NATIONAL BANK OF SERBIA

Press release on the publication of the *Annual Financial Stability Report* for 2025

NBS publishes *Annual Financial Stability Report* for 2025

The National Bank of Serbia (NBS) attaches great importance to transparent communication, keeping the public informed about developments in Serbia's financial system. The primary objective of this *Report* is to inform the public about the condition of the financial system and the risks it faces, while timely pointing out to potential systemic risks. To this end, the *Report* outlines the key systemic risks stemming from both the international and domestic environment, the regulatory measures undertaken to mitigate or eliminate these risks, as well as measures aimed at preventing their emergence. The text boxes contained in the *Report* examine the most topical issues at both the global and domestic levels in the fields of financial stability and macroprudential policy.

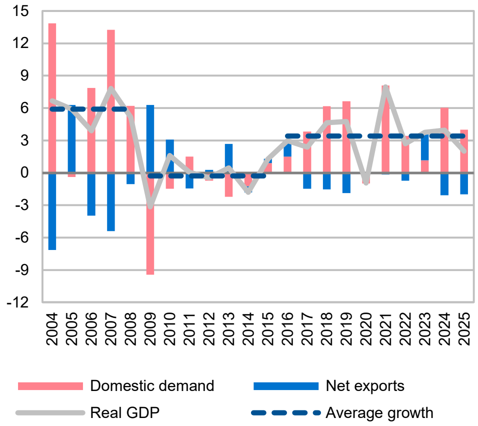
The international economic and financial environment during 2025 was shaped by pronounced trade tensions, particularly in the first half of the year, following the announcement and subsequent introduction of higher tariffs by the United States. These developments affected trade flows, investors' decisions and capital movements, while the second half of the year was characterised by gradual adjustment to the new trade policy and tariff regime. Geopolitical circumstances remained relatively unchanged throughout 2025 until the escalation of the conflict in the Middle East in late February 2026. Despite these developments, global economic growth remained stable at 3.4% in 2025, unchanged from 2024. Growth accelerated slightly in advanced economies (from 1.8% in 2024 to 1.9% in 2025), while slowing marginally in emerging economies (from 4.5% in 2024 to 4.4% in 2025).

Serbia's economy demonstrated a high degree of resilience to external risks in 2025, supported by continued stable GDP growth, moderate FDI inflows, rising employment and wages in the private sector, while the slowdown in inflation helped preserve macroeconomic stability.

- ✓ ***The Republic of Serbia preserved and strengthened macroeconomic and financial stability in 2025 as well.***

Real GDP growth amounted to 2.0% in 2025, with positive contributions coming from stepped-up activity in the services sector and industry. GDP growth is expected to accelerate to 3.0% in 2026, on the back of domestic demand, with positive contributions from both consumption and fixed investment. Consumption growth is anticipated to be supported by higher disposable income resulting from rising wages and pensions, as well as more favourable lending conditions, while the implementation of infrastructure projects envisaged under the "Leap into the Future – Serbia Expo 2027" programme will stimulate investment growth. In 2027, GDP growth is projected at around 4.5%, with the acceleration relative to 2026 being driven by stronger exports of services owing to the hosting of Expo. Over the medium term, the economy is expected to grow at a stable pace close to its estimated potential rate of approximately 3.5% p.a.

Real GDP growth – demand contributions
(%)



Sources: NBS and SORS.

In 2024, Serbia was classified among countries with an investment-grade sovereign credit rating for the first time in its history. In October 2024, Standard & Poor's upgraded Serbia's credit rating to investment grade (BBB-). The rating was maintained at that level throughout 2025. Fitch Ratings affirmed Serbia's BB+ rating, with a positive outlook for an investment-grade upgrade, in January and July 2025, and again in January and July 2026. The positive outlook reflects expectations that economic growth will be driven by investment under the "Leap into the Future – Serbia Expo 2027" programme, together with the continued downward trajectory of public debt and a strengthening of the external position. At end-February 2026, Moody's Ratings affirmed Serbia's sovereign credit rating at Ba2, while revising the outlook from positive to stable.

- ✓ ***Inflation remained within the target tolerance band throughout 2025, accompanied by the gradual easing of inflationary pressures***

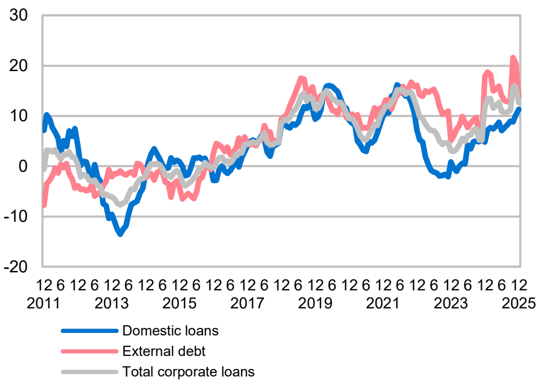
Average annual inflation stood at 3.8% in 2025, while y-o-y inflation in December measured 2.7%, remaining within the NBS target band of 3.0±1.5 pp. In 2025, inflation remained within the target tolerance band, with inflationary pressures gradually subsiding. Following higher y-o-y inflation rates recorded in mid-2025, largely as a result of higher food prices (particularly fruit) and rising global oil prices, inflation eased during the remainder of the year as food prices stabilised. This was supported in particular by the adoption of a government decree capping wholesale and retail trade margins at 20%, as well as by the stabilisation of energy prices. Core inflation remained somewhat above headline inflation throughout 2025 but followed a gradual downward trend. It stood at 4.7% in the middle of the year before declining to 4.0% by year end, indicating a gradual easing of cost-push pressures. The decline in core inflation reflected slower growth in services prices and the stabilisation of domestic demand under the influence of restrictive monetary conditions.

Although inflation steadily slowed over the course of the year, the NBS maintained a cautious monetary policy stance in view of the uncertainty prevailing in global markets. The key policy rate remained unchanged at 5.75% throughout 2025, having been kept at the same level since September 2024.

Relative stability of the dinar exchange rate against the euro was maintained throughout 2025, despite heightened depreciation pressures towards the end of the year. The dinar depreciated nominally by 0.2% against the euro in 2025, while gaining 12.5% against the US dollar as a result of the euro's appreciation against the dollar in the international financial market. During 2025, the NBS intervened in the FX market by selling EUR 580 mn net.

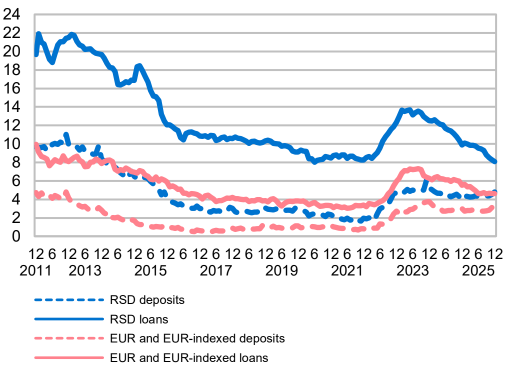
Lending growth accelerated further during 2025. The step-up in corporate lending was supported by past monetary policy easing by the NBS and continued monetary policy easing by the ECB. Lending was further encouraged by the easing of banks' credit standards and stronger corporate demand for loans. Excluding the exchange rate effect, total domestic lending to the non-monetary sector increased by 15.4% y-o-y, with loans to the household sector (up 19.5% y-o-y) making a larger contribution than loans to the corporate sector (which went up by 11.3% in 2025).

Corporate credit activity*
(y-o-y growth rates, %)



* Excluding the exchange rate effect.
Source: NBS.

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



Source: NBS.

Corporate lending growth during 2025 was driven by higher liquidity and working capital loans, as well as stronger investment lending, indicating the strengthening of investment activity. The corporate sector's capacity to service its loan obligations remained preserved, with the share of

NPLs in total corporate loans declining further compared with end-2024 and reaching a new historical low of 1.4% at end-2025.

Key labour market indicators remained favourable in 2025, providing strong support to household disposable income. This was reinforced by lower household borrowing costs compared with the previous year. Since the NBS launched its Dinarisation Strategy thirteen years ago, resident dinar savings have increased almost twelvefold, reaching a record RSD 203.4 bn at end-2025, up by as much as RSD 15.9 bn from end-2024. This record increase in dinar savings confirms citizens' confidence in the stability of the domestic currency. Resident FX savings also reached a record level of EUR 15.4 bn at end-2025. Measures introduced by the NBS to facilitate the repayment of existing household liabilities, improve access to new sources of financing and preserve citizens' living standards contributed to a reduction in the household NPL ratio to 2.7% at end-2025, down by 0.7 pp from end-2024.

Supported by favourable labour market conditions, a gradual decline in interest rates and more flexible bank lending policies, demand in the real estate market increased during 2025. These developments contributed to stronger activity by both homebuyers and investors, providing an additional boost to the sector's development. Real estate prices in Serbia continued to increase, although the pace of growth slowed for the third consecutive year. During 2025, the share of housing loans in total lending increased.

- ✓ ***Macroeconomic stability was preserved in 2025, supported by the continued implementation of a prudent fiscal policy.***

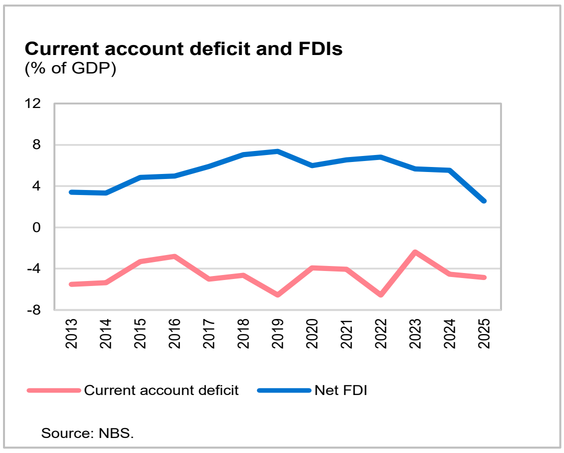
In 2025, the Government of the Republic of Serbia continued to pursue a responsible and prudent fiscal policy, which helped preserve macroeconomic stability amid heightened global uncertainty and geopolitical tensions. Despite the challenging international environment, the Serbian economy demonstrated a high degree of resilience, as evidenced by the declining public debt, stable investment activity and continued export growth.

The general government fiscal deficit amounted to 2.4% of GDP in 2025, while the central government public debt-to-GDP ratio declined from 46.7% to 44.4%, extending its downward trend.

Capital investment reached a record high and remained one of the key priorities of fiscal policy, particularly in the areas of infrastructure, energy, digitalisation, and the implementation of projects under the "Leap into the Future – Serbia Expo 2027" programme.

Cooperation with the International Monetary Fund continued successfully under the Policy Coordination Instrument (PCI), further reaffirming 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, primarily reflecting a smaller surplus on trade in services and a larger deficit on the primary income account. However, continued export growth and a lower goods trade deficit partly offset these developments. Despite the increase, the current account deficit stayed close to its estimated medium-term equilibrium level.



FDI inflows amounted to EUR 3.5 bn, staying broadly dispersed by sector and geography and contributing to the further strengthening of Serbia's export capacity and the resilience of its economy. At the same time, the external debt-to-GDP ratio declined to 57.6% at end-2025, pointing to the maintained sustainability of the country's external position.

Overall, Serbia's economic performance confirms that, despite a highly uncertain global environment, the country preserved the stability of its public finances, maintained the downward trajectory of public debt, and further strengthened the resilience of its economy to external shocks.

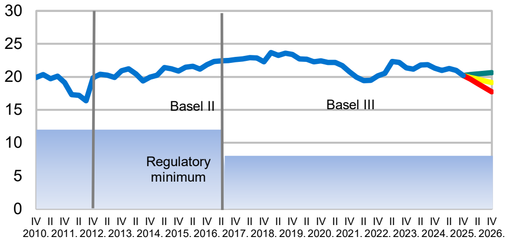
- ✓ ***High levels of capital adequacy and liquidity in Serbia's banking sector remain one of the key pillars of financial stability.***

The banking sector of the Republic of Serbia, which accounts for 90.4% of the financial sector's total assets, remained stable throughout 2025, supported by strong capitalisation and high levels of liquidity and profitability. At end-2025, the banking sector's capital adequacy was well above the prescribed regulatory minimums and exceeded the regional average. Liquidity also remained exceptionally strong throughout the year, with liquidity indicators consistently standing significantly above the regulatory thresholds.

The Serbian banking sector recorded a strong financial performance in 2025, with a return on assets (ROA) of 2.8% and a return on equity (ROE) of 20.6%, driven primarily by the continued growth in lending activity amid globally elevated interest rates.

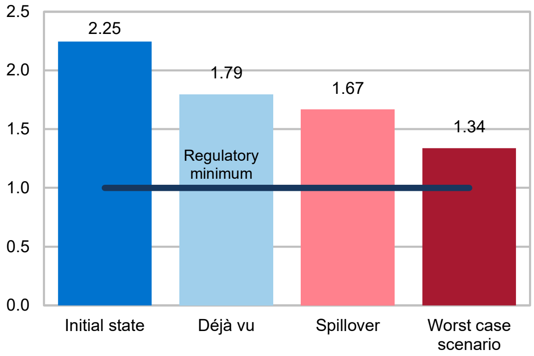
The results of macroprudential solvency and liquidity stress tests confirmed the resilience of the banking sector and demonstrated that it has sufficient capacity to absorb potential risks, even under the most adverse scenarios and in an environment of heightened geopolitical uncertainty.

CAR by stress scenario*
(%)



* NBS estimate.
Source: NBS.

Liquidity ratio for the banking sector by stress scenario*

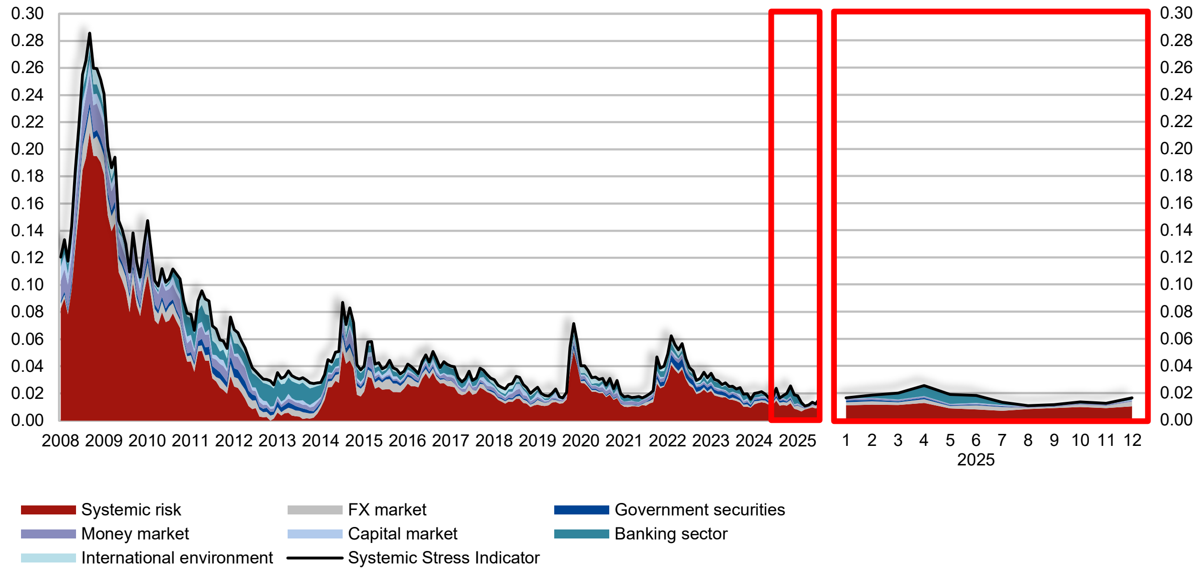


* NBS estimate.
Source: NBS.

The share of NPLs in total loans continued to decline, reaching a new historic low of 2.1% in December 2025. This confirms that the higher debt servicing costs seen in the previous period did not impair banks' asset quality and that the measures introduced by the NBS to support businesses and households were well-timed and appropriate. As a result, financial stability was not only preserved but further strengthened despite all the challenges faced during the period.

The stability of the non-bank financial sector was also preserved throughout 2025, with all key segments recording positive performance indicators. The insurance sector remained solvent and profitable, posting growth in total assets, technical reserves, capital and premium. Investment income of voluntary pension funds increased, leading to a significant rise in their net assets. The financial leasing sector also continued to deliver positive results, with growth in total assets while maintaining a high-quality asset portfolio.

Systemic Stress Indicator dynamics



Source: NBS.

The systemic stress indicator suggests that 2025 was a year of low risk, with a low and stable systemic component. At the end of 2025, the value of the indicator was lower than at the end of 2024. Its persistently low level indicates that, despite heightened global uncertainty, Serbia's domestic financial markets continued to support the preservation and strengthening of the stability of the financial system as a whole.

- ✓ ***On 22 May 2025, the Republic of Serbia officially became a member of the Single Euro Payments Area (SEPA), and as of May 2026, the Serbian banking sector has been fully operational for executing cross-border payments under the SEPA Credit Transfer (SCT) scheme.***

The Republic of Serbia officially became a member of the Single Euro Payments Area (SEPA) on 22 May 2025, marking a significant step towards further economic and financial integration with the EU. As of May 2026, the banking sector has been fully operational for executing cross-border payments through the SEPA Credit Transfer (SCT) scheme, enabling citizens and businesses to make faster, more secure, and more efficient cross-border payments in line with EU standards.

- ✓ ***The NBS continued implementing a range of measures and decisions aimed at supporting domestic businesses and households amid heightened global uncertainty.***

Throughout 2025, the NBS continued to adopt and implement, within its mandate, the activities and measures aimed at preserving and further strengthening the stability of the financial system, while also providing support to businesses and households amid increased geopolitical uncertainty, higher debt servicing costs and a global slowdown in economic growth.

At the Executive Board meeting held on 11 September 2025, the NBS adopted the Decision on Loan Repayment Relief Measures. Namely, based on 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 measures to facilitate loan repayment for a borrower if, during the contractual relationship, circumstances arise that place the borrower in a difficult financial situation or other significant circumstances beyond the borrower's control, with the borrower's personal circumstances being given particular consideration.

With the aim of comprehensively strengthening the prudential framework for bank operations and based on needs identified in practice in the prior period, the Law on Amendments and Supplements to the Law on Banks was adopted in March 2025. This law further improved the regulatory framework for bank resolution, including the establishment of a Bank Resolution Fund. The introduction of the Fund represents a continuation of the process of aligning with EU regulations and practices, particularly in the area of bank crisis management.

At the Executive Board meeting of 11 December 2025, the NBS 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 11 June 2026, the rate was maintained at 0.5%. Maintaining the countercyclical capital buffer ensures the timely allocation of additional Common Equity Tier 1 (CET1) capital, thereby strengthening the resilience of the banking sector of the Republic of Serbia.

The NBS remains committed to continuous enhancement of the regulatory framework with a view to preserving and strengthening financial system stability and supporting domestic businesses and households.