to losses, decreases excessive exposures and limits capital distribution to contain systemic risks in the financial system.

By the Decision on the Countercyclical Capital Buffer Rate for the Republic of Serbia[60] of 11 December 2025,[61] the NBS set the countercyclical capital buffer rate at 0.5%, to be applied from 15 December 2026. At its meeting held on 12 March 2026, the NBS Executive Board decided to maintain the countercyclical capital buffer rate for the Republic of Serbia at 0.5%. Maintaining the countercyclical capital buffer creates an additional layer of capital that can be released in the event of the materialisation of certain risks, thereby preserving the resilience of the banking sector of the Republic of Serbia.[62]

Bank business models in Serbia are traditional and based on corporate and household lending. Hence, credit risk was the most dominant risk in the Serbian banking sector, accounting for 84.7% of risk-weighted assets, while the shares of the operational risk and market risks were significantly lower – 14.7% and 0.5%, respectively.

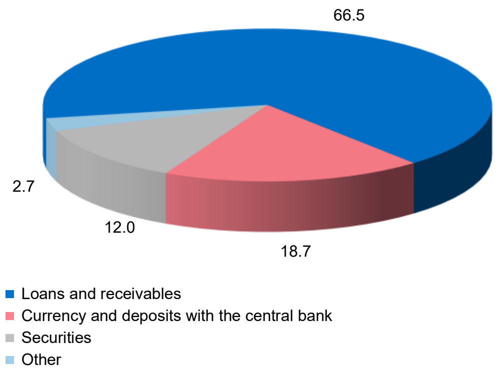
In March 2025, the Law on Amendments and Supplements to the Law on Banks[63] was adopted, further enhancing the regulatory and supervisory framework for banks operating in Serbia. The amendments were introduced to strengthen the framework for banking operations, primarily in the areas of corporate governance and risk management. In addition, the legal framework for bank resolution was improved, and the establishment of a Bank Resolution Fund was envisaged.[64] The Bank Resolution Fund will be financed through contributions from banks, and it will provide resources for bank resolution in times of crisis. This reduces the risk of using taxpayer funds for such purposes and in turn contributes to the banking sector stability.

II.1.2 Level, structure and quality of assets

Nineteen banks operated at end-2025 (20 at end-2024). The banking sector's net assets amounted to RSD 7,006 bn, or around 67% of GDP. In terms of the ownership structure of the banking sector, the largest share was held by foreign-owned banks (77.2%), while domestic private and state-owned banks accounted for 13.3% and 9.5%, respectively.

Loans and receivables accounted for the bulk of total net assets of banks (66.5%), reflecting traditional bank business models based on credit-deposit activities. Loans and receivables from clients accounted for 58.7% of total assets, while loans and receivables from banks and other financial organisations made up 7.8%. Cash and deposits with the central bank accounted for around 18.7%, while 12.0% related to securities, primarily those of the Republic of Serbia.

Chart II.1.4 **Structure of assets of the Republic of Serbia's banking sector as at 31 December 2025**
(%)



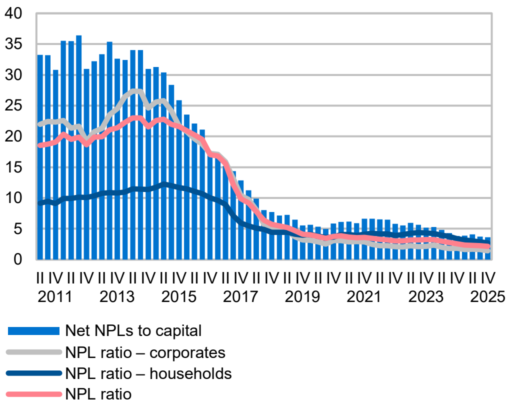
Source: NBS.

[59] The combined capital buffer consists of the capital conservation buffer, countercyclical capital buffer, capital buffer for systemically important banks, and systemic risk buffer.
[60] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/propisi-fs/stopa_kontraciklicnog_sloja_kapitala_2025112_eng.pdf
[61] Decision on the Countercyclical Buffer Rate for the Republic of Serbia (RS Official Gazette, No 112/2025).
[62] For more information see Text box 2 – Increasing the CCyB rate to strengthen banking sector resilience.
[63] RS Official Gazette, No 19/2025.
[64] For more information see Text box 6 – Bank Resolution Fund.

At end-2025, the credit portfolio[65] was worth RSD 4,406 bn. The bulk of the portfolio related to household[66] (42.7%) and corporate loans[67] (41.7%). Total net corporate loans stood at RSD 1,836 bn, of which 80.2% was in foreign currency (almost all of FX loans were in euros). Total net household loans were worth RSD 1,883 bn, of which RSD 882 bn related to cash loans and RSD 732 bn to housing loans. The share of loans in dinars in total household loans was 55.5%, while FX and FX-indexed loans were almost entirely related to euro loans.

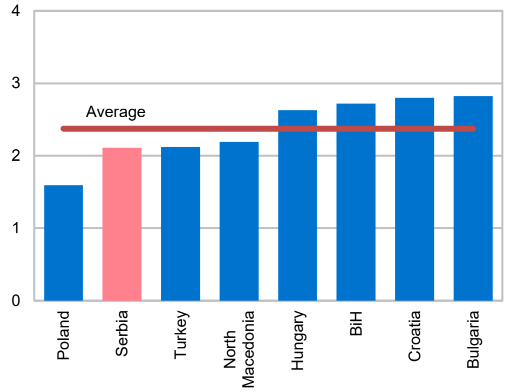
As loans account for a dominant share of total balance sheet assets of the domestic banking sector, the NPL ratio is a significant measure of asset quality. In 2025, the share of NPLs in total Serbian banking sector loans decreased further, dropping to a new historical low. The reduction in NPLs signals that higher interest rates did not affect bank asset quality, nor did the termination of some measures[68] which supported the corporate and household sectors in the past period. Banks were encouraged to extend the repayment term for cash, consumer and other similar loans for citizens in financial distress. In addition, in September 2025, the Decision on Loan Repayment Facilities was adopted,[69] requiring banks to apply measures facilitating loan repayment where, during the term of the contractual relationship, circumstances arise that place the borrower in a difficult financial position or other significant circumstances beyond the borrower's control. Following the expiry of the temporary measure capping interest rates on housing loans,[70] a new measure was introduced[71] under which, in addition to housing loans, interest rates on cash and consumer loans, as well as on credit cards and current account overdrafts, were also capped. This measure ensured a gradual transition to market-based interest rates. The measure is included in the new Law on the Protection of Financial Service Consumers,[72] adopted in March 2025, which systematically and permanently regulates interest rates caps for all credit products to protect the interests of financial service consumers, while maintaining and strengthening the stability of the financial system. These measures were adopted to protect and improve the position of financial service consumers and to provide support to individuals facing

Chart II.1.5 **Non-performing loans**
(%)



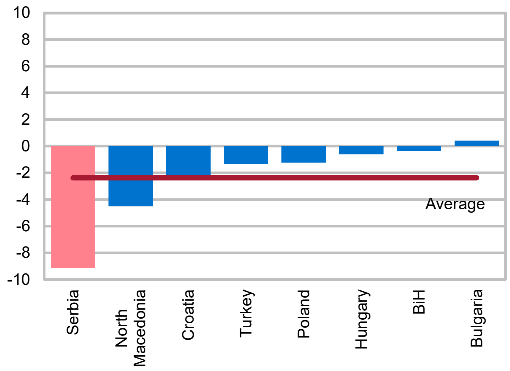
Source: NBS.

Chart II.1.6 **NPL ratios, countries of the region**
(2025, latest available data, %)



Sources: IMF and NBS.

Chart II.1.7 **Change in the NPL ratio, countries of the region**
(2025 relative to 2008, pp)



Sources: IMF and NBS.

[65] Net bank loans approved to the finance and insurance sector, the public non-financial sector, corporates, entrepreneurs, general government, households, foreigners, private households with employed persons and registered farmers and other legal persons.
[66] The household sector includes domestic natural persons, foreign natural persons – residents, private households with employed persons, registered farmers, entrepreneurs, and entrepreneurs in bankruptcy.
[67] The corporate sector includes public non-financial sector, corporates and companies in bankruptcy.
[68] In the past period, the NBS applied numerous measures, including moratorium on loan repayments, facilities for debtors who experienced difficulties in the repayment of liabilities due to the coronavirus pandemic, rescheduling of farmers' obligations, etc. For more information, visit: https://nbs.rs/en/drugi-nivo-navigacije/pres/covid19/index.html and https://nbs.rs/en/drugi-nivo-navigacije/propisi/propisi-kpb/index.html
[69] RS Official Gazette, No 78/2025.
[70] Decision on Temporary Measures for Banks Relating to Natural Persons' Housing Loans (RS Official Gazette, No 78/2023).
[71] Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumer (RS Official Gazette, No 102/2024).
[72] RS Official Gazette, No 19/2025.

difficult circumstances. Together with the previously adopted NBS measures, they contributed to preventing the emergence of new NPLs and preserving financial stability despite the multidimensional crises experienced recently.

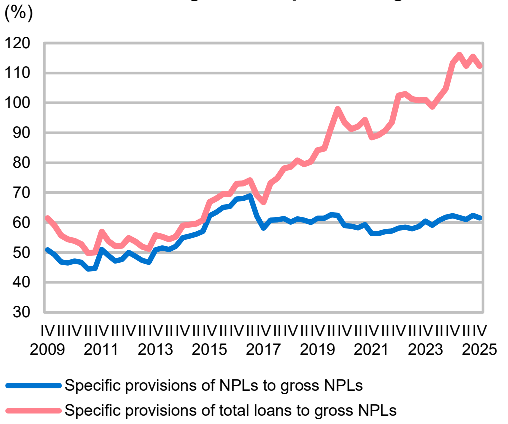
At end-2025, the share of NPLs in total Serbian banking sector loans stood at 2.1%, the lowest recorded value of this indicator so far (Chart II.1.5). In y-o-y terms, this share edged down by 0.4 pp because of a rise in total gross loans by 15.7% or RSD 582.7 bn, and a decrease in gross NPLs by 3.5% or RSD 3.3 bn.

The years-long downward trend of NPLs, even amid heightened geopolitical tensions, higher costs of loan repayment and global economic slowdown is a result of a systemic approach to addressing NPLs that was initiated in 2015 with the adoption of the NPL Resolution Strategy. Such approach has continuously yielded excellent results. The share of NPLs at end-2025 was 20.1 pp lower relative to August 2015 when the NPL Resolution Strategy was adopted. The main channels of reducing NPLs were collection, write-off and assignment (sale) to third persons.

In 2025, RSD 16.4 bn worth of gross NPLs were written off and RSD 0.7 bn assigned.

The share of NPLs in total loans to corporates (companies and public non-financial sector) stood at 1.4% at end-December 2025, down by 0.4 pp compared to the same period last year. In terms of individual categories, the share of NPLs in total loans to companies decreased by 0.4 pp, to 1.6%, while the share of NPLs in total loans to public non-financial sector slightly edged up – from 0.2 % at end-2024 to 0.3% at end-2025. A reduced share of NPLs in total corporate loans at end-2025 was recorded amid a decrease in the amount of the sector's NPLs by 12.0% (RSD 3.7 bn), with a rise in total corporate loans by 11.3% (RSD 192.4 bn).

Chart II.1.8 **Coverage of non-performing loans**



Source: NBS.

At end-2025, the share of NPLs in total gross loans to households[73] came at 2.7%, dropping by 0.7 pp from end-2024. The y-o-y fall resulted from the reduction of gross household NPLs by 5.0% in 2025 (RSD 2.7 bn), whereas total gross household loans increased by 19.5% (RSD 316.9 bn) in the same period. The amount of NPLs dropped across almost all categories of household loans. As for the most significant household loan categories, the NPL ratio for cash loans declined by 1.1 pp y-o-y to 3.8% at end-2025, while the one for housing construction loans fell by 0.4 pp y-o-y to 1.0%.

At end-2025, the coverage of total gross NPLs with allowances for impairment stood at 61.5% on average, and the coverage with allowances for impairment of total loans at 112.4% (Chart II.1.8). The record low level and satisfactory coverage of NPLs with allowances for impairment moderate the NPL channel as the possible source of instability in the financial system. This is also confirmed by the macroprudential solvency stress tests conducted by the NBS, which project changes in the trajectory of the NPL share over a one-year horizon to assess the resilience of the banking sector. The banking sector remains well-capitalised even under the worst-case scenario.[74]

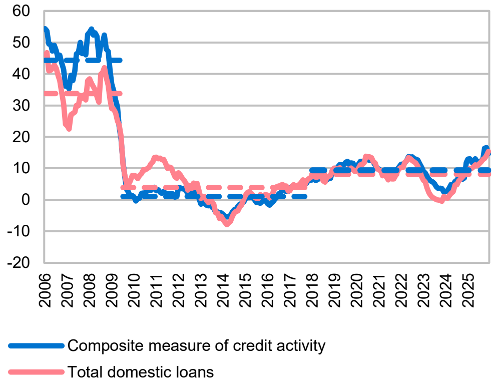
II.1.3 Lending activity

Domestic lending activity continued to expand at an accelerated pace. In addition to the effects of past monetary policy easing by the NBS and further easing by the ECB, boosted lending activity also reflects the relaxation of credit standards, increased loan demand by corporates and households, as well as the NBS and government measures facilitating lending to young first-time home buyers and low-income citizens, and measures capping interest rates for natural persons, in line with the Law on the Protection of Financial Service Consumers.[75] At end-2025, total domestic loans rose by 15.4% y-o-y, excluding the exchange rate effect (Chart II.1.9).[76] The strongest contribution came from household loans, followed by corporate loans, which also recorded a double-digit y-o-y rise.

Excluding the exchange rate effect, domestic corporate loans increased by 11.3% in 2025 from a year earlier (Chart II.1.10). Early in the year, credit growth was

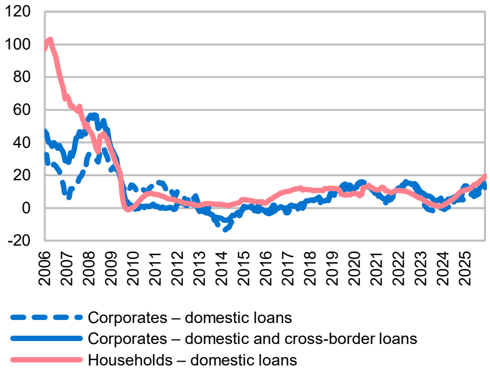
[73] The household sector includes, in addition to households, entrepreneurs, private households with employed persons and registered farmers.
[74] For more details on macroprudential stress-tests, see Chapter II.2 Macroprudential stress testing.
[75] RS Official Gazette, No 19/2025.
[76] Calculated at the dinar exchange rate against the euro, Swiss franc and US dollar as at 30 September 2024 (the programme exchange rate used for monitoring the performance under the arrangement with the IMF), taking into account the currency structure of loan receivables.

Chart II.1.9 **Lending trend***
(y-o-y growth rates, %)



* Excluding the exchange rate effect.
Source: NBS.

Chart II.1.10 **Corporate and household lending***
(y-o-y growth rates, %)



* Excluding the exchange rate effect.
Source: NBS.

moderate and primarily driven by lower interest rates and improved financing conditions, as well as the impact of maturing loans under guarantee schemes. During this period, the largest contribution to corporate loan growth came from the rising dinar loans. Subsequently, lending activity accelerated, thanks to increased loan demand by corporates, primarily for investment, liquidity and working capital loans, as well as the easing of banks' credit standards. In H2, lending continued to grow against the background of more favourable costs of borrowing, simultaneously aided by both demand- and supply-side factors.

Growth in domestic household loans accelerated further in 2025, primarily reflecting relatively favourable interest rates, eased credit standards, and wage growth. A significant contribution to the growth in household lending came from cash loans and housing loans. The increase in cash loans was to some extent influenced by the NBS supervisory expectations, which included a temporary offer of loans under more favourable conditions for low-income citizens, while housing loans were additionally spurred by lending under the government's housing loan programme for young people.

According to the results of the bank lending survey, in early 2025 banks tightened their corporate lending standards due to increased risk perception during that period, which translated to a lower propensity to risk. From Q2 onwards, banks eased credit standards, owing to lower costs of lending sources and specific campaigns of certain banks involving simplified loan approval procedures for small enterprises. Banks trimmed interest margins as well as fees and commissions for enterprises of all sizes, while collateral requirements and maximum loan amounts were further tightened.

Credit standards for households were eased during 2025, primarily for FX-indexed housing and consumer loans, as well as for dinar cash loans and refinancing loans. The easing was driven by lower costs of funding and effects of competition, while according to some banks, it was also supported by the subsidised housing loan programme for young people. Interest margins were lower for both dinar and FX-indexed loans. Collateral and downpayment requirements were eased for the first time after a longer period, while conditions in terms of the mortgage value stayed unchanged.

Banks estimate that corporate sector demand for loans increased in 2025, except in Q1, when a decline was recorded due to reduced needs for investment and working capital financing. Conversely, household demand for loans increased throughout the entire year. Demand expansion was driven by the needs to refinance existing loans, real estate purchases, wage growth and purchase of durable consumer goods. Some banks also pointed to the impact of interest rate caps in accordance with the Law on the Protection of Financial Service Consumers.

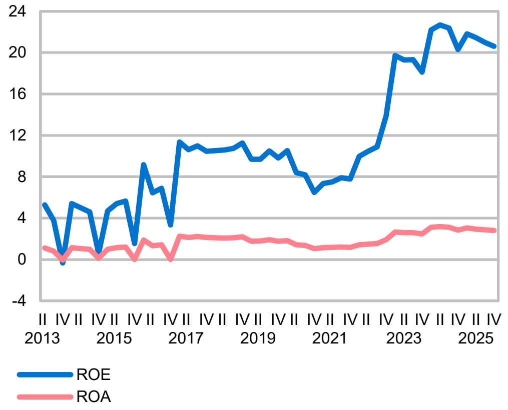
II.1.4. Profitability

The Serbian banking sector posted a positive financial result in 2025. Banking sector profit at year end produced a 2.8% RoA and a 20.6% RoE (Chart II.1.11). Profitability remained broadly unchanged in 2025 compared to the year before. Both RoA and RoE moved above the region's average (Chart II.1.12).

In 2025, the highest profitability, measured by RoA, was posted by non-EU foreign banks, followed by EU foreign banks, domestic private banks and domestic state-owned banks (Chart II.1.13).

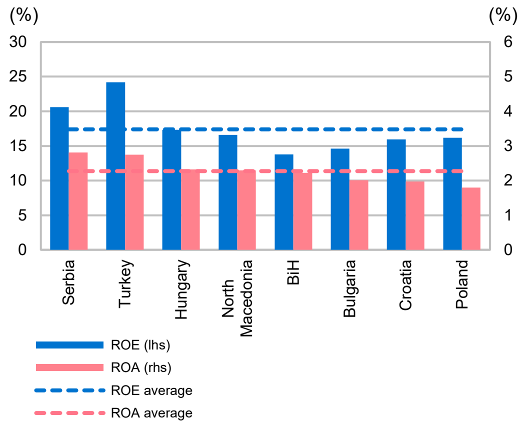
Banking sector net profit before tax amounted to RSD 189.0 bn in 2025, up by RSD 12.7 bn from 2024 (Chart II.1.14). Total profit of RSD 189.2 bn was made by 17 banks (99.1% of banking sector net assets), while two

Chart II.1.11 **Profitability indicators**
(%)



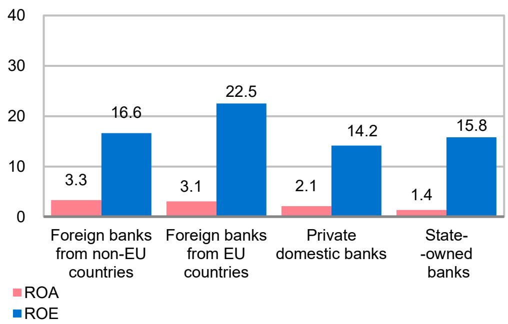
Source: NBS.

Chart II.1.12 **ROE and ROA, countries of the region**
(2025, latest available data)



Sources: IMF and NBS.

Chart II.1.13 **Profitability indicators, by majority shareholder's country of origin and ownership structure in 2025**
(%)

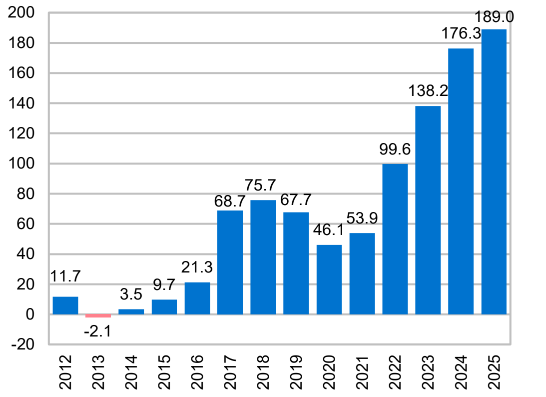


Source: NBS.

banks operated at a loss of RSD 0.2 bn. Around 91% of profit was generated by systemically important banks.

The largest contribution to y-o-y increase in bank net profit in 2025 came from a reduction in net expenses from the impairment of financial assets not carried at

Chart II.1.14 **Pre-tax profit/loss of the banking sector**
(RSD bn)



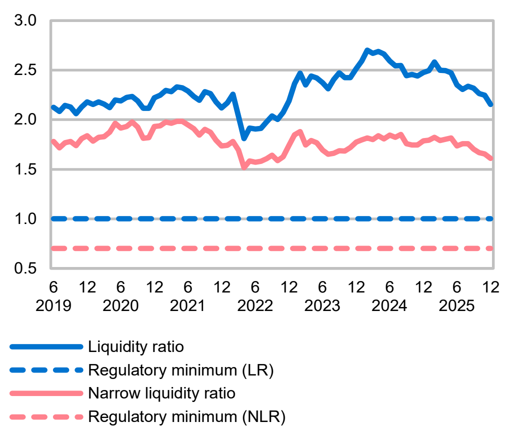
Source: NBS.

fair value through the income statement, amounting to RSD 11.4 bn. A RSD 7.2 bn increase in net income from fees and commissions worked in the same direction. Unlike the previous year, banks recorded net foreign exchange gains of RSD 5.4 bn, providing RSD 8.0 bn to y-o-y net income growth. The y-o-y increase in net income was further supported by the effects of a merger transaction. Conversely, the y-o-y change in financial performance was negatively affected by lower net interest income, which was RSD 8.0 bn lower in 2025 than in 2024. Salaries, compensations and other expenses related to employees increased by RSD 4.0 bn, while the difference between last year's net gain and this year's net loss from hedging activities amounted to RSD 3.8 bn.

II.1.5 Liquidity

Serbian banking sector liquidity remained high in 2025 as well. At year end, the average monthly liquidity ratio equalled 2.2, somewhat lower in y-o-y terms, but considerably above the prescribed minimum (1.0). The average monthly narrow liquidity ratio of 1.6 was also

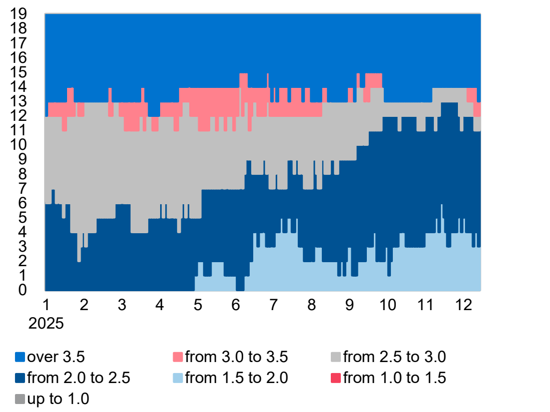
Chart II.1.15 **Average monthly liquidity ratios**



Source: NBS.

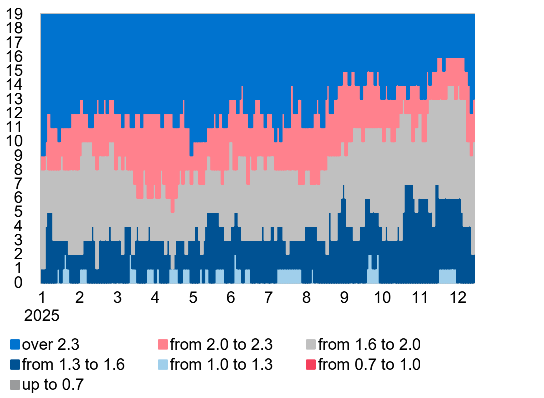
considerably above the regulatory minimum (0.7). The movement of average monthly liquidity ratios is presented in Chart II.1.15, while Charts II.1.16 and II.1.17 show the distribution of liquidity ratios across banks.

Chart II.1.16 **Distribution of liquidity ratio**
(number of banks)



Source: NBS.

Chart II.1.17 **Distribution of narrow liquidity ratio**
(number of banks)



Source: NBS.

The liquidity coverage ratio and the net stable funding ratio, standing at 164.2% and 166.5%, respectively, were considerably above the regulatory minimum (100%), further confirming the high liquidity of the banking sector.

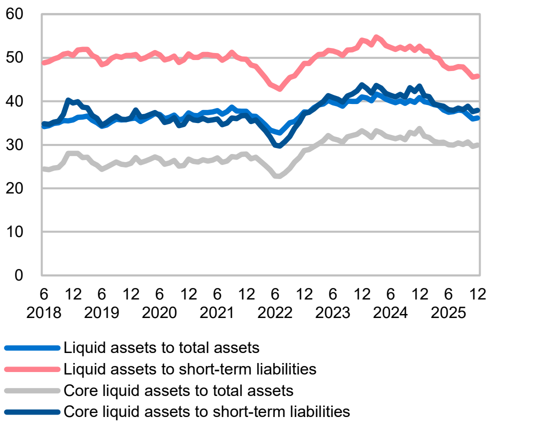
The Republic of Serbia features a traditional banking model, where deposits are the main source of financing bank activities. Given that macroprudential stress-tests show that the banking sector would remain highly liquid even amid an extreme deposit outflow, there are no risks to financial stability in this respect.

At end-2025, liquid assets accounted for 36.1% of total assets and covered 45.8% of short-term liabilities. As for liquid assets in the narrow sense, their share in total assets and their coverage of short-term liabilities stood at 29.9% and 37.9%, respectively (Chart II.1.18). During the year, liquidity ratios exhibited a mild downward trend. The Serbian banking sector holds substantial provisions of liquid assets, which contributes to its stability. However, while the high share of liquid assets carries low risk, it also brings lower returns than lending activity.

II.1.6 Sources of funding

Banks operating in Serbia rely mostly on domestic, stable sources of funding. The LtD ratio stood at 83.2% at end-2025 (Chart II.1.19). In 2025, the amount of deposits was more than sufficient to cover the entire amount of loans. The strengthening of the domestic deposit base helps banks reduce their reliance on other sources of funding, e.g. on parent bank financing. This reduces domestic banks' exposure to risks from the international environment, particularly the risk of a sudden withdrawal of money by parent banks, which was one of the challenges faced by countries of the

Chart II.1.18 **Liquid assets**
(%)



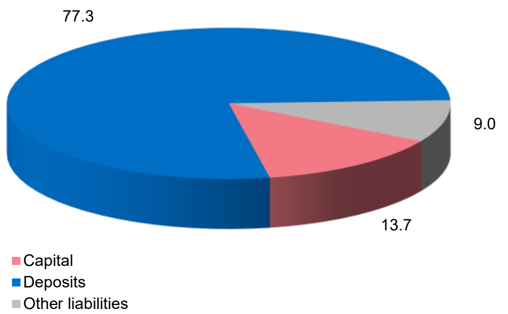
Source: NBS.

Chart II.1.19 **Loan-to-deposit ratio**
(%)

Source: NBS.

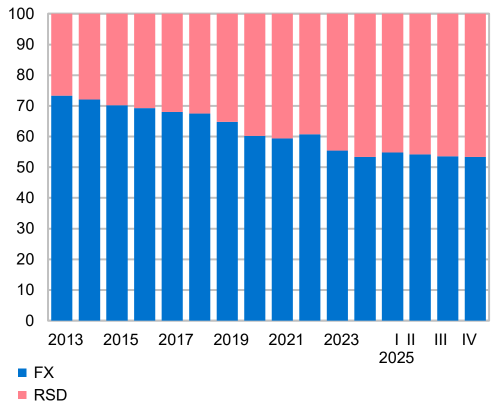
region in the wake of 2008.[77] Macroprudential liquidity stress-tests confirm that even in the event of a deposit withdrawal due to domestic banks' deleveraging to parent banks, banking sector liquidity would not be jeopardised.[78]

Chart II.1.20 **Sources of banking sector funding as at 31 December 2025**
(%)



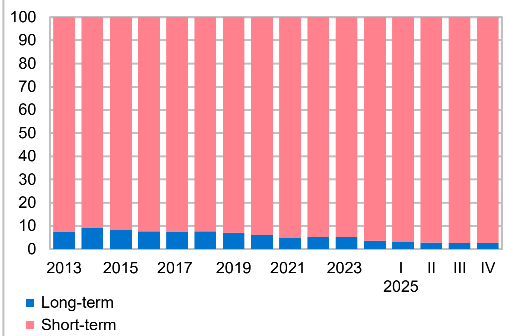
Source: NBS.

Chart II.1.21 **Currency structure of deposits**
(%)



Source: NBS.

Chart II.1.22 **Maturity structure of deposits***
(%)



* Long-term deposits consist of deposits maturing in over 1 year, while short-term deposits consist of deposits maturing within the next year, matured and sight deposits.

Source: NBS.

Deposits accounted for 77.3% and capital for 13.7% of the total banking sector liabilities at end-2025 (Chart II.1.20).

The share of dinar deposits in total bank deposits stayed unchanged from end-2024, measuring 46.7% at end-2025 (Chart II.1.21). In terms of maturity composition, short-term deposits made up the largest share (97.3%) (Chart II.1.22).

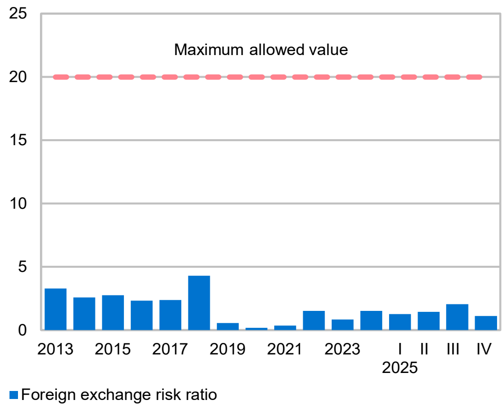
II.1.7 Sensitivity to market risks

Serbia's banking sector exposure to market risks was minimal.[79] Exposure to market risks was almost unchanged from the year before, accounting for only 0.5% of total risk-weighted assets.

The FX risk indicator expressed as net open FX position to regulatory capital (Chart II.1.23) amounted to 1.1%[80] at end-2025, down by 0.4 pp from a year earlier, and considerably below the regulatory limit of 20.0%.

At end-2025, banks' FX position was well-balanced and without direct exposure to the FX risk. However, they are exposed to this risk indirectly, as the approval of FX-indexed loans to clients with a currency mismatch may generate FX-induced credit risk. In view of the structure of banks' portfolios, the risk of negative effects on banks' financial result and capital due to the direct impact of exchange rate changes is judged to be minimal.

Chart II.1.23 **Foreign exchange risk ratio**
(%)



Source: NBS.

[77] *Annual Financial Stability Report – 2012*, part I.1 International environment.

[78] For more information on the results of macroprudential stress-tests see Chapter II.2 Macroprudential stress tests.

[79] Market risks include price, foreign exchange and commodity risk.

[80] Calculated under net principle.

Table II.1.1 **Serbia: Financial sector structure**

	2017			2018			2019			2020			2021			2022			2023			2024			2025		
		Assets			Assets			Assets			Assets			Assets			Assets			Assets			Assets			Assets	
	No.	RSD billion	%	No.	RSD billion	%	No.	RSD billion	%	No.	RSD billion	%	No.	RSD billion	%	No.	RSD billion	%	No.	RSD billion	%	No.	RSD billion	%	No.	RSD billion	%
Financial sector	73	3,714	100	72	4,179	100	70	4,532	100	69	5,078	100	66	5,555	100	63	5,985	100	62	6,534	100	62	7,317	100	59	7,747	100
(in % of GDP)		*75.0%*			*79.0%*			*79.9%*			*88.1%*			*84.5%*			*80.2%*			*74.1%*			*75.9%*			*74.5%*	
Banking system	29	3,369	90.7	27	3,774	90.3	26	4,084	90.1	26	4,601	90.6	23	5,048	90.9	21	5,455	91.1	20	5,941	90.9	20	6,635	90.7	19	7,006	90.4
State-owned banks	6	544	14.6	5	660	15.8	4	686	15.1	3	325	6.4	2	368	6.6	2	427	7.1	2	509	7.8	2	594	8.1	2	666	8.6
Domestic private banks	2	236	6.4	2	266	6.4	3	305	6.7	3	319	6.3	2	290	5.2	2	468	7.8	3	860	13.2	3	900	12.3	2	932	12.0
Foreign-owned banks	21	2,590	69.7	20	2,848	68.1	19	3,093	68.3	20	3,958	77.9	19	4,390	79.0	17	4,561	76.2	15	4,572	70.0	15	5,141	70.3	15	5,408	69.8
Italian	2	928	25.0	2	1,008	24.1	2	1,094	24.1	2	1,204	23.7	2	1,284	23.1	2	1,408	23.5	2	1,564	23.9	2	1,772	24.2	2	1,833	23.7
Austrian	2	427	11.5	2	495	11.8	2	550	12.1	2	665	13.1	2	752	13.5	3	1,051	17.6	3	1,153	17.6	3	1,264	17.3	3	1,321	17.1
Hungarian	2	196	5.3	2	221	5.3	2	551	12.1	2	615	12.1	1	666	12.0	1	744	12.4	1	829	12.7	1	943	12.9	1	996	12.9
Slovenian	1	44	1.2	1	57	1.4	1	72	1.6	2	540	10.6	2	574	10.3	1	548	9.2	1	589	9.0	1	649	8.9	1	712	9.2
Other	14	995	26.8	13	1,065	25.5	12	826	18.2	12	934	18.4	12	1,115	20.1	10	810	13.5	8	436	6.7	8	513	7.0	8	546	7.1
Nonbank financial institutions	44	344	9.3	45	406	9.7	44	448	9.9	43	477	9.4	43	507	9.1	42	530	8.9	42	593	9.1	42	682	9.3	40	741	9.6
Insurance companies	21	233	6.3	21	279	6.7	20	300	6.6	20	314	6.2	20	334	6.0	20	337	5.6	20	376	5.7	20	417	5.7	20	447	5.8
Pension funds	7	36	1.0	7	40	1.0	7	45	1.0	7	47	0.9	7	49	0.9	7	48	0.8	7	54	0.8	7	62	0.8	7	67	0.9
Leasing companies	16	75	2.0	17	87	2.1	17	103	2.3	16	115	2.3	16	124	2.2	15	145	2.4	15	164	2.5	15	203	2.8	13	227	2.9

Source: NBS.

Table II.1.2 **Serbia: Key macroprudential indicators**
(in % unless otherwise indicated)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital adequacy																		
Regulatory capital to risk-weighted assets	21.9	21.4	19.9	19.1	19.9	20.9	20.0	20.9	21.8	22.6	22.3	23.4	22.4	20.8	20.2	21.4	21.3	20.2
Regulatory Tier 1 capital to risk-weighted assets	17.9	16.5	15.9	18.1	19.0	19.3	17.6	18.8	20.0	21.6	21.1	22.4	21.6	19.7	18.8	19.7	19.6	18.6
Nonperforming loans net of provisions to regulatory capital	15.5	26.9	35.5	52.1	52.3	55.9	56.0	44.0	27.1	17.7	9.7	6.3	6.7	7.6	6.5	6.0	4.6	4.2
Regulatory Tier 1 capital to assets	16.8	13.1	12.8	11.5	11.6	11.2	10.1	10.7	11.6	13.7	13.5	14.4	13.1	11.8	11.0	10.9	10.7	10.8
Large exposures to capital	-	-	-	110.1	104.5	90.4	130.5	115.7	86.0	69.3	77.4	66.5	73.8	86.0	86.7	85.8	95.7	84.0
Regulatory capital to assets	20.5	17.1	16.1	12.2	12.2	12.2	11.4	11.9	12.7	14.4	14.2	15.1	13.6	12.4	11.7	11.9	11.6	11.7
Asset quality																		
Nonperforming loans to total gross loans	11.3	15.7	16.9	19.0	18.6	21.4	21.5	21.6	17.0	9.8	5.7	4.1	3.7	3.6	3.0	3.2	2.5	2.1
Sectoral distribution of loans to total loans – Deposit takers	1.1	0.6	0.1	0.1	0.3	0.3	0.8	0.1	0.5	0.3	0.4	0.4	0.3	0.0	0.7	0.2	0.3	0.3
Sectoral distribution of loans to total loans – Central bank	6.6	10.9	2.8	6.5	2.1	5.8	0.4	1.6	1.7	2.1	0.7	2.8	1.1	1.5	3.3	11.0	9.6	6.4
Sectoral distribution of loans to total loans – General government	0.9	1.7	3.5	3.4	3.0	2.3	2.3	1.7	1.5	1.3	1.1	1.5	1.6	1.7	2.2	2.7	4.1	5.5
Sectoral distribution of loans to total loans – Other financial corporations	0.7	0.5	1.2	1.6	1.6	1.6	0.5	0.7	0.9	0.9	0.8	0.8	0.8	0.6	1.1	1.0	1.5	1.3
Sectoral distribution of loans to total loans – Nonfinancial corporations	52.4	53.3	57.0	54.9	58.2	54.1	56.3	55.9	52.6	50.5	50.0	49.2	49.6	49.3	47.6	43.4	41.6	41.8
Sectoral distribution of loans to total loans – Agriculture	3.3	3.1	3.0	2.8	3.0	2.7	3.5	3.7	3.6	3.5	3.5	3.5	3.3	3.0	2.8	2.4	2.1	2.1
Sectoral distribution of loans to total loans – Industry	18.4	17.9	19.3	17.2	17.9	18.4	19.2	18.4	16.5	16.2	16.5	15.0	15.0	15.5	18.4	16.4	15.7	15.7
Sectoral distribution of loans to total loans – Construction	5.7	5.3	6.9	6.2	5.8	4.6	4.2	3.8	4.1	4.0	4.2	4.8	5.1	4.9	4.1	4.0	4.1	4.5
Sectoral distribution of loans to total loans – Trade	16.9	17.3	16.6	14.7	15.0	13.5	13.9	13.9	14.3	14.6	14.0	13.7	13.3	12.5	10.7	9.4	9.0	9.0
Sectoral distribution of loans to total loans – Other loans to nonfinancial corporations	8.1	9.8	11.3	13.9	16.5	14.9	15.6	16.2	14.1	12.2	11.8	12.3	13.0	13.4	11.7	11.2	10.6	10.5
Sectoral distribution of loans to total loans – Households and NPISH	35.3	32.2	33.3	31.9	33.0	34.8	38.3	39.1	41.5	42.9	44.3	43.8	45.0	45.0	43.2	39.4	39.9	42.9
Sectoral distribution of loans to total loans – Households and NPISH of which: mortgage loans to total loans	13.9	13.7	15.4	15.0	16.1	16.8	18.0	18.1	17.9	16.9	16.8	15.8	16.4	17.4	17.4	15.5	15.3	16.4
Sectoral distribution of loans to total loans – Foreign sector	2.8	0.8	2.0	1.6	1.9	1.1	1.4	0.9	1.4	2.0	2.6	1.5	1.6	1.9	2.0	2.3	3.1	1.8
IFRS provision for NPLs to gross NPLs	56.9	50.9	47.2	51.0	50.0	50.9	54.9	62.3	67.8	58.1	60.2	61.5	59.0	56.3	58.1	60.5	62.3	61.5
IFRS provision of total loans to total gross loans	8.2	9.6	9.1	10.8	10.2	11.9	12.7	14.4	12.4	6.6	4.5	3.4	3.5	3.2	3.1	3.2	2.9	2.4
Earnings and profitability																		
Return on assets	2.1	1.0	1.1	0.0	0.4	-0.1	0.1	0.3	0.7	2.1	2.2	1.8	1.1	1.2	1.9	2.5	2.8	2.8
Return on equity	9.0	4.6	5.3	0.2	2.0	-0.4	0.6	1.5	3.3	10.5	11.3	9.8	6.5	7.8	13.9	18.1	20.3	20.6
Interest margin to gross income	60.5	62.6	64.2	67.3	64.4	67.5	66.6	65.7	64.6	58.4	60.0	58.8	60.6	58.2	50.9	63.7	62.9	59.6
Noninterest expenses to gross income	62.3	65.6	65.7	67.5	65.9	68.3	66.9	64.9	67.7	63.2	62.1	63.4	66.3	71.0	58.7	53.7	52.0	52.8
Personnel expenses to noninterest expenses	36.8	37.3	37.4	35.9	35.7	35.1	33.6	33.0	33.4	32.9	34.0	32.5	33.8	30.2	28.5	29.2	30.3	31.2
Liquidity																		
Core liquid assets to total assets	47.8	48.2	41.8	40.3	35.2	36.1	35.7	32.5	30.5	27.5	28.0	25.7	26.7	27.9	28.7	33.2	33.7	29.9
Core liquid assets to short-term liabilities	75.7	73.8	67.1	67.3	58.9	58.3	56.3	49.3	44.3	39.9	39.6	36.1	36.4	36.8	37.2	43.8	43.5	37.9
Liquid assets to total assets	47.8	49.0	43.7	42.3	38.9	41.0	42.2	40.5	38.9	35.1	35.7	36.0	37.3	37.7	37.5	41.0	40.8	36.1
Liquid assets to short-term liabilities	75.7	75.1	70.1	70.6	65.0	66.4	66.7	61.3	56.6	50.9	50.5	50.5	50.9	49.6	48.7	54.0	52.6	45.8
Customer deposits to total (noninterbank) loans	82.7	88.3	80.1	83.1	84.9	92.3	95.7	99.7	108.1	106.9	110.6	109.2	116.4	119.5	120.5	132.1	136.3	122.4
Foreign currency-denominated loans to total loans	73.9	75.8	76.8	69.8	74.1	71.6	70.1	72.3	69.4	67.5	68.5	67.1	64.7	63.2	65.5	59.7	57.2	56.1
Average monthy liquidity ratio	1.8	1.9	2.0	2.2	2.1	2.4	2.2	2.1	2.1	2.0	2.0	2.2	2.2	2.1	2.2	2.5	2.5	2.2
Average monthy narrow liquidity ratio	1.2	1.2	1.3	1.5	1.6	1.8	1.7	1.7	1.7	1.7	1.7	1.8	1.9	1.7	1.7	1.8	1.8	1.6
Sensitivity to market risk																		
Net open position in foreign exchange to regulatory capital	4.2	1.1	1.6	4.2	4.6	3.3	2.6	2.8	2.3	2.4	4.3	0.6	0.2	0.4	1.5	0.8	1.5	1.1
Foreign currency-denominated liabilities to total liabilities	74.3	77.7	81.8	79.0	80.1	76.7	74.7	72.7	71.1	69.7	69.3	66.6	62.3	61.4	62.1	57.9	55.9	55.4
Classified off-balance sheet items to classified balance sheet assets	56.2	43.3	33.9	32.0	26.1	28.7	27.6	30.6	32.4	36.4	36.8	39.7	36.3	39.1	39.6	45.2	48.6	47.3

Source: NBS.

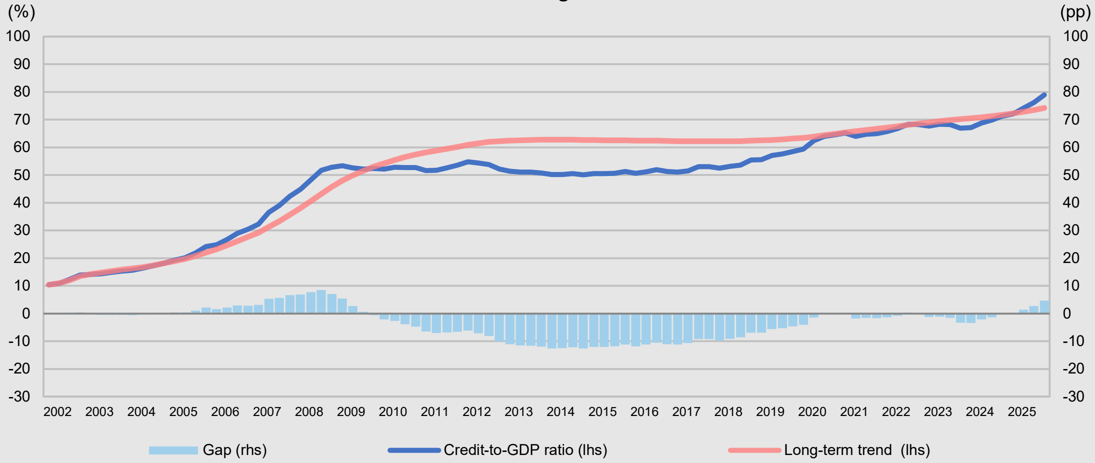
Text box 2: Increasing the CCyB rate to strengthen banking sector resilience

The countercyclical capital buffer (CCyB) is one of macroprudential instruments – capital buffers – which represent additional Common Equity Tier 1 capital that banks are required to maintain above the prescribed regulatory minimum. Their introduction increases the resilience of banks to losses, reduces excessive or underestimated exposures and restricts the distribution of capital. The purpose of these instruments is to limit systemic risks in the financial system,[81] 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 CCyB is a macroprudential instrument introduced to mitigate financial system cyclicality.[82] This instrument enables regulators to act proactively, by creating additional reserves of Common Equity Tier 1 capital during periods of robust credit growth which may be released if systemic risks materialise. This supports a continuity in lending and sustainable financing of the economy even in case of shocks, reducing the likelihood of a financial crisis. The CCyB rate for exposures in a certain country can be set between 0% and 2.5%, or even higher in exceptional circumstances. The setting of the CCyB rate for the Republic of Serbia is entirely in line with the recommendation of the European Systemic Risk Board (ESRB/2014/1), according to which credit growth can be assessed as accelerated if the total credit-to-GDP ratio is at least 2 pp above its long-term trend.[83] The NBS sets the CCyB rate for the Republic of Serbia on a quarterly basis, taking into account the credit-to-GDP gap and other indicators it considers relevant for monitoring the cyclical dimension of systemic risk. **At its meeting of 11 December 2025, the NBS Executive Board decided to set the CCyB rate for the Republic of Serbia at 0.5% taking into account that the credit-to-GDP ratio was more than 2 pp above its long-term trend, which is a threshold for setting the CCyB rate above 0%.** The Board kept the CCyB rate unchanged at 0.5% at its meeting of 12 March 2026.

After a period of credit expansion between 2000 and 2008, in late 2009 the estimated deviation of the ratio of total credit[84]-to-GDP from its long-term trend entered negative territory, i.e. the estimated credit gap was negative. Renewed lending growth in place since 2014 brought the ratio of total credit-to-GDP close to its long-term trend. Lending accelerated from 2024 onwards, as lending terms improved reflecting previous monetary policy easing by the NBS and the ECB. Growth in domestic loans to the non-monetary sector, excluding the exchange rate effect, reached 15.4% in December 2025. This growth was guided by household lending, which gained 19.5% y-o-y in 2025, and corporate lending, which also posted double-digit growth of 11.3% y-o-y. Lending expansion and somewhat weaker GDP growth dynamics amid global uncertainty pushed the ratio of total credit-to-GDP above its long-term trend, i.e. the credit gap turned positive. **According to data for December 2025, the ratio of total credit-to-GDP was 78.9%, while the estimated credit-to-GDP gap was 4.7 pp, up by 5.1 pp from December 2024.**

Chart O.2.1 **Share of total loans in GDP and estimated long-term trend**



Source: NBS.

[81] A systemic risk is the risk of disruption in the financial system that could pose serious negative consequences for the financial system and the real economy.

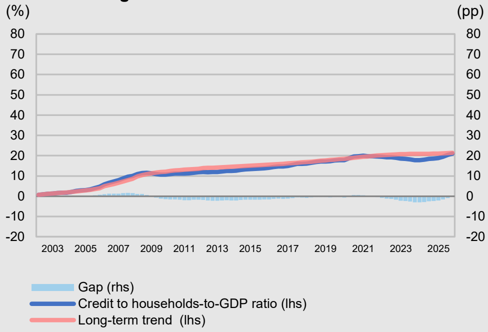
[82] Financial system cyclicality means that, during the upward phase of the cycle, the risk tolerance of financial institutions increases, as do borrowing, lending, and values of some asset categories etc., whereas in the downward phase the trend reverses, triggering a build-up in market uncertainties, a decline in financial asset prices, deleveraging, limited lending activity and liquidity squeeze, that may possibly end in a financial crisis.

[83] Estimated based on the one-sided HP filter (lambda = 400,000).

[84] Total credit means total real credit of the non-government sector, including domestic banks' loans to the non-government sector (excluding loans to local governments and subsidised loans) and cross-border loans approved to the domestic private sector from abroad.

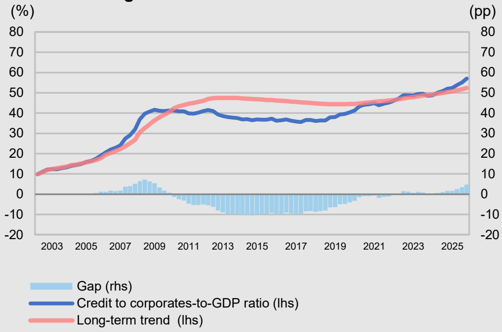
At end-2025, lending to households was slightly below its long-term trend, with the gap measuring -0.3 pp, up by 2.1 pp from the same period a year earlier.

Chart O.2.2 **Share of household loans in GDP and estimated long-term trend**



Source: NBS.

Chart O.2.3 **Share of corporate loans in GDP and estimated long-term trend**



Source: NBS.

In the corporate sector, the credit-to-GDP gap was mostly positive, measuring 4.8 pp at end-2025. Its value rose by 3.1 pp in y-o-y terms.

In addition to the credit-to-GDP gap, other optional indicators are also taken into account when setting the CCyB rate for the Republic of Serbia. These indicators relate to the real estate market, external imbalance and banking sector developments. The composite systemic stress indicator is analysed as well, developed with a view to identifying crisis periods during the financial cycle, analysing risk accumulation in different financial system segments and evaluating the overall systemic stress level.[85]

Moderate y-o-y growth in flat prices continued in the real estate market, with turnover and share of loan-financed purchases going up. The LTV ratio, measured by the ratio of the value of housing loans for which flats were mortgaged and the estimated value of the flats mortgaged, was well below the prescribed ceiling of 80% (90% or 99% in exceptional cases), which confirms that housing loans are adequately collateralised, boosting financial sector resilience.

The sustainability of the external position has been propped up by the current account deficit, whose share in GDP has been around its equilibrium value, as well as by FDIs, which are diversified by geography and project, and by FX reserves, which are at a more than adequate level.

As the systemic stress indicator has been low,[86] indicating an absence of significant systemic risks, the CCyB rate can be used flexibly to proactively strengthen the banks' capital base.

Serbia's banking is sector well capitalised, highly liquid and profitable. The quality of assets has been preserved despite the global tightening of financial conditions and the multidimensional crisis that marked the international environment over the past years. At end-2025, the capital adequacy ratio at the banking sector level equalled 20.2%, well above the regulatory minimum of 8%. The share of NPLs in total banking sector loans equalled a record-low of 2.1% in December 2025. The results of macroprudential solvency and liquidity stress tests also confirm banking system stability.[87]

The implementation of capital buffers additionally strengthens the capital reserves of domestic banks. In addition to the CCyB, banks are also required to maintain the capital conservation buffer equalling 2.5% of risk-weighted assets, the capital buffer for a systemically important bank depending on their systemic importance, and the systemic risk buffer, applied to contain the systemic risk of euroisation and maintained at the level of 3% of FX and FX-indexed bank loans to corporates and households in the Republic of Serbia. At end-2025, in order to maintain the above capital buffers, banks allocated a total of RSD 230.5 bn of Common Equity Tier 1 capital or 5.7% of their risk-weighted assets.

[85] For more information about optional indicators and the systemic stress indicator, see: Explanation for the countercyclical capital buffer rate for the Republic of Serbia (https://www.nbs.rs/en/ciljevi-i-funkcije/finansijska-stabilnost/zastitni_slojevi_kapitala/kontraciklicni/index.html).

[86] For more information about the systemic stress indicator, see Chapter IV.2 Financial soundness indicators.

[87] For more information about the results of macroprudential stress tests, see Chapter II.2 Macroprudential stress tests.

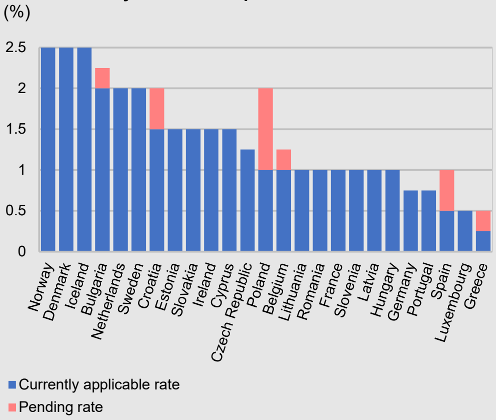
The introduced obligation to maintain the CCyB will lead to a roughly RSD 20 bn increase in capital requirements for banks. As domestic banks are already maintaining relatively high levels of capital above the prescribed minimums, no further capital increase by banks will be needed at the banking sector level. Rather, the increase in the CCyB rate will encourage banks to stay well-capitalised and use their relatively high profitability to timely strengthen their capital. This will boost not only the resilience of the financial sector, but also the banks' capacity to absorb potential losses and maintain their lending activity on a sound basis even if systemic risks materialise.

Banks are required to apply the established 0.5% CCyB rate as of 15 December 2026 and maintain additional Common Equity Tier 1 capital above the prescribed regulatory minimum in the amount equal to their risk-weighted assets multiplied by the specific CCyB rate.[88] This ensures additional capital that can be released if systemic risks materialise, ensuring smooth lending to the real sector. **By using this instrument, the NBS further reinforces financial system resilience to potential shocks, while retaining the flexibility allowing it to adjust the CCyB rate to future stages of the credit cycle.**

According to ESRB data,[89] the CCyB rate has been above zero since early 2026 in 25 of the 30 European countries observed. This indicates that this macroprudential instrument is used extensively in the European practice in conditions of heightened cyclical risks. Such movement of positive rates results from the fact that the credit cycle is in a similar stage in most European countries.

The preserved favourable macroeconomic developments in Serbia and the steady improvement of the regulatory framework have helped Serbia's banking sector to remain stable. As before, the NBS will continue to act with caution and take timely decisions to preserve and strengthen financial system stability.

Chart O.2.4 **CCyB rates for exposures in other countries**



Source: ESRB - data updated as of 21 May 2026.

[88] The specific CCyB rate is calculated as the weighted average of CCyB rates for the Republic of Serbia and other countries where the relevant credit exposures of a bank are located, in accordance with Section 443 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).

[89] https://www.esrb.europa.eu/national_policy/ccb/html/index.en.html – data updated as of 21 May 2026.

II.2 Macroprudential stress tests

The results of macroprudential stress tests, conducted in late 2025 amid globally heightened geopolitical uncertainty, confirm the stability and resilience of Serbia's banking sector. The entire banking sector remains highly resilient even to the strongest of the shocks assumed and has sufficient capacity to mitigate the consequences of the financial risks to which it might be exposed. The network structure indicates a low and stable systemic risk component, i.e. the system's high resilience to shocks.

Macroprudential stress tests are used as one of the tools to assess the key risks and vulnerability of the financial system, as well as of individual financial institutions. Also, to assess systemic risk in Serbia's banking sector, based on network modelling, the dynamics of banks' mutual relations is considered and potential ways of the transfer of risks between financial institutions are analysed. The assumptions underlying macroprudential stress testing were made in line with macroeconomic developments at end-2025.

Basel III standards[90] and NBS regulations require that banks also use stress tests to assess their capital adequacy. Stress tests are based on possible but unlikely assumptions, or events that may produce negative consequences for the financial system. Therefore, poor stress test results do not necessarily mean that the sector, an individual bank or a group of banks are faced with major risks but rather indicate the capacity of banks to continue operating smoothly in case such events do take place.

Macroprudential stress tests conducted by the NBS enable the following:

– measurement of banking sector resilience to an increase in credit risk caused by the assumed adverse macroeconomic developments;

– measurement of the liquidity risk caused by the loss of depositors' confidence and withdrawal of funds from banks;

– application of network modelling to assess systemic risk in the banking sector and the systemic importance of individual financial institutions;

– application of network modelling to assess the transfer of systemic risk from the real to the financial sector and the systemic importance of groups of connected enterprises.

[90] The regulatory framework of Basel III came into force on 30 June 2017.

Three parts of the analysis of the impact of the assumed shocks on banking sector stability are presented in this *Report*. The first part involves credit risk assessment in relation to predefined scenarios which are based on assumed macroeconomic developments. The second involves the assessment of whether, in case of significant deposit withdrawals and additional liquidity needs, the banking sector can continue operating normally. The third part involves assessment of systemic risk in the banking sector – whether the current structure of banks' interconnectedness is conducive to the propagation of shocks across the entire banking sector, i.e. the assessment of how resilient the entire system is to potential shocks.

Solvency stress testing

Elasticity coefficients (assessing the intensity of the impact of each variable[91] on the NPL ratio) and individual contributions of each variable to any change in the NPL ratio are presented in Table II.2.1. According to model specification, the factors which would have the greatest impact on a change in the gross NPL ratio are changes in the exchange rate (elasticity coefficient of 1.13), changes in s-a real net wages (-0.17) and in the key policy rate (0.03).

For stress test purposes, three macroeconomic scenarios are assumed over a one-year horizon (Table II.2.2). All three scenarios of key policy rate movements are conditional on the assumed path of the exchange rate and its impact on inflation. The

Table II.2.1 **Elasticity coefficients of NPLs and contributions of independent variables from Q4 2024 to Q4 2025**

	Elasticity coefficients	Contributions of independent variables (pp)
Nominal exchange rate	1.13	0.02
Key policy rate	0.03	-0.28
Seasonally-adjusted real net wages	-0.17	-0.18

Source: NBS.

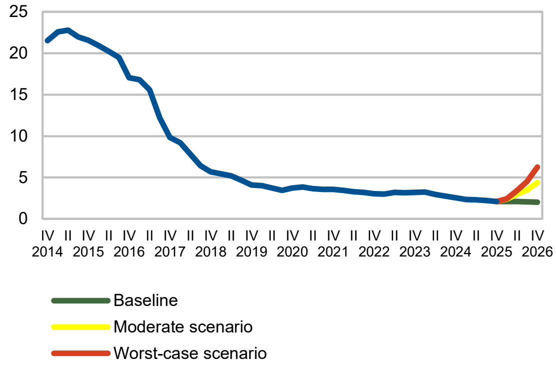
Table II.2.2 **Overview of scenarios**

	Baseline	Moderate	Worst-case
Y-o-y growth in NPL ratio (pp)	-0.08	2.25	4.14
Y-o-y depreciation of RSD against EUR (%)	0.07	16.48	34.01
Y-o-y change in key policy rate (pp)	-0.25	11.00	22.25
Y-o-y growth in real net wages (%)	4.59	-6.56	-13.08

Source: NBS.

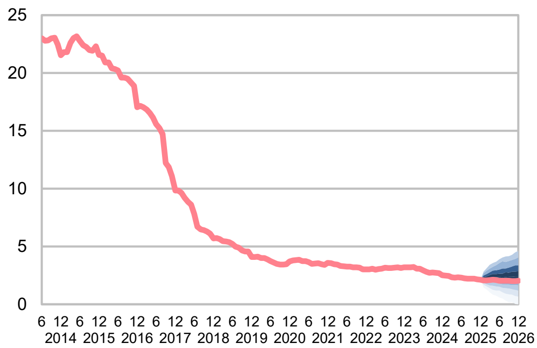
[91] Out of a large number of variables that qualify for inclusion in the econometric analysis and could potentially influence the monthly dynamics of NPLs, three demonstrated reliable predictive power: the nominal exchange rate, s-a real net wages in dinars, and the key policy rate.

Chart II.2.1 **Share of gross NPLs in baseline, moderate and worst-case scenario***
(%)



* NBS estimate.
Source: NBS.

Chart II.2.2 **Projection of the share of gross NPLs in total loans***
(%)



* NBS estimate.
Source: NBS.

projection of nominal net wages was made independently, based on the ARIMA model. The projection of real net wages was made by excluding the impact of projected inflation on wage growth, under relevant scenarios.

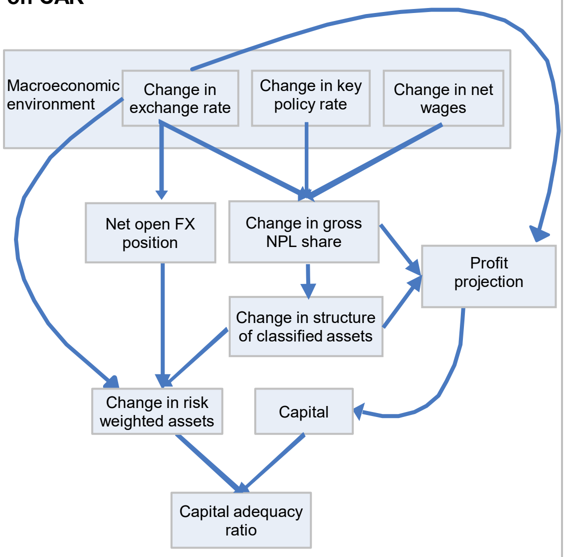
Chart II.2.1 shows the projected change in the share of NPLs in total loans for the three scenarios: -0.08 pp, 2.25 pp and 4.14 pp, respectively.

The projected movement with confidence intervals of 90% for the baseline scenario (as the most probable scenario) is presented in Chart II.2.2.

Assessment of the resilience of the banking sector and individual banks assuming a profit buffer

For the purposes of this analysis, banking sector resilience is defined as a change in the capital adequacy ratio (CAR) at assumed changes in variables which directly and indirectly impact the CAR level. If the CAR remains above the regulatory minimum over the

Diagram II.2.1 **Channels of macroeconomic impact on CAR**



entire projection period, the banking sector can be considered resilient.

The CAR level is directly affected by the changes in risk-weighted assets, as well as by the changes in capital positions due to the inclusion of the financial result, issuance of new shares or, for instance, increase in deductibles from capital. However, there are also significant indirect effects, the most important being those of the exchange rate and projected profit, amendments to regulations, etc. In solvency macroprudential stress testing, the financial result before tax is projected depending on movements in macroeconomic variables. When projecting the profit, the write-off of receivables is also taken into consideration assuming a deterioration in asset quality. It should be noted, though, that the impact of the exchange rate on the share of NPLs is not the only channel through which the exchange rate affects capital adequacy (Diagram II.2.1).

The exchange rate also directly affects the level of capital requirements for FX risk coverage. Given the high degree of asset euroisation, the exchange rate affects the revaluation of risk-weighted assets. Finally, the exchange rate influences banking sector profits which serve as a buffer against losses, and it also affects the level of capital allocated to cover capital buffers.

According to the Decision on Capital Adequacy of Banks,[92] banks are required to always maintain their CAR at no less than:
– 4.5% for CET 1 capital ratio;
– 6% for Tier 1 capital ratio;
– 8% for capital adequacy ratio.

In addition to meeting these requirements, banks are required to maintain their capital at all times at a level necessary to cover all risks to which they are or may be exposed in their operations, i.e. at least at the level necessary for maintaining increased capital ratios, if such higher than prescribed ratios were set by the NBS, in line with the Decision on Capital Adequacy of Banks.

Capital buffers are additional CET 1 capital that banks are obliged to maintain above the prescribed minimum. The goal of introducing capital buffers is to mitigate the cyclical dimension of systemic risk (countercyclical capital buffer and capital conservation buffer) and its structural dimension (systemic risk buffer and capital buffer for systemically important banks).

Capital buffers include:[93]

– capital conservation buffer (2.5% of risk-weighted assets);

– countercyclical capital buffer (the rate is 0.5%, to be applied from 15 December 2026);[94]

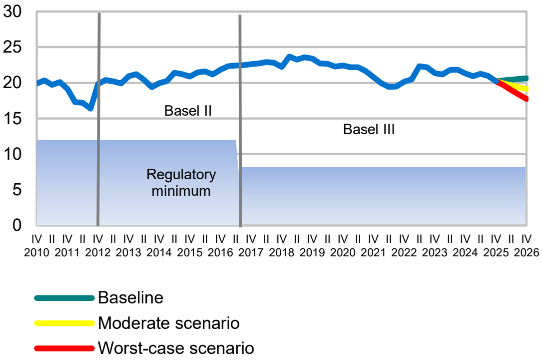
– systemic risk buffer (3% of FX and FX-indexed bank exposures to corporates and households in Serbia);

– capital buffer for systemically important banks (1% or 2% of risk-weighted assets, depending on the bank's systemic importance).[95]

In its meeting on 11 December 2025, NBS Executive Board adopted the Decision on Countercyclical Capital Buffer Rate for the Republic of Serbia, setting the rate at 0.5%, to be applied from 15 December 2026. Maintaining this rate generates an additional buffer which can be released in the event of materialisation of certain risks and thus preserve Serbia's banking sector resilience.

As at 31 December 2025, CET 1 capital ratio and capital adequacy ratio for the Serbian banking sector measured 18.60% and 20.18%, respectively.

Chart II.2.3 **CAR by stress scenario***
(%)



* NBS estimate.
Source: NBS.

Under the baseline scenario, CET 1 capital ratio would be 19.06%, and capital adequacy ratio – 20.64%.

Under the moderate scenario, these ratios would measure 17.66% and 19.13%, respectively.

Under the worst-case scenario, implying a powerful albeit highly improbable shock, CET 1 capital adequacy ratio would be 16.36%, and capital adequacy ratio – 17.73%.

Needs for recapitalisation and/or reduction in risk-weighted assets by scenario

Based on data as at 31 December 2025, and under the **baseline and moderate scenario** assumptions, there is no need for the recapitalisation of banks in order to meet the requirements for CET 1 capital ratio of 4.5% of risk-weighted assets, Tier 1 capital ratio of 6% of risk-weighted assets and capital adequacy ratio of 8% of risk-weighted assets, or the increased capital adequacy ratios in line with the Decision on Capital Adequacy of Banks. Also, all banks would have sufficient CET 1 capital for the coverage of all prescribed capital buffers.

Under the **worst-case scenario**, banks would need additional capital of RSD 2.41 bn, or 0.3% of the regulatory capital at banking sector level. An alternative to capital increase would be a RSD 16.2 bn

[92] 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).

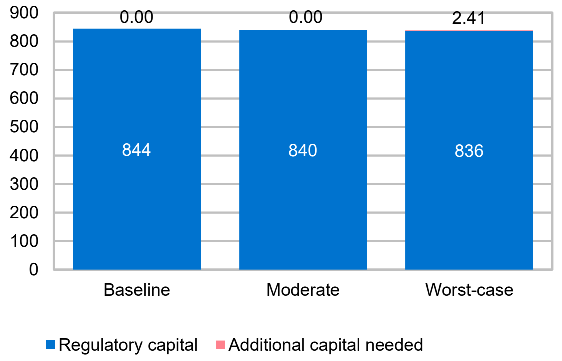
[93] https://nbs.rs/en/ciljevi-i-funkcije/finansijska-stabilnost/zastitni_slojevi_kapitala/index.html

[94] https://www.nbs.rs/export/sites/NBS_site/documents-eng/finansijska-stabilnost/Explanation_CCB_20260316.pdf

[95] https://www.nbs.rs/en/ciljevi-i-funkcije/finansijska-stabilnost/zastitni_slojevi_kapitala/sistemski-znacajne-banke/index.html /

Chart II.2.4 **Capital levels by scenario with projected profit buffer***

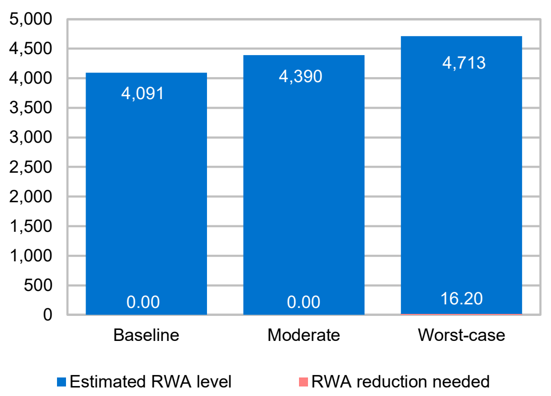
(RSD bn)



* NBS estimate.
Source: NBS.

Chart II.2.5 **Risk-weighted assets by scenario with projected profit buffer***

(RSD bn)



* NBS estimate.
Source: NBS.

decrease in risk-weighted assets, which accounts for 0.3% of the banking sector's risk-weighted assets.[96]

Assuming a projected profit buffer,[97] Chart II.2.4 shows the level of regulatory capital by scenario, while Chart II.2.5 shows the value of risk-weighted assets by scenario.

NPLs that bring CAR to the threshold

This stage of macroprudential solvency stress tests aims to determine the share of NPLs that would bring the banking sector CAR down to the threshold, with all the prescribed regulatory minimums plus the established capital buffers in line with the Decision on Capital Adequacy met. In conditions of a projected significant deterioration in the macroeconomic environment which would drive the share of gross NPLs in total loans up by 5.30 pp, the banking sector's capital adequacy ratio could drop from the initial 20.18% to the threshold level of 16.90% over a one-year span.

However, it should be noted that the probability of such an increase in the share of NPLs in total loans, which would bring the CAR down to the threshold, is extremely low.

Leverage ratio values by scenario

According to the Decision on Reporting Requirements for Banks,[98] banks are required to monitor and submit to the NBS quarterly reports about the ratio of their Tier 1 capital and total exposure amount – the leverage ratio. The introduction of the leverage ratio has two key aims: to limit the amount of capital which banks may use and to ensure complementary measures for capital assessment regardless of the risk estimated by banks. Under Basel III, the leverage ratio should be kept at no less than 3%.

The leverage ratio for the Serbian banking sector at end-2025 equalled 10.05%. Under the baseline scenario, the leverage ratio would measure 10.10%, while under the moderate and worst-case scenarios, this ratio would amount to 9.18% and 8.36%, respectively, i.e. well above the 3% minimum.

Liquidity stress tests

The liquidity risk in Serbia's banking sector is not as pronounced as the credit risk. However, the sudden withdrawal of deposits in late 2008 because of the global financial crisis and a temporary loss of confidence in the European parents of banks operating in Serbia indicates the importance of monitoring this risk.[99]

Liquidity stress testing aims to determine whether the Serbian banking sector could continue to operate normally in case of a similar or stronger shock. In addition to deposit withdrawal, other factors can also depress liquidity on the liabilities side, including the inability to refinance, or strained access to new sources

[96] Banks which fail to meet the combined capital buffer requirement are subject to restrictions on profit distribution and are obliged to submit to the NBS a capital conservation plan in accordance with 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).

[97] Depending, inter alia, on macroeconomic variables, a projection is made of the pre-tax financial result, or of the profit buffer, as the first line of defence from assumed losses. In case of an insufficient amount of the profit buffer, the losses would reflect negatively on the bank's capital.

[98] RS Official Gazette, Nos 125/2014, 4/2015, 111/2015, 61/2016, 69/2016 103/2016, 101/2017, 46/2018, 8/2019, 27/2020, 67/2020, 137/2020, 59/2021, 60/2021, 67/2022, 48/2023, 100/2023, 41/2025 and 51/2025.

[99] For a more detailed description of the deposit withdrawal in late 2008, see the *Annual Financial Stability Report – 2012.*

of funding. Likewise, factors on the assets side may include the unexpected use of credit lines, market liquidity squeeze, fall in asset value, etc., which would further impair banks' liquidity position.

The analysis of the deposit withdrawal shock in domestic banks that lasted from September 2008 to January 2009 served to create the following scenarios:

– déjà vu scenario, envisaging a deposit withdrawal worth around RSD 570 bn (11% of total deposits) and the same structure of deposits withdrawn as recorded in the period September 2008–January 2009;

– risk spillover scenario, implying the spillover of the liquidity crisis from parent groups into Serbia's financial sector. In addition to the deposit withdrawal in October 2008, this scenario also envisages a lack of support from parent banks due to the international banking crisis, which raises total deposit withdrawal to around RSD 779 bn (14% of total deposits);

– worst-case scenario, envisaging a shock two times stronger than in October 2008, i.e. a deposit withdrawal of around RSD 1,121 bn (21% of total deposits).

For the purposes of the analysis, deposits are divided into two main groups – demand and time deposits. Deposit withdrawal assumptions for all three scenarios are presented in Table II.2.3.

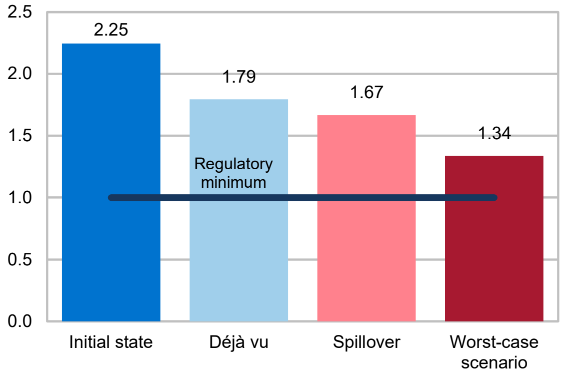
According to the initial data, the liquidity ratios of all banks would be above the regulatory minimum. In the scenarios described above (déjà vu, risk spillover, and the worst-case scenario), none of the banks would post a liquidity ratio lower than the prescribed minimum.

Table II.2.3 **Assumptions of deposit withdrawals by sector**

DEPOSIT WITHDRAWAL	Déjà vu 2008	Spillover	Worst-case
Banks - demand	0%	60%	60%
Corporate - demand	10%	10%	20%
Household - demand	12%	20%	24%
Government - demand	23%	23%	35%
Other demand deposits	11%	15%	22%
Time deposits	11%	13%	20%
Marketability of 2nd class liquid assets	100%	100%	80%
Stocks and bonds listed on the stock exchange	100%	100%	40%
Total deposits withdrawn (RSD bn)	570	779	1121
Share in total deposits (%)	11%	14%	21%

Source: NBS.

Chart II.2.6 **Liquidity ratio for the banking sector by stress scenario***



* NBS estimate.
Source: NBS.

In the assumed scenarios the banking sector liquidity ratio would range from 2.25, where it stood on 31 December 2025, to 1.34 in the worst-case scenario (Chart II.2.6).

The Decision on Liquidity Risk Management by Banks[100] applied as of 30 June 2017, introduced the Liquidity Coverage Ratio to ensure banks' resilience to liquidity shocks over a 30-day span. According to bank reports as at 31 December 2025, all banks disclosed the liquidity coverage ratio, aggregately for all currencies, above the regulatory minimum, while at the banking sector level this ratio stood at 1.64.

The Decision on Liquidity Risk Management by Banks[101] introduces the Net Stable Funding Ratio (NSFR)[102]. This ratio measured 1.66 at end-December 2025. In the déjà vu scenario this ratio would be 1.48, while in the risk spillover and in the worst-case scenario it would measure 1.42 and 1.31, respectively.

Liquidity needs by scenario

Based on reported data as at 31 December 2025, there was no need for additional first-order liquidity in the domestic banking sector.

Under the déjà vu and risk spillover scenarios, as well as under the worst-case scenario, there would be no need for first-order liquidity in any bank either.

[100] RS Official Gazette, No 103/2016.

[101] RS Official Gazette, Nos 100/2023 and 29/2026 (applied since 30 June 2024).

[102] NSFR is the ratio of elements that provide and those that require stable funding. Banks are required to maintain this ratio, aggregated in all currencies, at no less than 100%.

Deposit withdrawal values that bring liquidity ratio to the threshold

The liquidity risk analysis aims to determine the values of deposit withdrawals from the banking sector and individual banks that would lower the liquidity ratio from the initial level to 1.5 and 1.0, respectively.

Based on Table II.2.3, the structure of deposit withdrawal by deposit category in total withdrawn deposits was derived for the déjà vu scenario (Table II.2.4).

Table II.2.4 **Derived structure for share of deposit withdrawals by depositor category in total deposits withdrawn**

	Déjà vu
Withdrawal of demand deposits	71%
Withdrawal of time deposits	29%
Structure of total demand deposit withdrawal	
Banks	0%
Other depositors	86%
Household savings	14%

Source: NBS.

At the banking sector level, under the déjà vu scenario assuming deposit withdrawal structure of around RSD 986.8 bn or 18.3% of total deposits (RSD 697.3 bn in demand and around RSD 289.5 bn in time deposits), the liquidity ratio would measure 1.5. On the other hand, in case of a withdrawal of RSD 1,802.5 bn, i.e. 33.4% of total deposits (of which around RSD 1,273.7 bn in demand and around RSD 528.8 bn in time deposits), the liquidity ratio would fall to the regulatory minimum (1).

Banking sector survival period in case of sudden deposit withdrawal

The period in which we observe the effects of a strong shock is defined as the survival period, and it consists of two stages. The first is a short period of high-intensity stress, lasting for several days. During that time an evaluation is made of the bank's ability to cover sudden liquidity outflows amid reduced possibility of obtaining new liquid assets and changing the business model. The second stage is a longer period, marked by weaker but more persistent shocks, lasting for over a month.

Table II.2.5 **Assumed daily deposit withdrawal**

DEPOSIT WITHDRAWAL	Moderate scenario	Worst-case scenario
Demand deposits - daily	10%	15%
Time deposits - daily	2%	5%
Availability of liquid assets - daily	95%	95%
Availability of non-liquid assets - daily	1%	1%

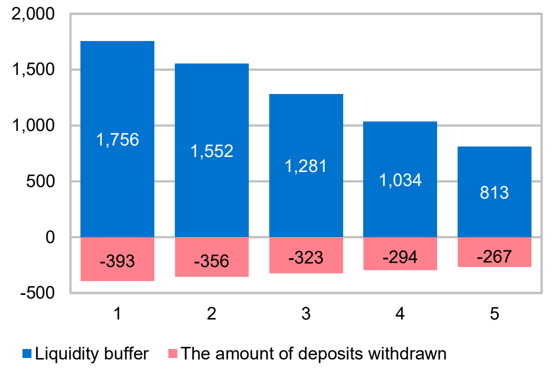
Source: NBS.

This group of liquidity tests aims to determine the longest period of banking sector survival in case of large daily deposit withdrawals – in the stage of a short and strong liquidity shock. The main withdrawal assumptions for the moderate and worst-case scenarios are presented in Table II.2.5.

Charts II.2.7 and II.2.8 show available liquid assets and the amount of deposits withdrawn at the banking sector level in the first five days (the amount of liquid assets remaining after liquidity needs are satisfied) for both scenarios. Charts II.2.9 and II.2.10 give the deposit structure by day.

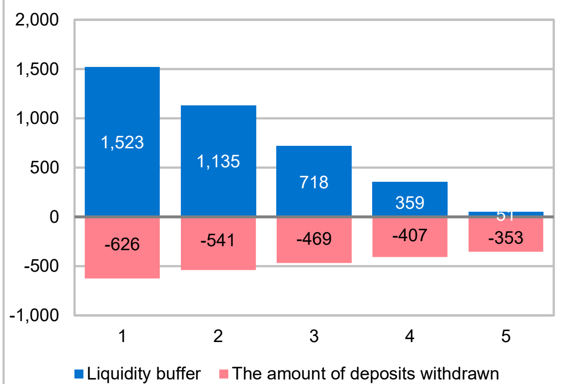
According to the results of liquidity stress tests as at 31 December 2025, the entire banking sector can

Chart II.2.7 **Liquidity buffer – daily for moderate scenario***
(RSD bn)



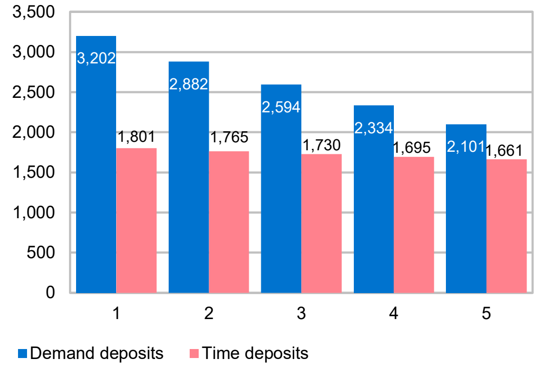
* NBS estimate.
Source: NBS.

Chart II.2.8 **Liquidity buffer – daily for worst-case scenario***
(RSD bn)



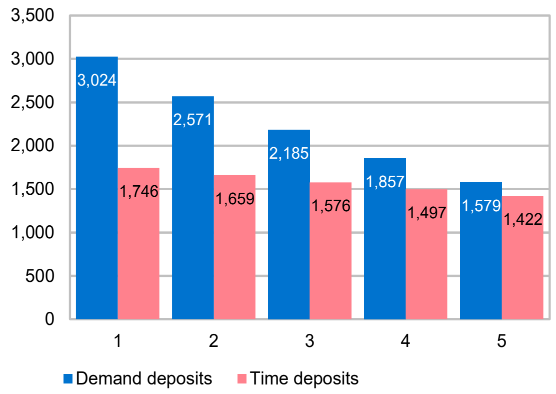
* NBS estimate.
Source: NBS.

Chart II.2.9 **Structure of demand and time deposits – daily for moderate scenario***
(RSD bn)



* NBS estimate.
Source: NBS.

Chart II.2.10 **Structure of demand and time deposits – daily for worst-case scenario***
(RSD bn)



* NBS estimate.
Source: NBS.

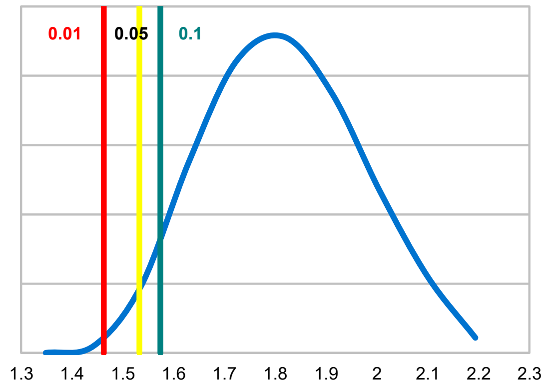
withstand eleven business days[103] in conditions of daily deposit withdrawal in the moderate scenario, or six business days in the worst-case scenario.

Simulations of the liquidity shock

This analysis aims to determine the probability of movement of banking sector liquidity ratios under the assumed negative effects, i.e. various randomly selected values of deposit withdrawals.

The liquidity ratios are obtained based on tens of thousands of different scenarios, which imply the statistical sampling of the assumptions of deposit withdrawal by sector, from zero to the worst-case scenario value (Table II.2.4). Since only assumption values with a negative effect are observed, the tentative values of the variable under assumed negative effects are calculated. This enables an efficient modelling of

Chart II.2.11 **Confidence intervals for banking sector liquidity ratio***



* NBS estimate.
Source: NBS.

many simulations of low-probability shocks to Serbia's banking sector liquidity for test purposes.

These simulations produced a distribution of liquidity ratios of the banking sector at various combinations of assumptions (Chart II.2.11).

With the given confidence interval of 10%, the liquidity ratio equals 1.57, while for confidence intervals of 5% and 1%, it equals 1.53 and 1.46, respectively.

In other words, it can be asserted with a 90% certainty that the liquidity ratio will not fall below 1.57 in various combinations of deposit withdrawal assumptions. Moreover, there is a certainty of 99% that the ratio will not fall below 1.46.

Network modelling in the assessment of banking sector systemic risk

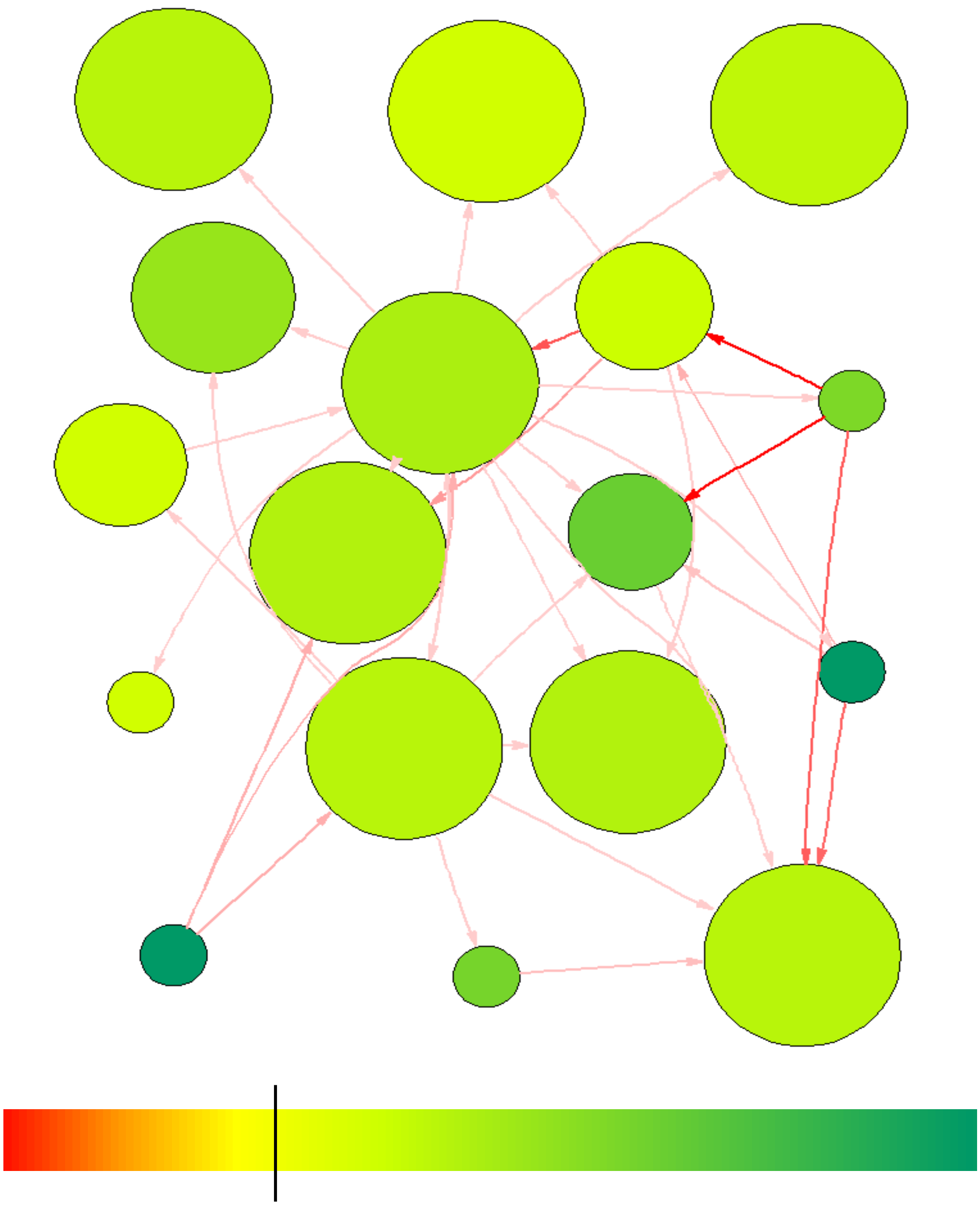
In terms of the systemic risk, it is crucial to determine which financial institutions are systemically important and assess whether the system is resilient to potential shocks. It is also important to analyse whether the existing structure of interconnectedness is conducive to the transmission of the shock through the system. Therefore, the financial system cannot be observed only from the aspect of a single institution; rather, information on the interinstitutional dependencies must be included as well.

The network structure describes the domestic banking sector in the context of mutual on- and off-balance sheet exposure of banks. The network of Serbia's banking sector, in accordance with the given definition,[104] is presented in Chart II.2.12.

[103] The IMF's recommendation about the bank survival period after deposit withdrawal is a period of five business days. After this period, it is believed that a bank will have sufficient time to consolidate its operations.

[104] The edge weight from bank *i* to bank *j* represents the potential increase in allowances for loan impairment relative to the regulatory capital of bank *i*, in case of insolvency of bank *j*. The intensity of the edge colour indicates its weight – the greater the weight, the more intense its colour. The edge direction is determined

Chart II.2.12 **Banking network of the Republic of Serbia**



Source: NBS.

Global efficiency indicates the banking sector's network capacity in terms of shock transmission and equals 0.10. As global efficiency ranges between 0 and 1, where values close to 1 indicate high conductivity of shocks through the network, a global efficiency of 0.19 does not indicate a high network potential for shock transmission.

The impact of the network structure on shock transmission is simulated as follows: assuming the insolvency of a pre-determined bank, the expected increase in allowances for loan impairment is calculated for each bank in the system. An increase in allowances for impairment results in a lower CAR, already in the first iteration of shock transmission. In each following iteration, based on the CAR values

as follows: the edge from node *i* to node *j* relates to potential growth in allowances for impairment relative to the regulatory capital of bank *i* in case of a decrease in the solvency of bank *j*. The size of the circle that represents the bank shows the amount of its regulatory capital – the greater the circle, the higher the amount of regulatory capital. The circle colour indicates the level of CAR. In the spectre from red to green, red corresponds to the minimum observed CAR of 0%, while green corresponds to CAR of 36%. Values above 36% are considered exceptionally high and are therefore not taken into account when forming the scale of CAR.

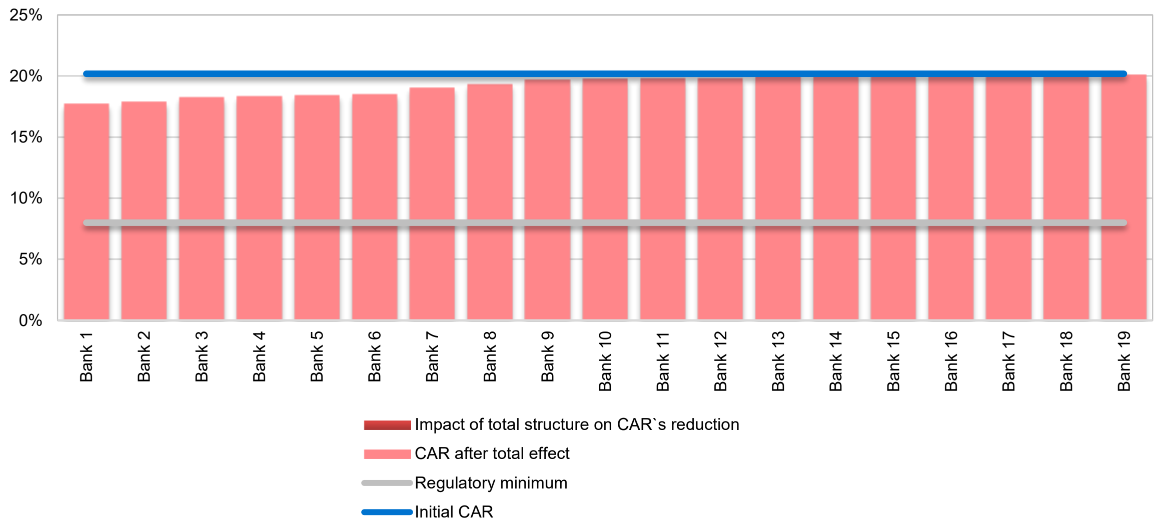
obtained in the previous iteration, new probabilities of default were obtained for each bank in the system (which did not become undercapitalised up to that point). Based on this, the expected increase in allowances for impairment was calculated again resulting in a new reduction in capital and the CAR. A shock is considered neutralised when further iterations register no change in regulatory capital and risk-weighted assets of any of the banks. Assuming the insolvency of an individual bank, the overall effect on the system originates from two different sources. The former relates to the initial iteration following the insolvency of a pre-determined bank – to its elimination from the system and the immediate impact on banks exposed to it. The latter relates to shock transmission in the following iterations, i.e. the domino effect, which measures the impact of the structure of the banking sector network on the transmission of insolvency through the system.

Chart II.2.13 shows the banking sector's CAR immediately after the assumed insolvency of each individual bank in the sector and the total effect of the existence of the network structure. Chart II.2.14 shows the impact of the network structure on shock transmission, reflected in a reduction in the CAR of individual banks and/or sector, in all iterations following the first one.

The results shown in Charts II.2.13 and II.2.14 indicate that, in case of insolvency of any bank, the banking sector's CAR would stay in the safe zone, i.e. above the regulatory minimum. Also, the impact of the network structure on shock transmission is relatively weak, which confirms high system resilience and is conducive to the maintenance of overall financial stability.

Chart II.2.13. **Banking sector CAR after the insolvency of an individual bank**

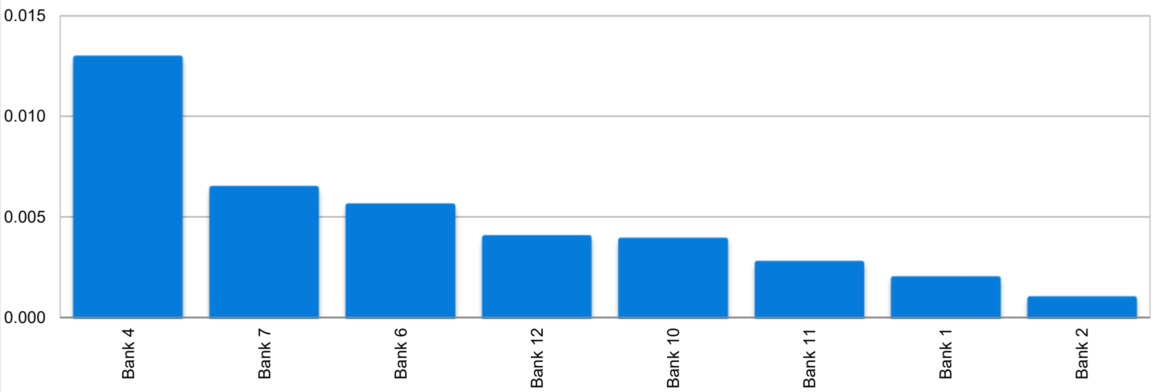
(%)



Source: NBS.

Chart II.2.14. **Impact of network structure on the drop in banking sector's CAR after the insolvency of an individual bank**

(pp)



Source: NBS.

Conclusion

The Serbian banking sector would remain resilient, adequately capitalised and highly liquid even in case of the strongest shocks assumed. Continuous monitoring of systemic risks in the banking sector remains essential for strengthening further the financial stability function, protecting depositors, as well as building public trust in the banking system.

Accordingly, at its meeting held on 11 December 2025, the NBS Executive Board adopted the Decision on the Countercyclical Capital Buffer Rate for the Republic of Serbia, setting the rate at 0.5%, to be applied from 15 December 2026. Maintaining the countercyclical capital buffer ensures the timely allocation of additional Common Equity Tier 1 capital. In this way, the resilience of the domestic banking sector is strengthened proactively, particularly in conditions of heightened global uncertainty.

The results of solvency macroprudential stress testing indicate that the capital adequacy ratio of the banking sector would remain above the regulatory minimum even in the worst-case scenario.

The banking sector would also stay liquid even in conditions of the largest assumed deposit outflow. Further, in case the assumed scenarios materialise, the NBS has the instruments to ensure additional liquidity. The implementation of Basel III standards also entails strict regulatory requirements regarding liquidity risk management and banks' minimum liquidity ratios. These regulatory requirements function as both micro and macroprudential instruments that are used to prevent the occurrence of or increase in the maturity mismatch between financial institutions' sources of funding and investment. In this regard, the NBS also conducted a macroprudential liquidity stress test on indicators of net stable sources of funding, the results of which suggest that even if the worst-case scenario materialised, the NSFR would remain above the regulatory minimum.[105]

As the interconnectedness of financial institutions may lead to a contagion or shock transmission in the banking sector, it is of particular importance to assess the connection among banks and the potential systemic risk arising therefrom. The results of the network modelling indicate that there is no significant systemic component of this risk in the Serbian banking sector.

To preserve financial stability, the NBS fully coordinates its monetary, microprudential and macroprudential policies. The NBS also uses available macroprudential tools with the aim of making the financial system more resilient, containing vulnerabilities and mitigating systemic risk. This approach contributes to the stability, eases the procyclicality of the financial system and works towards increasing the efficiency of monetary policy transmission.

[105] For more details, see the *Annual Financial Stability Report – 2024,* Text box 2: Net stable funding ratio stress test.

Text box 3: Analysis of the EU banking sector resilience:

Results of the 2025 EU-wide stress tests

The European Banking Authority (EBA) coordinated the implementation of and published the results of the 2025 EU-wide bank stress test (EBA stress test). The stress test was conducted in cooperation with the ECB, European Systemic Risk Board (ESRB), European Commission (EC) and the national competent authorities (NCAs). The stress test exercise covered 64 banking groups from EU member states, as well as certain institutions from countries of the European Economic Area participating in the EBA institutional framework. Taken together, these institutions account for approximately 75% of the total banking assets of the EU.[106]

The primary objective of the stress tests is to assess the resilience of the EU banking system to a set of macroeconomic and financial shocks, to identify potential risks, support supervisory decision-making and enhance market discipline, i.e. evaluate banks' ability to absorb losses while maintaining capital adequacy ratios above the minimum regulatory requirements. The results enable an analysis of the sensitivity of banks' capital positions to the defined scenarios using a common methodology. It should be noted, however, that the results do not constitute a forecast of future developments, nor do they imply the automatic imposition of supervisory measures based on the outcomes of the stress tests.

The stress tests were conducted using a constrained bottom-up approach, supplemented by certain top-down elements. This means that banks used their internal models, but within strictly defined constraints and under the supervision of the competent authorities. Banks independently projected the effects of the scenarios on their balance sheets, applying a common methodology prescribed by the EBA, after which the results were subject to detailed analysis by the relevant supervisory institutions. This methodological framework encompassed a baseline scenario and an adverse macroeconomic scenario. The baseline scenario reflects central projections of macroeconomic developments and serves as the framework for projecting financial indicators. By contrast, the adverse scenario simulates a deteriorated macroeconomic and financial environment and provides the basis for assessing capital adequacy and capital buffers under conditions of a severe material shock. The stress tests primarily focus on the impact of risks on banks' solvency. Banks were required to analyse credit risk (including securitisation risk), market risk, counterparty credit risk, credit valuation adjustment (CVA) risk, operational risk, as well as conduct risk.

The projections within the 2025 EBA stress test were applied to end-2024 data and cover a three-year horizon (from end-2024 to end-2027). Credit losses are projected using the parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD), in accordance with International Financial Reporting Standard 9 (IFRS 9) and the expected credit loss approach. This methodology enables a precise assessment of the dynamics of impairment charges and their direct impact on banks' capital throughout the projection period. The projections are based on real GDP, inflation, the unemployment rates, real estate prices, equity prices, exchange rates, interest rates and real gross value added in selected economic sectors.

The analysis is based on the assumption of a static balance sheet as at 31 December 2024, implying that banks do not alter the structure of their assets and liabilities throughout the projection period. Accordingly, for the purposes of the stress test, active risk reduction measures, portfolio restructuring and any optimisation of positions aimed at mitigating the effects of the scenarios are disregarded. Consistent with this assumption, a conservative approach is applied in projecting net interest income, limiting banks' ability to pass changes in interest rates on to their clients and thereby providing an additional test of profitability resilience. Despite the assumption of static balance sheets, risk-weighted assets increase during the stress period because of deteriorating asset quality, higher risk weights and the migration of exposures into riskier categories.

A particular feature of the 2025 EBA stress test is the gradual implementation of the new regulatory framework of the Capital Requirements Regulation III (CRR III), which entered into force on 1 January 2025 and incorporates the final Basel III reforms. These changes have a significant impact on the methodology for measuring risks and on the very structure of capital adequacy ratios. The most important regulatory innovations include:

- Introduction of the output floor – a key measure that limits the extent to which risk-weighted assets (RWAs), calculated using internal models, may fall below 72.5% of the value calculated under the standardised approach. This measure prevents the excessive reduction of RWAs through banks' internal models, thereby ensuring greater conservatism and comparability of capital positions across banks. Under CRR III, the implementation

[106] https://www.eba.europa.eu/risk-and-data-analysis/risk-analysis/eu-wide-stress-testing

of the output floor is gradual (phase-in): the transitional regime starts with a floor of 50% in 2025, while full implementation at 72.5% is scheduled to be reached by 1 January 2030;

- Revised standardised approach for credit risk – the new rules are more risk-sensitive and provide a more granular treatment of specific exposures, with a greater role assigned to the loan-to-value (LTV) ratio in the calculation of risk-weighted assets for exposures secured by residential real estate;

- Constraints on internal ratings-based (IRB) models – the new regulatory framework limits the variability of outcomes produced by internal models and introduces additional constraints in the estimation of risk parameters;

- New approach to operational risk (Standardised Measurement Approach, SMA) – a single standardised approach is introduced, based on business volume and historical losses, thereby enhancing comparability and reducing reliance on banks' internal models.

These changes lead, for some institutions, to a structurally higher level of risk-weighted assets, which directly affects capital adequacy ratios and ensures a more evenly distributed impact of stress scenarios on the Common Equity Tier 1 (CET1) ratio, reducing the volatility previously generated by internal models.

Banks covered by this stress test entered 2025 with a high CET1 ratio, reflecting the strong profits generated in 2023 and 2024, which provided substantial capacity to absorb potential losses. The CET1 ratio stood at 15.8% at the beginning of the projection period and was calculated under the full implementation of the CRR III regulatory framework, without any transitional arrangements. This level indicates robust capital buffers and a significant capital surplus above the prescribed minimum regulatory requirements. The high profitability of the banking sector, supported by the earlier increase in interest rates and net interest income, has strengthened banks' capital positions and provided an important cushion in their starting position. At the same time, asset quality remained relatively stable, with the share of NPLs in total loans remaining at historically low levels, further reinforcing the initial resilience of the banking system.

Compared with the 2023 EBA stress test, which primarily reflected the energy shock, i.e. the sharp increase in energy prices and supply disruptions, the 2025 EBA stress test is characterised by a broader range of systemic disturbances. In November 2024, within its Risk Assessment Report,[107] the EBA identified the key risks facing the European banking sector, which also served as the basis for the design of the stress-test scenarios.

The baseline macroeconomic scenario was defined by the ECB in cooperation with the NCAs and is based on the official quarterly macroeconomic projections. The scenario envisages stable macroeconomic growth over the three-year horizon (2025–2027), with its key determinants including real GDP growth rates, inflation dynamics measured by the Harmonised Index of Consumer Prices (HICP), labour market developments reflected in the unemployment rate, as well as expectations regarding government bond yields and capital markets trends. In addition to the macroeconomic aggregates, the scenario incorporates the current monetary policy stance and projections for real estate prices, thereby providing a comprehensive framework for assessing banks' capacity to strengthen their capital positions through retained earnings.

The adverse macroeconomic scenario, together with the risk-specific shocks accompanying the scenario, was defined by the ESRB and the ECB, in cooperation with competent authorities, the EBA and national central banks. The methodology for calibrating the adverse scenario in the 2025 EBA stress test is based on the same principle as in previous years. This means that the adverse scenario does not assume the introduction of any additional monetary or fiscal policy measures beyond those already incorporated into the baseline scenario. This ensures that banks' resilience is tested solely against macroeconomic shocks, without considering potential government interventions or extraordinary central bank measures that could mitigate adverse effects. The adverse scenario is based on a selected set of key risks to financial stability to which the banking sector is exposed, as identified by the General Board of the ESRB. This set of risks does not include other identified risks that may arise from climate change, nor risks stemming from disruptions in the functioning of key financial infrastructures, including central counterparties (CCPs). The adverse scenario of the 2025 EBA stress test assumes a simultaneous negative shock to the real economy and financial conditions. It projects a sharp cumulative decline in EU real GDP of around 6.3% over the three-year projection horizon, alongside an increase in the unemployment rate of approximately 5.8 pp. In addition to the contraction in economic activity and rising unemployment, the scenario also assumes persistently high inflation, which – driven by external supply-side shocks – remains significantly above the target level, reaching a peak of 5.0% in the first year of the projection period. This inflationary pressure, accompanied with high interest rates, places additional strain on households' disposable income and corporate profitability, thereby directly increasing credit risk. At the same time, a sharp decline in asset prices is projected, with residential property prices falling

[107] https://www.eba.europa.eu/sites/default/files/2024-11/f03ee0c1-7258-4391-8bf1-578924956049/EBA%20Risk%20Assessment%20Report%20-%20Autumn%202024.pdf

by 15.7%, while commercial real estate prices are expected to experience a significantly larger adjustment of 29.5%, further weakening collateral values and deteriorating banks' positions. The projected macroeconomic deterioration is considered in the context of prolonged geopolitical tensions and elevated global uncertainty. Tighter capital market conditions and rising funding costs further intensify the transmission of the shock through the financial channel.

The EBA published the results of the stress tests[108] in August 2025, showing that EU banks maintain strong capital positions and the capacity to continue supporting economic growth, despite the projected losses under the adverse scenario.

Table O.3.1 **Overview of EBA stress test results**

Indicator	Starting point (End-2024)	Baseline scenario 2027	Adverse scenario 2027	Change - baseline scenario (2024–2027)	Change - adverse scenario (2024–2027)
Common Equity Tier 1 ratio	**15.8%**	**16.9%**	**12.1%**	**+118 bp**	**-370 bp**
Leverage ratio	**5.8%**	**6.3%**	**4.9%**	**+55 bp**	**-85 bp**

Under the baseline scenario, the results confirm the stability of EU banks, with the CET1 ratio increasing to approximately 16.9% by end-2027, supported by sustained profitability and capital accumulation. Similarly, the leverage ratio rises to 6.3% by 2027.

Under the adverse scenario, projected cumulative losses amount to approximately EUR 547 bn, of which around EUR 394 bn relate to credit losses and about EUR 98 bn to market losses. As a result of these losses, the CET1 ratio declines by approximately 370 bp, reaching 12.1% at the end of the projection horizon. In parallel with the deterioration in capital adequacy, the leverage ratio also weakens, falling to 4.9% under the adverse scenario, although it remains above the regulatory minimum of 3%. Despite this decline, capital adequacy indicators remain above the minimum regulatory requirements.

The decline in capital adequacy ratios is smaller compared to the results of the 2023 banking stress test, indicating a strengthening of banks' capital positions in the EU, to which the growth in net interest income in a higher interest rate environment has significantly contributed. The reduction in the CET1 ratio is driven by the combined effect of two channels. The first channel involves a direct reduction in capital due to credit and market losses, which are reflected through lower retained earnings. The second channel relates to the increase in risk-weighted assets, driven by higher risk weights, the migration of exposures into riskier categories, and the effects of regulatory changes. Whereas in previous stress test cycles the dominant channel was the reduction in capital, in the 2025 stress test the relative importance of the increase in risk-weighted assets becomes more pronounced, partly due to the implementation of the CRR III. Credit risk remains the most significant source of losses, particularly in exposures to SMEs and commercial real estate, which are more sensitive to economic cycles.

Although banks appear more sensitive to risks, as reflected in higher nominal losses, they demonstrate a stronger loss-absorbing capacity due to generated income. In 2024, EU banks maintained profitability close to historical highs, with a return on equity of 10.5%. High net income is a significant buffer for absorbing losses under the adverse scenario. The main vulnerabilities of banks are observed in credit risk and market risk.

In addition to the fact that the impact of the adverse scenario varies significantly across economic sectors, banks have demonstrated progress in the use of granular models, which enable more precise sectoral risk analysis. However, supervisors emphasise that there is still room for further methodological improvements, particularly with regard to forecasting risk spillovers between different sectors.

Banking groups with significant presence in the banking sector of the Republic of Serbia that were included in the EBA stress tests – such as UniCredit, Intesa Sanpaolo, OTP Group, Raiffeisen Bank International and Erste Group – demonstrated strong capital positions and maintained capital levels above the minimum regulatory requirements even under the adverse scenario. These results confirm that parent banking groups hold sufficient capital buffers, which are an important stability factor for their subsidiaries operating in the Serbian market as well.

[108] https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-results-its-2025-eu-wide-stress-test

The strong results of banks in the 2025 EBA stress test bolster confidence in the EU banking system; however, maintaining adequate capital levels remains essential for preserving the stability of the EU banking system in the future.

Even under the assumptions of an adverse hypothetical scenario, the EU banking system would maintain a CET1 ratio of 12.1%, which is above the regulatory minimum, with lower capital volatility compared to the previous stress test cycle. At the same time, the results point to a shift in the structure of risks. While credit losses remain the dominant driver of capital pressure, regulatory changes under CRR III increase the importance of rising risk-weighted assets as an additional transmission channel affecting capital adequacy ratios. This implies that, in the coming period, the stability of the EU banking system will increasingly depend not only on the absolute level of capital, but also on the risk measurement practices and a more conservative regulatory framework. In this context, the 2025 EBA stress test presents an important tool for assessing the ability of EU banks to adapt to stricter regulatory standards while maintaining adequate capital levels under potential macroeconomic shocks.

II.3 Non-bank financial sector

II.3.1 (Re)insurance undertakings

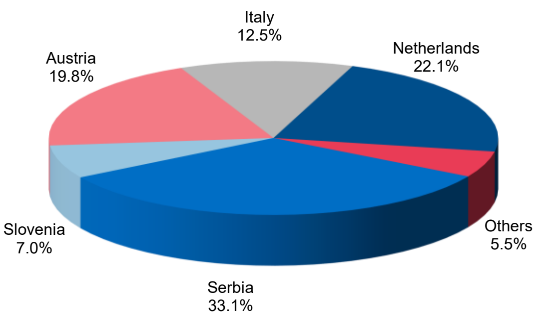
Key indicators of the insurance sector's performance in Serbia have been preserved in 2025, confirming the sector's capacity to meet its obligations to insurance service users in a timely manner. The insurance sector is well-capitalised, liquid and profitable. Total premium recorded continuous growth, with non-life insurance premium accounting for the predominant share.

The share of the insurance sector in the total balance sheet assets of the financial sector supervised by the NBS (banks, financial lessors, (re)insurance undertakings and VPFs)[109] measured 5.8% at end-2025, an increase from 5.7% at end-2024. After the dominant banking sector, insurance is the second largest segment of the Serbian financial system.

At end-2025, there were 16 insurance undertakings and four reinsurance undertakings in Serbia.[110] Among insurance undertakings, four were engaged in life insurance, six provided exclusively non-life insurance, while the remaining six provided both life and non-life insurance. Of the total number of undertakings, 15 were in majority foreign ownership. Major foreign owners were from the Netherlands (22.1%) and Austria (19.8%). Insurance undertakings in majority domestic ownership accounted for 33.1% of all insurance undertakings[111] (Chart II.3.1).

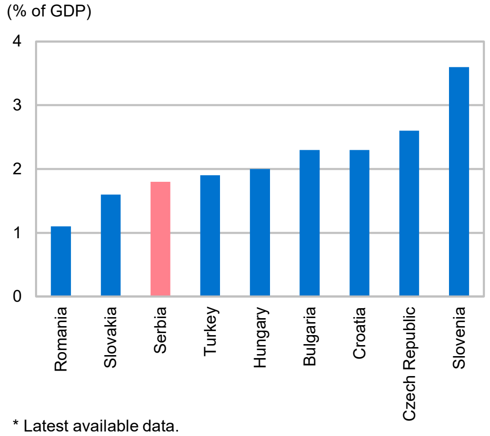
In addition to insurance undertakings, in 2025, the sales network included 15 banks, 12 financial lessors, and one public postal operator, all of them licensed to carry on insurance agency activities, 119 legal persons (undertakings for insurance brokerage and insurance agency activities), and 83 insurance agents (natural persons – entrepreneurs).

Chart II.3.1 **Insurance undertakings* ownership structure, as at 31 December 2025**



* Does not include reinsurance undertakings.
Source: NBS.

Chart II.3.2 **Total insurance premium as at 31 December 2024***



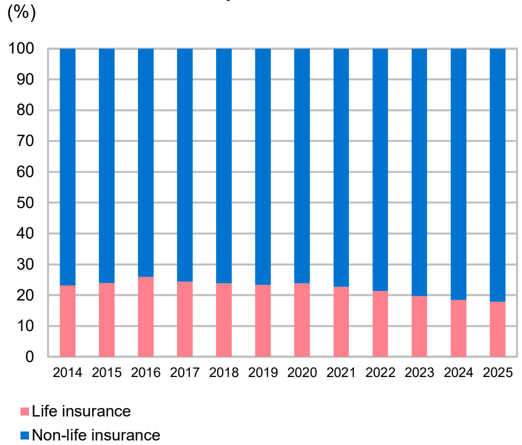
* Latest available data.
Sources: OECD and NBS.

The insurance market is continuously developing. According to data of the Swiss Re Institute, in 2024,[112] the penetration ratio at the global level stood at 7.3%,[113] while the same ratio in Serbia measured 1.8%.[114] Most countries in the region recorded a somewhat higher penetration ratio compared to Serbia (Chart II.3.2). Also, the density ratio, which in 2024[115] averaged USD 943[116] globally, was higher than Serbia's – USD 249 (USD 281 in 2025).[117]

Nevertheless, total insurance premium in Serbia recorded a y-o-y increase of 8.0% in 2025, reaching RSD 191.5 bn.

Owing to higher nominal growth in non-life than in life insurance premium, the share of life insurance premium

Chart II.3.3 **Insurance premium structure**



Source: NBS.

[109] Excluding payment institutions, e-money institutions and virtual currency service providers.
[110] https://nbs.rs/en/finansijske-institucije/osiguranje/registar/index.html
[111] Excluding reinsurance undertakings.
[112] Latest available data.
[113] Source: Swiss Re Sigma 2/2025.
[114] Source: NBS.
[115] Latest available data.
[116] Source: Swiss Re Sigma 2/2025.
[117] Source: NBS.

decreased from 18.5% at end-2024 to 17.8% at end-2025 (Chart II.3.3).

At end-2025, within the total premium, motor third party liability insurance was still dominant (28.6%), followed by property insurance (18.4%), life insurance (17.8%), and full-coverage motor vehicle insurance (12.0%) (Chart II.3.4). The share of voluntary health insurance premium also continued up. This share increased from 9.9% at end-2024 to 10.7% at end-2025, confirming a significant change in the insured persons' awareness of the importance of health.

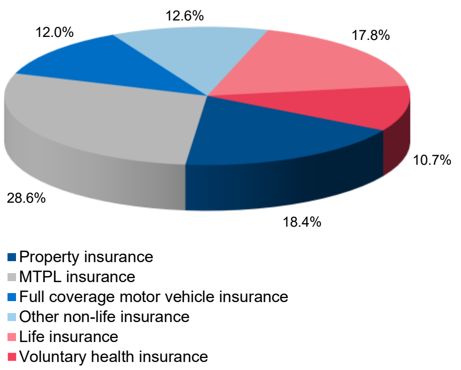
The Serbian insurance sector is adequately capitalised in view of the risks to which it is exposed. The available solvency margin (guarantee reserve) is the amount of assets that an insurance undertaking must provide to be able to permanently perform its obligations. According to the Insurance Law, it must be at least at the level of the required solvency margin. The ratio of available to required solvency margin – CAR stood at 222.7% for non-life and 242.7% for life insurance at end-2025, increasing in both cases compared to 2024 (204.8% and 237.5%, respectively).

The leverage ratio (capital to asset ratio), which reflects the level of insurance undertakings' exposure to risks, also confirms that the Serbian insurance sector is well-capitalised. At end-2025, this ratio edged up in undertakings mainly engaged in non-life insurance, to 23.1% (22.3% in 2024), while dropping in undertakings mainly engaged in life insurance, to 18.5% (almost unchanged from 2024).

For an insurance undertaking to be able to protect the interests of the insured and injured third parties, i.e. to timely settle claims, it must create an adequate amount of technical provisions and invest them in such a way as to ensure that their real value is maintained and increased so that the undertaken insurance obligations can be fully and timely met. To be able to settle all its liabilities, an undertaking must invest its assets in line with its investment policy, while taking into account the risks of such a policy. Technical provisions must be invested into the prescribed types of assets. At end-2025, technical provisions of all (re)insurance undertakings stood at RSD 297.8 bn, rising by 4.2% in nominal terms relative to 2024. Mathematical reserve[118] kept the dominant share in technical provisions, despite the mild growth rate of 0.4% in 2025.

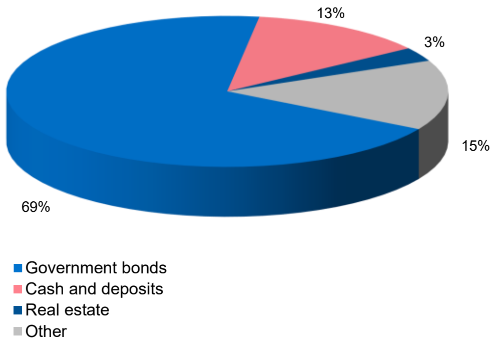
The bulk of technical provisions of non-life insurance was invested in government securities of the Republic of Serbia (69% at end-2025) (Chart II.3.5). Technical

Chart II.3.4 **Total premium according to types of insurance as at 31 December 2025**



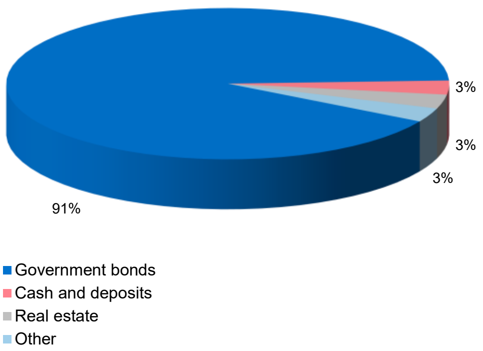
Source: NBS.

Chart II.3.5 **Non-life insurance technical provisions coverage as at 31 December 2025**



Source: NBS.

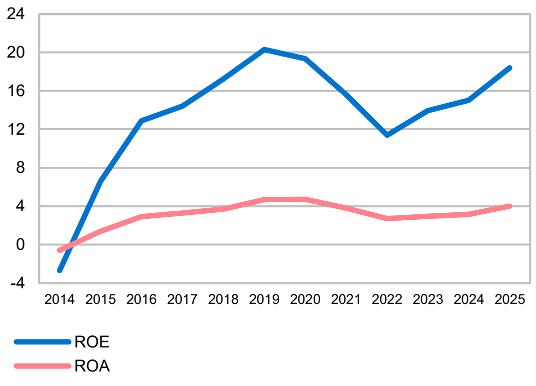
Chart II.3.6 **Life insurance technical provisions coverage as at 31 December 2025**



Source: NBS.

[118] Mathematical reserve means technical provision of insurance undertakings intended for meeting the present value of future liabilities under life insurance contracts (as well as under multi-year non-life insurance contracts accumulating savings or funds for risk coverage in future years and to which probability tables and calculations are applied same as in life insurance).

Chart II.3.7 **Profitability ratios of non-life insurance undertakings**
(%)



Source: NBS.

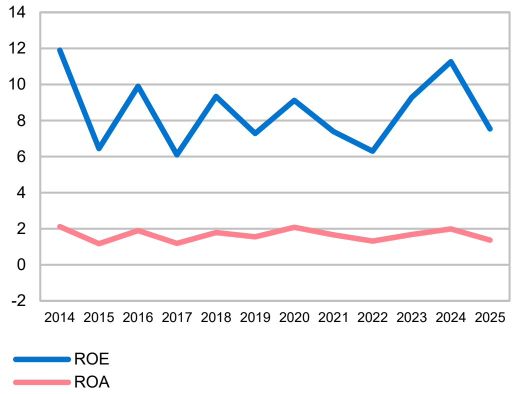
provisions of life insurance were also predominantly invested in government securities (91% at end-2025) (Chart II.3.6). The high share of Serbian government securities in non-life and life insurance portfolios indicates a low level of investment credit risk thanks to a preserved macroeconomic and financial stability of Serbia.

The liquidity of insurance undertakings is also an important factor in assessing the quality of assets. Setting an adequate liquidity level is extremely important for the timely settlement of liabilities. Apart from liquid forms of assets, insurance undertakings also invest in instruments of limited liquidity, such as intangible assets, real estate, non-tradable securities and receivables. In 2025, the indicator of less tradable assets (share of less liquid assets in total assets) in undertakings mainly engaged in non-life insurance measured 19.7%, a slight drop from 2024 (19.8%). In undertakings engaged mainly in life insurance, this indicator equalled 7.2% in 2025, almost unchanged from 2024.

The insurance sector continued to operate with a profit and ended 2025 with a positive after-tax net result[119] amounting to RSD 15.9 bn. Profitability indicators in non-life insurance are higher relative to 2024. In 2025 ROE in non-life insurance undertakings was 18.4% (15.0% in 2024), and ROA 4.0% (3.2% in 2024) (Chart II.3.7). Profitability indicators in insurance undertakings engaged mainly in life insurance were lower than in the previous year, with ROE standing at 7.5% (11.3% in 2024) and ROA at 1.4% (2.0% in 2024) (Chart II.3.8).

The profitability of insurance undertakings is indicated by the combined ratio for self-retention.[120] The ratio value below 100% indicates that an undertaking can

Chart II.3.8 **Profitability ratios of life insurance undertakings**
(%)

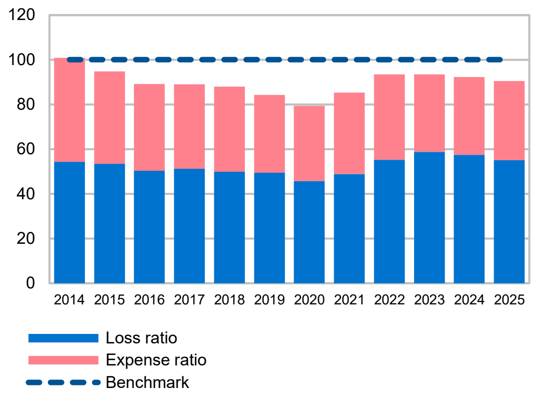


Source: NBS.

pay out claims and cover expenses from the collected premiums. If the ratio value is above 100%, it is assumed that an insurer determines the level of the premium by considering the potential income from investment in the financial and real estate markets, which makes it vulnerable to additional market risks. In undertakings predominantly engaged in non-life insurance, the combined ratio at end-2025 edged down from the year before, to 90.5% (92.3% at end-2024) (Chart II.3.9). The ratio value indicates that the premium level is adequate to meet the liabilities under insurance contracts and that the readiness to take risks does not compromise the fulfilment of both assumed and future liabilities.

The expense ratio (ratio of insurance underwritten expenses to premium earned) increased from 34.8% at end-2024 to 35.5% at end-2025, but still suggests improved efficiency in cost administration. The loss ratio (the ratio of losses incurred in claims to premium

Chart II.3.9 **Combined insurance ratio**
(%)



Source: NBS.

[119] Includes only tax expenses which (re)insurance undertakings disclosed by the time the data were submitted to the NBS.

[120] Self-retention is the portion of contractual risks that the insurance undertaking always carries under its own cover and that it can cover with its own funds.

earned) indicates the adequacy of the price policy of insurance undertakings. It is a measure of an undertaking's ability to cover claims from the premium earned. This ratio dropped from 57.5% at end-2024 to 55.05% at end-2025.

As regards the regulatory activities of the NBS related to the insurance sector, in April 2025 the NBS adopted the Decision Amending the Decision on Investment of Insurance Funds,[121] allowing a certain portion of technical provisions to be invested in debt securities traded on the securities market even when they do not meet the requirement relating to the issuer's credit rating or the requirement concerning the minimum period during which the securities must be listed on the official stock exchange listing, while maintaining the existing limits. In addition, in June 2025, the NBS adopted the Decision Amending the Decision on Reporting by Insurance/Reinsurance Undertakings,[122] replacing the form of the report on the structure of investment portfolio by life and non-life insurance assets, respectively.

The current insurance regulations in the Republic of Serbia lay the legislative groundwork for further convergence of the Serbian insurance sector to that of the EU.

Significant changes to the regulatory framework in the field of insurance supervision are yet to be expected through the full alignment of regulations with the Insurance Distribution Directive (Directive (EU) 2016/97 – IDD) and the implementation of Solvency II (Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance). In 2025, the NBS worked on drafting a new Insurance Law and accompanying bylaws, with the envisaged deadline for the adoption of the new law set for end-2026. This will provide for a comprehensive and integrated regulation of the insurance market in the Republic of Serbia.

Thanks to a previously created stable business environment and adequate reserves, the resilience of the insurance sector was preserved so that insurance undertakings are able to smoothly fulfil their obligations to the insured, insurance service users and injured third parties. Despite global economic uncertainty, adequate management of capital and risks to which the sector may be exposed remain the priority of the (re)insurance sector. The operations of the insurance sector are also affected by challenges related to climate changes, cyber security, rapid AI development and demographic changes. On the other hand, heightened uncertainties increase awareness of the importance of insurance and may lead to stronger demand for insurance products. (Re)insurance undertakings should continue modernising their operations with a view to adapting to new circumstances, while remaining committed to providing new products, in line with users' needs. The NBS will continue to monitor developments in this segment of the financial system and protect the interests of insurance service users, as well as the stability of operation of (re)insurance undertakings.

II.3.2 Voluntary pension funds

Net VPF assets continued to increase, mostly driven by return on investment. Contributions and the number of VPF users climbed further up, while funds were still mostly paid out in lump sums. With continued growth, VPF sector could potentially play an important role in the future of the Serbian pension system.

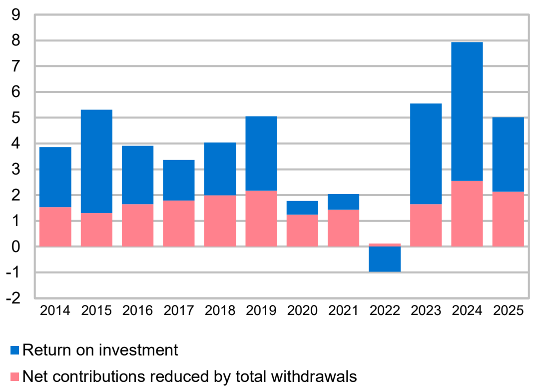
VPFs[123] are collective investment institutions that collect pension contributions and invest them into various types of assets in order to generate private pensions. They represent long-term saving for old age, complementing the government pension system which remains the key source of pension income. These funds are based on the defined contribution principle, where future benefits are not defined in advance and depend on the amount of contributions paid, level of fees, the return on invested VPF assets, and the length of the accumulation phase. VPFs are managed by management companies, which engage in setting up and managing of VPFs as their sole activity. Founders of management companies are insurance undertakings and commercial banks. VPF assets are separated from the assets of a management company and are kept in accounts with custody banks.[124]

The number of management companies and VPFs did not change in 2025 – at the end of the year there were four management companies in Serbia in charge of managing the assets of seven VPFs. The assets of all VPFs were kept in accounts with two custody banks in 2025.

From the start of operation of VPFs (2006), their total net assets have increased almost constantly.[125] Net VPF assets grew in 2025, reaching RSD 66.7 bn at year end, up by 8.1% (or by around RSD 5.0 bn) from end-2024. Changes in the value of net VPF assets depend on members' contributions, collected fees, withdrawals of

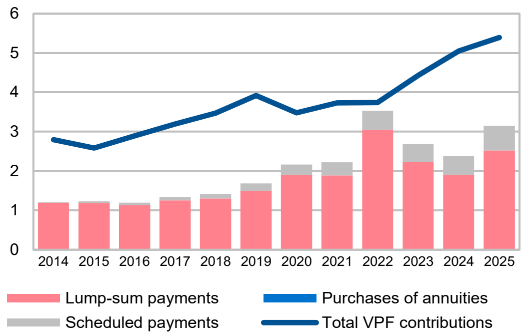
[121] RS Official Gazette, No 31/2025.
[122] RS Official Gazette, No 51/2025.
[123] Pursuant to the Law on Voluntary Pension Funds and Pension Schemes (RS Official Gazette, Nos 85/2005 and 31/2011).
[124] A bank that keeps a VPF's account performs other custody services on behalf of the VPF and acts upon the VPF management company's orders in compliance with the Law on Voluntary Pension Funds and Pension Schemes.
[125] The year 2022 was an exception, since for the first time at year end a y-o-y decrease in net assets was recorded. This was a one-off effect of the general rise in interest rates, driving down the prices of financial instruments in which VPF assets were previously invested.

Chart II.3.10 **Annual increase in net VPF assets and net contributions**
(RSD bn)



Source: NBS.

Chart II.3.11 **Annual VPF contributions and withdrawals**
(RSD bn)



Source: NBS.

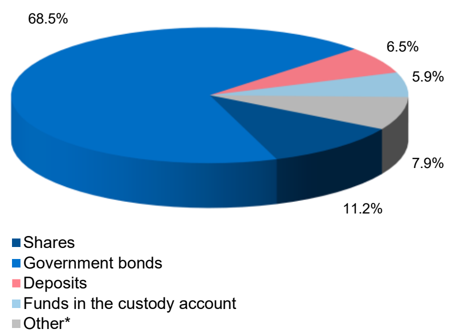
accumulated funds and return on VPF investment (Chart II.3.10). Return on investment was the main driver of the rise in net VPF assets in 2025 and measured RSD 2.9 bn, which is lower than last year's result (RSD 5.4 bn), when the onset of an interest rate trimming cycle[126] resulted in record-high return on investments. Given the structure of VPF investment, the return is influenced by: a change in the yield curve on government debt instruments, change in the value of shares, change in the value of investment units of open investment funds, level of the key interest rates, banks' interest rates, and changes in the dinar exchange rate against the euro.

Total contributions in 2025 amounted to RSD 5.4 bn (RSD 5.3 bn excluding the front load fee), up by RSD 0.3 bn from 2024. Members withdrew RSD 3.1 bn, or RSD 0.8 bn more than in 2024 (Chart II.3.11). Assets are largely paid out as a lump sum, usually as soon as the member reaches the age limit for the withdrawal of accumulated funds. The share of lump-sum withdrawals in total withdrawals amounted to 80.1% in 2025, up by 0.6 pp from the previous year. Since withdrawals are made by the members who fulfil the requirements and are usually not long-standing fund members, their accumulated sum is relatively small, and this kind of withdrawals is expected, even though it is not in accordance with the nature of VPFs, which assumes the use of accumulated funds over a longer period. As the accumulation period lengthens and the accumulated sums increase, the share of scheduled withdrawals increases as well. In 2025, these withdrawals equalled RSD 0.6 bn, or 19.9% of total withdrawals.

The total number of VPF users went up by 3,659 from the previous year to 229,324 at end-2025. These users concluded a total of 318,944 membership contracts. In 2025, the number of active users (users that regularly pay contributions) decreased somewhat compared to the previous year, with their share in the total number of users in the accumulation stage still being relatively low – 36.0% in December 2025. The average age of VPF users in Serbia is around 48 years, with users aged 40–49 making up the dominant share (33.1%). The percentage of users above the age of 53 accounted for 33.5%, while the percentage of those aged above 58 was 19.8%. The share of VPF users in the total number of employees was 10.0%, which indicates that this sector is still underdeveloped, but leaves room for future education about VPF membership and thus for the development of this financial market segment.

At end-2025, the bulk of VPF assets were invested in government bonds (68.5%, or 6.5 pp less than at end-2024) (Chart II.3.12). Given that government bonds are issued by the Republic of Serbia, credit risk is low.

Chart II.3.12 **Structure of VPF assets as at 31 December 2025**



* Investments abroad, corporate bonds, investment units of investment funds and receivables.
Source: NBS.

[126] A decline in interest rates on newly issued financial instruments boosts the price of instruments in which VPF assets were previously invested, and which were issued at higher interest rates. The prices of longer-maturity instruments are more sensitive to interest rate changes.

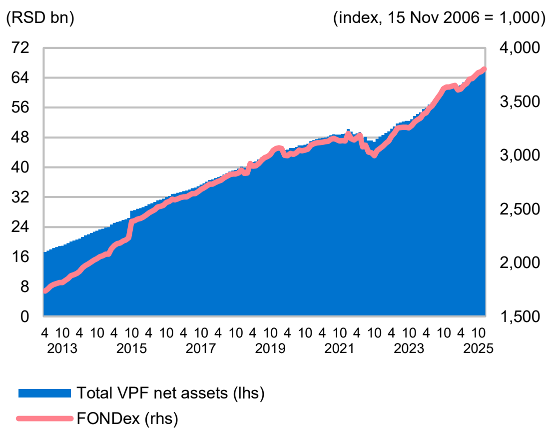
However, due to the high share of long-term debt instruments and deposits with banks in the funds' portfolios, the value of these instruments largely depends on changes in interest rates. At end-2025, time deposits and custody bank assets made up 12.4% of total assets (23.7% at end-2024). The portion of shares in total VPF assets (11.2% at end-2025) edged up slightly from end-2024 (11.1%). In 2025, VPF assets were also invested abroad (5.3% of total VPF assets at end-2025, an increase from end-2024, when this share was 1.6%), and corporate bonds and investment units of domestic investment funds (1.4% or 0.8%, respectively). Through its bylaws, the NBS regulates the safe and stable investment of VPF assets aimed at protecting members' interests and safeguarding their funds, while at the same time enabling diversification of investments. Further development of the domestic capital market and creation of new long-term financial instruments are essential for increasing diversification of investments in the period ahead.

At end-2025, 67.0% of total VPF assets were in the domestic currency (RSD 44.8 bn), 27.0% in euros (RSD 18.0 bn) and 5.9% in US dollars (RSD 4.0 bn).

At end-2024, FONDex[127] reached the value of 3,801.82 points (Chart II.3.13), which was 165.20 points higher than a year earlier. The annual FONDex return, as the weighted average return of all funds, equalled 4.5% in 2025 (9.8% at end-2024). At end-2025, FONDex return since the start of VPF operations equalled 7.2%.

Fees charged by VPF management companies include contribution fees and management fees. Though the contribution fee is front-loaded, it is not the largest cost for the members. The management fee is calculated daily, and it made up 87% of total collected fees in 2025. Total management fees amounted to RSD 788.3 mn in 2025, which is higher than in 2024 (RSD 715.7 mn) due to the rise in the value of VPF assets.

Chart II.3.13 **Total net VPF assets and FONDex**



Source: NBS.

VPF contributions have been continuously increasing over the last couple of years. Though individual contributions are possible, most contributions are made through employers who, in this way, display a high level of responsibility and care towards their staff. Companies with high staffing levels have ample potential for a further expansion of the membership base. Tax incentives for VPF contributions have also exerted a positive impact on the VPF sector. In 2025, payments made by employers in the amount of up to RSD 8.449[128] were exempt from income tax and contributions for mandatory social insurance, as well as payments in the same amount made by the employer through wage garnishment. This is an additional incentive for employees and employers to allocate a part of the wage to long-term saving in VPFs.

The first step of prospective members is to determine how much they can set aside for this type of additional retirement savings. To educate future and current members, the NBS continuously presents the advantages of this type of saving to the public through its website, in the section "Ready for Retirement,"[129] pointing out the important aspects that should be taken into account when making a decision on a private pension.

II.3.3 Financial leasing

The financial leasing sector recorded positive results in 2025 as well. The sector's balance sheet assets increased further, and the quality of assets has been preserved.

Financial leasing is a type of financial intermediation. The lessor keeps the ownership of the lease asset, while transferring to the lessee, in exchange for the lease payment, the right to hold and use the asset with all the risks and rewards of ownership.

At end-2025, there were 13 lessors in the Serbian financial leasing sector, one of which is undergoing voluntary liquidation.

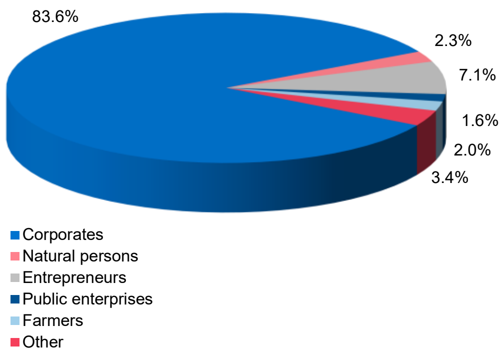
The bulk of lessors (12) are owned by banks, banking group members or other financial institutions. Five lessors are entirely or largely owned by foreign legal persons, while eight lessors are in full or majority ownership of domestic entities, of which seven are owned by domestic banks, some of them with foreign

[127] FONDex indicates movements in the value of investment units of all VPFs in the market. The initial FONDex value on the first business day of the first VPF, 15 November 2006, was 1,000.

[128] Under the government decision, this amount is adjusted with previous-year inflation once a year.

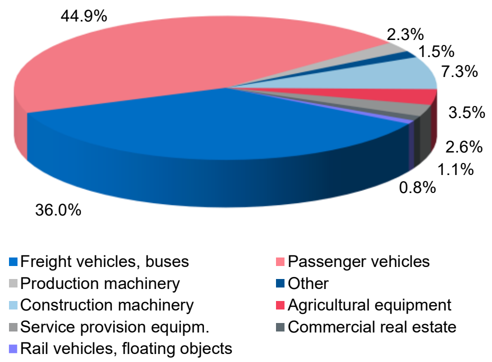
[129] https://tvojnovac.nbs.rs/finansijski_proizvodi/privatna_penzija

Chart II.3.14 **Investment structure by lessee as at 31 December 2025**



Source: NBS.

Chart II.3.15 **Investment structure by lease asset as at 31 December 2025**



Source: NBS.

capital. At end-2025, the financial leasing sector employed 438 people.

Lessors' balance sheet assets continued up. At end-2025, they stood at RSD 227.4 bn, up by around 12% from end-2024 (RSD 203 bn).

The share of non-performing receivables in total receivables was further reduced. At end-2025, past due gross receivables (RSD 3.6 bn) made up 1.76% of gross financial leasing receivables (1.89% at end-2024). The net value of those receivables in total net receivables relative to end-2024 edged slightly down (at end-2025, these receivables accounted for 0.71%). Receivables past due more than 90 days accounted for the bulk of total past due receivables. At end-2025, these receivables measured RSD 2.25 bn. Their share in total gross financial leasing receivables equalled 1.09% (1.17% at end-2024). The net value of receivables past due more than 90 days made up 0.11% of the total net portfolio.

Total lessors' capital at end-2025 equalled RSD 17.3 bn, or 11.8% more than the year before.

The pre-tax result of the financial leasing sector equalled RSD 2.45 bn in 2025, almost unchanged from end-2024 (RSD 2.48 bn). Net profit came at RSD 1.89 bn, with most lessors (10) posting a positive net result. Total revenues and profit in 2025 equalled RSD 14.7 bn, up by 7.5% from the year before, and total expenses and losses – RSD 12.3 bn, up by 9.4% relative to 2024.

At end-2025, ROA and ROE decreased from end-2024. ROA decreased from 1.35% to 1.14%, and ROE from 17.46% to 15.25%.

Structure of lessees

In the structure of lessees, as in the previous years, the most common lessees were companies outside the financial sector, with an 83.6% share in total investment, which is less than in 2024 (85.8%).

As can be seen in Chart II.3.14, entrepreneurs accounted for 7.1% of total investment (6.5% in 2024), natural persons for 2.3% (2.3% in 2024), public enterprises for 1.6% (2.6% in 2024) and farmers for 2.0% (2.3% in 2024).

Structure of investment by lease asset

As Chart II.3.15 indicates, the financing of passenger vehicles, which had the largest share in the structure of investment by lease asset, went further up in 2025 (from 43.5% in 2024 to 44.9% in 2025). The share of financing of freight vehicles, minibuses and buses decreased slightly from 36.5% at end-2024 to 36.0% at end-2025. Also, the share of construction machinery financing declined – from 7.7% in 2024 to 7.3% in 2025, as did the share of financing of agricultural machinery and equipment – from 4.0% in 2024 to 3.5% in 2025.

The share of financial leasing sector in the total balance sheet of the NBS-supervised segment of the financial sector (banks, financial lessors, (re)insurance undertakings and voluntary pension funds) was somewhat higher at end-2025 (2.9%) than at end-2024 (2.8%).

Lessors are expected to continuously improve and adapt their services in line with changes in the environment, as well as changes in the needs of their users.

II.3.4 Payment institutions, electronic money institutions and virtual currency service providers

At end-2025, six payment institutions and six e-money institutions operated in the market, as well as three virtual currency service providers. Amendments to the Law on Payment Services have been applied as of May 2025, further promoting innovation and ensuring greater competition and transparency in the provision of payment services, as well as enhanced consumer protection and payment security.

Pursuant to the Law on Payment Services,[130] in force since the beginning of October 2015, special institutions registered to provide payment services[131] and issue e-money operate in Serbia – payment institutions and e-money institutions. Payment institutions may only be an undertaking, in accordance with the law governing companies, with the head office in the Republic of Serbia and licensed by the NBS to provide payment services.

As of May 2025, most provisions of the Law Amending the Law on Payment Services,[132] adopted in July 2024, have been applied with the aim of further encouraging innovation in the market and strengthening competition and transparency in payment service provision, as well as enhanced consumer protection and payment security. These amendments introduce open banking, i.e. a legal and technological framework for development and provision of new forms of payment services, relying, among other, on data sharing between bank and non-bank payment service providers. They also introduce two new types of payment services (payment initiation service and account information service) and two new types of payment service providers (account information service provider and payment initiation service provider).

Given their significant role in the AML/CFT system, in assessing the applications for licences for the provision of payment services and e-money issuing, the NBS pays special attention to the aspects of these applications relating to the prevention of money laundering and terrorism financing.[133] At end-2025, six payment institutions[134] were licensed by the NBS to provide payment services. All six payment institutions also provided payment services through a network of their agents. The domestic payment institutions also act as representatives of world-renowned companies, which enables the transfer of money in a short time in a great number of countries across the globe.

An e-money institution may only be a company with a head office in Serbia. These institutions are authorised to issue e-money subject to the NBS's licensing. The first licence for e-money issuance was granted in 2016. At end-2025, there were six institutions licensed to issue e-money in the Serbian market.[135] In addition to e-money issuing, e-money institutions can also provide payment services both at their location and through the network of their agents. Unlike licensed domestic e-money institutions, the services of e-money institutions from third countries[136] operating in line with the Law on Foreign Exchange Operations[137] may be used only in foreign payment transactions (for payments and collection of payments in e-purchases/sales of goods and services).

In addition to licensing, the NBS also supervises all payment institutions and e-money institutions, as well as the public postal operator, i.e. a portion of their operations which refers to the provision of payment services and/or e-money issuing.

With regard to the further improvement of the regulatory framework in this segment of the financial market, following the adoption of the relevant bylaws[138] in December 2024 accompanying the previously adopted Law Amending the Law on Payment Services, in October 2025 the NBS adopted the Decision Amending the Decision on Implementation of Provisions of the Law on Payment Services Relating to Issuing of Licenses and Approvals of the National Bank of Serbia.[139] This decision further enhances the process of assessing the suitability of persons acquiring or increasing a qualifying holding in a payment institution and/or electronic money institution.

[130] RS Official Gazette, Nos 139/2014, 44/2018 and 64/2024.

[131] Payment services include services that enable cash payments to and from payment accounts, and all services required to open, maintain and close those accounts, services of transfer of funds to and from payment accounts, execution of payment transactions where funds are covered by a credit line, services of issuance and/or acceptance of payment instruments, money remittance services and the execution of payment transactions where the payer gives consent by means of a telecommunication, digital or IT device.

[132] RS Official Gazette, No 64/2024.

[133] In this procedure, it is particularly considered whether the origin of the applicant's capital can be identified, and/or the source of funds for acquiring a qualifying holding, and whether these persons or persons related to them have been associated with money laundering and financing of terrorism – based on the information submitted by the body competent for the prevention of money laundering and financing of terrorism, or other information available. In this regard, the NBS particularly assesses whether a prospective acquirer of a qualifying holding is a public official, a close family member or a close associate of a public official within the meaning of the law governing the prevention of money laundering and terrorism financing.

[134] https://webappcenter.nbs.rs/WebApp/FinInstPayment/LegalEntityFinInstitution/Index?

[135] https://webappcenter.nbs.rs/WebApp/FinInstElectronicMoney/LegalEntityFinInstitution/Index?

[136] https://webappcenter.nbs.rs/WebApp/FinInstElectronicMoneyForeing/LegalEntityFinInstitution/Index?

[137] RS Official Gazette, No 62/2006, 31/2011, 119/2012, 139/2014, 30/2018 and 19/2025.

[138] In 2024, the NBS adopted the following decisions: Decision on Implementation of Provisions of the Law on Payment Services Relating to Issuing of Licenses and Approvals of the National Bank of Serbia (RS Official Gazette, No 102/2024), Decision Amending the Decision on Capital and Capital Adequacy of Payment and Electronic Money Institutions (RS Official Gazette, No 102/2024), Decision Amending the Decision on Detailed Conditions and Manner of Supervision of Payment Institutions, Electronic Money Institutions and Public Postal Operator (RS Official Gazette, No 102/2024) and Decision on the Contents of Registers of Payment Institutions and Electronic Money Institutions, as well as on Detailed Conditions and Manner of Maintaining these Registers (RS Official Gazette, No 102/2024).

[139] RS Official Gazette, No 95/2025.

In 2022, the NBS issued the first licences for virtual currency service provision pursuant to the Law on Digital Assets,[140] applied since end-June 2021. By end-2025, there were three such providers registered in the Republic of Serbia.[141] This enabled the use of virtual currency services covered by these licences through domestic licensed companies which are comprehensively supervised by the NBS and are fully compliant with international standards. A digital asset service provider may only be a legal person, in accordance with the law governing companies,[142] whose head office is located in the Republic of Serbia and who is licensed by the NBS and/or the Securities Commission to provide one or more digital asset services. The NBS oversees issues under the Law on Digital Assets which pertain to decision-making in administrative procedures, the adoption of bylaws, supervision of operations and exercise of other rights and obligations of the supervisory body relating to virtual currencies as a type of digital assets.

In addition to licensing, the NBS also supervises virtual currency service providers and issuers, as well as holders of virtual currency as a type of digital assets, and continuously examines unauthorised provision of virtual currency services.

[140] RS Official Gazette, No 153/2020.
[141] https://nbs.rs/en/ciljevi-i-funkcije/nadzor-nad-finansijskim-institucijama/digital-imo/reg_di/index.html
[142] Law on Companies (RS Official Gazette, Nos 36/2011, 99/2011, 83/2014 – other law, 5/2015, 44/2018, 95/2018, 91/2019, 109/2021 and 19/2025).

III Financial markets

Despite increased global market volatility, changes in the international monetary environment, as well as geopolitical pressures, global financial markets were stable during 2025. Since September 2025, y-o-y inflation in Serbia dropped below the target midpoint, which is greatly due to the caps on retail margins, while the adoption of systemic laws preventing unfair trade practices will help keep inflation within the bounds of the target tolerance band over the medium term. During 2025, the NBS kept the key policy rate unchanged at 5.75%, as well as lending and deposit facility rates (7.00% and 4.50%, respectively). The relative stability of the dinar exchange rate against the euro has been maintained thanks to NBS interventions of net FX sale in the IFEM. In January 2025, the Republic of Serbia issued the first 10.5Y dinar government bonds, maturing on 27 July 2035. In January and July 2025, and then in January 2026, Fitch Ratings confirmed Serbia's BB+ rating with a positive outlook, while Moody's Ratings confirmed Serbia's rating at Ba2, with outlook changed from positive to stable. During 2025, the Republic of Serbia managed to maintain and strengthen macroeconomic and financial stability.

III.1 Money market

Though 2025 was marked by increased global market volatility, changes in the global monetary environment and periodic disruptions in international capital flows, the domestic financial market remained stable.

The NBS kept the managed floating exchange rate regime, intervening in the FX market to mitigate fluctuations in the dinar-euro exchange rate, as well as to preserve price and financial system stability, and maintain an adequate level of FX reserves. During the year, the dinar nominally weakened 0.2% against the euro, and the NBS managed to maintain the relative stability of the exchange rate through net FX sales in the IFEM, despite heightened depreciation pressures at the end of the year. In addition to non-residents, stepped-up FX demand in 2025 was also generated by residents – energy importers, while for other residents lower FX supply was recorded, partly due to the lower FDI inflow. Foreign cash, which banks traditionally net purchase from authorised exchange dealers and natural persons, also impacted FX demand in 2025. In contrast, the record-high increase in banks' FX-indexed net assets contributed to FX supply, as did the extension of banks' net position arising from payment card operations.

Relative to end-2024, during 2025 the dinar nominally appreciated vis-à-vis the US dollar, by 12.5%, under the impact of the euro gaining against the dollar in the international market. In 2025, the NBS intervened by net selling EUR 580 mn (sales equalled EUR 2,505 mn and purchases EUR 1,925 mn), for the first time since 2020. As in previous years, this helped maintain the relative stability of the dinar exchange rate against the euro. At end-2025, gross FX reserves measured EUR 29.0 bn (EUR 24.6 bn net), slightly lower than at end-2024 (EUR 29.3 bn). The main reasons behind the fall in gross FX reserves in 2025 were outflows on account of government net deleveraging with respect to FX loans and other FX liabilities, as well as the NBS's interventions in the IFEM. FX reserves still stand significantly above their adequacy criteria and are an important pillar of defence against external risks and shocks.

During Q1, the global risk premium recorded an upward trend amid market participants' concerns that an increase in customs tariffs and trade barriers globally could generate new inflationary pressures. As of Q2, the global risk premium moved dominantly down as a consequence of the continued monetary policy easing by the ECB and Fed, as well as mitigated trade tensions after the US reached an agreement with key trade partners.

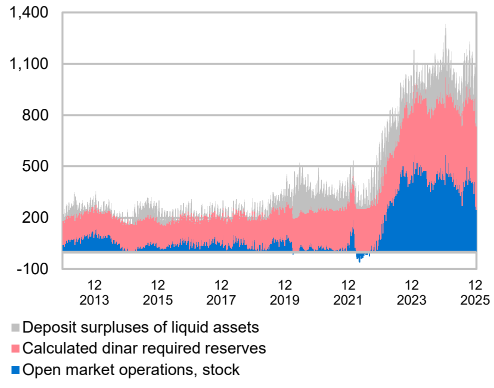
The US-dollar EMBI risk premium[143] for Serbia equalled 131 bp at end-December 2025 (147 bp at end-2024). Throughout the year, Serbia's risk premium remained below the composite measure for emerging market dollar debt, which equalled 231 bp at end-December 2025 (295 bp at end-December 2024). At end-2025, EURO EMBIG for Serbia stood at 159 bp (205 bp at end-2024). At the same time, the composite measure of risk for emerging market euro debt stood at 149 bp (195 bp at end-2024).

In 2024, Serbia was awarded investment-grade rating for the first time in its history. In October 2024, Standard & Poor's raised Serbia's credit rating to investment-grade level of BBB-. In January and July 2025, and then in January 2026, Fitch Ratings kept Serbia's BB+ rating, with a positive outlook for investment grade. According to the agency, the key factors behind this decision include an adequate economic policy and a higher level of economic development compared to the average of Serbia's 'BB' peers. The positive outlook for a rating change is also reflected in the fact that economic growth will be driven by investments within the "Leap into the Future – Serbia Expo 2027" programme, along with public debt remaining on the downward trajectory, and the strengthening of the external position. At end-February 2026, Moody's confirmed Serbia's rating as Ba2, with outlook changed from positive to stable.

In September 2025, y-o-y inflation slowed significantly, dropping below the target midpoint of 3%. This was facilitated by the implementation of the Decree on Special Conditions for Trade in Certain Types of Goods,[144] which capped wholesale and retail trade margins, as well as by core inflation slowing to around 4% y-o-y – monetary policy measures having the biggest impact on it. During 2025, the key policy rate and interest rates on lending and deposit facilities were kept at 5.75%, 7.00% and 4.50%, respectively.

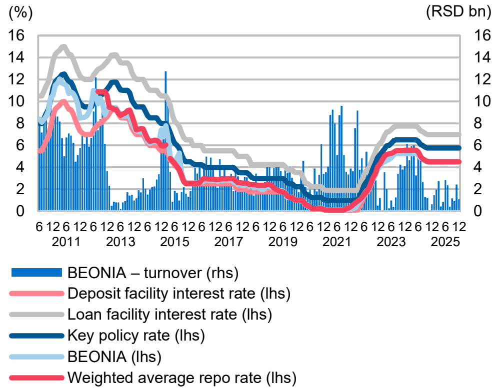
In 2025, the NBS continued to conduct reverse repo transactions (repo sales of securities with a one-week maturity) as its main open market operations, to withdraw excess dinar liquidity from the banking sector. The weighted average repo rate was 4.50% at the last auction in 2025, unchanged relative to the last auction in 2024. At end-2025 relative to end-2024, banks reduced their investments in NBS securities in reverse repo transactions (from RSD 390 bn to RSD 290 bn) (Chart III.1.1).

Chart III.1.1 **Selected NBS monetary policy instruments**
(RSD bn)



Source: NBS.

Chart III.1.2 **Key policy rate, BEONIA and interest rates on deposit and loan facilities**
(monthly averages of daily data)



Source: NBS.

The average daily turnover in the interbank overnight money market in 2025 amounted to RSD 1.6 bn, undershooting the average daily turnover in 2024 (RSD 3.5 bn) (Chart III.1.2). The highest average turnover in this market was recorded during Q1 (RSD 2.1 bn), only to contract in the following three quarters, measuring RSD 1.4 bn in each quarter.

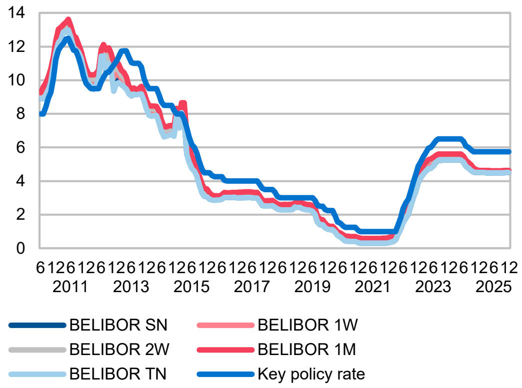
With the key policy rate and lending and deposit facilities rates kept on hold, as well as movements of the weighted average repo rate kept within a very narrow range throughout the year, interest rates in the domestic interbank money market were stable. The average BEONIA[145] rate stood at 4.51% in December 2025, an increase of 6 bp compared to the average value from December 2024. On average, BELIBOR rates ranged from 4.51% for the shortest to 4.73% for the longest maturity in December 2025 (in December 2024,

[143] In April 2025, J.P. Morgan introduced a new duration-weighted methodology for calculating risk indicators, which will gradually phase out risk premium indicators monitored in the previous period (USD EMBI and EURO EMBIG), within which the previously used Stripped Spread indicator was calculated. The USD EMBI was abolished on 18 April 2025, while EURO EMBIG is to be revoked in Q1 2026.

[144] Starting from 1 September 2025 and for a period of six months, the Decree (RS Official Gazette, No 106/2025) capped trade margins at 20% for products classified in 23 categories within food and household chemicals, which account for around 35% of the Consumer Price Index.

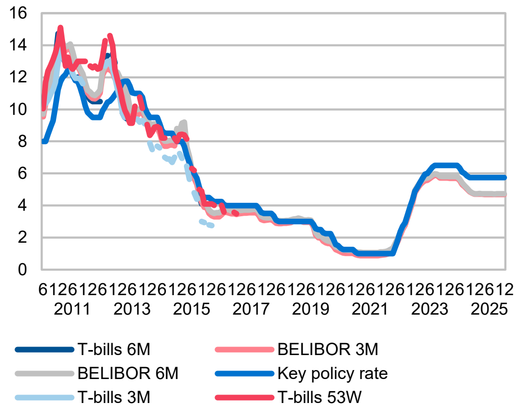
[145] The weighted average overnight rate in the interbank money market of the Republic of Serbia.

Chart III.1.3 **BELIBOR interest rates**
(monthly averages, %)



Source: NBS.

Chart III.1.4 **Interest rates in the money market and auctions of dinar T-bills**
(monthly averages, %)



Sources: Ministry of Finance and NBS.

the average BELIBOR rates ranged from 4.51% for the shortest to 4.74% for the longest maturity) (Chart III.1.3).

In 2025, the NBS continued to conduct bilateral transactions of FX swap purchases and sales, introduced in early 2022. These transactions are an efficient instrument for providing support to banks in managing their dinar and FX liquidity, owing to their flexibility regarding the timing of transactions and their maturity.

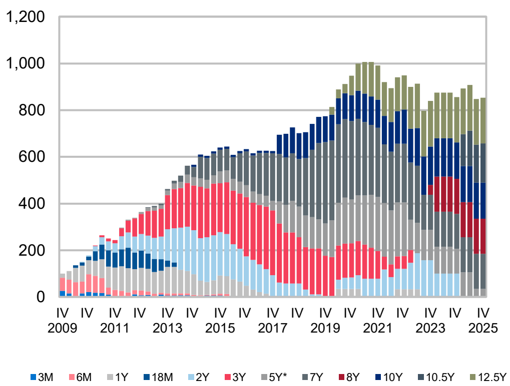
In 2025, the NBS swap bought and sold EUR 1,907.0 mn each in bilateral FX swap transactions with banks (EUR 1,257.0 mn each in 2024). In 2025, there were no interbank FX swap transactions (in 2024, they amounted to EUR 20.0 mn).

III.2 Bond and share market

The government bond market is one of the most significant segments of the domestic financial market. Primary sale of government bonds is organised by the Ministry of Finance – Public Debt Administration, using the single interest rate auction method. The sale of dinar bonds in the domestic market reduces the exposure to currency risk and contributes to advancing dinarisation of the financial system. Over the past 13 years, the dinar yield curve has been strategically developed in such a way that it has been significantly extended, resulting in an increase in the average maturity of dinar government securities and thereby reducing exposure to the refinancing risk. In 2025, as in 2024, there was no early buyback of dinar government bonds. The stock of sold dinar government bonds with maturities over one year amounted to RSD 853.6 bn at end-2025, which is 0.4% less than at end-2024 (Chart III.2.1). In the structure of dinar government bonds with maturities of over one year, 12.5Y bonds had the largest share at end-2025 – 22.9%, which is slightly above their share at end-2024 (22.8%), followed by 10.5Y government bonds with a share of 19.7%.

In 2025, the issuance of benchmark bonds was extended, which is a continuation of the approach that has been applied since 2016. When issuing benchmark bonds, the planned volume of sale is only a portion of the total issue, with provisions for reopening these bond issues multiple times throughout the year. These issues contribute to increased volumes of secondary market trading. In addition, the issuance of benchmark bonds is one of the requirements for inclusion of government securities in global government bond indices (Local Currency Government Bond Emerging Market Indices). Following the inclusion of three dinar benchmark bonds of the Republic of Serbia – with 7Y, 10Y and 12.5Y initial maturities – in the renowned J.P. Morgan GBI-EM Index in June 2021, a new 8Y dinar benchmark bond was also included in the index at end-February 2024. In March 2025, a new 10.5Y benchmark bond issued in January 2025 was also included in the J.P. Morgan GBI-EM Index. The inclusion of five dinar government bonds in the index implies greater potential investment by foreign portfolio investors and enhanced liquidity in the

Chart III.2.1 **Stock of dinar government securities**
(nominal value, RSD bn)



* Maturities of 5Y and 5.5Y are included.
Source: Ministry of Finance.

secondary market for government securities, as J.P. Morgan GBI-EM is one of the most frequently monitored benchmark indices for bonds issued in local currency of emerging markets. In June 2025, the bond with the initial maturity of 7Y was excluded from these indices (given the short remaining maturity), therefore at end-2025, there were four Serbian dinar bonds left in the J.P. Morgan GBI-EM Index.

The bid-to-cover ratio – the indicator of investor demand and the amount of dinar government bonds sold at primary auctions – reached its highest 2025 value in July and September (1.9) (Chart III.2.2).

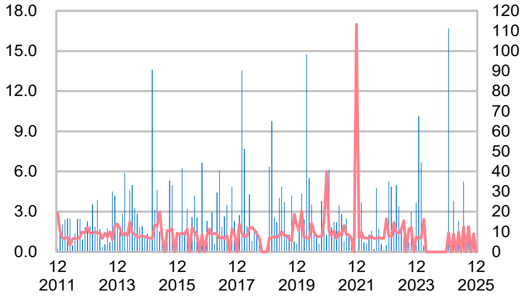
During 2025, five auctions of dinar government bonds with a 10.5Y original maturity and one auction of dinar government bonds with a 5Y original maturity were held. In January 2025, the Republic of Serbia issued the first 10.5Y government bond maturing on 27 July 2035. The initial volume of this issue was RSD 120.0 bn, and at end-February 2025, the Public Debt Administration decided to increase the volume of the existing 10.5Y bond issue by an additional RSD 60 bn, to RSD 180 bn, owing to record-high investor demand. At the five auctions held in 2025, a nominal amount of RSD 168.4 bn was sold. The accepted rate in the first auction in January was equal to the coupon rate of 5.25%, only to decrease gradually at subsequent re-openings, measuring 5.10% in the last auction.

In the auction for the sale of 5Y government bonds, held in July 2025, the planned volume in the nominal amount of RSD 35 bn was sold. These bonds mature on 30 July 2030, and were sold at the accepted rate of 4.49% (coupon rate 4.50%). At end-2025, the Public Debt Administration decided to increase the volume of the 5Y bond issue by an additional RSD 100 bn.

In 2025, the share of foreign investors in the portfolio of dinar government bonds decreased from 15.8% in December 2024 to 12.2% in December 2025 (Chart III.2.4). Since the end of 2015, domestic banks have been the dominant holders of dinar government bonds. Their share in the portfolio of dinar securities at end-2025 was 60.5%, a decrease of 0.8 pp compared to December 2024. In recent years, the share of other domestic investors (insurance undertakings, pension and investment funds, etc.) has been growing; however, they still account for a relatively small portion of the ownership of dinar government bonds. The continued expansion and strengthening of the domestic institutional investor base will still be of key importance in the coming period for the advancement of the government bond market.

In 2025, there were two auctions of the Republic of Serbia's 12Y government eurobonds maturing on 29 July 2037. After a successful sale of government bonds in the amount of EUR 250 mn in the auction held on 25 July 2025, when the full volume of the planned issue was realised, investors voiced additional demand for these securities. In line with the interest of institutional market participants, as well as to ensure additional liquidity and support the development of the domestic

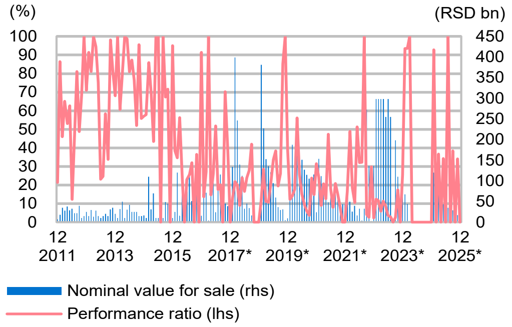
Chart III.2.2 **Market demand for dinar government bonds***
(primary auctions, RSD bn)



* There were no auctions of RSD government securities in the period April–December 2024.

Source: Ministry of Finance.

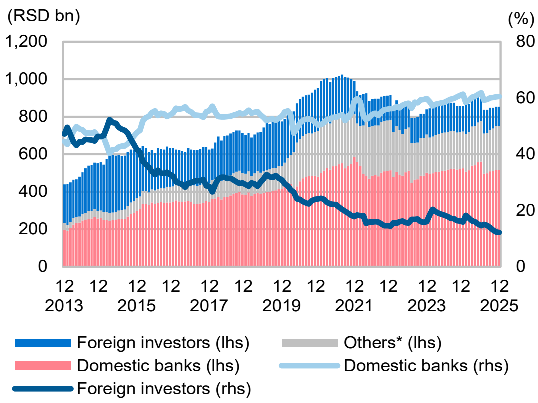
Chart III.2.3 **Performance ratio in auctions of dinar government bonds****



* For benchmark bonds the total value of issue is shown and performance is expressed as a percentage of that value. The planned sale volume at these auctions was lower than the total amount issued.
** There were no auctions of RSD government securities in the period April–December 2024.

Source: Ministry of Finance.

Chart III.2.4 **Structure of the portfolio of dinar government bonds**



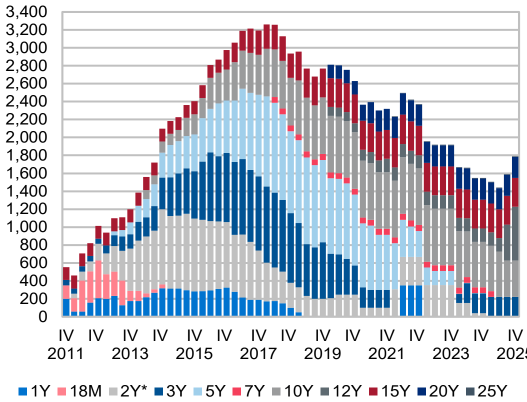
* Custody banks, insurance undertakings, pension funds, natural persons and other legal entities.

Source: Central Securities Depository and Clearing House.

debt market, the issue was increased by EUR 200 mn. In the second auction, held in December 2025, a nominal amount of EUR 200 mn was sold at the accepted rate of 4.97% (4.99% in the first auction), while the coupon rate was 5.00%.

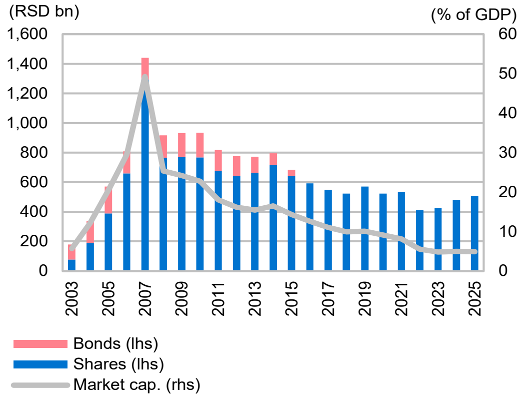
In mid-January 2025, the Republic of Serbia issued government bonds for the fourth time to settle liabilities arising from compensation claims for confiscated property,[146] regulating the state's obligations under the Law on Property Restitution and Compensation.[147] Bonds with the maturities of 5Y, 10Y, and 12Y were issued, in the total amount of EUR 46.4 mn. At end-January 2025, the BSE adopted the Decision on Admission of Long-Term Debt Securities issued for the Purpose of Settling the Republic of Serbia's Liabilities Related to the Compensation for Confiscated Property[148] to the BSE Prime Listing.

Chart III.2.5 **Stock of euro government bonds**
(nominal value, EUR mn)



* Maturities of 2Y and 2.5Y are included.
Source: Ministry of Finance.

Chart III.2.6 **Belgrade Stock Exchange market capitalisation**



Sources: Belgrade Stock Exchange and NBS.

In 2025, there was no early buyback of eurobonds. The stock of eurobonds with maturities over one year was EUR 1.8 bn in December 2025, EUR 242.8 mn higher than in 2024 (Chart III.2.5). The largest share in the total portfolio of government eurobonds is held by 12Y (33.4%), 10Y (22.7%), 15Y (18.0%) and 20Y (13.2%) securities.

During 2025, the volume of trading in the secondary market of dinar government securities equalled RSD 260.1 bn, which is lower than the turnover in 2024 (RSD 309.2 bn). Secondary trading in euro securities amounted to EUR 360.4 mn (EUR 186.9 mn in 2024). Total trading in long-term government bonds listed in the BSE Prime Listing (in dinars and euros) amounted to RSD 23.1 bn in 2025. The development of secondary trading in government bonds in the regulated market contributes to greater transparency and liquidity of the secondary market of government bonds, enabling more efficient valuation of these securities.

BSE market capitalisation rose by RSD 27.5 bn in 2025, amounting to RSD 508.2 bn at end year (4.9% of GDP) (Chart III.2.6). Compared to 2024, market capitalisation in 2025 increased primarily in the open market segment, by RSD 20.4 bn.

At end-December 2025, the BELEX15 index of the most liquid shares stood at 1,275.21, an increase of 11.2% compared to the end of the previous year (1,146.76). During the same period, the BELEXline index rose by 16.1%, measuring 2,849.71 (2,453.68 at end-December 2024) (Chart III.2.7).

Total shares turnover on the BSE amounted to RSD 1.6 bn in 2025, which is RSD 1.7 bn less than in 2024. The largest share turnover was recorded in the open market segment of the BSE, amounting to RSD 1.2 bn.

The average monthly share turnover ratio[149] was 0.03% in December 2025, which is lower than the average monthly turnover ratio in December 2024 (0.06%), indicating low BSE liquidity (Chart III.2.8).

The number of transactions on the BSE in 2025 was 11,896, lower than in 2024 (19,095 transactions). Foreign investors were more active on the purchase (21.8%) than on the sale side (6.9%) during 2025. Their participation in total BSE turnover was 14.4%, up by 6.2 pp from 2024.

At end-December 2025, UniCredit bank issued long-term dinar bonds with the aim of strengthening the capital base by diversifying funding sources and increasing own funds and eligible liabilities (MREL)

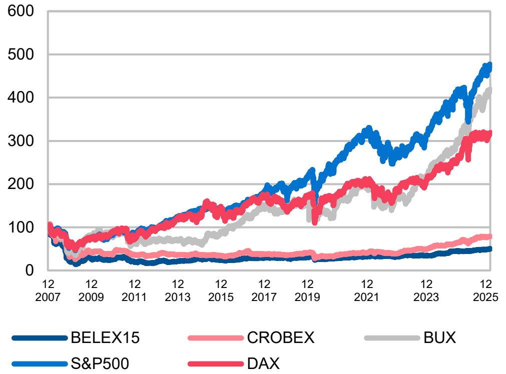
[146] The government first issued bonds to settle liabilities arising from compensation claims for confiscated property in January 2022 and then in January 2023 and 2024.

[147] RS Official Gazette, Nos 72/11, 108/13, 142/14, 88/15 – CC decision, 95/18 and 153/20.

[148] Available at: Belgrade Stock Exchange (https://bgdx.rs/eng/trgovanje/vesti/trgovanje/2025/01//).

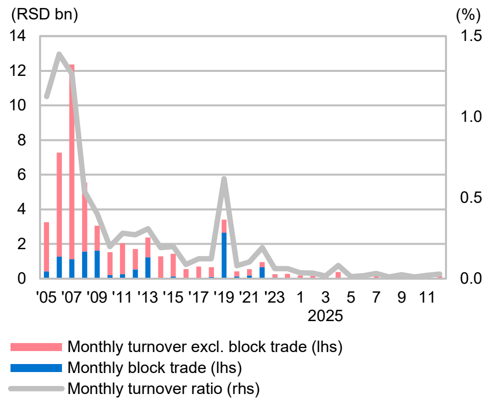
[149] Calculated as the ratio between the total monthly shares turnover during the month and the average stock of market capitalisation of shares at two points in time (the end of the current and previous month).

Chart III.2.7 **Stock market indices**
(index, 15 Nov 2007 = 100)



Source: Bloomberg.

Chart III.2.8 **Belgrade Stock Exchange share turnover**



Source: NBS, based on data of the Belgrade Stock Exchange.

intended for professional investors. The total nominal value of the issue is RSD 6 bn, and the maturity date is 12 December 2029. The bonds were first issued with the call option, which gives the issuer the right to redeem the bonds early according to their nominal value. The bonds were listed on the new market segment Open Market – Qualified Investors, on which trading is permitted exclusively for professional investors. By establishing this market segment, the BSE is further improving market infrastructure and creating conditions for more efficient and flexible admission of debt securities intended for institutional and professional investors, while ensuring full protection of the regulatory framework and preserving market transparency.[150]

At end-December 2025, the Belgrade and Athens stock exchanges marked the beginning of trading on the Greek OASIS platform with the Ring the Bell ceremony.[151] With the full implementation of OASIS, the BSE has obtained a more stable and reliable platform, fully aligned with international trading standards. This enhances trading efficiency and market transparency, while also creating conditions for the introduction of new products, greater international participation, and stronger regional connectivity.[152]

In 2025, the Securities Commission approved five white papers[153] and one licence to digital token service providers.[154] Also, in February 2025, the Securities Commission approved the issuer Elixir Group doo Šabac to publish a single prospectus for the public offering of long-term dinar-denominated green bonds. With the total nominal value of RSD 4.1 bn and a 5Y maturity, the bonds were issued in April 2025 and admitted to trading in the BSE regulated market segment.

In 2025, two banks in the Republic of Serbia issued mini-bonds for seven companies, thereby further strengthening the role of banks as leaders in providing innovative financial solutions on the domestic market. Mini-bonds are a debt instrument that enables companies to raise capital by issuing bonds instead of using classic bank loans. It is a simpler, faster, and more flexible form of borrowing, tailored specifically to SMEs with a stable business model and growth plan.[155]

In February 2026, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval) published the mutual evaluation report for Serbia, adopted at the Committee's plenary meeting in December 2025.[156] The report assessed the compliance of Serbia's legislative and institutional frameworks with the FATF's standards (technical compliance), as well as the efficiency of the system for the prevention of money laundering, terrorism financing and the financing the proliferation of weapons of mass destruction in practice (system efficiency).[157]

The development of alternative investment funds (AIFs)[158] continued in 2025 with the establishment of four more funds. Previously, in 2022–2024, eight AIFs were set up. They are primarily intended for professional and semi-professional investors, as their

[150] https://bgdx.rs/eng/o_berzi/vesti/103117
[151] In early August 2021, the Athens Stock Exchange acquired 10.24% of the total number of BSE shares. Thus, the BSE became part of the biggest stock exchange in Eastern and Southeastern Europe.
[152] https://bgdx.rs/eng/o_berzi/vesti/103093
[153] The white paper is a document published at the issuance of digital assets, which contains information on the issuer of digital assets, digital assets and risks associated with digital assets, so that investors are able to make an informed investment decision.
[154] The digital token is a type of digital assets and means any intangible property right, representing, in digital form, one or more other property rights, which might include the right of a digital token user to specific services.
[155] https://www.unicreditbank.rs/rs/sme/mini_bond.html
[156] https://www.coe.int/en/web/moneyval/-/serbia-strides-made-in-risk-assessment-and-prosecution-further-steps-needed-in-supervision-and-effective-use-of-financial-intelligence-says-council-of-europe-anti-money-laundering-body-1
[157] https://www.nbs.rs/sr/scripts/showcontent/index.html?id=21210&konverzija=no
[158] Pursuant to the Law on Alternative Investment Funds (RS Official Gazette, Nos 73/2019, 94/2024 and 109/2025).

investment policies allow for greater freedom in investment choices compared to traditional open-ended investment funds with a public offering.

Developed financial markets can play a significant role in financing economic growth. Further development of the domestic financial market is supported by the aforementioned new financial instruments. Furthermore, the planned introduction of the primary dealer function is expected to contribute to the enhancement of both the primary and secondary markets for government securities.[159] In addition, the continuation of financial education of the population and the ongoing improvement of financial inclusion remain important for increasing the participation of domestic natural persons in the local financial market.

III.3 Financial infrastructure

Central banks play a critical role in the organisation, functioning and development of national payment systems, and are responsible for ensuring their stability, security and efficiency, while actively contributing to the improvement of the regulatory framework and development of payment infrastructure. Central banks promote the implementation of modern technological solutions and innovations to increase reliability, speed and cost efficiency of payment services, additionally boosting the financial system stability and supporting sustainable economic growth.

Pursuant to 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), the NBS has the mandate to regulate, supervise and promote the functioning of payment operations in the Republic of Serbia.

The infrastructure of Serbia's payment system comprises: (1) NBS RTGS payment system; (2) NBS clearing system; (3) NBS interbank clearing of foreign exchange payments; (4) NBS international clearing of foreign exchange payments; (5) DinaCard payment system; (6) ASB cheque clearing; (7) ASB direct debit clearing and (8) NBS IPS system.[160]

The NBS is the operator of: (1) NBS RTGS payment system; (2) NBS IPS system; (3) NBS clearing system; (4) NBS interbank clearing of foreign exchange payments; (5) NBS international clearing of foreign exchange payments; and (6) DinaCard clearing system.[161]

The key functions of a payment system include: (1) transfer of money – payment systems enable the transfer of funds between participants, financial institutions and other entities, which is essential for everyday transactions; (2) processing and settlement of transfer orders – payment systems process and settle money transfer orders, including verification of order validity, transfer of funds, and notification of participants once the transaction is completed; (3) transmission of monetary policy measures – a payment system is a channel for the transmission of monetary policy measures; (4) public confidence – safe and sound payment system operation fosters trust in the financial system; (5) liquidity maintenance – payment systems allow participants to access and use their funds in a timely manner.

The Law on Payment Services (RS Official Gazette, Nos 139/2014, 44/2018 and 64/2024) and regulations on the payment system and payment services governing the finality of settlement in important payment systems define the NBS RTGS payment system and NBS clearing system as important payment systems, significant for the stability of the overall financial system.[162]

Sound, safe and efficient operation of the NBS RTGS payment system is critical for ensuring the stability of the financial system of the Republic of Serbia. Its systemic importance is reflected in the fact that it is a system for real-time money transfer, where all interbank payment transactions exceeding RSD 300,000 ("large-value payments") are executed. The system also serves for settling money obligations and receivables originating from other payment systems, and for settling the monetary segment of transactions in respect of trade in financial instruments.

Participants in this system are: (1) the NBS, (2) banks headquartered in Serbia and licensed by the NBS in accordance with the law governing banks, (3) the ministry in charge of finance – Treasury Administration, (4) the Association of Serbian Banks (ASB), as the operator of the direct debit and cheque clearing systems; (5) the Central Securities Depository and Clearing House, as the operator of the system for the settlement of financial instruments.[163]

RTGS participants are able to manage the risks they are exposed to since the settlement is executed in real time on a gross basis. As settlements are executed in the domestic currency, credit risk is significantly reduced.

[159] The function of primary dealers was introduced in the domestic regulatory framework in early December 2018 by the Law Amending the Law on Public Debt (RS Official Gazette, No 95/2018).

[160] https://nbs.rs/en/ciljevi-i-funkcije/platni-sistem/evidencija

[161] https://nbs.rs/en/ciljevi-i-funkcije/platni-sistem/nbs-operator/index.html

[162] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/propisi-ps/bitni_platni_sistemi_e.pdf

[163] https://nbs.rs/en/ciljevi-i-funkcije/platni-sistem/nbs-operator/index.html

Participants must have an adequate level of liquidity in their accounts to execute transactions smoothly. RTGS system enables them to manage this risk more effectively by providing real-time visibility of account balances, an overview of all transactions and the possibility to change the sequence of payment orders execution based on priority, thereby improving the efficiency of liquidity flow management.

An important indicator of the significance of the RTGS system for the national economy is the value of payment transactions executed in the system over a specific period of time.

The value of turnover in the RTGS system in 2025 measured RSD 212,241.8 bn, with 213.1 mn payments executed (94.9% of the total number of payments and 99.9% of the total value of transactions in the NBS RTGS and clearing systems). The value of turnover in the NBS clearing system was RSD 289.1 bn, or 0.1% of the total value of both systems. Of the total number of payments, 11.4 mn or 5.1% were payment orders executed in the clearing system.[164]

The average daily value of turnover in the RTGS system equalled RSD 842.2 bn, and the average daily value of turnover in the clearing system – RSD 1.1 bn.[165] The highest monthly value of turnover in the RTGS payment system in 2025 was recorded in January (RSD 20,701.9 bn).[166]

The availability of the NBS RTGS and clearing systems is one of the key factors affecting financial system stability. Out of a total of 252 business days in 2025, i.e. 140,335 minutes of production, the availability of the RTGS and clearing systems was 100%.[167]

Table III.3.1 **Value and number of payments in the NBS RTGS system**

	Average for period 2010–2024	2025
NBS RTGS		
Value, RSD bn	80,130.08	212,241.78
Number of payments, mn	165.22	213.06

Source: NBS.

The NBS also plays a critical role in encouraging and supporting digitalisation and modernisation of payment systems.

The NBS IPS payment system has successfully operated in Serbia for more than seven years, enabling households and businesses to execute real-time payments 24/7/365, with maximum simplicity and security. Building on years of experience and successful implementation of this modern payment infrastructure, Serbia has become a regional leader in payment services digitalisation and payment system modernisation, setting an example of how modern technology can improve the financial system and benefit the country's economic development.

Direct participants in the NBS IPS system are: (1) banks headquartered in Serbia and licensed by the NBS in accordance with the law governing banks; (2) the NBS; and (3) the ministry in charge of finance – Treasury Administration, i.e. participants which can have accounts in this system in line with the regulations and operating rules of the RTGS.[168]

Other payment service providers can be indirect participants if they render services which include credit transfers.[169] There are two forms of indirect participation – entities which directly deliver and/or receive transfer orders in the NBS IPS system, and/or entities with indirect access on whose behalf direct participants deliver and/or receive transfer orders in the NBS IPS system.

By end-2025, eight indirect participants in the NBS IPS system were registered, namely one indirect participant with direct access and seven indirect participants as entities with indirect access.[170]

Table III.3.2 **Value and number of payments in the NBS IPS system**

	Average for period 2019–2024	2025
NBS IPS		
Value, RSD bn	492.66	1,393.79
Number of payments, mn	46.99	109.33

Source: NBS.

[164]https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/statistika/rtgs/stat_25.pdf
[165]https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/statistika/rtgs/stat_25.pdf
[166]https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/statistika/rtgs/pp_01_25.pdf
[167]https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/statistika/rtgs/stat_25.pdf
[168]https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/IPS_participants.pdf
[169] Credit transfer means a payment service where the payer instructs the payment service provider to initiate the execution of one or more payment transactions, including the issuing of a standing order (Article 4, paragraph 2 of the Law on Payment Services).
[170]https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/IPS_participants.pdf

Uninterrupted success of the NBS IPS system is reflected in a continuous increase in the number and value of transactions carried out since its introduction in October 2018. The total value of turnover in the system in 2025 equalled RSD 1,393.8 bn, with 109.3 mn instant payments executed, i.e. around 25% more than in 2024. The highest monthly turnover in 2025 was recorded in December (RSD 152.8 bn),[171] while the highest daily number of executed transactions was surpassed as many as eight times during the year. The record-high daily number of executed transactions in 2025 was posted on 14 November, when there were 565,213 payments worth RSD 7.1 bn.[172]

In addition to sending instant credit transfers to any recipient with a current account in a bank, the IPS system[173] also enables the following services: IPS scan and IPS show payments at physical and online points-of-sale; transfer service payments – by specifying a certain designation of the recipient such as a mobile phone number; IPS scan payments at online points-of-sale, made with a few clicks on a single device (mobile phone) using deep link technology; Generator and Validator services at the NBS website, enabling the generation (technical preparation) of the NBS IPS QR code and the validation (technical verification) of an already prepared NBS IPS QR code.

Also available to citizens is the option of instant payment of fees and commissions for services provided by the Ministry of Interior Affairs and the Ministry of Finance – Tax Administration through the e-Government portal – e-Pay service, by scanning the IPS QR code displayed at the individual payment order created by this portal.[174]

According to the data of all payment service providers for 2025, an increase was recorded for almost all payment services, and especially for cashless payments. The total number of m-banking users (natural and legal persons and entrepreneurs) increased by 11.3% from 2024 and e-banking users by 12.1%. The rising importance of m-banking can be seen in the 25.7% y-o-y increase in the number of transactions executed by natural and legal persons and entrepreneurs. At the same time, the number of e-banking transactions fell by 5% y-o-y.[175]

The number of card-based and e-money payment transactions used for online purchases of goods and services continued to post stable growth. In 2025, 110.6 mn online transactions were executed in all currencies, which is a 34.3% y-o-y increase. At the same time, the number of dinar online payments rose by 39.1%, indicating increased confidence in the domestic currency in e-commerce.

According to the data submitted by payment service providers, the number of distance contracts on financial services concluded electronically in 2025 equalled 518,184, which is a 60.0% rise from 2024. Of this number, 359,177 were contracts concluded electronically (an increase of 54.0%), while 159,007 contracts were concluded using customer video identification (an increase of 75.4%).

The presented indicators confirm the continuation of intense digitalisation of payment services, rising customer confidence in electronic communication channels and further modernisation of payment infrastructure in Serbia in 2025.

In addition to dinar payment systems, the NBS operates the International Clearing of FX Payments and Interbank Clearing of FX Payments. The two payment systems ensure efficient and reliable execution of euro payment transactions between banks both at home and regionally – Serbia, Bosnia and Herzegovina and Montenegro.

Both payment systems work as a single platform through which the participating banks from Serbia, Bosnia and Herzegovina and Montenegro, together with their central banks, are interconnected to execute FX payment orders using standardised electronic messages in SWIFT MT format, though there is a plan to switch to ISO 20022 message format in 2026. The execution of transfer orders is based on the net principle with multilateral netting used for calculating liabilities and receivables of individual participants and reducing them to net settlement position.

Of particular importance is the possibility to carry out a transaction during the same business day, with low costs of processing. This increases the efficiency of payment transactions, participants' liquidity and Serbia's financial sector competitiveness. Thus, the

[171] https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/statistika/IPS/ips_12_25.pdf
[172] https://www.nbs.rs/en/scripts/showcontent/index.html?id=21022
[173] https://ips.nbs.rs/en/pregled-usluga
[174] https://www.nbs.rs/en/scripts/showcontent/index.html?id=19537&konverzija=no
[175] Overview of data on the provision of payment services and e-money issuance 2024–2025 (https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/pregled-pu-ien/pu-ien_e_IV_25.pdf)

international and interbank FX clearing systems are a unique platform in the Western Balkans with a potential for enhancement of cross-border payments and strengthening of regional financial integration.

At end-2025 there were 13 participating banks from Serbia,[176] the NBS, six banks from Bosnia and Herzegovina and one bank from Montenegro[177] based on the agreement on the clearing of international payments concluded in 2007 by the central banks of the three countries.

To further modernise payments and harmonise with European standards in the area of payment services, the NBS actively carried out comprehensive activities aimed at aligning and improving the regulatory framework governing payment services and developing a modern national payment infrastructure by establishing the IPS system based on ISO 20022 standard for electronic message exchange. All this was a solid foundation for further development of the national payment infrastructure and creation of conditions for potential connecting with the EU payment infrastructure following Serbia's accession to the Single Euro Payments Area (SEPA). [178]

On 22 May 2025, Serbia officially joined SEPA,[179] enabling payment service providers' access to payment schemes of the European Payments Council. As a result, payment service providers from Serbia will be able to execute payment transactions in SEPA Credit Transfer – SCT, SEPA Instant Credit Transfer – SCT Inst and SEPA Direct Debit – SDD schemes.

The EPC calendar envisages the accession of domestic payment service providers to SEPA payment schemes from November 2025 onwards, while the earliest operational readiness date for payment service providers from Serbia is 4 May 2026.[180]

In 2025, banks and the NBS were getting ready for accessing, primarily, the SCT payment scheme to enable euro credit transfers in line with the scheme's operating rules and the decision governing special rules for credit transfers and direct debits in euros.[181] In parallel with enabling SCT payment transactions, banks were also preparing to enable SEPA instant credit transfers and access to SCT Inst payment scheme.

As an important step in this process, on 13 March 2026, the NBS was entered into the EPC's SEPA register, thereby officially becoming a participant in the SCT scheme and creating the conditions for euro payments to be available under standardised conditions within the SEPA.

Building on these activities and the fulfilled prerequisites, as of 5 May 2026, the Serbian banking sector has become fully operational, in accordance with the EPC calendar, for executing payments and collections with foreign countries through the SCT payment scheme. From this date, the NBS has enabled the execution of SEPA payments for budget users, while 18 domestic commercial banks perform SEPA payments for citizens and businesses.

SEPA payments have become fully operational as a result of many years of work and cooperation between the NBS and the banking sector, and this is a clear indication of Serbia's commitment to further modernising its financial system, improving the efficiency of payment operations and strengthening economic and financial ties with the EU. This brings numerous benefits – from reducing transaction costs and accelerating the execution of cross-border euro payments, to strengthening financial stability through harmonised technical standards and high payment security requirements. In addition to direct effects on the banking sector, these changes stimulate the digitalisation of the economy, strengthen e-commerce, curb the grey economy, and improve consumer protection. This makes SEPA not only a platform for faster and cheaper payments, but also a symbol of Serbia's inclusion in modern trends of the European economy and a confirmation of its position as a reliable and equal partner in the European payment area.

Network of interbank transactions of the NBS RTGS payment system

The network indicators of the RTGS system are calculated to assess the connectedness of participants and ensure a basis for analysing the network's

[176] The same banks participate in the NBS interbank clearing of foreign exchange payments.

[177] https://www.nbs.rs/export/sites/NBS_site/documents-eng/platni-sistem/banks_in_int_po.pdf

[178] Single Euro Payments Area (SEPA) is a single market for euro payments, where citizens, businesses and public institutions have the opportunity to carry out all cashless payment transactions in the European currency. The aim of this system is to make cashless payments between European countries as simple and efficient as national payments within a single country.

[179] https://www.europeanpaymentscouncil.eu/sites/default/files/kb/file/2025-05/EPC172-25%20Press%20Release%20Serbia_0.pdf

[180] https://www.europeanpaymentscouncil.eu/sites/default/files/kb/file/2025-05/EPC172-25%20Press%20Release%20Serbia_0.pdf

[181] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/propisi-dev/transfer_odobrenja_direktna_zaduzenja_e.pdf

resilience to potential shocks and the effects of shock transmission in the network.

Network characteristics were analysed using daily data for January–December 2025, on the basis of reports on interbank transactions in the NBS RTGS payment system. During 252 business days, MT202 and MT103[182] interbank messages were analysed and used to model separate networks each business day. Table III.3.3 shows the results of the analysis and the values of indicators for the entire network.[183]

For 252 business days in 2025, for the observed sample of transactions (MT202 and MT103), the average daily turnover was RSD 98.7 bn, down by RSD 6,082.2 bn y-o-y, while IPS turnover increased by RSD 110.23 bn y-o-y. The average daily number of interbank transactions in the RTGS system was 25,139 and the average value per transaction was RSD 3.94 mn.

The size of a financial network is defined by the number of its participants. In Q1 2025, 20 banks[184] participated in the NBS RTGS payment system. After that, the number of banks dropped to 19[185] and stayed at that level until the end of 2025. The daily average of direct interbank links was around 337, meaning that many banks executed bilateral MT202 and MT103 transactions on a daily basis. The average daily connectivity ratio of 73.14% was relatively high, which means that the interdependence of financial institutions was also high, as indicated by the low average path length of 1.21,[186] i.e. the mean value of all shortest paths to any node.

Important parameters for analysing a network of this type are the mean value of the node degree and the value of the degree of the out node, which denotes the number of banks to which a specific bank makes payments. If a financial institution with a high value of this indicator faces operational risk, i.e. inability to make payments, there is a higher probability of contagion to related nodes, i.e. financial institutions expecting to receive payments. For the entire NBS RTGS network, the average daily degree out was 14.35, which is relatively high given the number of banks participating in the system.

The average clustering coefficient, as the "potential" for clustering, was also high, averaging 90.23%, which is a measure of connectedness among neighbouring nodes.

Banks with high betweenness centrality are important in the payment system as they participate significantly

Table III.3.3 **RTGS payment indicators (network-level)**

		Mean	Median	Maximum	Minimum	Standard deviation
Payments	Value (RSD mn)	98,701.22	98,797.37	110,627.82	89,895.84	6,407.33
	Number of transactions	25,138.84	24,912.22	30,379.87	21,471.25	2,104.89
	Average (RSD mn)	3.94	3.90	4.31	3.64	0.21
Network size	Nodes*	20	19	21	19	0.94
	Number of direct links	337.42	323.00	394.00	320.00	26.87
Distance measure	Average path length	1.21	1.20	1.24	1.19	0.01
Connectivity	Node degree	15.66	15.58	16.93	14.13	0.62
	Node out-degree	14.35	14.32	15.26	13.02	0.51
	Connectivity	73.14%	75.17%	76.44%	61.98%	3.99%
	Average clustering	90.23%	91.43%	92.02%	82.86%	2.56%
Others	Betweenness centrality	5.10%	5.26%	5.26%	4.76%	0.24%
	Dissimilarity index	0.38	0.28	1.13	0.26	0.14

* Calculations based on daily reports from the NBS RTGS system, for the period Jan-Dec 2025, interbank payments (MT202 and MT103). Payment value and number of transactions in all columns were calculated based on average values, analysed on a monthly basis.

Source: NBS.

[182] Under the SWIFT standard, MT202 messages are used for the transfer of funds between payment system participants, and MT103 messages for single transfer orders for the account of payment service users. In addition, MT102 messages – group orders for retail payments – are also executed in the NBS RTGS system.

[183] A detailed explanation of the indicators is available in the *Financial Stability Report – 2015*, Text box 4 – Network modelling.

[184] The temporary account of Banka Poštanska štedionica was closed in February 2025.

[185] In March 2025, AIK bank acquired Eurobank Direktna.

[186] The average path length l_h for node h is the mean of all shortest paths to any node i.$l_h = \frac{1}{n}\sum_{h\neq i} d_{hi}$ At the network level, the average path length is defined as the ratio between the mean of average path lenghts for each node and the number of nodes, i.e. $l = \frac{1}{n-1}\sum_i l_i$.

in shock transmission through the network. The betweenness centrality reflects the frequency with which an individual institution is on the shortest path between other nodes of the network. The average betweenness centrality of 5.10% is rather low.

The average mean of the dissimilarity index, which is used to compare the entire network from the perspective of all pairs of related nodes, equalled 0.38 for the RTGS network. This means that from the perspective of any two neighbouring nodes, the RTGS network behaves in a homogeneous way and that the network looks similar from the perspective of most nodes.

Network indicators used to describe the characteristics of the payment system network consider interbank connectedness, while the turnover value in the form of a weight branch factor is also considered for the assessment of importance of a financial institution in the payment system network.

The analysis shows that the RTGS network is highly connected, but that there are several banks that are more interconnected, which represents the basis for further analysis of network indicators at the level of individual institutions.

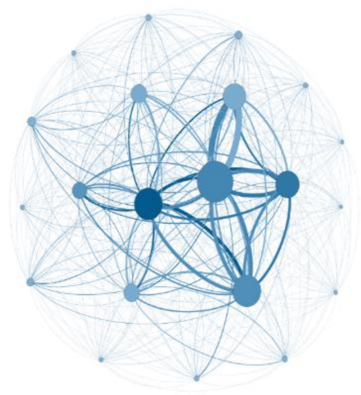
Identifying important banks in the payment system

A safe and efficient financial infrastructure is a prerequisite for the stability of the financial market and the financial system. It is therefore crucial to identify which banks are important payment system participants, considering the impact of their potential inability to perform payment transactions on payment system stability.

The European Securities and Markets Authority (ESMA),[187] central banks, the IMF[188], as well as other organisations have been including the stress testing of financial market infrastructure in their regular publications, given the importance of smooth operation of financial infrastructure.

Being an integral part of financial infrastructure, the payment system offers the network, structural and time perspective for analysing interbank relations. Based on the analysis of network indicators of banks in view of the number and values of interbank transactions as well as their mutual transactions[189] carried out in the RTGS payment system during 2025, it is possible to identify groups of banks whose importance in the NBS RTGS can be determined based on their position in the network.

Chart III.3.1 **Bank interconnectedness in the NBS RTGS network**



* Interbank payments (MT202 and MT103) for the period Jan-Dec 2025.

** The size of the node is proportionate to the bank's share in total turnover, the line thickness is proportionate to the value of interbank payments, while the darker colour of the node indicates a larger number of executed orders.

Source: NBS.

As shown in Chart III.3.1, a small number of important nodes can be identified in the network, i.e. a small number of important participants in this payment system, which can be determined according to centrality measures (degree of an individual node, betweenness centrality, closeness centrality and prestige[190]).

Chart III.3.1 shows five prominent banks and their shares in the total value and number of payments (around 68.5% and 61.8%, respectively) in the RTGS system, hence they can be considered systemically important in this respect.

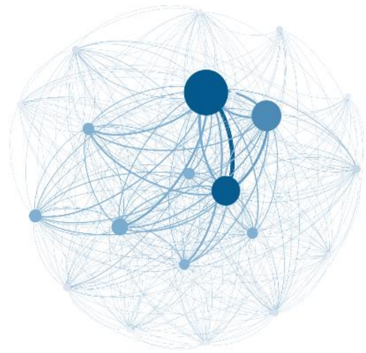
The NBS IPS system[191] also allows for an insight into the network, structural and time dimension of interbank relationships. Chart III.3.2 shows three banks standing out in terms of the value and number of payments in the IPS system (around 64.4% and 60.5%, respectively).

[187] https://www.esma.europa.eu/press-news/esma-news/esma-updates-guidelines-stress-tests-money-market-funds
[188] https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2020/01/31/Stress-Testing-at-the-IMF-48825
[189] January–December 2025, interbank payments (MT202 and MT103).
[190] Prestige as the measure of centrality takes into account the characteristics of neighbouring nodes, i.e. a node is important if connected to other significant nodes.
[191] Information about the characteristics of the NBS IPS system is available on the NBS website (https://nbs.rs/en/ciljevi-i-funkcije/platni-sistem/nbs-operator/ips-nbs/index.html) and the NBS IPS website (https://ips.nbs.rs/en).

The NBS IPS system functionality and the applied technologically innovative solutions are in line with payment system trends. The IPS system is based on the latest IT solutions and enables a very short processing time (in 2025 the transaction execution time averaged 1.02 seconds) and a high degree of availability.

Given that the NBS has put in place the prerequisites for banks to offer payment system services to households and corporates at the most favourable terms, including the IPS system fee policy, which is at the lowest possible level, it is reasonable to expect a further rise in the number of payments in this system in the future.

Chart III.3.2 **Bank interconnectedness in the NBS IPS payment system**



* Interbank payments for the period Jan-Dec 2025.

** The size of the node is proportionate to the bank's share in total turnover, the line thickness is proportionate to the value of interbank payments, while the darker colour of the node indicates a larger number of executed orders.

Source: NBS.

Text box 4: Introduction of electronic bills of exchange in Serbia

In a bid to digitalise the financial infrastructure and modernise the use of bills of exchange as collateral instruments, on 1 December 2025 the NBS launched the Central Register of Electronic Bills of Exchange (hereinafter: CReM).[192] This system was established based on the NBS's legal mandate to regulate and upgrade the payment system and the infrastructure that enables safer and more efficient functioning of payment transactions, including the adoption of rules on the functioning of specific payment instruments and the keeping of registers and information systems significant for the financial system.

Given the importance of the bill of exchange as a widely used collateral instrument in credit relations and contracts on trade in goods and services, the introduction of its electronic form represents an advancement of the financial infrastructure. In the traditional system, bills of exchange are issued in paper form as physical documents and there is no unified centralised registry that would enable the tracking of their entire lifecycle. Such an approach entails certain risks, including the possibility of document loss, misuse, as well as limited transparency regarding the existence and status of the bill of exchange obligation. The launch of the CReM system has, for the first time in Serbia, enabled the issuance and use of bills of exchange in digital (electronic) form, but there is still the option to choose between the traditional paper and electronic formats. This has resulted in a centralised, digital, and legally regulated system that allows for reliable recording, monitoring, and management of electronic bills of exchange, alongside a gradual transition away from the exclusively paper-based model.

International practice shows that countries differ in their selected method of organising and maintaining electronic bills of exchange. In some systems, electronic bills of exchange are issued through individual platforms of banks or fintech companies (e.g. Germany), while in others there are registers maintained by various institutions, such as central business registers or systems involving public notaries (e.g. North Macedonia – the Central Registry of the Republic of North Macedonia[193]). In Serbia, a single centralised system has been established – CReM, operated by the NBS. As a result, the entire lifecycle of a bill of exchange – from its issuance and registration, through transfer and collection, to deletion – is carried out within a single register and entirely in electronic form. Due to this institutional setup – a centralised registry managed by the central bank and the full digitalisation of the bill of exchange process – the solution applied in Serbia is considered among the more advanced in international practice, as it ensures a high level of legal certainty, transparency, and risk control in the use of this instrument.

Regulatory and institutional framework

The legal framework for using electronic bills of exchange has been laid down in the following bylaws adopted by the NBS on 29 October 2025, pursuant to the Law on Payment Transactions,[194] Law on Payment Services[195] and Law on the NBS:[196]

- Decision on Detailed Terms, Contents and Manner of Keeping the Register of Bills of Exchange and Mandates;[197]
- Decision Amending the Decision on the Manner of Enforcement of Claims by Debiting the Client's Account;[198]
- Decision Amending the Decision on the Single Tariff under which the National Bank of Serbia Charges Fees for the Services Provided.[199]

The Law on the Protection of Financial Service Consumers in Distance Contracts[200] creates further preconditions for the provision of electronic financial services, stipulating that the written form of a contract or a legal transaction also includes the electronic form of a contract or a legal transaction.

The above regulations set out the conditions for the issuance, registration, transfer, presentation for payment and deletion of electronic bills of exchange, as well as the rights and obligations of banks with regard to ensuring that this instrument is available to clients, acting in accordance with the data recorded in the register, performing collection in line with the

[192] https://crem.nbs.rs/sr-Cyrl
[193] https://www.crm.com.mk/en/about-crrnm/basic-institutional-data/registers
[194] FRY Official Gazette, Nos 3/2002 and 5/2003 and RS Official Gazette, Nos 43/2004, 62/2006, 111/2009 – other law, 31/2011 and 139/2014 – other law.
[195] RS Official Gazette, Nos 139/2014, 44/2018 and 64/2024.
[196] 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.
[197] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/propisi-pn/registar_menica_2025.pdf
[198] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/propisi-pn/enforcement_of_claims_from_client_account.pdf
[199] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/tar/tarifa_e.pdf
[200] RS Official Gazette, No 44/2018.

prescribed procedures, and setting up and maintaining adequate technical, organisational and control mechanisms. The alignment of the regulatory framework with regulations on enforced collection ensures legal certainty and smooth application of electronic bills of exchange within the enforcement system, thereby enhancing the predictability of collection and reducing legal and operational risks in the financial system.

The Central Register of Electronic Bills of Exchange is a constituent part of the Register of Bills of Exchange and Mandates, which has the status of a public register.[201] Such status ensures that the data recorded in the register are reliable and legally relevant, thereby strengthening legal security in relations between creditors, debtors and banks. For the purposes of judicial and enforcement proceedings, an official excerpt from the register issued by the NBS is used, which has the status of a public document, contributing to greater certainty and efficiency of the collection process.

Concept and functional characteristics of the electronic bill of exchange

An electronic bill of exchange is a security in the form of an electronic document. It is issued as an own bill of exchange, with the "without protest"[202] clause, maintaining legal and functional alignment with the earlier practice of paper bills of exchange.

CReM makes it possible to perform electronically all of the following actions, from the issuance to the final deletion of the bill of exchange, including:

- electronic issuance and registration,
- mandatory entry of data on legal grounds and amount of the obligation,
- electronic transfer to a new creditor,
- presentation for payment, and
- deletion after the obligation is discharged.

A key systemic novelty is that the electronic bill of exchange can neither exist nor be transferred outside of the register. This helps eliminate risks relating to the physical loss of the document, its forging, misuse of blank bills of exchange or multiple use of the same instrument. Centralised records make it possible to clearly identify the status of each bill of exchange in real time, including data on the issuer, creditor, amount and legal grounds of each obligation.

Electronic bills of exchange are signed using a remote qualified electronic signature via the ConsentID[203] application, provided by the Office for IT and eGovernment of the Republic of Serbia. This mechanism ensures a high level of reliable identification of the signatories and has the same legal power as the physical signature, providing for full validity of the electronic instrument.

[201] A public register is an official register established by law for recording rights or obligations. Its main characteristics are publicity (everyone has the right to access it), reliability (the recorded data are presumed to be accurate), and legal certainty (rights are acquired or proven through registration).
[202] In bill of exchange law, the "without protest" clause means that, in the event of non-payment, the creditor is not required to initiate a formal protest procedure in order to exercise their rights. In other words, collection can be initiated without an additional formal step before a competent authority, making the process faster and simpler.
[203] ConsentID is a mobile application designed to verify users' identities and provide secure access to various electronic services. Its main purpose is to enable multi-factor authentication and the digital signing of documents using a qualified electronic certificate.

How do electronic bills of exchange function?[204]

→Creation
The user selects the type of the e-bill of exchange in the CReM application and enters the necessary data. The system provides clarifications and instructions to assist the user in completing the data.

→Signing
The e-bill of exchange is signed using a remote qualified electronic signature (via the ConsentID application), which has the same legal power as the physical signature.

→Registration and transfer to the creditor
Once the bank confirms that the e-bill of exchange has been signed by an authorised person, it is submitted to the creditor who accepts it, and the system registers it automatically and enters it into the creditor's portfolio.

→Immutability of data and insight into changes
It is not possible to change data after an e-bill is registered and transferred; the debtor only has insight into future changes and may request deletion from the creditor.

→Bill of exchange operations – digital and without visiting the bank
All bill of exchange operations – creation, issuance, transfer, avalising, deletion and collection – are performed digitally, without visiting the bank.

→Archive and review, use in court proceedings
CReM stores all data on e-bills, available to users for review, and the excerpts issued by the NBS may be used as evidence in court proceedings.

Phased implementation and banking sector adjustment

The CReM system will be implemented in several stages:

- from 1 December 2025, banks are required to enable the use of electronic bills of exchange to legal persons and entrepreneurs;
- from 1 June 2026, banks will be required to accept electronic bills of exchange as collateral;
- from 30 November 2026 – the system will become available to natural persons as well.[205]

The phased approach enables the gradual adjustment of information systems, internal procedures, and control mechanisms in banks, thereby ensuring stability and continuity in the implementation of new solutions. Integration with the Central Register also implies an improvement of internal credit risk management policies, revision of procedures for accepting and activating collateral instruments, as well as strengthening IT security, all of which contribute to an overall increase in trust in the financial system. Within this framework, regulatory and tariff incentives are of particular importance – amendments to the tariff policy have limited the fees for services related to electronic bills of exchange, with the maximum registration fee amounting to only 50 dinars, while deletion is completely free of charge. This approach reduces administrative and transaction costs, especially for small and medium-sized enterprises and entrepreneurs, while simultaneously improving liquidity, operational efficiency and legal certainty.

Advantages of introducing electronic bills of exchange

The introduction of electronic bills of exchange contributes to the further strengthening of the banking sector and the financial system, primarily by upgrading the existing mechanisms and practices. This contribution is reflected in:

- the reduction of operational risk associated with the physical handling and storage of paper instruments;
- the reduction of regulatory risk and potential disputes regarding the validity and status of a bill of exchange;
- increased transparency and reliability of collateral instruments;
- more efficient and less uncertain enforcement of claims; and
- improved credit risk management in the banking sector.

Centralised and reliable records of bill of exchange obligations contribute to greater transparency and equal access to information for all market participants. A clearly defined status of the bill of exchange and the associated obligations increases the certainty of collection, which positively affects risk assessment and valuation of collateral instruments. At the same time, reducing the potential for misuse and legal ambiguities leads to more consistent practices in collection procedures and greater predictability of outcomes, which is important for overall trust in the financial system.

[204] https://crem.nbs.rs/sr-Cyrl
[205] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/propisi-pn/registar_menica_2025.pdf

Special emphasis in this context is placed on protection against cyber risks, as the transition from paper to electronic instruments implies reliance on digital infrastructure and information systems. The security of these systems is maintained at a very high level through the application of modern information security standards, strong mechanisms of electronic identification and signatures, two-factor user authentication, access control, as well as continuous monitoring and management of security risks.

In the long term, the digitalisation of bills of exchange strengthens the resilience of the payment system, contributes to the modernisation of financial infrastructure, and improves risk management mechanisms. In this context, CReM simultaneously enhances operational efficiency, legal certainty, and transparency, thereby supporting the preservation and strengthening of Serbia's financial stability.

III.4 Real estate market

The NBS carefully monitors and analyses the real estate market trends given that movements in real estate prices and values may considerably affect the quality of bank credit portfolios, and by extension, resilience of the overall financial system stability. Despite the persistent global uncertainties, the domestic economy demonstrated a high degree of resilience. Owing to favourable labour market trends, a gradual decline in interest rates and more flexible bank credit policy, the demand in the real estate market increased in 2025. Such trends supported both buyers' and investors' activity, further stimulating the sector's development.

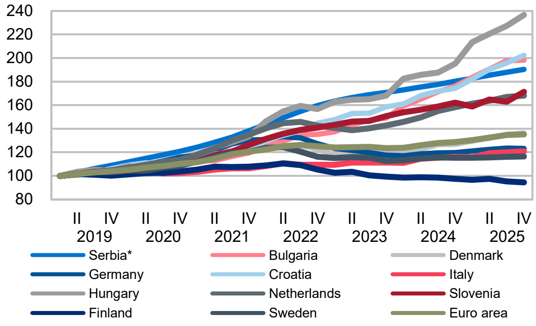
The rise in property prices in 2024 continued in many countries in 2025. Property prices in the euro area went up 5.1% y-o-y in Q4 2025 and somewhat more in the EU (5.5%). A decline was observed only in Finland (3.1%), while other countries saw a rise. The sharpest growth was recorded in Hungary (21.2%), Portugal (18.9%) and Croatia (16.1%).[206]

In Serbia, real estate prices continued growing, but the pace of that growth has been slowing down for the third consecutive year. According to the data of the Republic Geodetic Authority, the average price of flats for the territory of the Republic of Serbia in 2025 equalled EUR 1,719 per square metre (up by 8.6% y-o-y). The average price of flats in old buildings amounted to EUR 1,717, and in new buildings to EUR 1,706 per square metre, up by 11.0% and 5.9%, respectively from 2024.[207]

Since November 2022, the Republic Geodetic Authority has been publishing the Apartment Price Index. This Index was developed in line with international methodological guidelines, based on the model for mass valuation of apartments which, in addition to the prices quoted in sale contracts, considers different qualitative characteristics of real estate from relevant sources.[208] The Index points to a continuous upward trend of real estate prices during the observed period. The Apartment Price Index for the Republic of Serbia[209] equalled 190.43[210] in Q4 2025, up by 5.7% from Q4 2024. By region, Q4 2025 saw the sharpest rise in real estate prices in Belgrade (6.3% y-o-y) and the Vojvodina region (5.8% y-o-y).

Real estate market activity, measured by the total number and value of transactions, went up from last year and is above the pre-pandemic level. Based on the data of the Republic Geodetic Authority, there were 129,185 purchase and sale transactions in 2025, up by 1.8% from 2024. The total volume of monetary assets in this market equalled EUR 8.1 bn in 2025, up by 8.6% from 2024, representing a record high turnover. The bulk of the total turnover related to flats (60.0%), with the value of these transactions amounting to EUR 4.8 bn, up by 17.4% from 2024. The largest share (53%) in the total turnover of flats was recorded in Belgrade. Compared to the previous period, the use of loans for financing real estate purchases increased, and 14% of all real estate transactions in Serbia was loan-funded (10% in 2024). Loans were mostly used for the purchase of flats – 31% of all trades in 2025 (23% in 2024).

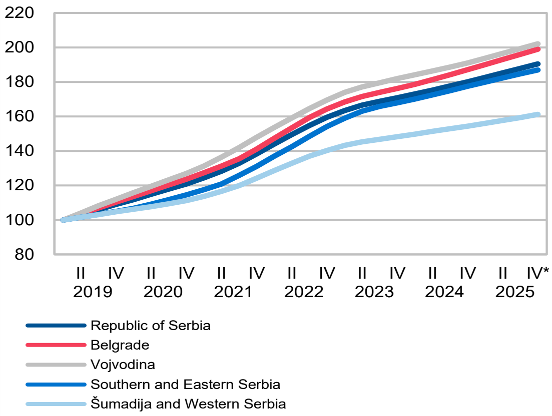
Chart III.4.1 **International comparison - Housing Price Index**
(index, Q1 2019 = 100)



* Preliminary data.

Sources: Republic Geodetic Authority and Eurostat.

Chart III.4.2 **Apartment Price Index**
(index, Q1 2019 = 100)



* Preliminary data.

Source: Republic Geodetic Authority.

[206] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:House_Prices_-_Quarterly_and_annual_rates_of_change,_2025Q1-2025Q4(%25)_v1.png
[207] https://www.rgz.gov.rs/content/docs/000/000/006/%D0%93%D0%BE%D0%B4%D0%B8%D1%88%D1%9A%D0%B8%20%D0%B8%D0%B7%D0%B2%D0%B5%D1%88%D1%82%D0%B0%D1%98%202025.pdf

[208] For more details see: https://www.rgz.gov.rs/reports-on-rga-real-estate-price-index and the *Annual Financial System Stability Report* – 2022, Text box 5: Residential real estate valuation in 2022.
[209] https://www.rgz.gov.rs/vesti/ргз-индекс-у-четвртом-тромесечју-2025-године-показује-раст-цена-станова-од-570-у-односу-на-исти-период-прошле-године
[210] The benchmark period is Q1 2019, when the value of the Index measured 100.

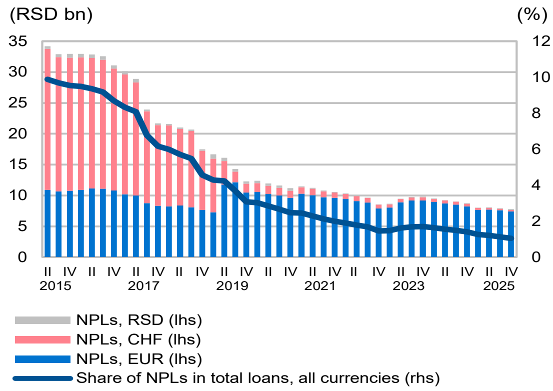
The turnover of residential property was affected by both demand- and supply-side factors. The results of the Bank Lending Survey[211] show that the demand for real estate went up. The increase is a reflection of relaxed credit conditions, lower interest rates on account of the ECB and NBS past monetary policy easing and the NBS temporary cap on interest rates on housing loans until the entry into force of the Law on the Protection of Financial Service Consumers, as well as favourable labour market trends.[212] Standards for the approval of household loans were eased in 2025.

According to the SORS,[213] the total value of executed construction works in constant prices in the territory of the Republic of Serbia decreased in 2025 by 5.6% relative to 2024, and the value of works performed on buildings rose by 5.6%. Compared to 2024, the total number of issued construction permits fell by 2.5%, with the number of issued permits for the construction of new buildings going up by 0.7%, and for other construction dropping by 8.9%. Following a mild decline of 0.5% in 2024, the number of issued permits for the construction of new apartments went up by 1.4%.

The share of NPLs in total loans of the construction sector dropped by 0.4 pp from 2024 and measured 0.9% at end-2025. The share of NPLs in total housing construction loans came at 1.0%, down by 0.4 pp from end-2024.

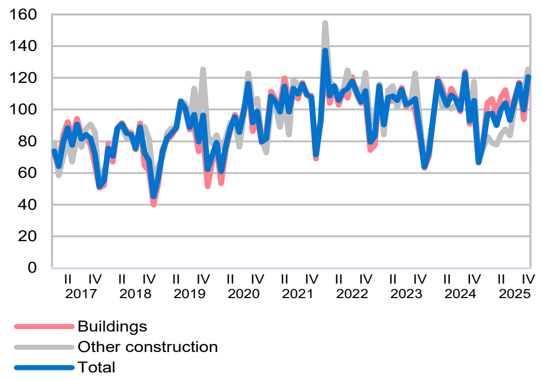
Real estate makes up a significant portion of households' assets and plays an important role in the Serbian banking sector, since it is widely used as loan collateral. For this reason, an adequate and reliable valuation of real estate is highly important, as banks are exposed to the risk of price fluctuations in the real estate market. The Law on Real Estate Valuers was

Chart III.4.3 **NPLs in housing construction**



Source: NBS.

Chart III.4.4 **Indices for the number of issued construction permits for new buildings**
(index, 2024 = 100)

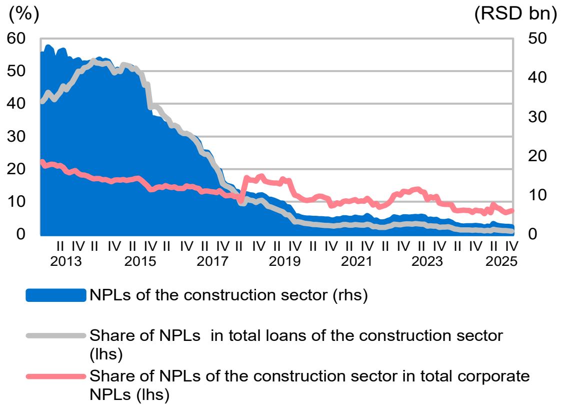


Source: SORS.

adopted in 2016, establishing a clearer and more secure regulatory framework for the valuation of real estate. This Law introduced licensed valuers as professionals with a relevant licence and qualifications for the job. Further, in 2023, the Book of National Standards, Code of Ethics, and Rules of Professional Conduct for Licensed Valuers were adopted, securing more standardisation and reliability of the valuation procedure, and enabling more precise assessment of credit risk for receivables secured by a mortgage. The List of Licensed Valuers on the Ministry of Finance website cites 276 licensed valuers.[214]

In 2015 the NBS established the database of valuations of mortgaged real estate and mortgage loans so as to improve the conditions for a higher-quality real estate valuation, which reduces the risk of new NPLs. This database is continuously updated to enable comprehensive collection, storage and distribution of data from the mortgaged real estate market. In addition, this database gives access to data to the NBS, banks and

Chart III.4.5 **NPLs of the construction sector, corporate sector**

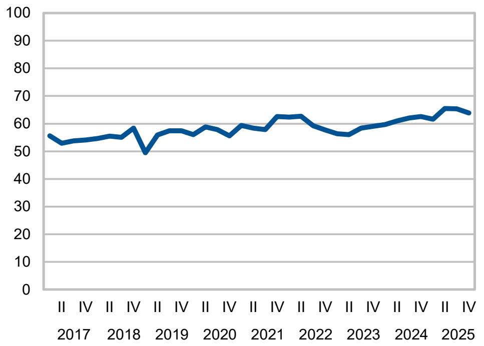


Source: NBS.

[211] https://www.nbs.rs/en/drugi-nivo-navigacije/publikacije-i-istrazivanja/anketa-kreditna-aktivnost/index.html
[212] Decision on Temporary Measures for Banks Relating to Natural Persons' Housing Loans (RS Official Gazette, No 78/2023).
[213] https://publikacije.stat.gov.rs/G2026/Pdf/G20263003.pdf
[214] The number of licensed valuers as at 20 March 2026.

Chart III.4.6 **LTV ratio**

(value of housing loans for which flats were mortgaged in relation to the estimated value of those flats, in %)



Source: NBS.

licensed valuers. At end-2025, the total of 63 valuers accessed the database.

In June 2020, the NBS amended the Decision on Measures for Safeguarding and Strengthening Stability of the Financial System[215] to facilitate access to housing loans for citizens and to support the construction industry. The up-to-then 80% limit on LTV (except 90% if the loan is approved as a measure of government support to certain groups of natural persons) was permanently eased to 90% if the loan is approved to first-time home buyers. In December 2024, the said limit was further mitigated by the Decision Amending the Decision on Measures for Safeguarding and Strengthening Stability of the Financial System.[216] The LTV limit is eased if the loan is approved under the government housing loans scheme for youth who are first-time home buyers. When approving loans under this scheme, banks may apply the 99% LTV limit. Further, banks may also apply a lower risk weight of 35% to overall exposure based on the housing loan approved under this scheme. With these amendments, the NBS established, in a timely manner, an adequate regulatory framework for the implementation of the government housing loans scheme for youth, creating a framework that stimulates both the borrower – by means of the minimum downpayment for the purchase of residential property, and banks – by means of the calculation of a lower risk weight for the housing loan under this scheme.

The LTV ratio, as the ratio of the value of housing loans for which apartments were mortgaged and the estimated value of those apartments, measured 63.9% in Q4 2025 (62.6% in Q4 2024),[217] considerably below the regulatory maximum.

From September 2023 until December 2024 the Decision on Temporary Measures for Banks Relating to Natural Persons' Housing Loans[218] was applied. The Decision enabled a temporary cap on interest rates on housing loans with a view to preserving the living standard of citizens amid rising interest rates.

Following the expiry of the measure which capped the interest rates on housing loans until end-2024, to support financial system stability and the living standard primarily of housing loan beneficiaries, in December 2024, the NBS adopted the Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumers.[219] This Decision placed a 5% cap on interest rates on existing and new variable-rate housing loans, as well as on new fixed-rate loans. In this way, a gradual transition was ensured to the market interest rate following the expiry of the rate cap on housing loans. The said cap is integrated in the Law on the Protection of Financial Service Consumers,[220] adopted in March 2025. In line with this Law, until 31 December 2025, in case of existing and new variable-rate housing loans and new fixed-rate loans, the nominal interest rate could not exceed 5%. The maximum variable rate for housing loans in 2026 and 2027 will be equal to the weighted average rate on existing variable-rate loans, increased by one fifth of that rate. The effective interest rate on housing loans was also capped and, at the time of concluding a housing loan agreement, may not exceed the default interest rate less 2.5 pp. The Law systemically regulated the capping of interest rates across all credit products in order to protect the interests of financial service consumers, while preserving and strengthening financial system stability.

Developments in the real estate market suggest that moderate price growth, increased market activity and more favourable financing conditions may further stimulate household demand for housing loans. At the same time, regulatory measures aimed at protecting financial service consumers, as well as the implementation of the housing loan programme for young people (the Law on the Establishment of a Guarantee Scheme and the Subsidisation of Part of the Interest Rate as a Support Measure for Young People Purchasing Their First Residential Property), contribute to greater accessibility of housing finance and mitigate risks for borrowers, although exposure to variable interest rates continues to represent a significant source of uncertainty.

The NBS closely monitors all indicators relating to this market segment and has at its disposal a wide range of measures and instruments that can be used to contain potential risks arising from the real estate market.

[215] RS Official Gazette, Nos 34/2011, 114/2017 and 84/2020.
[216] RS Official Gazette, No 102/2024.
[217] Source: the NBS real estate database on the estimated values of real estate mortgaged and loans secured by mortgage.
[218] RS Official Gazette, No 78/2023.
[219] RS Official Gazette, No 102/2024.
[220] RS Official Gazette, No 19/2025.

Text box 5: Residential real estate valuation in 2025

In 2025, real estate transactions and prices continued to rise across many EU countries, signalling a gradual recovery of demand following a period of elevated interest rates. In Serbia, real estate prices continued up, although their growth has moderated since 2023, with stable growth recorded in 2024 and 2025. In 2025, the share of loan-financed apartment transactions edged up, mostly owing to the easing of credit conditions, favourable labour market developments and capping of interest rates on housing loans.[221] Demand for mortgage loans was also bolstered by past monetary policy easing by the ECB and NBS.

Data of the Republic Geodetic Authority[222] and from the database on the valuation of mortgaged real estate (hereinafter: real estate database) suggest an increase in real estate prices in 2025. According to the Republic Geodetic Authority, the overall turnover in the Serbian real estate market measured a record EUR 8.1 bn, up by 8.6% from 2024.

Since the start of bank reporting (October 2015 when the real estate database was formed by the NBS) until end-2025 (based on reports submitted up until 20 March 2026), data on 232,215 real estate properties were entered in the database, with the appraised value of RSD 9,050.7 bn. Most of these data concern residential real estate (74.7% of the total number of real estate properties in the database). In terms of the appraised real estate value, commercial real estate serving as mortgage was dominant (80.3% of the total appraised value of all types of real estate entered in the database).

Table O.5.1 **Appraised values of residential real estates in 2025**

	Average appraised value per m^2 in 2025 (EUR)*	Average appraised value per m^2 in 2024 (EUR)	Change compared to the previous year (%)	Minimum appraised value per m^2 in 2025 (EUR)	Maximum appraised value per m^2 in 2025 (EUR)	Number of appraised pieces of real estate in 2025
Republic of Serbia	**1,765**	**1,602**	**10.2**	**133**	**9,500**	**11,074**
Belgrade region	**2,629**	**2,365**	**11.2**	**203**	**9,500**	**4,551**
Belgrade – Savski venac	3,991	3,891	2.6	1,558	9,500	176
Belgrade – Stari grad	3,875	3,579	8.3	1,290	6,267	149
Belgrade – Vračar	3,649	3,296	10.7	371	5,898	208
Belgrade – Novi Beograd	3,096	2,719	13.9	1,513	5,209	889
Belgrade – Voždovac	2,669	2,446	9.1	459	4,671	527
Belgrade – Zvezdara	2,605	2,268	14.9	810	4,801	649
Belgrade – Zemun	2,509	2,181	15.1	440	4,632	439
Belgrade – Čukarica	2,441	2,139	14.2	538	4,895	368
Belgrade – Palilula	2,387	2,093	14.1	485	4,914	381
Belgrade – Rakovica	2,241	1,842	21.7	919	3,655	326
Belgrade – Surčin	1,658	1,441	15.1	477	3,446	65
Belgrade – Grocka	1,325	1,215	9.0	344	2,111	91
Belgrade – Sopot	1,264	1,085	16.6	600	2,295	21
Belgrade – Obrenovac	1,113	1,132	-1.7	203	3,050	74
Belgrade – Mladenovac	1,102	1,077	2.4	326	1,528	79
Belgrade – Lazarevac	818	909	-10.0	226	1,610	66
Belgrade – Barajevo	729	747	-2.4	290	1,818	43
Vojvodina	**1,309**	**1,197**	**9.4**	**133**	**4,178**	**3,700**
Novi Sad	2,045	1,920	6.5	246	4,178	1,628
Other municipalities of the region	886	788	12.4	133	2,622	2,072
Southern and Eastern Serbia	**1,209**	**1,063**	**13.7**	**144**	**3,967**	**1,029**
Niš	1,563	1,342	16.5	349	2,950	535
Other municipalities of the region	878	817	7.4	144	3,967	494
Šumadija and Western Serbia	**1,159**	**976**	**18.7**	**243**	**4,509**	**1,794**
Kragujevac	1,301	1,122	16.0	324	2,550	374
Other municipalities of the region	1,120	939	19.2	243	4,509	1,420

* Preliminary estimate, during 2026 banks are expected to continue to submit appraisals from 2025.

Note: Data are based on first valuations of flats and houses in the housing loan approval procedure.

Source: NBS.

[221] Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumers (RS Official Gazette, No 102/2024) and Law on the Protection of Financial Service Consumers (RS Official Gazette, No 19/2025).

[222] https://www.rgz.gov.rs/%D1%80%D0%B3%D0%B7-%D0%B8%D0%BD%D0%B4%D0%B5%D0%BA%D1%81-%D1%86%D0%B5%D0%BD%D0%B0-%D1%81%D1%82%D0%B0%D0%BD%D0%BE%D0%B2%D0%B0

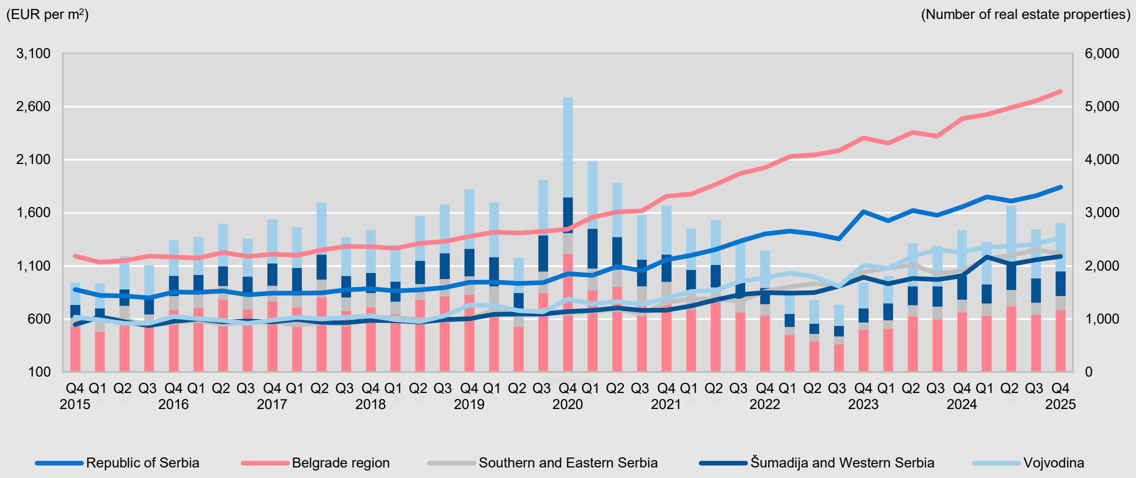
In accordance with data on the first valuations of residential real estate,[223] serving as mortgage for housing loans entered in the database, the average appraised value per square metre for the Republic of Serbia equalled EUR 1,765 in 2025.

Table O.5.1 shows the average appraised value of residential real estate per square metre, and the maximum and minimum appraised value per square metre in the territory of the Republic of Serbia, by statistical region, city, and municipality within the Belgrade region in 2025.

There is a significant dispersion of residential real estate values across regions in the Republic of Serbia. The average appraised value per square metre in the Belgrade region of EUR 2,629 is significantly higher than the average appraised value per square metre in other regions (Vojvodina: EUR 1,309, Southern and Eastern Serbia: EUR 1,209, and Šumadija and Western Serbia: EUR 1,159). As the largest number of appraised residential real estate is located within the Belgrade region, it can be concluded that the average appraised value per square metre of residential real estate in Serbia is largely determined by residential real estate valuations in the Belgrade region.

In the Belgrade region, there is a dispersion of the average appraised value per square metre of a residential real estate by municipality – relatively lower average valuations were made for suburban municipalities and municipalities in the city periphery. On the other hand, the average appraised value per square metre of residential real estate in Belgrade downtown was above EUR 3,600 (Savski venac: EUR 3,991, Stari grad: EUR 3,875, and Vračar: EUR 3,649). Such dispersion is not present only in the Belgrade region, but can be seen in other regional centres as well – in Novi Sad compared to other municipalities in Vojvodina (Novi Sad: EUR 2,045, other municipalities of the region: EUR 886), the region of Southern and Eastern Serbia (Niš: EUR 1,563, other municipalities of the region: EUR 878) and the region of Šumadija and Western Serbia (Kragujevac: EUR 1,301, other municipalities of the region: EUR 1,120).

Chart O.5.1 **Appraised real estate values and number of residential properties per region**



Note: Data are based on first valuations of flats and houses in the housing loan approval procedure.

Source: NBS.

The maximum individual residential real estate valuation per square metre in 2025 was registered in the Savski venac municipality, and the lowest in the region of Vojvodina.

In 2025, relative to the year before, the appraised value per square metre of residential real estate increased by 10.2% in the Republic of Serbia – by 18.7% in Šumadija and Western Serbia, 13.7% in Southern and Eastern Serbia, 11.2% in the Belgrade region, and 9.4% in Vojvodina. In 2025, a total of 11,074 valuations were recorded in Serbia, up by 1,789 from the year before. This increase reflects an upward trend of loan-financed purchases of residential real estate.

The average appraised values of a residential real estate per square metre from October 2015 until end-2025 trended upwards, both in Serbia overall and in each individual region (Chart O.5.1).[224]

[223] In this Text box, residential real estate refers to apartments and houses appraised for the purpose of establishing a mortgage as collateral for housing loans.

[224] The number of properties is shown by bars (right-hand axis), while the appraised value of properties per square metre is shown by a line (left-hand axis).

Based on data from the real estate database, the average appraised value of residential real estate per square metre can be determined not only by region and municipality but also by the year of construction, type of real estate (house/apartment), apartment structure, etc. (Table O.5.2).

Table O.5.2 **Average appraised values of residential real estate in 2025 (year of construction, type, structure)**

	Average appraised value per m^2 (EUR)*	By year of construction		By type of real estate		By structure of flat				
		New construction	Old construction	Flat	House	0.5	1–1.5	2–2.5	3–3.5	4+
Republic of Serbia	**1,765**	**2,081**	**1,682**	**2,146**	**664**	**2,667**	**2,253**	**1,989**	**2,123**	**2,338**
Belgrade region	**2,629**	**2,862**	**2,580**	**2,767**	**1,008**	**3,356**	**2,769**	**2,619**	**2,747**	**2,973**
Belgrade – Savski venac	3,991	5,047	3,525	3,954	4,551	4,616	3,655	3,707	4,089	3,994
Belgrade – Stari grad	3,875	4,702	3,820	3,875	-	4,879	4,063	3,786	3,978	3,653
Belgrade – Vračar	3,649	4,102	3,580	3,649	-	4,141	3,768	3,572	3,584	3,681
Belgrade – Novi Beograd	3,096	3,912	3,018	3,100	1,513	3,866	3,248	3,124	2,982	3,175
Belgrade – Voždovac	2,669	3,062	2,589	2,727	1,316	3,182	2,884	2,819	2,647	2,513
Belgrade – Zvezdara	2,605	2,539	2,622	2,624	1,266	3,195	2,748	2,570	2,535	2,626
Belgrade – Zemun	2,509	2,733	2,448	2,576	959	3,058	2,706	2,482	2,645	2,435
Belgrade – Čukarica	2,441	2,654	2,393	2,525	897	2,633	2,459	2,479	2,471	2,743
Belgrade – Palilula	2,387	2,322	2,394	2,413	1,595	3,001	2,559	2,285	2,458	2,374
Belgrade – Rakovica	2,241	2,724	2,138	2,253	1,490	2,436	2,347	2,246	2,281	2,083
Belgrade – Surčin	1,658	1,778	1,478	1,918	1,191	3,000	1,934	1,934	1,841	-
Belgrade – Grocka	1,325	1,627	1,041	1,568	844	1,916	1,705	1,581	1,449	996
Belgrade – Sopot	1,264	1,416	1,032	1,565	1,228	-	1,216	1,729	1,478	-
Belgrade – Obrenovac	1,113	1,597	1,019	1,535	645	-	1,793	1,543	1,430	1,412
Belgrade – Mladenovac	1,102	1,310	962	1,213	443	-	1,229	1,244	1,250	1,072
Belgrade – Lazarevac	818	1,371	771	1,166	439	1,367	1,238	1,230	1,123	1,045
Belgrade – Barajevo	729	1,361	692	1,027	673	-	1,091	1,135	995	885
Vojvodina	**1,309**	**1,801**	**1,150**	**1,795**	**620**	**2,436**	**2,012**	**1,695**	**1,700**	**1,863**
Novi Sad	2,045	2,165	1,982	2,241	879	2,726	2,419	2,224	2,107	2,195
Other municipalities of the region	886	1,406	769	1,286	582	1,425	1,361	1,270	1,302	1,222
Southern and Eastern Serbia	**1,209**	**1,628**	**1,110**	**1,442**	**560**	**1,669**	**1,547**	**1,388**	**1,500**	**1,353**
Niš	1,563	1,757	1,487	1,677	785	1,954	1,778	1,671	1,702	1,523
Other municipalities of the region	878	1,302	828	1,127	491	1,277	1,244	1,110	1,118	1,086
Šumadija and Western Serbia	**1,159**	**1,584**	**1,042**	**1,375**	**655**	**1,695**	**1,611**	**1,319**	**1,332**	**1,219**
Kragujevac	1,301	1,639	1,192	1,525	682	1,780	1,705	1,480	1,524	1,451
Other municipalities of the region	1,120	1,566	1,001	1,331	649	1,677	1,592	1,269	1,269	1,129

* Preliminary estimate, during 2026 banks are expected to continue to submit appraisals from 2025.

Note: Data are based on first valuations of flats and houses in the housing loan approval procedure.

New construction is considered residential properties built in 2023, 2024, or 2025.

Source: NBS.

The average appraised value per square metre of a newly constructed real estate in 2025 equalled around EUR 2,081 in the Republic of Serbia (EUR 2,862 in the Belgrade region) and was higher than the average appraised value of older real estate, which stood at EUR 1,682 (EUR 2,580 in the Belgrade region).

Furthermore, average appraised values per square metre of apartments (EUR 2,146 in Serbia, EUR 2,767 in the Belgrade region) were significantly higher than those of houses (EUR 664 in Serbia and EUR 1,008 in the Belgrade region).

In terms of apartment structure, the highest average appraised value per square metre in Serbia was recorded for studio apartments (EUR 2,667) and apartments with four and more rooms (EUR 2,338), and the situation was no different in the Belgrade region – the highest value was recorded for studio apartments (EUR 3,356), followed by four-room and larger apartments (EUR 2,973).

In 2025, most of the apartments – collaterals under housing loans were in buildings with four (1,842), five (1,808) and three floors (1,393), accounting for 51.9% of the total number of valued apartments (9,714) and indicating that three-, four- and five-floor buildings make up the bulk of the building stock in Serbia. Also, most of these apartments are on the last (2,449) and penultimate floor (1,913), making up 44.9% of the total number of valued apartments. As for building floors, most valuations were made for apartments on the first (1,764), second (1,620) and third floor (1,528), accounting for 50.6% of total valuations (Table O.5.3).

Table O.5.3 **Number of flat valuations in 2025 by flat floor and number of floors in the building**

(Building floor) / (Flat floor)	ground floor building	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	28	30	31	34	40	Total valuations by flat floor
Lower ground floor			5	9	5																												19
Ground floor	25	131	218	254	272	175	76	62	32	17	7	7	4	10	5	3	1				1		1										1,301
Upper ground floor			1		1	4	1		2		1	2	1					1			1												15
1		147	353	309	295	274	155	85	45	33	19	13	4	7	6	5	4	1	3		3	1	1					1					1,764
2			381	329	326	256	119	97	36	28	5	13	10	1	1	4	3	1	2	2	3		1	1				1					1,620
3				492	387	303	114	80	45	39	20	16	7	7	7	6	1				1	2									1		1,528
4					556	341	121	93	53	34	22	15	7	9	2	6	5	1	1	1													1,267
5						455	148	97	43	42	20	7	13	12	5	3	3	2	2	3													855
6							208	78	65	42	25	19	11	12	7	6	2		2	2	1	1			1								482
7								109	53	39	21	15	5	9	4	7	4	2	2	1	1	1	1	1									275
8									70	30	14	19	8	10	6	6	2	2		1		1	1	1				1		1		1	174
9										39	15	21	10	12	15	1	3	4	1	3	2	1				1		1					129
10											16	22	8	13	11	5	1	1	2	2					1					1			83
11												17	6	10	4	3	4	1	4	1	4	1											55
12													4	9	8	5	2	2	1		2		2			1							36
13														8	4	8	1		3	2	3	3								1			33
14															3	4		3	2	1	1		1	1						1			17
15																10		1	3	3								1					18
16																	2	1			3												6
17																		4	2	1	3	1	3	2						1		1	18
18																			2		2	1			1	1	1						8
19																				1			1					1					3
20																					2												2
22																												1				1	2
23																								2									2
30																													1				1
31																														1			1
Total valuations by number of building floors	25	278	958	1,393	1,842	1,808	942	701	444	343	185	186	98	129	88	82	38	27	32	24	33	13	12	8	3	3	1	7	1	6	1	3	9,714

Note: Data are based on first flat valuations in the housing loan approval procedure.
Source: NBS.

In terms of the number of rooms, most of the valuations in 2025 were of two-room apartments (2,103; average size 52.7 m^2), two-and-a-half room apartments (1,593; average size 61.3 m^2) and three-room apartments (1,530; average size 70.5 m^2), these three categories representing 53.8% of all apartment valuations. The average apartment size for all valuations in 2025 is around 60.3 m^2, while the median stands at 58.0 m^2.

Data from the real estate database are an important source for analysing the relationship between the amount of a loan disbursed and the value of a mortgaged real estate. This analysis is crucial for monitoring the adequacy of collateral and supports timely decisions on the appropriate use of macroprudential tools to contain the risks to banks stemming from developments in the real estate market. The importance of a comprehensive analysis of these data – both for monitoring trends and developments in the real estate market and for assessing the risks to which banks are exposed through mortgage lending – highlights the need for the continuous enhancement of the coverage and quality of this database, as well as for the development of advanced analytical tools.

IV Financial stability

IV.1 Regulatory framework as support to financial stability

IV.1.1 Macroprudential policy

The intensity of the global financial crisis of 2008/2009 highlighted the need for a systemic approach to financial sector regulation and supervision, as three important lessons were learned: (a) the development of the financial system has a much greater impact on economic activity than previously thought; (b) the costs of financial crises are very high; and (c) price stability alone is not sufficient to ensure financial stability. The accelerated development of macroprudential policy in the aftermath of the global financial crisis, aimed at limiting systemic risks to which the financial system as a whole is exposed, together with the implementation of macroprudential instruments and measures, strengthened the resilience of the global financial system to potential future crises. Capital and liquidity requirements envisaged by the Basel III[225] regulatory standard enhanced the resilience of the financial system in terms of solvency and liquidity. The implementation of macroprudential policy measures in the past period also helped mitigate the risks caused by the multidimensional global crisis. The crisis began with the coronavirus pandemic and then continued with heightened global uncertainty due to the energy crisis, geopolitical tensions and trade wars, causing disruptions in supply chains, driving inflation and global interest rates up and slowing economic growth. Still, it was thanks to the implementation of macroprudential instruments and measures discussed below that the financial sector was far better prepared to respond to the challenges triggered by these crises than before the global financial crisis of 2008/2009 broke out.

Pursuant to Article 4, paragraph 1, item 3 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), the legal mandate of the NBS is to determine and implement, within its scope of competence, activities and measures aimed at preserving and strengthening financial system stability. This legal mandate enables the NBS to take measures to achieve one of its objectives – maintaining and strengthening the stability of the financial system (Article 3, paragraph 2 of the Law on the National Bank of Serbia). To define the macroprudential policy, in 2015 the NBS published the Macroprudential Framework[226] – a consultative document which sets out detailed macroprudential policy objectives, instruments and the decision-making process. After the Macroprudential Framework was published, the NBS adopted regulations[227] transposing into the domestic regulatory system the Basel III regulatory standard, which was one of the key regulatory responses to the global financial crisis of 2008/2009. These regulations were adopted in December 2016 and implemented as of 30 June 2017. An integral part of this regulatory package is 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). Among other things, this Decision regulates capital buffers, which represent additional CET 1 capital that banks are required to maintain above the regulatory minimum in order to contain systemic risks in the financial system. Capital buffers can be used to limit 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) (Table IV.1.1). Capital buffers are among the most important capital-based macroprudential instruments. At its meeting held on 11 December 2025, the NBS Executive Board adopted the Decision on the Countercyclical Buffer Rate for the Republic of Serbia,[228] setting the rate at 0.5%, to be applied as of 15 December 2026.[229] By increasing the CCyB rate, the NBS is acting proactively to strengthen financial stability, particularly in an environment of heightened

[225] For more details on Basel III, see *Annual Financial Stability Report – 2011*, pp. 75–77 (https://www.nbs.rs/export/sites/NBS_site/documents-eng/publikacije/fs/fsr_2011.pdf)

[226] https://www.nbs.rs/export/sites/NBS_site/documents-eng/finansijska-stabilnost/macroprudential_framework_201503.pdf

[227] This regulatory package includes NBS decisions published in the RS Official Gazette, No 103/16 of 22 December 2016, namely: Decision on Capital Adequacy of Banks, Decision on Disclosure of Data and Information by Banks, Decision on Reporting on Capital Adequacy of Banks, Decision Amending the Decision on Reporting Requirements for Banks, Decision on Liquidity Risk Management by Banks and the Decision Amending the Decision on Risk Management by Banks. These decisions transpose into domestic legislation the requirements prescribed by the relevant EU regulation or directive (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR), Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD IV)).

[228] RS Official Gazette, No 112/2025.

[229] For more information see Text box 2: Increasing the CCyB rate to strengthen banking sector resilience.

global uncertainty. At its meeting held on 12 March 2026, the Executive Board decided to keep the CCyB rate for the Republic of Serbia at 0.5%. Keeping the CCyB rate ensures the timely allocation of additional CET 1 capital, thereby strengthening the resilience of the Serbian banking sector. The Decision on Liquidity Risk Management by Banks (RS Official Gazette, No 103/2016) introduced the liquidity coverage ratio. Compliance with this requirement enables banks to sustain a presumed liquidity shock over a 30-day period. The importance of adequate liquidity risk management in preventing a financial crisis was thus recognised. To mitigate the risks of occurrence or increase in the maturity mismatch between the funding sources and placements of banks in Serbia and to encourage reliance on longer-term sources of funding, in November 2023 the NBS adopted a new Decision on Liquidity Risk Management by Banks,[230] to be applied as of 30 June 2024, which, among other things, introduced the net stable funding ratio. This ratio is a macroprudential instrument that requires the coverage of required stable funding by available stable funding (in the period of one year during which the financial system faces conditions of stress). Also, the rules for calculating the existing liquidity indicator were amended.

The harmonisation of Serbia's supervisory and regulatory requirements with European requirements based on Basel III was also confirmed by the Commission Implementing Decision (EU) 2019/2166 on the harmonisation of regulatory and supervisory frameworks in late 2019. This Decision included Serbia in the list of countries whose supervisory and regulatory requirements for banks are considered equivalent for the purposes of the treatment of exposures in accordance with the Capital Requirements Regulation, No 575/2013, which introduced Basel III standards in the EU. Based on a comprehensive analysis, it was assessed that the framework for bank operation created by the NBS was established in a manner which ensures the stability and integrity of the financial system, adequate protection of depositors and other financial services consumers, independence and effectiveness of bank supervision, and effective implementation of relevant international standards. On 24 October 2021, the new Commission Implementing Decision (EU) 2021/1753 once again confirmed the previously established equivalence. As a responsible regulator in charge of preserving and strengthening financial system stability, the NBS has continuously improved and adapted its regulatory framework to international standards of supervision in all segments. The NBS also actively cooperates with the EBA to monitor the equivalence of Serbia's regulatory and supervisory framework for banks.

Table IV.1.1 **Capital buffers in Serbia**

Capital conservation buffer

Pursuant to the Decision on Capital Adequacy of Banks (RS Official Gazette, Nos 103/2016, 103/2018, 88/2019, 67/2020, 98/2020, 37/2020, 59/2021, 67/2022, 137/2022, 48/2023, 110/2023, 102/2024, 41/2025, 70/2025, 101/2025 and 104/2025 - correction), the capital conservation buffer is set at 2.5% of a bank's risk-weighted assets.

Countercyclical capital buffer

Pursuant to the Decision on the Countercyclical Buffer Rate for the Republic of Serbia (RS Official Gazette, No 112/2025) of 11 December 2025, the CCyB rate is set at 0.5%, to be applied as of 15 December 2026.

At its meeting of 11 December 2025, the NBS Executive Board decised to raise the CCyB rate to 0.5% of banks' risk-weighted assets given that the September data showed an estimated credit-to-GDP gap of above 2 pp, i.e. above the threshold requiring the introduction of a CCyB. The share of loans in GDP was 75.9%, the estimated deviation of this share from its long-term trend was 2.5 pp, while the buffer guide equalled 0.2%.

At its meeting of 12 March 2026, the Executive Board decided to keep the CCyB rate at 0.5% as based on December 2025 data, the share of loans in GDP was 78.9%, the estimated deviation of this share from its long-term trend was 4.7 pp, while the buffer guide equalled 0.8%.

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.

Capital buffer for systemically important banks

The Decision on Establishing a List of Systemically Important Bank in the Republic of Serbia and Capital Buffer Rates for Those Banks of 7 May 2026 identifies systemically important banks and sets the capital buffer rates that those banks are obligated to maintain as of 30 June 2026.

Bank	Rate
BANCA INTESA AD BEOGRAD	2%
OTP BANKA SRBIJA AD NOVI SAD	2%
UNICREDIT BANK SRBIJA AD BEOGRAD	2%
AIKBANK AKCIONARSKO DRUŠTVO BEOGRAD	2%
RAIFFEISEN BANKA AD BEOGRAD	1%
NLB KOMERCIJALNA BANKA AD BEOGRAD	1%
BANKA POŠTANSKA ŠTEDIONICA AD BEOGRAD	1%
ERSTE BANK AD NOVI SAD	1%

Systemic risk buffer

Pursuant to the Decision on the Rate and Manner of Maintaining the Systemic Risk Buffer (RS Official Gazette, Nos 58/2017 and 3/2018), all banks whose share of FX and FX-indexed placements approved to corporates and households in the Republic of Serbia exceeds 10% of the total placements of that bank approved to corporates and households in the Republic of Serbia must maintain the systemic risk buffer at the level of 3% of total FX and FX-indexed placements of a bank approved to corporates and households in the Republic of Serbia.

The systemic risk buffer was 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 obligation to maintain the systemic risk buffer rate is reviewed at least once every two years. The last review took place in March 2026 when it was established that the above Decision ought to be retained.

By introducing Basel III capital buffers and liquidity requirements into banking legislation, systemic risks have been recognised as a special type of risks, calling for special, tailored measures. Macroprudential policy aims to contain these risks, while considering its interaction with microprudential and monetary[231] policies. The coronavirus pandemic crisis, the energy crisis, geopolitical tensions, trade wars, coupled with elevated inflation and decelerating economic growth, all of which have unfolded over the last six years, have

[230] RS Official Gazette, Nos 100/2023 and 29/2026.

[231] For more information about the interaction of financial stability and monetary policy, see Text box 1: Role of financial stability in the ECB's new monetary policy strategy, *Annual Financial Stability Report – 2021.*

further underscored the need for coordination of all public policies.

IV.1.2 Regulatory measures to contain systemic risks

In addition to analysing and assessing systemic risks in the financial system, each year the *Annual Financial Stability Report* lists the measures that can be undertaken to contain systemic risks.

Non-performing loans

A high level of NPLs can pose both a microprudential risk for individual banks and a systemic risk to the financial system as a whole. Their increase, largely driven by economic crises, negatively affects lending activity and, consequently, reduces investment, prolongs the duration of crises and slows economic growth. Due to a rise in NPLs in the aftermath of the global financial crisis, there was a need to adopt an NPL Resolution Strategy (hereinafter: Strategy)[232] and the action plans of the Serbian Government and the NBS, which produced outstanding results in containing this systemic risk and bringing down the level of NPLs. After the Strategy from 2015, in December 2018, the Government adopted the NPL Resolution Programme for the Period 2018–2020 (hereinafter: Programme) and the Action Plan for its implementation. The objective of this Programme and the implementing Action Plan was to remove, in cooperation with the NBS, the identified obstacles which prevent timely NPL resolution, as well as to pre-empt the accumulation of NPLs and negative effects on lending and, by extension, on potential economic growth.

As a result of the regulatory framework for banks and the adopted macroprudential policy measures synchronised with monetary policy measures, amid lending activity growth, the share of NPLs in total loans fell to an all-time low of 2.1% in December 2025. This is 20.1 pp lower than in August 2015 when the Strategy was adopted and 0.4 pp below the end-2024 level, confirming the financial soundness of the banking sector and preserved asset quality even amid multidimensional crisis. The domestic banking system is well capitalised and highly liquid. Allowances for impairment of gross NPLs measured 61.5% in December 2025, while allowances for impairment of total loans measured 112.4%. As this largely contained the direct negative effect of NPLs on lending activity, the effect is mostly indirect. Risk aversion manifests itself in tighter credit standards and lending conditions, e.g. limiting of the loan amount and maturity, and stricter collateral requirements.

The Decision Amending the Decision on Risk Management by Banks[233] from 2016 significantly improved the process of managing bad assets in banks. This framework contributed to the drafting of specific plans by banks to maintain a low share of NPLs, which primarily contain the following elements:

– a quantifiable target share of NPLs in total loans of a given bank;

– the expected timeframe for the achievement of the targeted share of NPLs, which may be defined in stages;

– method of decreasing the NPL share (sale, write-off, restructuring or enforced collection of receivables);

– sources of financing the implementation of the plan: recapitalisation by shareholders, or in case of a foreign bank's subsidiary, by the parent bank; debt or capital financing by IFIs; sale of NPLs to private asset management companies, etc.

Promoting a framework for consensual financial restructuring

Consensual financial restructuring is a redefining of the debtor-creditor relationship between a company and/or entrepreneur in financial distress, as a debtor, and its creditors. The Law on Consensual Financial Restructuring (RS Official Gazette, No 89/2015) was adopted in 2015 in order to improve the procedure of consensual financial restructuring of companies. The Law created preconditions for speeding up and simplifying the current procedure and entrepreneurs were allowed to apply for the procedure.

However, in addition to regulatory improvements, active efforts need to be made to educate corporates and other stakeholders about consensual financial restructuring and to promote the procedure itself, including education about the possibility to resolve disputable relations through mediation. This is particularly significant in the current polycrisis environment, when it is important to make sure all possibilities are utilised so that economic entities should continue operating. The NBS has always taken an active part and consistently supported various initiatives aimed at promoting and developing the consensual financial restructuring procedure.

[232] RS Official Gazette, No 72/2015.

[233] RS Official Gazette, Nos 45/2011, 94/2011, 119/2012, 123/2012, 23/2013 – other decision, 43/2013, 92/2013, 33/2015, 61/2015, 61/2016, 103/2016, 119/2017, 76/2018, 57/2019, 88/2019, 27/2020, 67/2020 – other decision 89/2022, 77/2023, 13/2025, 51/2025 and 24/2026.

Cross-border deleveraging by banks

Foreign-owned banks account for the bulk of the Serbian banking sector (77.2% at end-December 2025). Most of those banks are members of cross-border banking groups and prior to the global financial crisis of 2008/2009 they were mainly financed by borrowing from their parent banks. When the crisis broke out and parent banks became financially strained, the majority of emerging markets were exposed to deleveraging. In order to avoid a situation where deleveraging would cause financial instability in host countries of international banking groups' subsidiaries, the so-called Vienna Initiative 1.0 was launched in 2009, aimed at maintaining the agreed level of exposure of banking groups from Western European countries toward countries of Central, Eastern and Southeastern Europe. However, as the crisis went on, Vienna Initiative 2.0 was launched in 2012 to coordinate the process of deleveraging of foreign banking groups. The outbreak of the global financial crisis showed that the domestic financial sector could not rely on external sources of funding alone and that domestic sources needed to be strengthened as well. At end-2008, cross-border liabilities of the banking sector accounted for 18.2% of total liabilities, while in December 2025 they fell to 9.7%. This decrease was offset by the expansion of the local deposit base. The loan-to-deposit ratio declined from 1.14 at end-2008 to 0.83 at end-2025. A loan-to-deposit ratio below 1 means that banks largely rely on domestic, stable sources of funding, such as deposits, and points to a greater resilience of the banking system, which allows it to preserve its lending activity in crisis conditions regardless of trends in foreign markets. This boosts the resilience of the banking system in the long run and limits the effect of cross-border risk spillover, which is pronounced during crises. Owing to preserved macroeconomic and financial stability, and timely and comprehensive measures supporting corporate and household sectors, the spillover of the negative effects of all crises from the international environment onto the domestic banking sector was prevented. However, cross-border exposure of the domestic banking sector should continue to be monitored.

Strengthening domestic dinar sources of funding

Reliance on domestic, primarily dinar sources of funding, limits the exposure to external risks, particularly in the conditions of global crises. Also, stable domestic sources of funding enable an adequate risk diversification. As our financial system is bank-centric, efforts should be made to develop alternative, long-term sources of funding. An example of these sources in the domestic market are VPFs, whose potential in Serbia is insufficiently used.

Degree of dinarisation

A euroised financial system is exposed to the FX risk which may materialise if the value of the domestic currency drops suddenly relative to major world currencies. In such a scenario, foreign currency liabilities expressed in the local currency would go up, as would the debt of most borrowers who receive their income in the local currency. Problems with borrowers' solvency and liquidity could thus ensue due to the FX risk. Also, in a highly euroised economy, changes in the key policy rate cannot fully influence the cost of servicing FX-denominated debt, which diminishes monetary policy effectiveness and limits the central bank's capacity to control this systemic risk.

To increase the degree of dinarisation of the domestic financial system, the Government and the NBS signed the Memorandum on the Strategy of Dinarisation of the Serbian Financial System in 2012. Given that macroeconomic stability was ensured and financial stability strengthened in the period after the conclusion of the Memorandum in 2012, it was agreed that preconditions were in place for upgrading the Strategy. To this end, in December 2018 the Government and the NBS signed a new Memorandum on the Strategy of Dinarisation[234] which took stock of past measures and activities and, in view of those results, defined additional measures and activities that would boost dinarisation further and mitigate the FX risk in the system. The Strategy of Dinarisation rests on three key pillars:

– the first pillar includes monetary and fiscal policy measures aimed at preserving macroeconomic stability and ensuring conditions for sustainable economic growth;

– the second pillar includes activities aimed at further developing the market of dinar securities and introducing new dinar products into the domestic financial market;

– the third pillar includes activities aimed at the development and promotion of FX risk hedging instruments.

The degree of dinarisation of the domestic financial system has been rising gradually. The share of dinar receivables equalled 39.3% at end-2025, up by 2 pp from end-2024 (37.4%), while the share of dinar deposits in total corporate and household deposits equalled 46.9%, up by 0.4 pp from end-2024 (46.5%). The country's gross FX reserves stood at EUR 29.0 bn at end-2025. FX reserves covered 6.7 months' worth of goods and services imports, which is more than double the adequacy standard. High values of these and other indicators effectively mitigate the risk of euroisation

[234] https://nbs.rs/export/sites/NBS_site/documents-eng/publikacije/dinarizacija/Memorandum_Dinarisation_Strategy_2018.pdf

and directly strengthen our country's resilience to external macroeconomic shocks.

As part of its Strategy of Dinarisation of the Serbian Financial System, in cooperation with the Government, the NBS promotes domestic currency savings, emphasizing their importance and greater profitability compared to FX savings. Dinar savings were more profitable thanks to a higher rate on dinar than on FX savings, long-term stability of the RSD/EUR exchange rate and tax-free treatment of interest on dinar savings, compared to the 15% tax on income from FX savings, but also thanks to the achieved and maintained macroeconomic and financial stability in the past years, when calibrated and well-timed monetary, prudential and fiscal policy measures played a key role. Despite global uncertainties, dinar savings continued to grow steadily, climbing to a new record-high of RSD 206.2 bn at end-2025, almost 11.5 times higher than in 2012, confirming preserved confidence of depositors in the domestic currency and financial system stability. Dinar savings recorded a RSD 15.0 bn annual growth in 2025, which is an increase of 7.8%. As dinar savings rose faster than FX savings, their share in total savings also increased – from 1.87% in December 2012 to almost 10% in December 2025. The NBS's regular semi-annual analyses for the period December 2012–December 2025 confirm that savings in the domestic currency were significantly more profitable than FX savings, regardless of the chosen maturity period.[235]

The NBS is continuously taking different monetary, microprudential and macroprudential policy measures to systemically support the dinarisation process. In terms of macroprudential measures, already in 2011 the NBS adopted the Decision on Measures for Safeguarding and Strengthening Stability of the Financial System (RS Official Gazette, No 34/2011). This Decision prescribes measures for mitigating risks in the financial system arising from the high share of FX or dinar FX-indexed loans. The Decision defines the following three measures:

– it introduced the 80% LtV (loan-to-value) limit for FX or FX-indexed housing loans. The Decision Amending the Decision on Measures for Safeguarding and Strengthening Stability of the Financial System (RS Official Gazette, No 114/2017) from December 2017 relaxed the LtV limit to 90% exceptionally, if a loan is approved as a government-support measure for some groups of natural persons. The Decision Amending the Decision on Measures for Safeguarding and Strengthening Stability of the Financial System (RS Official Gazette, No 84/2020) from June 2020 relaxed this limit in a way which allows banks to approve a mortgage-backed housing loan to natural persons if the loan amount does not exceed 90% of the value of such real estate, and the loan is approved to a first-time home buyer;

– banks are allowed to approve FX-indexed loans to natural persons, only if the currency of indexation is the euro;

– mandatory downpayment or deposit of 30% has been introduced for FX-indexed or FX loans to natural persons, but this requirement does not apply to housing loans or credit cards.

In December 2024, the Decision Amending the Decision on Measures for Safeguarding and Strengthening Stability of the Financial System (RS Official Gazette, No 102/2024) relaxed the requirement if a loan is approved under the government support programme enabling young people to buy their first residential property with the guarantee of the Republic of Serbia, in accordance with the Law on Establishing the Guarantee Scheme and Subsidising a Part of Interest as a Measure to Support Young People in Purchasing Their First Residential Property.[236] When approving a loan under this programme, banks may apply the 99% LtV limit (which means that the minimum downpayment by the natural person in the loan-financed real estate purchase may be 1% of the value of such real estate). The NBS estimated that the reduction of the downpayment percentage (from 20% or 10%, to 1%) is also justified from the viewpoint of an adequate and prudent risk management by banks, as the portfolio of housing loans for young people approved under this programme will be subject to more favourable terms and backed by a guarantee of the Republic of Serbia.

Following the introduction of housing loan relief measures for young people, and based on the provisions of the Law on Establishing the Guarantee Scheme and Subsidising a Part of Interest as a Measure to Support Young People in Purchasing Their First Residential Property, the NBS Executive Board adopted the Decision Amending the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items.[237] The Decision prescribes in more detail the assessment of the creditworthiness of a housing loan applicant, within the meaning of the Law, who is not employed (an unemployed person), but has provided a joint guarantee from a creditworthy family member or a guarantee from a person who is not a member of the applicant's family. In addition, the content of the credit file for such a borrower, including the frequency of its updating, has been specified in greater detail. Furthermore, eligible borrowers under the Law also include persons employed under fixed-term employment contracts, provided that, at the bank's request, they secure a guarantee from a family member

[235] https://www.nbs.rs/export/sites/NBS_site/documents-eng/publikacije/dinarizacija/izvestaji/din_IV_25.pdf
[236] RS Official Gazette, Nos 19/2025, 51/2025 and 109/2025.
[237] RS Official Gazette, No 21/2025.

as additional collateral. The Decision emphasizes the possibility of granting housing loans to borrowers employed on a fixed-term basis. In assessing the eligibility of a potential borrower for any type of loan, including a housing loan, permanent employment should not be regarded as a necessary condition or an exclusion criterion. Instead, banks should take into account other factors relating to the specific borrower that are relevant for a comprehensive creditworthiness assessment.

By adopting this bylaw, the NBS, within its scope of competence, timely established and completed the regulatory framework necessary for the implementation of the programme supporting young first-time home buyers. This enabled the provisions of the Decision relating to lending to unemployed persons and persons employed under fixed-term contracts to be effectively applied from the date of entry into force of the Law on Establishing a Guarantee Scheme and Subsidising a Part of Interest.

To further support financial system dinarisation, at its meeting of 12 December 2019, the NBS Executive Board adopted new measures for banks in order to change the currency structure of corporate lending and to ensure a higher share of dinar loans in total loans approved in the Republic of Serbia. These measures aim to create an environment conducive to more favourable financing of the corporate sector, particularly of SMEs – in dinars. The measures are defined in the decisions published in the RS Official Gazette, No 88/2019 of 13 December 2019, namely:

– Decision Amending the Decision on Capital Adequacy of Banks, and
– Decision Amending the Decision on Risk Management by Banks.

The Decision Amending the Decision on Capital Adequacy of Banks encouraged banks to lend in dinars (without an FX-clause) and approve all other loans to micro enterprises and SMEs, entrepreneurs and farmers in dinars. Unlike the previous solution, which treated all bank loans to these entities in the same way, regardless of the currency, this measure provides for a more favourable regulatory treatment of dinar loans, i.e. banks allocate less capital to cover risks in respect of dinar loans than in respect of FX and FX-indexed loans to these categories of borrowers. These incentives represent an additional measure to ensure better lending terms to this important part of the corporate sector which drives the economic growth of each country.

Dinarisation is further supported by measures introduced to discourage the approval of new non-purpose and non-investment FX-indexed and FX loans to companies, entrepreneurs and farmers. Namely, the maximum percentages of these loans have been determined, and if a bank exceeds these maximum levels, it will be subject to capital reduction. Apart from gradualness, this measure is also characterised by the absence of any form of lending prohibition, given that there are no obstacles for a bank to approve a non-purpose or a non-investment loan with the agreed currency clause or a loan in foreign currency to any client, provided that it maintains an appropriate level of own funds to meet all regulatory requirements. To unlock further operational capacities of banks and create more room to provide liquidity to the real sector – all of this against the backdrop of a global multidimensional crisis – the NBS repeatedly postponed the application of this measure,[238] which entered into force on 1 July 2023. However, the obligation to reduce capital in case of overstepping the share percentage has been applied from 1 January 2025 (71% in 2025).[239]

The NBS's comprehensive approach to limiting FX-indexed and FX lending has also resulted in an improved regulatory framework for risk management by banks in this segment of operation. The Decision Amending the Decision on Risk Management by Banks[240] defines risk management requirements for banks concerning FX-indexed and FX loans. This has helped improve the regulatory framework in order to strengthen financial system resilience to the risks which may arise from a high share of FX-indexed and FX loans in bank balance sheets.

The high level of banking sector euroisation has been recognised as a systemic risk, since it increases the sensitivity of borrowers with a debt-income-currency mismatch to exchange rate changes, exposes the banking sector to credit-FX risk and hampers efficient monetary policy implementation. Therefore, the NBS applies the systemic risk buffer as an additional macroprudential policy measure. This instrument aims to strengthen banking sector resilience to potential shocks associated with this systemic risk and to help reduce the euroisation of the domestic financial system. The Decision on the Rate and Manner of Maintaining the Systemic Risk Buffer[241] of 8 June 2017, amended on 11 January 2018, established the systemic risk

[238] Decision Amending the Decision on Capital Adequacy of Banks (RS Official Gazette, No 67/2020), Decision Amending the Decision on Capital Adequacy of Banks (RS Official Gazette, No 137/2020), Decision on Capital Adequacy of Banks (RS Official Gazette, No 59/2021), Decision Amending the Decision on Capital Adequacy of Banks (RS Official Gazette, No 67/2022) and Decision Amending the Decision on Capital Adequacy of Banks (RS Official Gazette, No 48/2023).

[239] This threshold will go down further to 64% in 2026, and 57% in 2027, and to 50% as of 1 January 2028.

[240] RS Official Gazette, No 88/2019.

[241] RS Official Gazette, Nos 58/2017 and 3/2018.

buffer, which has been applied since 30 June 2017. All banks with headquarters in Serbia and with the degree of euroisation above 10% are required to maintain the systemic risk buffer at 3% of their FX and FX-indexed loans to corporates and households in Serbia.[242] The requirement to maintain this buffer was reviewed in 2026, when it was determined that the Decision on the Rate and Manner of Maintaining the Systemic Risk Buffer ought to be retained.

Considering the introduction of different insured amounts and insurance premiums for FX and dinar deposits

The Law on Deposit Insurance[243] envisages the same insured amounts for both FX and dinar deposits. As the requests for insurance-based deposit payments are often filed during a systemic crisis when the domestic currency can depreciate considerably, depositors with FX deposits are in a more favourable position than depositors with local currency deposits. Moreover, when it comes to determining the deposit insurance premium, the Law does not stipulate higher premiums for FX deposits, even though they entail a higher risk for the insurer. Namely, FX deposits entail a higher risk of the occurrence of the insured event than dinar ones, as there is no FX risk involved in the investment of dinar funds.

In October 2019, the Law Amending the Law on Deposit Insurance was adopted,[244] introducing the possibility to calculate the insurance premium on the basis of the level of risk in the operations of each individual bank. Despite this improvement, however, the Law does not explicitly prescribe the obligation to determine a higher premium for FX deposits.

Regulatory measures to facilitate debt repayment and access to financing

In the preceding period, Serbia, like the rest of the world, has faced the consequences of heightened geopolitical tensions, slackened global growth, energy crisis, market fragmentation and numerous global uncertainties. Serbia demonstrated a higher degree of resilience compared to most European countries owing to the preserved macroeconomic and financial stability, vigorous economic growth in the past period, the structure of the economy and the created fiscal space, as well as the timely and comprehensive package of measures to support corporates and households. In coordination with the Serbian Government, the NBS responded in a timely fashion to facilitate the operation of corporates amid disrupted global supply chains, alleviating excessive spillover of imported inflation and supporting households' living standards.

To ensure protection of the households' standard in terms of payment services needed for daily activities, in August 2022 the NBS adopted the Decision on the Payment Account with Basic Features.[245] The Decision regulates consumers' rights to the payment account with basic features, the types of services covered and the maximum amount of the fee that banks can charge in relation to that account.

In August 2022 the NBS adopted the Decision Amending the Decision on Risk Management by Banks,[246] laying down banks' obligation to regulate, by means of relevant internal acts, the process of adoption and/or amendment of their acts governing the fees charged for the provision of payment services. Also, a bank must notify the NBS of the tariff change by no later than 45 days before the planned adoption of the change.

Against the backdrop of globally elevated interest rates, the NBS adopted amendments to the Decision on Capital Adequacy by Banks from December 2022[247] which allowed banks to restructure their receivables from natural persons under consumer, cash or other similar loans, without affecting their capital. This regulatory solution allowed financially distressed debtors to submit an elaborated application asking for an extension of their repayment term by up to three years relative to the applicable regulatory solution. It must be noted that this procedure does not result in an augmentation of the remainder of the debt, and that the restructuring within the meaning of this Decision may be done only once.

Measures aimed at supporting households and corporates

Considering the strategic importance of agricultural production for households and corporates, in October 2022 the NBS adopted measures[248] allowing debtors of banks and financial lessors from the agricultural sector to reschedule their existing liabilities. Amid dampened demand and unfavourable fruit price movements in the international market, in January 2023 bank debtors engaged in the purchase and cold storage of fruit were enabled to reschedule their obligations.[249]

[242] https://www.nbs.rs/export/sites/NBS_site/documents-eng/propisi/propisi-fs/systemic_risk_buffer.pdf
[243] RS Official Gazette, Nos 14/2015, 51/2017, 73/2019 and 94/2024.
[244] RS Official Gazette, No 73/2019.
[245] RS Official Gazette, No 89/2022.
[246] RS Official Gazette, No 89/2022.
[247] RS Official Gazette, No 137/2022.

[248] Decision on Temporary Measures for Banks Aimed at Adequate Management of Credit Risk in Agricultural Loans Portfolio in Conditions of Aggravated Agricultural Production (RS Official Gazette, Nos 111/2022 and 5/2023) and Decision on Temporary Measures for Lessors Aimed at Adequate Management of Credit Risk in the Portfolio of Leases of Agricultural Machinery and Equipment in Conditions of Aggravated Agricultural Production (RS Official Gazette, No 111/2022).
[249] Decision Amending the Decision on Temporary Measures for Banks Aimed at Adequate Management of Credit Risk in Agricultural Loans Portfolio (RS Official Gazette, No 5/2023).

To facilitate access to financing and support the construction industry, throughout 2023 the Decision on Temporary Measures for Banks to Facilitate Access to Financing for Natural Persons was implemented.[250] Pursuant to the Decision, until end-2023 banks were able to use a portion of allocated capital buffers (capital conservation buffer and systemic risk buffer) to facilitate access to financing for natural persons. Until 2023, banks were also able to offer facilities to borrowers by extending the repayment term for housing loans by a maximum of five years. In the circumstances of a considerable rise in EURIBOR, this reduced the pressure on the users of variable-rate housing loans and prevented a build-up of non-performing housing loans. Apart from the option of extending the deadline for the repayment of housing loans, the temporary measures enabled easier access to housing loans (a lower minimum degree of construction of the housing-loan financed facility is required) and facilitated the procedures for households' access to short-term dinar loans of up to RSD 90,000. The amendments to the Decision[251] from December 2023 and 2024 allowed banks to approve consumer loans of up to RSD 90,000 with a maximum two-year repayment term to natural persons without having to transfer their wage/pension to the bank.

In response to elevated interest rates, in December 2024 the NBS adopted the Decision on Temporary Interest Rate Cap on Loan Agreements Concluded with Natural Person Consumers[252] aimed at protecting the interests of financial service consumers, particularly housing loan borrowers. This Decision ensured the application of interest rate caps laid down in the proposed Law on the Protection of Financial Service Consumers pending the Law's adoption, but no later than end-2025. The above temporary measure capped the interest rates on existing and new variable-rate housing loans and on new fixed-rate housing loans at 5%. This ensured a gradual switch to a market interest rate after the Decision on Temporary Measures for Banks Relating to Natural Persons' Housing Loans was no longer applied.[253] In addition to capping interest rates on housing loans, the above Decision also capped interest rates on cash and consumer loans, credit card debt and current account overdraft. The above Decision ceased to be valid with the adoption of the Law on the Protection of Financial Service Consumers[254] in March 2025, which systematically regulated interest rate caps on all credit products for the purpose of protecting the interests of financial services consumers, while preserving and strengthening the stability of the financial system. Also, the above Law ensures the predictability of borrowing costs and limits the risk of a sudden increase in households' liabilities. Rather than prescribing a fixed upper limit, as of 1 January 2026, the Law prescribes that when determining the maximum interest rates applicable to housing loans, market interest rate movements shall be taken into account. Also, the above law prescribes the provision of pre-contractual information and notifications which, at the loan user's request, must contain detailed explanations about the loan and the associated risks, and help the consumer, by providing advice in good faith, to find the service that best suits their needs. In this regard, advisory services which the banks can provide to a client have been regulated for the first time in the financial market. Also, the Law for the first time regulates the tying and bundling practices. Namely, banks are prohibited from making loan approval conditional upon the use of another service, other than by way of exception, but they are allowed to bundle services (e.g. offer a package which is more favourable than buying each service individually), though each consumer must have the possibility to use the services separately as well. This Law specifies what constitutes the total cost of the credit to the consumer, which may also be disclosed through several components, supplements the list of mandatory contract elements and specifies the content of the contract. The Law on the Protection of Financial Service Consumers further upgrades the procedure in respect of complaints filed by consumers in order to ensure free, efficient, flexible and fair resolution of any disputes between the bank and the user.

At its regular meeting held on 11 September 2025, the NBS Executive Board adopted the Decision on Loan Repayment Relief.[255] Pursuant to the provisions of the new Law on the Protection of Financial Service Consumers, applied as of 1 July 2025, this bylaw stipulates that a lender is required to apply reasonable forbearance measures to facilitate loan repayment if, during the contractual relationship, circumstances arise that place the consumer in serious financial hardship, and/or if other significant circumstances beyond the consumer's control arise, while taking into particular account the consumer's personal circumstances. In addition, as part of the current measures undertaken by the Republic of Serbia to protect the rights of borrowers experiencing difficulties in repaying housing loans secured by a mortgage on the property in which they reside, banks will be required, under certain conditions, to grant a repayment moratorium of at least two months, under prescribed conditions. Relief measures imply total or partial refinancing of debt under an agreement and/or modification of the agreed terms. By adopting this bylaw, the NBS, within its scope of competence, once again established a regulatory framework ensuring permanent protection of financial service consumers, particularly those facing difficult

[250] RS Official Gazette, Nos 108/2020, 119/2021, 137/2022, 110/2023 and 102/2024.
[251] RS Official Gazette, Nos 110/2023 and 102/2024.
[252] RS Official Gazette, No 102/2024.
[253] RS Official Gazette, Nos 78/2023.
[254] RS Official Gazette, No 19/2025.
[255] RS Official Gazette, No 78/2025.

life circumstances. The results achieved in this area place the NBS on a par with the most advanced EU regulators and supervisors.

To further strengthen the prudential framework for bank operations, based on needs identified in practice in the previous period, the Law Amending the Law on Banks was adopted in March 2025.[256] The amendments and supplements to the Law, among other things, enhanced corporate governance in banks and improved risk management frameworks, further specified the supervisory review and evaluation process conducted by the NBS, etc. Moreover, the Law reinforced the NBS's supervisory function by introducing a new instrument called "mystery shopping" to further enhance the supervision of the legality of banks' operations in the area of financial services consumer protection, incorporating the supervision agreement in the supervisory procedure, and specifying the process of supervisory review and evaluation. Bank resolution is carried out to avoid a significant adverse impact on financial system stability and is regulated by the Law on Banks. Its 2025 amendments further strengthened the regulatory framework, including the introduction of the Bank Resolution Fund.[257] In Serbia, the Fund was established by the Decision on Establishing the Bank Resolution Fund and Rules for Investment and Management of the Fund Assets,[258] adopted in January 2026. The establishment of the fund represents a step further in aligning with the EU regulations and practice, particularly in the area of bank crisis management. Within the statutory deadline, the NBS adopted a number of bylaws necessary for the implementation of the Law Amending the Law on Banks.

Based on the results of a comprehensive analysis of the conditions under which banks in Serbia grant cash, consumer and housing loans to households, the NBS defined supervisory expectations addressed to banks regarding the adjustment of credit product offers for certain categories of citizens, particularly those with lower incomes. Specifically, the supervisory expectations set for banks regarding the reduction of interest rates on loans for certain categories of natural persons represent a continuation of activities aimed at facilitating households' access to financing. This initiative represents a continuation of the NBS's ongoing efforts to systematically enhance the overall quality of financial services. Namely, these supervisory expectations required banks to adjust their cash, consumer and housing loan offers for employees and pensioners with regular monthly income of up to RSD 100,000 by 15 September 2025.[259] In addition, to further reduce borrowing costs, the supervisory expectations also required banks not to charge loan processing fees. All banks offering these types of credit products complied with the NBS's expectations and, within the deadline, adjusted their offers, which will be effective for at least 12 months.

Since August 2025, the approval process for small-value low-risk dinar consumer loans (up to RSD 150,000) was permanently simplified, further facilitating access to financing for natural persons.[260]

The NBS is committed to ongoing improvement of the regulatory framework in order to preserve and strengthen financial system stability. In the previous period, the NBS pursued a proactive approach by implementing a range of measures aimed at supporting the domestic economy and households. As a result, financial system stability was maintained and access to sources of financing facilitated.

[256] RS Official Gazette, No 19/2025.

[257] For more information, see Text box 6: Bank Resolution Fund.

[258] RS Official Gazette, No 4/2026.

[259] https://www.nbs.rs/en/scripts/showcontent/index.html?id=20812

[260] Decision Amending the Decision on the Classification of Balance Sheet Assets and Off-balance Sheet Items of Banks (RS Official Gazette, No 70/2025).

Text box 6: Bank Resolution Fund

A high degree of integration, complexity and interdependency among institutions is the hallmark of the modern-day financial system. The banking sector – its key segment – plays the leading role in intermediation between savings and investments, maintenance of corporate liquidity and payment transactions. Given the systemic importance of the banking sector, its instability has direct implications for the real economy.

Experiences after the global financial crisis of 2008 called for a reform of institutional mechanisms enabling timely and orderly intervention in banks facing serious financial difficulties. In that context, the establishing of the Bank Resolution Fund (hereinafter: Fund) represents one of the key instruments of contemporary banking regulation aimed at preserving financial stability and safeguarding public interests.

The legal framework for bank resolution in Serbia was set up in 2015. The tools from this framework were applied in practice in 2022 when a timely and efficient response prevented the spillover of external shocks caused by the escalation of the Ukraine conflict on the domestic banking sector. In order to maintain smooth functioning of the entire financial system, only a few days after the outbreak of the Ukraine conflict, the NBS approved to AIKBANK a.d. Beograd the acquisition of 100% ownership in SBERBANK Srbija a.d. Beograd. The takeover was completed on 1 March 2022, protecting the depositors and preserving the continuity of payment transactions. The NBS was the first among all central banks to take action to avert the spillover of the negative effects caused by circumstances in the international environment related to the previous shareholder of that bank, thereby preserving stability across all segments of the Serbian financial system.

Bank resolution is one of the key mechanisms for maintaining stability in financial systems, especially in the context of systemic risk management and prevention of the spillover of financial crises to the real economy. In Serbia, this matter is regulated by the Law on Banks[261] (hereinafter: Law). Its amendments and supplements from 2025 further upgraded the normative framework for bank resolution, including the introduction of the Fund as a mechanism of financial support to the resolution of banks or banking groups. Consistent with international standards and the best practices, the domestic legal framework explicitly sets out that resolution takes place when the bank is failing or likely to fail, when it is unlikely that the application of any other measures could remove obstacles to the continuation of the bank's operations within a reasonable period, and when bank resolution is in the public interest. The NBS is the institutional backbone of this system, as it is in charge of implementing the resolution procedure and applying resolution tools, in particular the bail-in tool, sale of business tool and bridge bank tool. In this context, the Fund represents an additional mechanism for the operationalisation of these tools and a way to secure the resources needed to finance resolution without burdening budgetary funds and taxpayers, thereby further protecting financial stability and maintaining confidence in the banking system.

In Serbia, the Fund has been set up pursuant to the Decision on Establishing the Bank Resolution Fund and Rules for Investment and Management of the Fund Assets from January 2026.[262] The setting up of the Fund marked a further step in the process of alignment with EU regulations and practices,[263] especially with regard to banking crisis management. The Fund is built up using the contributions of the banks, which are at the same time its beneficiaries. This arrangement prevents the costs of a bank's failure from being transferred to taxpayers through different forms of government assistance. The financing of bank resolution from the Fund is only permissible if the bank's internal loss covering and recapitalisation capacities are insufficient at the time of occurrence of a crisis situation. The key purpose of this solution is to downsize fiscal risks and protect budgetary funds, while at the same time strengthening the market discipline of all financial market participants.

The specific nature of the Fund's institutional status is reflected in the fact that it does not have the status of a legal entity, but rather operates as a special-purpose financial mechanism integrated within the NBS. The NBS manages the Fund, concludes legal transactions in its own name and for the account of the Fund, while the Fund's assets and liabilities are kept separately from those of the NBS. As regards the Fund's investment policy, the NBS is guided by the principles of safety and liquidity, with available assets invested primarily in low-risk financial instruments, such as government securities, so that they are easily available if extraordinary circumstances occur. In order to ensure full transparency of the Fund's operations, the NBS adopts the Fund's annual report and publishes it on its website no later than 30 June of the current year for the previous calendar year. The report contains data on the targeted and achieved level of the Fund's

[261] Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010, 14/2015 and 19/2025).

[262] RS Official Gazette, No 4/2026.

[263] In the EU, the Single Resolution Fund was set up in 2016 to finance the resolution of banks from EU member states.

assets, investment of available Fund assets and costs, as well as the Fund's financial statements for the reporting period, with the opinion of the external auditor.

The Fund's financing structure is based on the principle of *ex ante* accumulation of assets through regular annual contributions determined for each bank by the NBS, in order to reach the target level of the Fund's assets. In accordance with the Law, the target level of the Fund's assets shall be no less than 1% of the amount of insured deposits of all banks, which is consistent with EU regulations and practice. The timeframe for reaching the target level of the Fund's assets is ten years from the start of the collection of assets. The NBS determines the annual target level by taking into account the need to reach the target level of the Fund's assets, and on the basis of the average amount of insured deposits in the banking sector in the previous year, calculated quarterly. When determining the regular annual contributions of banks to the Fund, the NBS applies the methodology prescribed by the Decision on Determining and Collecting the Contributions of Banks to the Bank Resolution Fund,[264] which is aligned with the relevant EU regulations and best international practice in this area, and is consistent with the characteristics of the domestic banking sector. By means of a transparent approach based on uniform definitions and methodological solutions, a level playing field is guaranteed for all banks contributing to the Fund. The calculation of individual contributions differs for each bank, as it depends on the bank's size and its risk profile calculated based on clear-cut risk indicators.

In addition to regular annual contributions, the Fund's assets also comprise extraordinary contributions from banks, income from loans, income from investment, as well as assets obtained in the resolution procedure. The NBS prescribes an obligation for banks to pay extraordinary contributions if the collected assets of the Fund are not sufficient to cover the cost of resolution funding or the Fund's losses.

The Bank Resolution Fund has a clearly defined role in the bank resolution procedure, and its assets may be used exclusively for the purposes prescribed by the Law, namely for guaranteeing the assets and liabilities of a bank under resolution, granting loans to the bank or to other entities participating in the resolution procedure, as well as for buying the assets of a bank under stress. In addition, the assets may also be used for providing funds to a bridge bank and asset management companies, in order to ensure the continuity of critical banking functions and prevent disruptions to financial stability. The Law also provides for reimbursement to shareholders and creditors in cases where the resolution procedure results in greater losses than would have occurred in the bankruptcy procedure, thereby ensuring additional legal certainty for participants. Furthermore, the Fund may provide assets in situations where the NBS, for the purpose of preserving the stability of the financial system, exempts certain creditors from the scope of the bail-in tool, or for taking several of the above actions simultaneously. Where the sale of business tool is applied, the Fund's assets may also be used for taking the above activities in relation to the buyer.

On the other hand, the Law explicitly prohibits the use of the Fund's assets for direct coverage of losses of the bank under resolution or for its recapitalisation, as well as for securing capital for the bridge bank. In this way, the legislator clearly distinguishes the modern resolution mechanism from the traditional bail-out model, since losses are borne primarily by the bank's shareholders and creditors, while the Fund has a stabilising and supportive role in the resolution procedure.

A particularly important aspect, which further solidifies the soundness of the entire system, is the legally defined order of sequence applied to the write-down and/or conversion of capital instruments and eligible liabilities of banks in the resolution procedure, in accordance with the order of priority in the collection of claims in the bankruptcy procedure. As a result, insured deposits are fully protected in the resolution procedure up to the covered amount, and natural persons, entrepreneurs, and small and medium-sized legal persons whose deposits are insured are better protected than other creditors. This directly reduces the moral hazard, forcing large creditors to make a more adequate risk assessment when investing in the banking sector and further upgrading market discipline as a key factor of stability.

As the Serbian banking sector is highly liquid and well-capitalised, the establishing of the Fund is a part of the NBS's pre-emptive activities. This enhances institutional preparedness for efficient management of emergency situations. The introduction of this mechanism also reinforces the trust of the public and all market participants in long-term stability of the domestic banking sector.

[264] RS Official Gazette, No 51/2025.

IV.2 Financial soundness indicators

The NBS uses several methodological approaches to assess the stability of the financial system in Serbia. These approaches enable a comparison of financial stability indicators in the regional context and provide an overview of their dynamics during the observed period.

The comparison of financial system stability in the international context relies on selected financial soundness indicators. The stability network (Chart IV.2.1) shows five representative indicators for Serbia and the region at the end of 2008 and 2025: a) regulatory capital adequacy, b) Tier 1 capital relative to balance sheet assets, c) NPL ratio, d) return on assets, and e) return on equity.

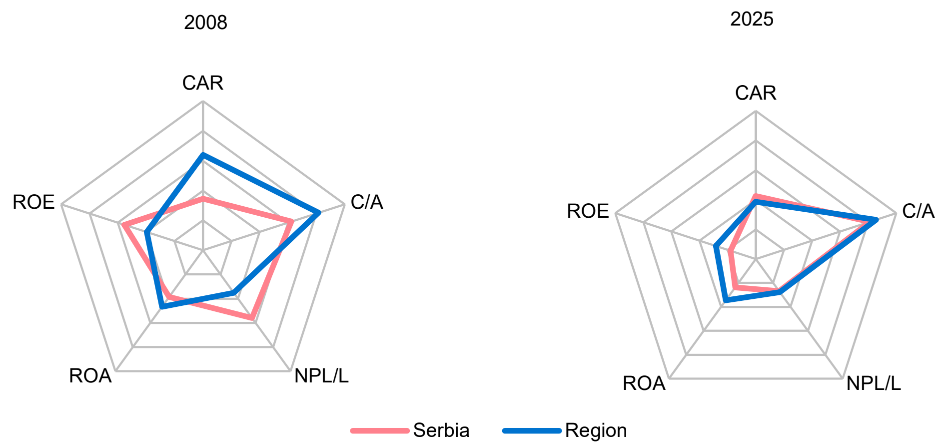
Financial soundness indicators show that the capitalisation of the Serbian banking sector is around the regional average in terms of the capital adequacy ratio, but also in terms of the Tier 1 capital to balance sheet assets ratio. The share of NPLs in total loans reached a new record low level at end-2025 (2.1%), which is below the regional average. The decline in NPL share indicates that banks' asset quality has been preserved despite heightened geopolitical tensions and the expiry of certain measures introduced by the NBS to support loan repayment, which provided assistance to both the corporate and household sectors in the previous period. In 2025, the banking sectors of the Republic of Serbia and the region operated profitably. The return on assets (ROA) and return on equity (ROE) moved above the average levels recorded in the countries of the region.[265] Owing to the preserved asset quality, high capitalisation and profitability, the Serbian banking sector can be assessed as stable.

In addition to the above indicators, financial soundness is also measured by the Financial Stress Index (FSIX). FSIX is a composite index[266] introduced to identify episodes of heightened financial stress, and their duration, which is why it covers the relevant indicators of the Serbian financial market and economic activity trends. Positive values of the indicator suggest an above-average financial stress level, while negative values point to a below-average stress level.

FSIX recorded below-average values in 2025, on average lower than those recorded in 2024. The analysis of individual components indicates that the average values of almost all components were lower at end-2025 than at end-2024. A low FSIX level mostly reflects the decrease in risk premium on dollar debt, the relatively low stock exchange volatility as measured by the BELEX15 index, and the exchange rate stability.

The common lender channel indicator is applied to identify the risk of financial crisis contagion across countries reliant on the same source of funding. This

Chart IV.2.1 **Financial soundness of the Serbian banking sector compared to regional average**



* The Chart shows standardised values of the most common financial soundness indicators: CAR – Capital Adequacy Ratio (regulatory capital to risk-weighted assets); C/A – Tier 1 Capital to Assets; NPL/L – gross NPLs to total gross loans; ROA – Return on Assets; ROE – Return on Equity.

** Greater distance from the network centre indicates greater risk.

*** The region refers to CEE countries: Serbia, Bosnia and Herzegovina, Hungary, North Macedonia, Poland, Bulgaria, Turkey and Croatia. Region FSIs are non-weighted averages of the individual countries' FSIs.

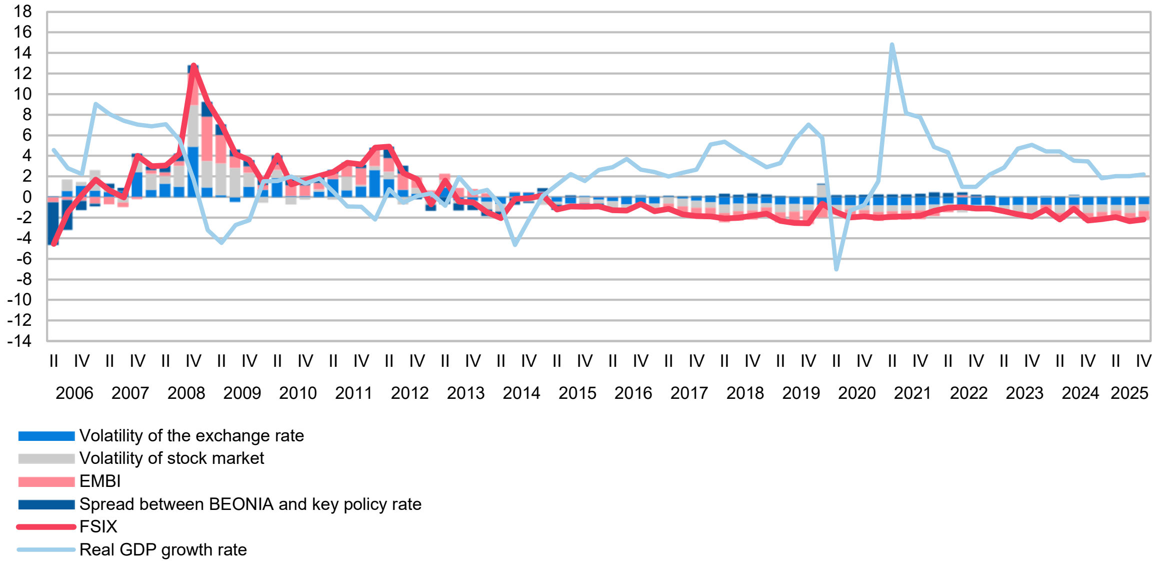
**** Last available data for 2025.

Sources: NBS and IMF.

[265] For more information on the characteristics and trends in the Serbian banking sector, see Chapter II.1 Banking sector.

[266] For more information on indicator methodology, see the *Annual Financial Stability Report – 2012*.

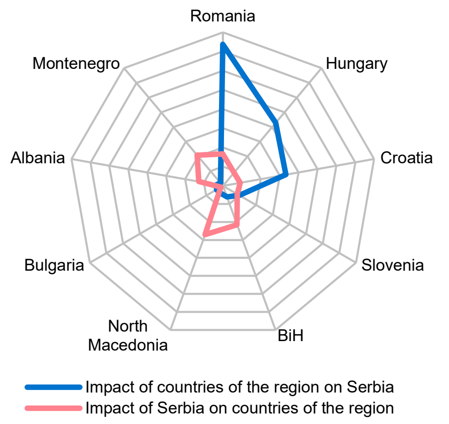
Chart IV.2.2 **Financial Stress Index (FSIX) and GDP growth**
(standardised deviations and GDP growth rate in %)



Source: NBS.

channel of risk contagion is particularly pronounced in small and open economies, i.e. in financial sectors dominated by foreign banks or their subsidiaries. The indicator's value depends on the exposure of the lender's country to the private and public sectors of the borrower's country and the share of debt to the common lender in total indebtedness of the financial sector of the borrower's country. The obtained indicator[267] is proportionate to the probability of financial crisis contagion from one country of the region to Serbia, or probability of the crisis spilling over from Serbia to other countries in the region.

Chart IV.2.3 **Shock transmission via common lender channel***



* Data as of Q3 2025.
Sources: BIS and NBS.

The analysis is based on consolidated BIS reports on cross-border exposures of global banking groups. These reports cover a large number of banks and countries and are therefore highly suitable for a comparative analysis of cross-border exposures. We used the latest available data on the exposures of banking sectors from countries which are common lenders to Serbia and other Central and Southeast European countries.

The results of the analysis are shown in the network in Chart IV.2.3, which indicates that in the event of a potential financial shock in any of the countries in the region, the greatest impact on Serbia, through the common lender channel, would be exerted by Romania, Hungary and Croatia, while Serbia would transmit the greatest impact to North Macedonia, Bosnia and Herzegovina, and Montenegro.

To capture potential risks to financial stability arising from the banking system, the NBS created the banking sector stability index.[268] The index is calculated based on indicators of solvency, asset quality, profitability, liquidity and currency matching of banking sector assets and liabilities.

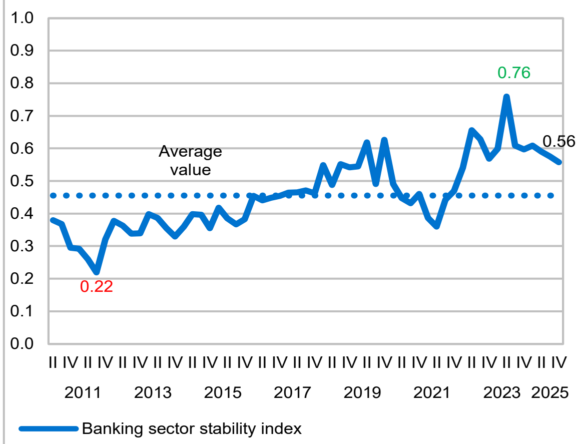
The banking sector stability index declined slightly relative to the previous year and measured 0.56 at end-2025, indicating a high level of stability of the Serbian banking sector.[269] In terms of individual components, it

[267] For more information on indicator methodology, see the *Annual Financial Stability Report – 2013*.

[268] For more information on indicator methodology, see the *Annual Financial Stability Report – 2014*.

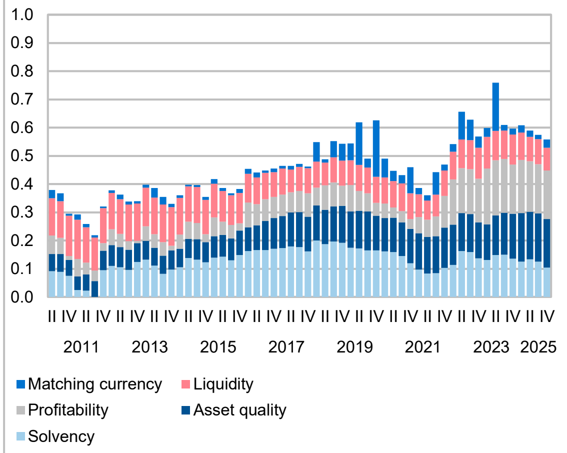
[269] The values above 0.5 indicate higher stability level, while those below 0.5 indicate lower banking sector stability level.

Chart IV.2.4 **Banking sector stability index**
(composite measure)



Source: NBS.

Chart IV.2.5 **Aggregate elements of banking sector stability index**



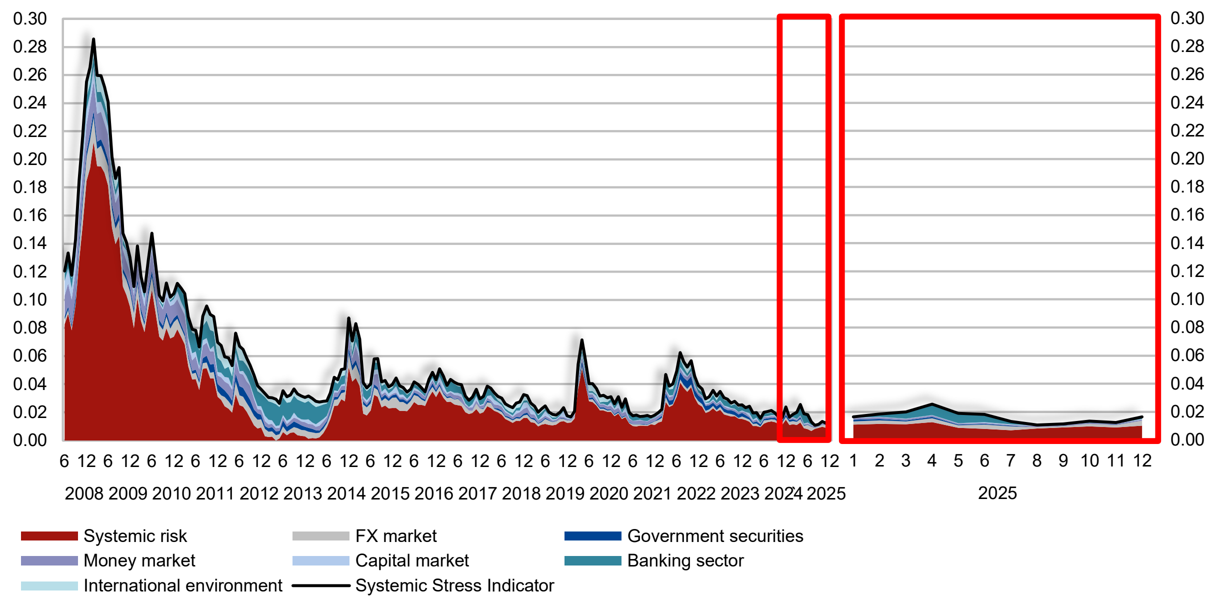
Source: NBS.

was the higher profitability and the improved bank asset quality owing to the lower share of NPLs in total loans, that contributed the most to banking sector stability in 2025. Solvency and liquidity contributed to a lesser degree given a mild decline in the capital adequacy ratio and the value of banking sector liquid assets relative to the previous year. The most negligible change was recorded by the currency matching of banking sector assets and liabilities indicator.

To identify crisis periods and assess the level of systemic stress in the Serbian financial system, the NBS developed a methodology to construct a composite indicator of systemic stress.[270] This indicator is based on the methodologies developed by the European Systemic Risk Board and the ECB to analyse the risks in various segments of the financial system and to assess the level of the overall systemic stress. The systemic stress indicator covers 25 indicators which reflect the magnitude of financial stress in six major segments of the Serbian financial system: the FX market, government securities market, money market, capital market, banking sector and the international environment.

The systemic stress indicator suggests that 2025 was a year of low risk, with a low and stable systemic component. At end-2025 it was lower than at end-2024.

Chart IV.2.6 **Systemic Stress Indicator dynamics**



Source: NBS.

[270] Kovačević Darko (2021) "Assessment of the Republic of Serbia's Systemic Risk and the Likelihood of a Systemic Crisis", Working Papers Bulletin, pp. 73–119. National Bank of Serbia.

The decrease in the value of this indicator was driven by developments in the government securities market due to the preservation of macroeconomic stability and the resulting decline in the risk premium of the Republic of Serbia, as well as developments in the money market and conditions in the banking sector. Trends in the FX market at end-2025 worked in the opposite direction. The systemic stress indicator was at a low level throughout 2025, pointing to the resilience and maintained stability of the financial system as a whole, despite significant global uncertainties.

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