

ANNUAL REPORT

ON ACTIVITIES AND RESULTS



National Bank of Serbia

2024

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NATIONAL BANK OF SERBIA

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Introductory note

The National Bank of Serbia submits its *Annual Report on Activities and Results* to the National Assembly by no later than 30 June of the subsequent year.¹

As stipulated by the Statute of the National Bank of Serbia,² the *Annual Report on Activities and Results* presents data on the achievement of the National Bank of Serbia's objectives and the performance of its tasks relating to monetary and foreign exchange policies, FX reserves management, measures and activities aiming to safeguard and strengthen financial stability, the supervision of banks, insurance undertakings, voluntary pension fund management companies and lessors, as well as the supervision of payment service provision and electronic money issuance, the issuance of banknotes and coins, cash management and the payment system.

The *Report* also includes financial statements about the National Bank of Serbia's operations, disclosing revenues and expenditures by key items, as well as assets, liabilities and capital, data on the Bank's institutional framework, its legislative-legal activity, international cooperation, financial service consumer protection, payment cards, internal audit and information technology, internal organisation and staff policy, human resources, operations of the Bank's branches and the Institute for Manufacturing Banknotes and Coins – Topčider, including data on other activities of the National Bank of Serbia.

The *Annual Report on Activities and Results in 2024* was reviewed and adopted by the National Bank of Serbia's Executive Board on 12 June 2025.

Executive Board of the National Bank of Serbia:

Governor Jorgovanka Tabaković, PhD

Vice-Governor Željko Jović, PhD

Vice-Governor Ana Ivković, PhD

Vice-Governor Dragana Stanić, MA

Vice-Governor Nikola Dragašević

¹ 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 – CC decision, 44/2018 and 19/2025).

² RS Official Gazette, Nos 12/2013, 18/2015 and 72/2015.

Foreword by the Governor



The year behind us will be remembered as the year when Standard & Poor's, one of the three leading global rating agencies, awarded investment-grade rating to Serbia for the first time in its history. This decision, taken in October 2024 in deserved recognition of the responsible pursuit of economic policy by the Government and the NBS, only confirmed what investors had long recognised and demonstrated through high FDI and the valuing of the Republic of Serbia's securities at levels typical for investment-grade economies of the region. This was the

first time that a non-EU Southeastern European country was awarded investment-grade rating, reflecting responsible pursuit of monetary and fiscal policies in the prior period and the country's increased resilience to external shocks. The second most important result last year is the preserved macroeconomic stability amid marked volatility in global commodity and financial markets. The latter half of the year in particular was marked by rising protectionism and uncertainty regarding trade policies of leading world economies. Even in such challenging circumstances, we managed to bring inflation back to the target band, raise our economy's resilience to external shocks and, most of all, attract record-high FDI and boost our FX reserves as a guarantee of security in times of crisis.

*I am pleased to say that **the NBS has achieved its most important measure of success – y-o-y inflation retreated within the target band of $3\pm 1.5\%$ in May 2024.** This was supported by the NBS's monetary policy measures, receding inflation expectations and lessening global cost-push pressures. Inflation's downward path in 2024 reflected slower food inflation and lower energy price growth, but also receding core inflation (CPI excluding food, energy, alcohol and cigarettes).*

*Market players' confidence in the NBS's measures and subsiding inflationary pressures helped **bring inflation expectations down.** Financial sector's one-year ahead inflation expectations retreated within the target band*

early in the year and stayed there, with medium-term expectations of this sector anchored within the target band for quite some time already. This confirms that market players have recognised the credibility, transparency and responsible pursuit of the NBS's monetary policy.

The actual and expected movement in key inflation factors made it possible for us to **start the monetary policy easing cycle** in the year behind us. We trimmed the key policy rate in June, July and September by a total of 75 bp, to 5.75% at year end, making our monetary policy less restrictive. The NBS's projections made during 2024 indicated that there was room to reduce monetary policy restrictiveness, as inflation is expected to continue down in 2025 as well, approaching the target midpoint late in the year and remaining at that level during 2026. **Monetary policy measures passed through to the interest rates in the money, loans and savings markets**, signalling the effectiveness of the monetary policy transmission mechanism. Interest rates on new dinar household loans declined by 260 bp in December 2024 to 9.9%, while rates on corporate loans fell by 140 bp to 6.9%. **Total domestic loans to the non-monetary sector, excluding the exchange rate effect, rose by 8.2% in 2024**, supported by low costs of funding and eased credit standards. This was guided by household lending which posted double digit growth in 2024 (10.4%) and by corporate lending which gained 4.8%. We are particularly proud of **the most dynamic growth in dinar savings so far** (since 2021, since when data have been monitored), which equalled RSD 53 bn or 39%, reaching a record-high level of RSD 191 bn. This was supported by the preserved macroeconomic stability, notably exchange rate stability, and greater profitability of dinar compared to FX savings.

In efficient coordination with the fiscal authorities, the NBS created monetary conditions propitious for economic growth. Against the backdrop of challenging international circumstances and a slowly rallying external demand, **GDP growth accelerated to 3.9%, which is one of the best outturns in Europe.** Cumulatively speaking, GDP was over 18% higher in 2024 relative to its pre-pandemic level. Growth was guided by domestic demand, with all its components providing a positive impulse. The contribution of net exports was negative as the current investment cycle called for higher imports of raw materials, equipment and intermediate goods, while imports of consumer goods and tourism services increased reflecting the rise in disposable income. In particular, I wish to emphasise the **record-high inflow of FDI to Serbia for the third year in a row** worth EUR 5.2 bn, and **record-high government capital expenditure** of around EUR 6 bn which pushed up investment and potential output. Consistent with developments in the real sector, **favourable trends continued in the labour market, as employment went further up, unemployment down and wages rose in real terms**, helping preserve households' purchasing power without compromising the achievement of the medium-term inflation target.

In response to **continued strong appreciation pressures on the dinar**, we preserved the **relative stability of the dinar exchange rate against the euro**. The

dinar strengthened against the euro by 0.1% in nominal terms in 2024, and the NBS bought a high amount of foreign exchange through foreign exchange market interventions – EUR 2.7 bn. The year 2024 thus became the seventh in the past eight years (since 2017) which the NBS ended as the net buyer of foreign currency. In the past eight years, the NBS bought a total of EUR 11.9 bn net. As foreign capital inflow exceeded the current account deficit in 2024 as well and the NBS intervened in the IFEM to prevent excessive strengthening of the dinar, **the country's FX reserves rose by EUR 4.4 bn, to the record-high level of EUR 29.3 bn** at end-2024. Such level of FX reserves by far exceeds all standard measures of reserves adequacy and serves as an important buffer against a wide range of risks that may stem from the international environment. Different stress tests show that, even in the case of extreme scenarios, FX reserves would be high enough to protect the domestic financial system. Consistent with the principles of safety and liquidity, we invested FX reserves with top-tier institutions and in highly liquid securities of top-rated issuers. In 2024, we continued to **increase gold holdings in FX reserves**, tapping the domestic market, by 8.1 tonnes to a **record-high level of 48 tonnes**. A higher quantity and a higher price of gold in the global market pushed up the value of gold reserves to an all-time high of EUR 3.9 bn or 13.3% of FX reserves.

In particular, I wish to emphasise that, during 2024, we **have preserved financial stability and facilitated loan repayment for households and corporates**. Banking sector capital adequacy stayed high, with CAR at close to 22%, while the structure of capital was favourable, with around 92% of the highest-quality Common Equity Tier 1 capital. Banking sector liquidity was robust, with all relevant ratios two times higher than the prescribed minimums. The high quality of the banking sector's loan portfolio was additionally boosted by the further slide in NPLs to a new all-time low of 2.5%. That our banking sector remained stable and resilient to shocks from the domestic and international environment was also confirmed by macroprudential stress tests, conducted on a regular basis. We have adopted the regulations coming under the NBS's remit which enable the implementation of the **government programme of housing loans for young people for the purchase of first residential real estate**. We have also adopted **measures temporarily capping interest rates on housing loans, and with excellent results** – housing loans rose by RSD 44.4 bn (around 8%), and the share of housing NPLs dipped further to 1.4%. **All relevant parameters in the insurance market** improved. Capital, total assets, technical provisions and total insurance premium have more than doubled relative to ten years ago, leading to a generally positive trend of premium per capita and premium to GDP.

During 2024, we continued to actively **support financial service consumers** in the protection of their rights. The NBS resolved 2,174 consumer complaints, mostly relating to banks (63.4%). Bank supervision procedures resulted in the direct financial effect for consumers of over RSD 55.3 mn. In addition, thanks to the NBS's activities taken in the past years, a large number of loan consumers

who opted for early repayment benefited from a certain reduction in the outstanding debt balance, estimated at around EUR 5 mn a year (or possibly an even higher amount, due to the higher early repayment amount). Complaint and mediation procedures resulted in the direct financial effect for consumers in the amount of around RSD 83.9 mn.

Though challenges persisted, we continued **to set new innovation standards** within our other functions as well. In particular, this refers to the activities taken in 2024 in cooperation with the Ministry of Finance and other institutions of the Republic of Serbia to align our regulations and practice with the rules and standards applied in the European Union to **enable more advanced payment and other financial services** to our households and corporates. The necessary regulations were adopted, including amendments and supplements to the Law on Payment Services, introducing, among other things, the open banking concept. In cooperation with other state institutions, we drew up the draft application for SEPA membership, which was submitted for opinion to the European Commission and the European Payments Council. **All these activities resulted in an important achievement in May 2025 when Serbia became a member of the Single Euro Payments Area (SEPA)**, an initiative aiming to make payments among European countries more efficient. **Payment systems operated efficiently, with no downtime, ensuring orderly execution of all transactions.** Thanks to the promotion and continuous development of instant payment-based services, our citizens have had access to cutting-edge forms of cashless payment, whereby we contributed to the process of digitalisation. The number of transactions in the **Instant Payments System** of the NBS – NBS IPS system – was 87.2 million in 2024, and it took an average of 1.2 seconds to execute a transaction. **The development of the payment services market continued**, with payment services now provided by 20 banks, eight payment institutions and seven e-money institutions. At end-2024, there were 6.1 million **national DinaCard payment cards** in the market. The number of transactions using these cards increased by 13%, with turnover up by 18%. The fees charged in the national DinaCard system are several times lower compared to other card systems in the Serbian market which, among other things, reduces the cost of accepting the national payment card for merchants. The acceptance of UnionPay cards issued abroad in the DinaCard acceptance network has expanded further. **Regional cooperation with other central banks intensified** and the activities relating to the development of cross-border payments in the region continued.

In 2024, the NBS continued to perform foreign credit liabilities of the Republic of Serbia, acting as the Government's agent, recorded foreign credit transactions, supervised foreign exchange operations and actively cooperated with many institutions in the country in order to protect the financial and economic system against the risk of money laundering and other unlawful actions. We also supervised exchange operations. We launched on-site supervision procedures in 289 exchange offices and conducted 257 off-site

examinations of exchange operations. We revoked the authorisation to perform exchange operations from 28 exchange dealers who were found, during the supervision procedure, non-compliant with the requirements for the performance of exchange operations laid down in the law and/or regulation of the NBS and/or who have acted in contravention of the law and/or regulations.

In the year behind us, we have also prepared a **package of proposals to improve the regulatory and supervisory frameworks in the area of banking and other financial services**. Our aim was to ensure further development of the financial market so that it is, in the genuine sense of the word, in the service of households and corporates, and contributes to the economic development of our country. We have drawn up the **Proposal of the Law on the Protection of Financial Service Consumers**, in order to raise the standards and improve the provision of information about the use of banking and other financial services. We also aimed to reinforce legal security, economic predictability and stability with regard to the position of financial service consumers, by capping interest rates on loans (housing, consumer, credit cards and current account overdrafts). **The Proposal of the Law on Amendments and Supplements to the Law on Banks** has strengthened the NBS's supervisory mechanism in the banking sector and upgraded the legal framework for bank resolution. A key novelty of this law is the **establishing of the Bank Resolution Fund to be managed by the NBS**. The establishing of the Fund will enhance the protection of budget and public funds, which is a key goal of resolution. In addition to the existing resolution mechanisms, this will prevent taxpayers from bearing the burden of bailout of problematic banks. **The Proposal of the Law on Amendments and Supplements to the Law on the National Bank of Serbia** has introduced novelties which keep step with modern day central banking tendencies in the domain of institutional foundations and functional powers of the central bank. At the same time, alignment has been achieved with the EU acquis under Chapter 17 – Economic and monetary policies, in order to reinforce the NBS's independence in the parts defined as representing a precondition for closing the Chapter.

During 2024, two reviews of Serbia's performance under the SBA with the IMF were successfully completed. Serbia will continue cooperating with this international institution within the new **Policy Coordination Instrument**, an advisory, non-financial instrument intended for countries pursuing a robust and credible economic policy.

As for the remaining functions of the NBS, I would like to underscore activities aimed at timely **provision of relevant statistical data and macroeconomic analyses and projections**, which facilitate the processes of planning and decision-making on monetary policy and other activities of the NBS. This includes **continuous work on improving the performances of the medium-term projection models, upgrade of the big data collection and processing technique, and further development of the inflation nowcasting model**, as input to short- and medium-term projections and an ancillary tool for monetary policy decision-making. The results of some of our analyses were

*presented in the Inflation Reports and the Working Papers Bulletin. **We remained true to our practice of transparent informing of the public** on all aspects of our operations via different communication channels and numerous educational activities. I am proud that even in such turbulent times we continued our **socially responsible activities**, supporting the most vulnerable population categories.*

*In 2024, the NBS **posted a positive business result, amounting to RSD 182.6 bn**, reflecting responsible and efficient cost management. The operating profit (which does not stem from exchange rate gains/losses and revaluation reserves) totalling RSD 48.4 bn was distributed, so that 70% or RSD 33.9 bn was transferred to the budget of the Republic of Serbia. The rest was distributed so that 10% was included in core capital and 20% in special reserves of the NBS.*

*I believe that all the above results confirm the NBS's commitment to working in the **general interest of all our citizens**. Inflation's decline and sustainable movement within the target band, safe and sound financial system, and macroeconomic and financial conditions propitious to economic growth, which was among the highest in Europe, clearly demonstrate that we are an **institution of trust**. We will continue to pursue a responsible monetary and macroeconomic policy and strive towards stability and resilience of our economy, fastest possible economic growth and development, and, by extension, higher employment, wages, pensions and living standards for all.*

A handwritten signature in black ink, appearing to read 'J. Tabaković', with a stylized flourish at the end.

Dr Jorgovanka Tabaković, Governor

ABBREVIATIONS

GDP – gross domestic product
BIS – Bank for International Settlements
bp – basis point
DKRT – consolidated FX treasury account
EBRD – European Bank for Reconstruction and Development
EIB – European Investment Bank
ESCB – European System of Central Banks
EU – European Union
ECB – European Central Bank
CPI – Consumer Price Index
y-o-y – year-on-year
IFEM – interbank FX market
mn – million
bn – billion
IMF – International Monetary Fund
IFRS – International Financial Reporting Standards
NPL – non-performing loan
OPEC – Organization of the Petroleum Exporting Countries
H – half-year
pp – percentage point
RTGS – Real Time Gross Settlement
SDR – Special Drawing Rights
Q – quarter
FED – Federal Reserve System
HHI – Herfindahl-Hirschman Index

Other generally accepted abbreviations are not cited.

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I KEY RESULTS IN 2024



Consistent with the NBS's expectations, **y-o-y inflation retreated within the target band ($3\pm 1.5\%$) in May and remained there until end-2024**. Average inflation declined to 4.6% (from 12.1% in 2023) as a result of the NBS's measures and receding global cost-push pressures.



Inflation's declining trajectory and its return within the target band, together with the relative stability of the exchange rate, helped bring down short-term inflation expectations of the financial sector and anchor medium-term expectations within the target band in 2024, **confirming the credibility of the NBS's monetary policy**.



Amid reduced inflationary pressures and inflation's sustainable return within the target band, **in June the NBS began, and in July and September continued, the cycle of monetary policy easing by trimming the key policy rate by a total of 75 bp to 5.75%**, its end-2024 level.



Reflecting key policy rate cuts, interest rates on dinar loans to corporates and households subsided to 6.9% and 9.9%, respectively, in December. The lower cost of dinar lending, together with reduced interest rates on euro-indexed loans, helped **accelerate growth in lending to the non-monetary sector to 8.2% in 2024**.



As dinar loans increased more than the FX ones, the degree of dinarisation of corporate and household receivables went up to 37.4% at year end. **Continued growth in dinar household savings, which reached a record-high level of RSD 191.2 bn at end-2024**, pushed dinarisation of corporate and household deposits up to 46.5%, supporting greater efficiency of the monetary policy transmission mechanism through the interest rate channel.



Citizens' living standards improved and disposable income for investment and consumption increased as inflationary pressures subsided and credit conditions were eased. This had a positive impact on overall economic activity – Serbia's GDP measured 3.9% in 2024, among the highest growth outturns in Europe. Economic growth was accompanied by a further rise in employment, with registered unemployment slumping to a new all-time low.



More favourable financing conditions for the private and government sector, and improved recognisability of our country on the global investment map, were also supported by the **October decision of the renowned Standard & Poor's rating agency to award investment-grade rating (BBB-) to Serbia, for the first time in its history. This is the first time that a non-EU Southeast European country was awarded an investment-grade rating,** confirming responsible pursuit of monetary and fiscal policies in the preceding period and our country's increased resilience to external shocks.



The **maintained relative stability of the dinar exchange rate against the euro** helped preserve consumer and investor confidence and the certainty of doing business, despite heightened geopolitical and trade tensions abroad. The dinar gained 0.1% in nominal terms against the euro in 2024.



Serbia's external position remained favourable in 2024 thanks to robust inflows of capital, most notably of **FDI which climbed to a new all-time high of EUR 5.2 bn gross (or EUR 4.6 bn net),** as well as to the successful issue of ten-year dollar bonds worth USD 1.5 bn in the international financial market in June. **FDI inflow remained dispersed by geography and project and fully covered the current account deficit of EUR 3.9 bn in 2024 (4.7% of GDP).**



Appreciation pressures prevailed in 2024 as well. **The NBS bought EUR 2.7 bn net in the IFEM, boosting Serbia's gross FX reserves to the level of EUR 29.3 bn at end-2024. Such level of FX reserves** is well above all reserve adequacy criteria.



In 2024, the NBS invested FX reserves in highly liquid bonds of the most advanced economies and international financial institutions, characterised by low market and credit risk. During 2024, the NBS purchased a total of 8.2 tonnes of gold, pushing gold holdings up to a record-high level of 48.1 tonnes at year end, while the share of gold in FX reserves climbed to over 13%.



Serbia's banking sector was characterised by high liquidity, solvency, profitability and capital adequacy in 2024. The share of NPLs in total loans fell to a new all-time low of 2.5% at end-2024, which is below the regional average. The stable and preserved banking sector is the result of a robust regulatory framework for banks and the adopted macroprudential policy measures synchronised with monetary policy measures.



A set of legal proposals was prepared in 2024 to upgrade the regulatory and supervisory framework for banking and other financial services, mostly in order to enhance consumer protection and enable further development of the financial market. Among other things, regulations were adopted capping interest rates for natural persons pending the adoption of the Law on the Protection of Financial Service Consumers, and enabling the implementation of the government programme of housing loans for young people.



Assistance provided to financial service consumers in exercising their rights through individual and collective protection procedures resulted in significant financial benefits for the consumers.



There were 199 mn transactions in the national DinaCard payment card system in 2024, with turnover worth RSD 1,035 bn. This is 13% and 18% higher, respectively, than in 2023. The fees charged in the national DinaCard card system are several times lower than in other card systems in the Serbian market, reducing the cost of card acceptance for merchants.



A total of 87.2 mn payments worth RSD 1,044.0 bn were executed in the NBS IPS system, which has been successfully functioning for seven years now. The average daily number of payments was 238.2 thousand, while the average daily value of transactions was RSD 2.9 bn. It took an average of 1.2 seconds to execute a transaction in the NBS IPS system.



In 2024, Serbia successfully concluded the precautionary Stand-by Arrangement with the IMF and agreed on a new programme supported by the non-financial Policy Coordination Instrument.



Activities continued in 2024 to implement phase two of the regional IPA Project "Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the Integration into the European System of Central Banks".



The NBS's income statement for 2024 disclosed record-high after-tax profit of RSD 182.6 bn. Thanks primarily to higher interest income, reflecting **greater efficiency of the NBS's FX reserves management, operating profit** (not stemming from exchange rate gains/losses and revaluation reserves) increased from 2023 to **RSD 48.4 bn**, of which 70% or RSD 33.9 bn was transferred to the budget of the Republic of Serbia.

II INSTITUTIONAL FRAMEWORK AND ORGANISATION

II.1 Constitutional position and Law on the National Bank of Serbia

The institutional position of the National Bank of Serbia (NBS) is defined by the Constitution of the Republic of Serbia in its sections on the economic system and public finances. According to Article 95 of the Constitution, the National Bank of Serbia is the central bank of the Republic of Serbia, independent and subject to supervision by the National Assembly, to which it accounts for its work. It is managed by the Governor and its operations are governed by the Law on the National Bank of Serbia

Article 107, paragraph 2 of the Constitution further assures the autonomy of the NBS by providing for its right to propose laws within its remit.

Law on the National Bank of Serbia

The Law on the National Bank of Serbia governs the status, organisation, powers and tasks of the NBS and its relations to Serbian government authorities and international organisations and institutions.

Objectives

The primary objective of the NBS is to achieve and maintain price stability.

Without prejudice to its main objective, the NBS contributes to maintaining and strengthening of the stability of the financial system.

Without prejudice to the above objectives, the NBS supports the implementation of the Government's economic policy, operating in accordance with the principles of a market economy.

Tasks

Tasks of the NBS are to:

- determine and implement monetary and foreign exchange policies;
- manage foreign exchange reserves;
- determine and implement, within its remit, the activities and measures aimed at maintaining and strengthening the stability of the financial system;
- issue banknotes and coins and manage cash circulation;
- regulate, oversee and promote the smooth performance of domestic and cross-border payment transactions, in accordance with law;
- issue and revoke banks' operating licences, carry out prudential supervision of bank operations and perform other activities, in accordance with the law governing banks;
- issue and revoke insurance licences, supervise the insurance business, issue and revoke authorisations to perform specific insurance activities, and perform other activities, in accordance with the law governing insurance;
- issue and revoke financial leasing licences, supervise the performance of financial leasing operations and perform other activities, in accordance with the law governing financial leasing;
- issue and revoke operating licences of voluntary pension fund management companies, issue and revoke fund management licences, supervise this activity and perform other activities, in accordance with the law governing voluntary pension funds;
- issue and revoke operating licences of payment institutions and electronic money institutions, supervise the provision of payment services and electronic money issuance, and perform other activities, in accordance with the law governing payment services;
- pursue activities relating to the protection of rights and interests of consumers of services provided by banks, financial leasing providers, insurance undertakings, voluntary pension fund management companies, payment service providers and electronic money issuers, in accordance with the law governing the rights and interests of the consumers of these services;
- ascertain the fulfilment of conditions for the initiation of procedures for the resolution of banks and/or banking group members, and implement these procedures; decide on instruments and measures to be taken in the resolution process, and perform other activities relating to bank resolution, in accordance with the law governing banks;
- issue and revoke operating licences of payment system operators, supervise their operation and perform other activities, in accordance with the law governing payment services;

- issue and revoke authorisations for exchange operations, supervise exchange and FX operations, and perform other activities, in accordance with the law governing FX operations;
- issue and revoke virtual currency service providers' licences for the provision of digital asset services in the segment relating to virtual currencies, supervise their operations and perform other activities in accordance with the law governing digital assets;
- perform statutory or contractual activities for the Republic of Serbia, without prejudice to its autonomy and independence;
- perform other activities under its remit, in accordance with law (i.e. enforced collection or official statistics activities).

Position of the National Bank of Serbia

In compliance with international standards and rules, the Law on the National Bank of Serbia regulates in further detail the constitutional principle of the autonomy of the NBS, by stipulating that the NBS is autonomous and independent in carrying out its tasks as laid down by this and other laws, that NBS bodies and members of these bodies may neither seek nor take instructions from government bodies and institutions or other persons, and that government bodies and institutions and other persons may neither jeopardise the autonomy and independence of the NBS nor seek to influence the NBS, its bodies or their members in carrying out their tasks.

The NBS has a legal entity status *ex lege* and is not registered in the register of legal entities. The NBS has its Statute, which is published in the Official Gazette of the Republic of Serbia.

In the performance of its tasks, the NBS works together with the Government and other state institutions and, without prejudice to the achievement of its objectives, undertakes measures within its scope of authority to promote that cooperation.

The NBS may take up membership in international financial organisations and institutions, and engage in cooperation with foreign central banks, regulatory bodies and financial and credit institutions, of which it must inform the National Assembly. Without prejudice to the achievement of its objectives, the NBS may, with the Government's consent, act for and on behalf of the Republic of Serbia in international financial organisations and institutions and engage in other forms of international cooperation.

The NBS may not extend credits, loans, overdraft facilities or other forms of credit facilities to the Republic of Serbia, autonomous province or local government unit, public enterprises and other legal entities whose founder is the Republic of Serbia, autonomous province or local government unit, or public enterprises and other legal entities in which the Republic of Serbia, autonomous province or local government unit have a controlling stake, nor may it issue guarantees for the settlement of obligations of these entities or otherwise ensure the settlement of their obligations, or buy securities directly from those entities. Exemptions from the

monetary financing ban are daily loans and loans extended for the purpose of settling liabilities in respect of membership in the IMF. Banks in which the Republic of Serbia, autonomous province or local government unit have a controlling stake, have access to loans and lending facilities of the NBS on equal terms as other banks.

II.2 Governing bodies of the National Bank of Serbia

NBS governing bodies are:

- the Executive Board of the National Bank of Serbia (hereinafter: Executive Board);
- the Governor of the National Bank of Serbia (hereinafter: Governor);
- the Council of the Governor of the National Bank of Serbia (hereinafter: Council).

The Executive Board and the Governor are responsible for achieving the NBS's objectives, within their remit as defined by the Law on the National Bank of Serbia.

Executive Board

The Executive Board includes the Governor and Vice-Governors.

The Executive Board determines monetary and FX policies, as well as activities aimed at maintaining and strengthening stability of the financial system, and in particular:

- NBS monetary policy programme;
- manner of calculation, collection and payment of interest on loans and other receivables of the NBS and on the funds the NBS pays interest on;
- terms and conditions of issuing NBS securities;
- terms and conditions under which the NBS conducts open market operations and performs discount activities;
- short-term loan policy;
- dinar exchange rate policy;
- required reserves base and ratio, as well as terms, conditions and timelines for the allocation and use of banks' required reserves;
- FX reserve management policy and guidelines;
- other monetary and FX policy instruments and measures;
- measures for maintaining bank liquidity;
- measures and activities, within the NBS's remit, aimed at maintaining and strengthening the stability of the financial system.

The Executive Board sets the key policy rate and other interest rates applied by the NBS in the conduct of monetary policy and defines the manner of determining NBS interest rates.

In addition, the Executive Board exercises substantial powers in the field of supervision of financial institutions. In accordance with law, the Executive Board issues regulations and other general acts in the area of supervision of financial institutions (banks, insurance undertakings, financial lessors, VPF management companies, payment institutions and electronic money institutions), decides on the (de)licensing of these financial institutions, and on the fulfilment of conditions for filing bankruptcy or liquidation procedure against banks, insurance undertakings, financial lessors and VPF management companies.

The Executive Board enacts regulations and other general and individual acts in the field of bank resolution, in accordance with the law governing banks.

The Executive Board determines the single tariff under which the NBS charges fees for the services provided.

The Executive Board, in accordance with law, adopts regulations and other general acts in the area of issuing and revoking authorisations to perform exchange operations and supervision of exchange and foreign exchange operations, and in the area of the protection of rights and interest of financial service consumers.

Executive Board meetings are held as often as deemed necessary, but no less than once a month. Meetings are chaired by the Governor. The Executive Board takes decisions by a majority vote of all members. In the event of a tie, the Governor has the casting vote. The Executive Board adopts its Rules of Procedure.

Governor and Vice-Governors

The Governor:

- represents and acts on behalf of the NBS;
- manages the NBS and organises its work;
- implements decisions of the Executive Board and the Council;
- enacts regulations, general and individual acts under the NBS's remit, which are not assigned by law to the authority of the Executive Board and the Council;
- proposes regulations, general and individual acts to be adopted by the Executive Board and the Council, unless provided otherwise by the Law on the National Bank of Serbia;
- regulates the NBS's internal organisation and job classification, as well as labour relations of NBS employees;
- appoints and dismisses employees who manage NBS organisational units;
- performs other tasks defined by law in a manner that does not conflict with the objectives stipulated by the Law on the National Bank of Serbia.

The Governor is appointed by the National Assembly at the proposal of the President of the Republic of Serbia. The Governor is appointed for a six-year renewable term of office.

Pursuant to the Law on the National Bank of Serbia, the NBS has between two and four Vice-Governors. They are appointed by the National Assembly, at the proposal of the Governor, for a six-year renewable term of office. The provisions of the Law governing the appointment, incompatibility of office and conflict of interest regarding the Governor's position apply accordingly to Vice-Governors. Specific tasks that the Governor may confer upon Vice-Governors are regulated in detail by the Statute of the National Bank of Serbia.

Council of the Governor

The Council of the Governor consists of five members, including the President, appointed by the National Assembly at the proposal of the National Assembly's Finance Committee. Members of the Council are appointed for a five-year renewable term of office. Members of the Council are not NBS employees. Provisions of the Law on the National Bank of Serbia governing the appointment, incompatibility of office and conflict of interest regarding the Governor's position apply accordingly to the Council members. At least one member of the Council must have minimum ten years of work experience in accounting or auditing.

The Council:

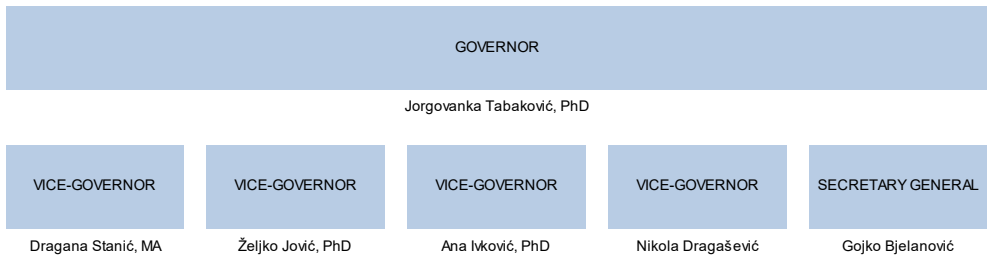
- adopts the Statute of the National Bank of Serbia, at the proposal of the Executive Board;
- determines the exchange rate regime of the dinar, at the proposal of the Executive Board and with the Government's consent;
- adopts the FX reserve management strategy, at the proposal of the Executive Board;
- decides on membership in international financial organisations and institutions;
- adopts the NBS financial plan;
- adopts the NBS annual financial statements;
- appoints the manager of the NBS's organisational unit in charge of internal audit;
- selects the external auditor, considers the external auditor's report and monitors the implementation of audit recommendations in the NBS;
- oversees the system of financial reporting, risk management and internal controls in the NBS;
- evaluates the adequacy of accounting policies and procedures adopted in the NBS;
- adopts the annual plan of internal audit in the NBS and periodically reviews internal audit reports;

- oversees the performance of internal audit and compliance of operations in the NBS;
- adopts the strategy of NBS development, proposed by the Executive Board, and monitors its implementation.

The Council submits a report on its work to the National Assembly as often as necessary, but no less than twice a year. Meetings of the Council are held as often as necessary, but no less than once every two months. Meetings are held if at least three Council members are present. The Council takes decisions by a majority vote of all members.

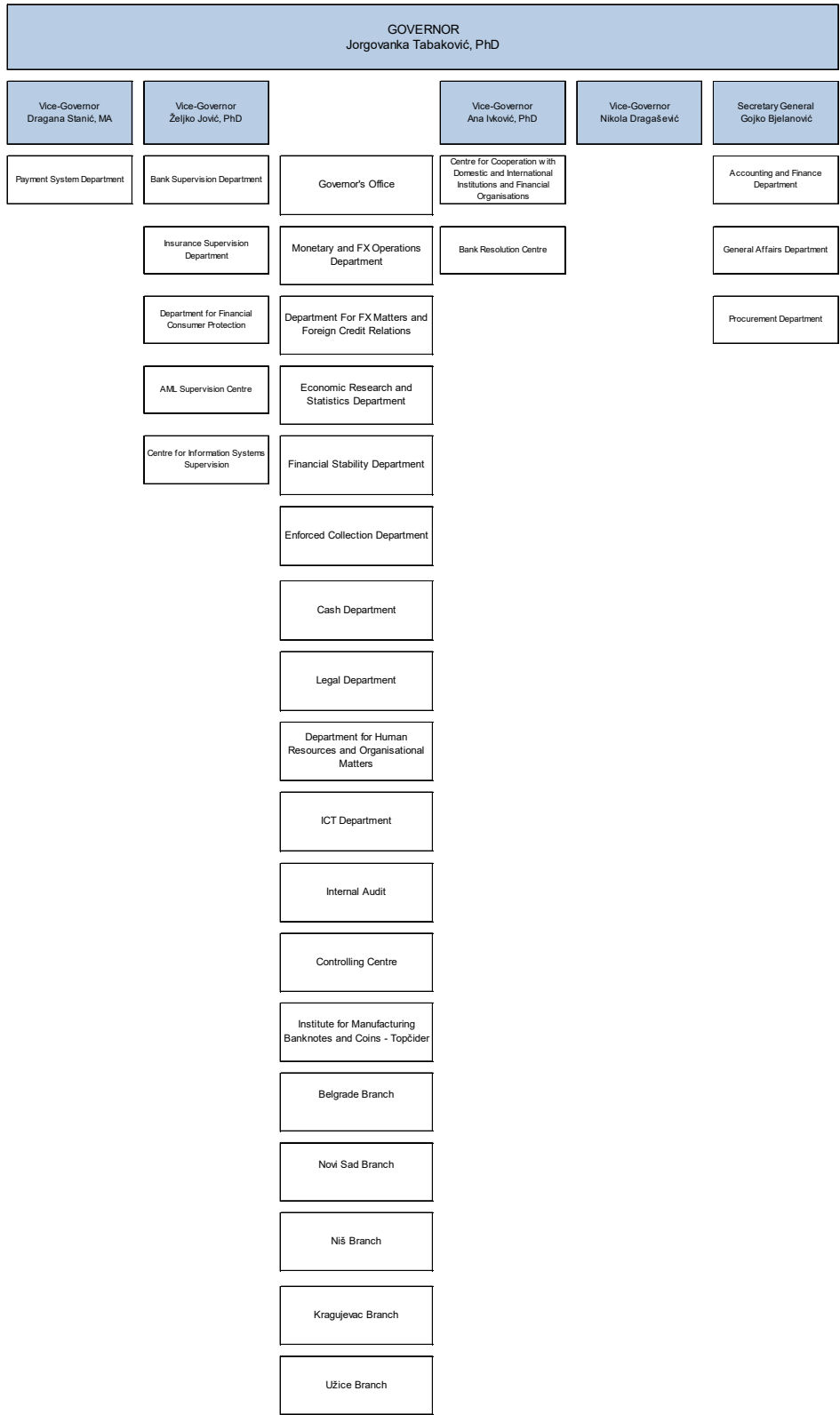
II.3 Organisation

MANAGEMENT OF THE NATIONAL
BANK OF SERBIA
(as at 31 December 2024)



COORDINATION OF WORK WITHIN THE NATIONAL BANK OF SERBIA

(as at 31 December 2024)



ORGANISATIONAL CHART OF THE NATIONAL BANK OF SERBIA

(as at 31 December 2024)

NATIONAL BANK OF SERBIA						
Organisational units						Specialised organisation
Main organisational units	Belgrade Branch	Novi Sad Branch	Niš Branch	Kragujevac Branch	Užice Branch	Institute for Manufacturing Banknotes and Coins - Topčider
Monetary and FX Operations Department	Group for Financial Consumer Education	Group for Financial Consumer Education	Group for Financial Consumer Education	Group for Financial Consumer Education	Treasury and Cash Vault Division	Development and Quality Centre
Department for FX Matters and Foreign Credit Relations	Treasury and Cash Vault Division	Treasury and Cash Vault Division	Treasury and Cash Vault Division	Treasury and Cash Vault Division	General Affairs Unit	Pre-Press Department
Financial Stability Department		General Affairs Unit	General Affairs Unit	General Affairs Unit		Banknote Printing Department
Economic Research and Statistics Department						Coin Production Department
Centre for Cooperation with Domestic and International Institutions and Financial Organisations						Department for Value and Secured Papers
Bank Resolution Centre						Card Production and Personalisation Solutions
Cash Department						Department of Maintenance and Energy
Payment System Department						Sales Department
Enforced Collection Department						Department of Economic Affairs
Governor's Office						General Administrative, Legal and Personnel Department
Internal Audit						
Legal Department						
Accounting and Finance Department						
ICT Department						
Department for Human Resources and Organisational Matters						
General Affairs Department						
Procurement Department						
Controlling Centre						
Bank Supervision Department						
Insurance Supervision Department						
Centre for Information Systems Supervision						
Department for Financial Consumer Protection						
AML Supervision Centre						

III INTERNATIONAL AND DOMESTIC ECONOMIC ENVIRONMENT

International economic environment

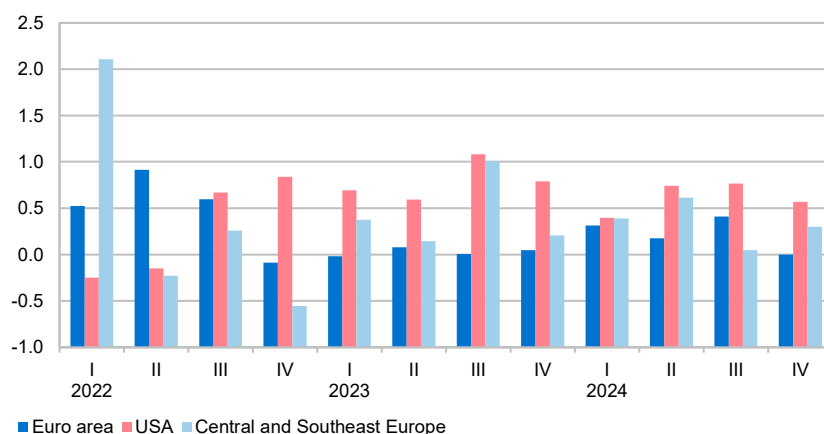
Despite the still restrictive global monetary conditions with pronounced geopolitical tensions and announcements of rising protectionism, **the global economy proved resilient in 2024, achieving a soft landing. According to the IMF, the global economic growth in 2024 measured 3.2%, unchanged from 2023.**

Led by the services growth which offset a decline in industry, construction and agriculture, **the euro area, our most important trade partner, posted an 0.9% economic growth in 2024** (vs. 0.4% in 2023). On the expenditure side, this growth was a result of increased household and government consumption, as well as net exports, while lower fixed investment and inventories worked in the opposite direction. **Euro area labour market** continued to exhibit positive tendencies and the unemployment rate went down to 6.2% at end-2024.

The US economy grew by 2.8% in 2024 (2.9% in 2023), primarily owing to higher household and government consumption, as well as fixed investment, while net exports dropped. Economic growth accelerated for the most part of 2024, on the back of rising household consumption spurred by higher real disposable income. The supply-demand gap in the **US labour market** continued narrowing, with the unemployment rate measuring 4.1% at the end of the year.

Global inflation continued declining in 2024, averaging 5.7%, primarily due to lower prices of primary commodities and the effects of prior monetary policy tightening. At the level of 2024, **euro area inflation** went down to 2.4% on average, from 5.4% in 2023. However, in most countries **core inflation exhibited greater persistence** at a higher level than headline inflation, dominantly influenced by the tight labour market. In December, it measured 2.7% y-o-y in the euro area.

Chart III.1 Real GDP growth
(s-a, quarterly, in %)

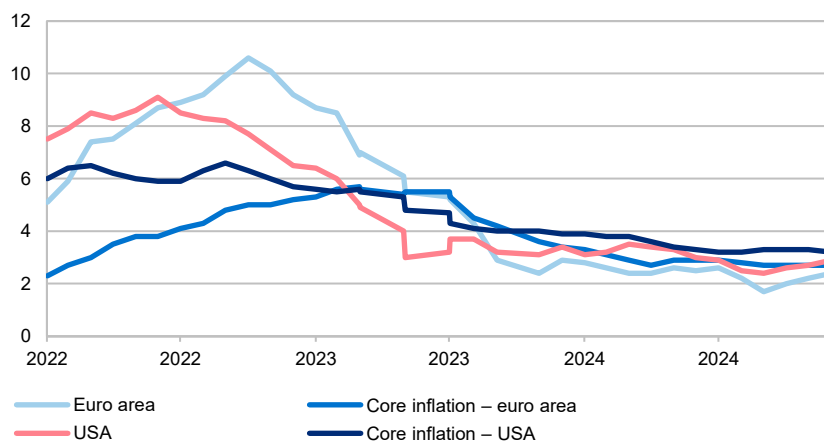


Sources: Eurostat, US BEA and NBS calculation.

As inflation stabilised in most countries, central banks initiated a monetary accommodation cycle in 2024. Hence, the ECB embarked on monetary easing in June, lowering the interest rates by 135 bp in total until the end of 2024. In December, the interest rates on deposit facilities stood at 3.0%, on main refinancing operations at 3.15% and on credit facilities at 3.40%. The Fed reduced the federal funds rate range in 2024 by 100 bp, to 4.25–4.50%, with the monetary easing process starting in September.

Even though most leading central banks eased the monetary conditions, the **yields on 10Y government securities of advanced economies increased in 2024.** This is primarily a result of market participants' expectations that the decrease in the ECB and Fed rates will be moderate in the coming period, which was the case in 2024 due to the slow pace of inflation slowdown and extreme resilience of core inflation. **In 2024, global risk premium declined,** with the EURO EMBIG Composite going down by 8 bp, to 192 bp, and EMBI Composite by 22 bp, to 297 bp.

Chart III.2 Headline and core inflation in the euro area and USA
(in %)

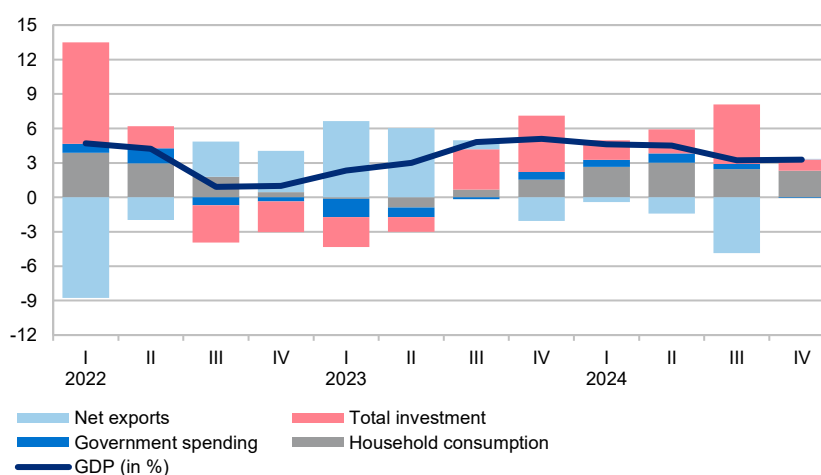


Sources: Eurostat and IMF WEO (April 2024).

Domestic economic environment

Despite global uncertainties, geopolitical tensions and rising protectionism, **Serbia's key macroeconomic indicators continued posting positive trends, attesting to a responsible economic policy conduct, the resilience of the domestic economy to external risks and adequately built buffers.** The results achieved were supported by the well-coordinated monetary and fiscal policy measures. From the aspect of monetary policy, it is crucial to emphasise that y-o-y inflation returned within the target tolerance band in May 2024, creating conditions for the launch of monetary relaxation. Inflation slowdown occurred amid a soft landing, as confirmed by the preserved macroeconomic and financial stability, while **Standard & Poor's decision to award investment grade** to Serbia further strengthened the economic policy credibility.

Chart III.3 Contributions to y-o-y GDP growth rate, expenditure side
(in pp)



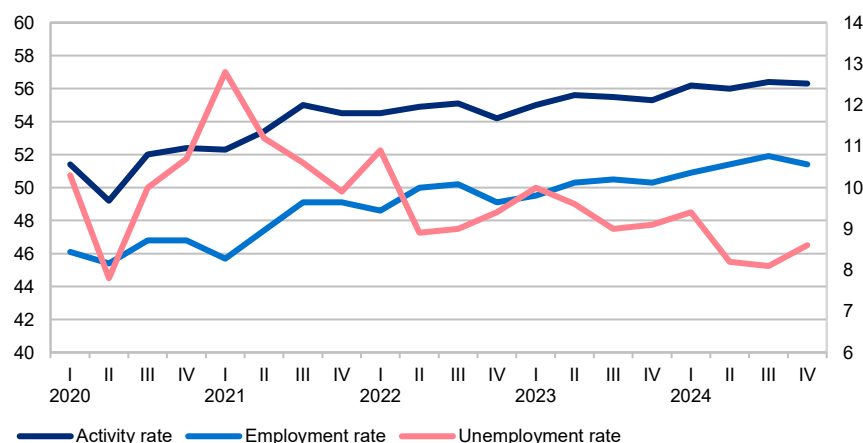
Sources: SORS and NBS calculation.

According to the SORS, **real GDP growth in 2024 amounted to 3.9%**, exceeding the pre-pandemic level in cumulative terms by over 18%. Economic growth was driven primarily by services, in our estimate, but a positive contribution also stemmed from industry and construction, whereas agricultural production exerted a dampening effect amid a drought-induced decline. On the expenditure side, growth was driven by domestic demand, with a positive contribution of all its components, while net exports provided a negative contribution to economic growth in 2024 on account of a faster rise in imports than in exports.

Favourable labour market trends continued into 2024, as testified by the further increase in employment, a reduction in unemployment to a new low, and a double-digit y-o-y rise in wages. Formal employment went up during the year by around 17 thousand, to 2.38 mn in December, while unemployment decreased by around 35 thousand, reaching 353 thousand. The average nominal net wage in 2024 amounted to RSD 98,143, up by 14.1% y-o-y and 9.1% in real terms, with private sector wages rising faster than those in the public sector. According to the Labour

Force Survey, which covers both formal and informal labour market segments, in Q4 the employment rate measured 51.4% and the unemployment rate 8.6%.

Chart III.4 Labour market indicators according to the Labour Force Survey (in %)



Source: SORS.

Consistent with NBS expectations, y-o-y inflation retreated within the target band ($3\pm 1.5\%$) in May and stayed there until the end of the year. Average inflation measured 4.6% in 2024. The downward inflation path in 2024 was primarily a result of the slowdown in food inflation and lower energy prices. **Core inflation** also followed a downward trajectory in H1, but moved above headline inflation since May, as in other countries, amid rising labour costs.

Against the backdrop of persistent uncertainty as to the global prices of energy and other primary commodities, until June 2024 the NBS did not change the key policy rate, which was at the level of 6.5% since July 2023. **In June, the NBS Executive Board began, and in July and September continued easing monetary policy by trimming the key policy rate by 25 bp each, to 5.75% at the end of the year.** The NBS's well-timed and measured response in the FX market helped **maintain the relative stability of the exchange rate against the euro in 2024.** Appreciation pressures prevailed throughout the year and the NBS was dominantly a buyer of foreign currency in the IFEM, in the net amount of EUR 2.7 bn. This helped **boost FX reserves to EUR 29.3 bn at the end of 2024**, their highest level on record.

General government deficit came at 2.0% of GDP in 2024 (RSD 191.9 bn). It was lower by RSD 71.1 bn than the deficit envisaged by the supplementary budget adopted in September 2024, reflecting lower-than-planned expenses for the current government consumption and higher-than-planned revenues. **At end-2024, central government public debt equalled EUR 38.9 bn and its share in GDP was 47.2%.** Relative to end-2023, central government public debt went down by 1.2 pp, almost entirely as a result of higher nominal GDP.

According to preliminary data, the **current account deficit rose to EUR 3.9 bn in 2024 (4.7% of GDP)**, from EUR 1.8 bn in 2023 (2.4% of GDP), in line with

expectations. The widening of the current account deficit was prompted by intensified investment and an increase in the disposable household income, as well as by the weak external demand – primarily from the euro area. **The current account deficit was entirely covered by FDI inflow, which came at EUR 5.2 bn in 2024, posting a new record high.**

Having raised Serbia's outlook from stable to positive in April, **Standard & Poor's upgraded Serbia's credit rating to BBB- in October 2024. This is the first time in history that Serbia has been listed among investment grade countries,** and the first time that a SEE country which is not an EU member has been awarded an investment grade rating as a confirmation of responsible monetary and fiscal policy conduct in the previous period and of the country's improved resilience to external shocks. In February 2024, **Fitch** kept Serbia's credit rating at a step away from investment grade, at BB+, with a stable outlook, only to **increase the outlook from stable to positive** in August, affirming the credit rating at the same level. In August, **Moody's improved Serbia's outlook** from stable to positive, keeping the credit rating at Ba2.

IV PRICE AND FINANCIAL SYSTEM STABILITY

IV.1 Monetary policy

IV.1.1 Monetary policy in 2024

In 2024, the monetary policy was consistent with the **NBS Monetary Policy Programme in 2024**³ and acted to preserve macroeconomic and financial stability in the face of substantial challenges from the international environment. According to the Monetary Policy Programme, adopted in December 2023, in its decision-making the NBS assesses the nature and strength of inflationary pressures and, consistent with this, maintains the necessary monetary policy flexibility regarding the scope of the response and the use of instruments, so as to deliver price and financial stability in the medium term, while continuing to contribute to sustainable economic growth. Decisions on the key policy rate level were based on the **NBS's projections**, which indicated that inflation would retreat within the target band of $3\pm1.5\%$ by mid-2024 and stay therein throughout the projection horizon.

The NBS kept the key policy rate at 6.5% (its level since July 2023) **from early 2024 until June**. The deposit and lending facility rates were kept at 5.25% and 7.75%, respectively. The Executive Board's decisions to keep the key policy rate on hold were made in consideration of the medium-term inflation projection, but also of the fact that **global inflationary pressures, albeit declining, were still elevated**. Further, there was considerable uncertainty regarding global prices of energy and other primary commodities.

In particular, the Executive Board kept a close eye on the **declining, but still elevated imported inflation**. Headline inflation continued down in the euro area, our key trade partner, but core inflation still caused concern, remaining above headline inflation, the same as in the USA. This was due primarily to the still tight labour market conditions and nominal wage growth, which is why the ECB and the Fed postponed embarking on the cycle of monetary policy easing.

³RS Official Gazette, No 110/2023.

Among the challenges from the international environment, the Executive Board highlighted **geopolitical conflicts and the consequent risk of rising global prices of oil and other primary commodities**. The prices of most primary commodities in the global market were on the rise since early 2024, spurred by supply-side factors and the rebound in global industrial activity. **Global oil prices were particularly volatile**, chiefly under the impact of geopolitical tensions in the Middle East, but also the decisions of OPEC+ countries, volatile global growth prospects, oil inventories, etc. **Global food prices**, on the other hand, declined gradually from their 2022 peak, but caution was still mandated by the **world food price index (FAO) which increased in the March–June 2024 period after declining for seven months in a row**. Volatile weather conditions were also a cause of concern, as were new protectionist measures and trade restrictions which could drive food prices up.

Still, the domestic and international conditions in which monetary policy in Serbia, and most other countries, was pursued **triggered debate on when to start easing the monetary policy, to what extent and at what pace**. To this end, it was necessary to carefully consider all available information and data and analyse inflation trends and monetary transmission to ensure that monetary easing is not premature and does not threaten the sustainability of inflation's declining path and convergence to the target. Over time, most central banks predicted with increasing certainty that inflation in their countries would retreat within the target band in H2 2024 or H1 2025. It was therefore reasonable to expect the prices of imported goods and services to slow further. In Serbia, inflation expectations of the financial and corporate sectors declined, reflecting past monetary policy tightening and signalling a more restrictive monetary policy stance even without further key policy rate hikes. Together with slower imported inflation and persistently subdued external demand, this helped establish a sustainable downward inflation trajectory at home and motivated the Executive Board's decision to embark on monetary policy easing in June.

In June, the NBS Executive Board began, and in July and September continued with, monetary policy accommodation by trimming the key policy rate by 25 bp each time, to 5.75% – its end-of-year level. At the same time, deposit and lending facility rates were cut to 4.50% and 7.00%, respectively.

In accordance with the Executive Board's announcements, **y-o-y inflation in Serbia retreated within the target tolerance band ($3\pm 1.5\%$) in May** measuring 4.5%. It stayed within these bounds and finished the year at 4.3%. Inflation was set on a downward path mostly by slower food inflation and lower energy price growth, but also by reduced core inflation (CPI excluding food, energy, alcohol and cigarettes). Core inflation has been higher than headline since May 2024, the same as in other countries of the region and the euro area, measuring slightly above 5% y-o-y. This is one of the reasons why the NBS did not trim its key policy rate after September.

Under the NBS's projections made in 2024, inflation was expected to continue down in 2025, approach the target midpoint towards year-end and stay around that level in 2026. Such inflation movements should be propped up by the still tight

monetary conditions, subdued imported inflation and the anticipated real wage growth in line with productivity gains.

In its monetary policy making, the Executive Board took into account the decline in **inflation expectations**. One-year ahead inflation expectations of the financial sector returned within the target band early in the year and remained there. Two-year ahead expectations of the financial sector were also within the target band, falling to 3.3% in December, while expectations for three years ahead were at the target midpoint of 3%. Short-term corporate expectations measured 5.0% for most of 2024, while medium-term expectations were lower (4.9% for two and 4% for three years ahead).

In particular, it should be noted that the decline in inflation in Serbia went hand in hand with positive trends in the **real sector**. According to the SORS estimate, real GDP growth measured 3.9% in 2024. This is more than 18% above the pre-pandemic level. Economic growth in 2024 resulted from activity growth in industry, construction and the service sectors. Within industry, manufacturing expanded by 4.7% despite low external demand, particularly from the euro area. Positive trends in the labour market persisted in line with the real sector developments, with employment continuing up, unemployment down and wages rising in real terms. This helped preserve the households' purchasing power without threatening the achievement of the inflation target in the medium term. **Record-high FDI inflow to Serbia**, measuring EUR 5.2 bn in 2024, and record-high government expenditure of around EUR 6 bn, support favourable growth prospects. Domestic private investment is also propped up by more favourable financing conditions as the country's risk premium declined after **Serbia was awarded investment grade rating** by Standard & Poor's. Though demand by our key trade partners is still recovering slowly, its rebound is expected to gather speed gradually which, together with the implementation of investments planned under the "Expo 2027" programme and other infrastructure projects, will contribute to a gradual acceleration of economic growth.

In its monetary policy making, the Executive Board was particularly mindful of the **factors from the international environment, notably imported inflation, which is also expected to subside in the period ahead**. Its decline will, however, be somewhat more gradual, prompting central banks in both developed and emerging economies to take a **more cautious approach to monetary policy easing** than expected in early 2024.

In the **euro area**, inflation fell to just 1.7% in September, only to accelerate to 2.4% in December. Due to the base effect for energy prices, i.e. their sharp downturn a year earlier, such acceleration was largely expected. As for our key trade partners, inflation sped up more than anticipated in Germany (to 2.8% y-o-y, measured by the CPI) since food prices increased more and energy prices decreased less than expected. In Italy, inflation accelerated less than anticipated (1.4% y-o-y).

As expected, the **ECB** trimmed its key interest rates by 25 bp in June, for the first time since 2019, assessing that disinflation was making good headway and that it was time to ease its monetary policy. In three more meetings until the end of the

year, the ECB cut its key interest rates by 25 bp each. Hence in December its deposit facility rate was 3.0%, main refinancing rate 3.15% and lending facility rate 3.40%. The NBS Executive Board took into consideration that the gradual decrease in the price of euro-indexed loans at home, based on lower euro area money market rates due to the ECB's monetary policy easing and the reduction of the NBS key policy rate in 2024, should provide impetus to further lending and domestic demand growth and, by extension, to GDP growth, without compromising the declining inflation trajectory.

By contrast to the euro area, the **Fed** kept its federal funds rate unchanged in June and July. In September, the Fed launched its range reduction cycle for the federal funds rate by 50 bp, two times more than the markets expected. The range was cut further in November and December to 4.25–4.50%, or by a total of 100 bp in 2024. However, almost all Fed officials assessed in December that upside risks to inflation were elevated due to higher-than-expected inflation in late 2024 and the announced changes in the USA's fiscal and foreign trade policies.

Considering **external demand**, the NBS Executive Board took account of the fact that both developed and emerging economies would grow at a slower pace in the 2024–2026 period than in the pre-pandemic decade. In addition to the fundamental challenges, another reason is the increased uncertainty which has become the key characteristic of global economic developments. Though it accelerated gradually, spurred by trade and rising household consumption, euro area economic growth continued to be weak, particularly in Germany. On the other hand, GDP growth was stronger in the USA, while China still faced challenges in the real estate sector and uncertainty regarding global trade flows, though monetary and fiscal policy were used for stimulating the still relatively high economic growth. Gradual global growth and, especially, the economic rebound in the euro area will steadily push up external demand for our exports, though at a slower pace compared to the long-term pre-pandemic average.

In particular, the Executive Board highlighted that a cautious monetary policy stance is necessary given the uncertainty caused by **geopolitical risks, announced protectionist measures and global market fragmentation**. Such trends may impact the global macroeconomic environment, trade flows and supply chains, with implications for inflation, economic activity and central banks' monetary policies. Monetary policy caution is also mandated by the unpredictable macroeconomic situation in the world that may impact the **global prices of energy and other primary commodities**. Although the global crude oil price flatlined in mid-October 2024 at a lower level than earlier in the year, owing primarily to the expected weak oil demand from China and solid inventories in the global market, its future movement remains uncertain due to the potential escalation of the Middle East conflict, longer transport routes and higher logistics costs. Uncertainty also surrounded the global gas prices, as Ukraine banned the transit of gas from Russia to the EU through its territory following the expiration of the earlier agreement.

Global food prices also mandated monetary policy caution. Record-high prices of some agricultural commodities on global stock exchanges – due to adverse weather conditions in leading producer countries (cocoa in West Africa and coffee

in Brazil) – also fuelled concerns about world food prices. The **reduced supply of agricultural commodities in the domestic market, caused by the drought during summer months, added to these worries**. Changeable weather conditions, protectionist measures and trade restrictions could push food prices further up. Global prices of food and other primary commodities will also be affected by global growth, which is still below the trend, but is expected to speed up gradually in the coming period.

As the main risks to inflation and other economic developments still come from the international environment, the NBS will continue to monitor and analyse trends in the international commodity and financial markets and make future monetary policy decisions based on that and the analysis of trends at home and the pace of domestic inflation's slowdown, on a meeting-by-meeting basis. Going forward, delivering price and financial stability in the medium term will remain the monetary policy priority, along with supporting continued growth and development of our economy, a further rise in employment and preservation of the living standard.

IV.1.2 Monetary policy instruments

The main monetary policy instrument of the NBS is the **key policy rate, i.e. the interest rate on the main open market operations**.⁴ The role of the key policy rate is supported by the **corridor of interest rates on deposit and lending facilities and by other open market operations**. In addition to the key policy rate, the NBS uses other instruments of monetary regulation, notably **reserve requirements and operations in the FX market**.

Open market operations

The main open market operations of the NBS in 2024 were one-week reverse repo transactions of securities sale (liquidity absorption).

The NBS implemented repo transactions using its own securities. For the needs of repo sale, one series of T-bills was issued in 2024, in the total nominal value of RSD 1,000.0 bn. The issuance of a larger volume of T-bills is a result of the need to provide enough market material for smooth conduct of repo transactions in an environment of pronounced excess dinar liquidity in the banking system. The increase in excess dinar liquidity was mostly facilitated by the NBS's net FX purchase interventions in the IFEM amid appreciation pressures on the dinar.

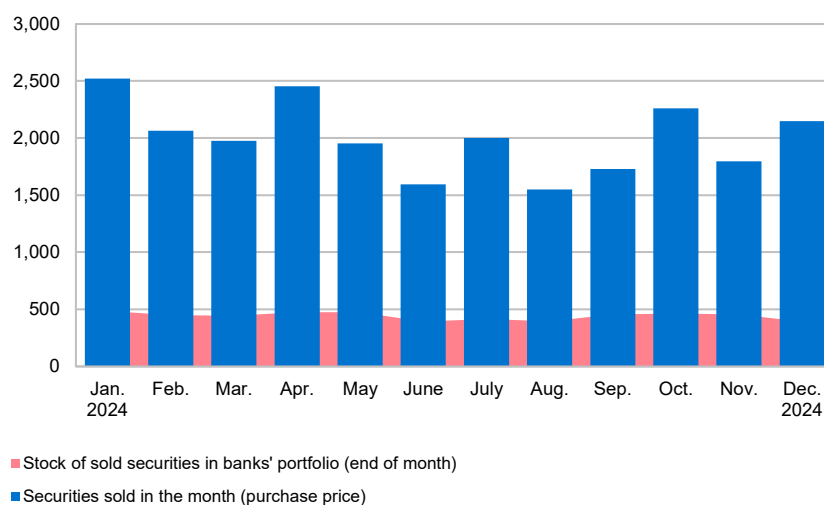
In 2024, 53 repo sale auctions were organised. Auctions were held once a week, applying the variable multiple interest rate model. Total securities sale in 2024 amounted to RSD 24,047.8 bn, which was higher than in 2023 (RSD 19,252.9 bn) amid rising excess dinar liquidity.

The stock of NBS securities in banks' portfolios averaged RSD 454.5 bn in 2024, which is an increase relative to 2023 (RSD 367.9 bn). Relative to end-2023,

⁴ Key policy rate is the maximum, i.e. the highest rate applied in the conduct of repo transactions of sale of securities.

the stock of these securities decreased by RSD 15.0 bn, to RSD 390.0 bn at end-2024.

Chart IV.1.2.1 Repo sale and stock of sold securities
(in RSD bn)



Source: NBS.

Deposit and lending facilities

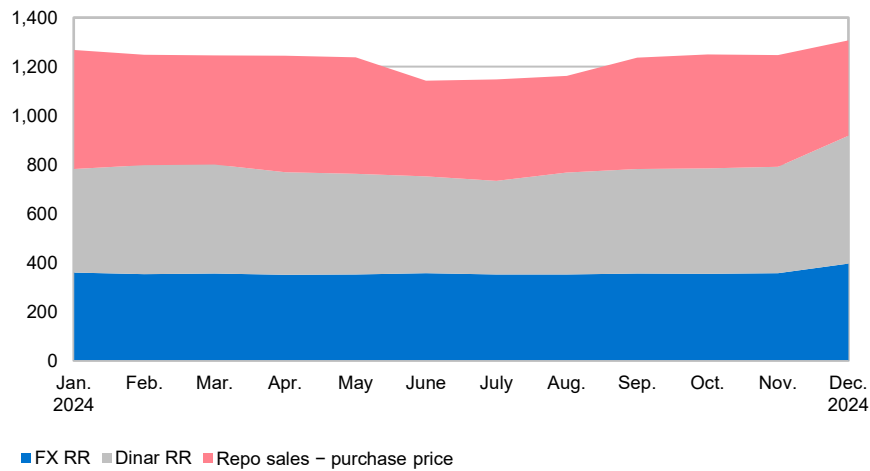
In 2024, banks continued to place overnight deposits within the NBS (deposit facilities), which averaged RSD 139.8 bn, up by RSD 8.6 bn from 2023. In monthly terms, banks deposited the highest average amount of funds in December (RSD 214.9 bn) and the lowest in May (RSD 68.2 bn).

In 2024, four banks used lending facilities exclusively as intraday loans in the total amount of RSD 21.9 bn, while overnight loans were not used at all.

Required reserves

In 2024, the amount of calculated required reserves allocated in dinars increased by RSD 42.0 bn (10.3%), reaching RSD 451.6 bn at end-2024. This increase is chiefly a result of the growth in purely dinar required reserves (by RSD 24.0 bn), which can be associated with the increase in dinar deposits of corporates and households with banks. The increase in required reserves allocated in dinars also reflects the rise in FX required reserves (RSD 18.0 bn), as one part of these reserves is allocated in dinars. Calculated FX required reserves increased by RSD 194.9 mn (6.8%) in the same period, to RSD 3.1 bn at end-2024, driven by the rise in FX savings and FX deposits of corporates, mostly with the maturity of up to two years.

Chart IV.1.2.2 **Volume of sterilisation by monetary policy instruments**
(in RSD bn)

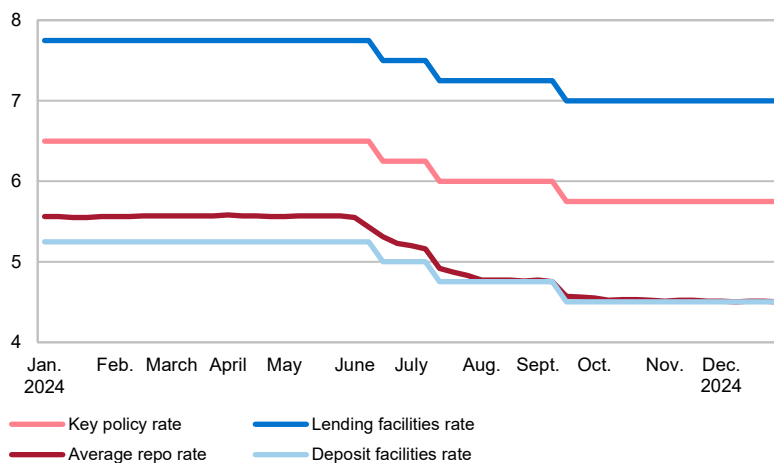


Source: NBS.

Interest rates

In view of the continuous downward trajectory of inflation at home and its retreat within the target band in May 2024, as well as the projected movement of inflation and other macroeconomic indicators from both the domestic and international environment, in June 2024 the Executive Board decided to lower the key policy rate by 25 bp to 6.25%, marking the first change in the NBS key policy rate since August 2023. In the July and September meetings, the key policy rate was lowered by additional 25 bp, to 5.75%. Concurrently, the deposit and lending facility rates were trimmed to 4.50% and 7.00%, respectively.

Chart IV.1.2.3 **Movement in the key policy rate and average repo rate**
(daily data, p.a., in %)



Source: NBS.

The said decisions on the key policy rate dictated the dynamics of the weighted average repo rate, which was almost unchanged in the first five months of 2024, moving within a very narrow range (5.55–5.58%). Making full use of the flexibility of its monetary framework, the NBS further eased monetary conditions by scaling down the supply ratio at repo auctions relative to the estimated demand from banks.

The decision, along with the cut in the NBS key policy rate, led to a decline in the weighted average repo rate to 4.50% at end-2024. The weighted average repo rate in 2024 was cut by 106 bp, to a larger extent than the key policy rate (by 75 bp). In contrast, in 2023, it had increased by 140 bp.

In 2024, the interest rate at which the NBS calculates and pays interest on the average daily balance of allocated dinar required reserves was kept at 0.75%.

FX market operations

Under the 2024 Monetary Policy Programme, the NBS continued implementing the managed float exchange rate regime, with the possibility to intervene in the FX market with a view to easing excessive short-term volatility of the dinar against the euro and maintaining price and financial stability and an adequate level of FX reserves.

In 2024, the dinar gained 0.1% against the euro in nominal terms. Amid strong appreciation pressures on the dinar, in 2024 the NBS net bought EUR 2,725.0 mn in the IFEM.

Appreciation pressures were chiefly generated by the record-high FX inflow from FDIs, as well as exports, tourism, remittances, etc. As a result of these developments, residents were net FX sellers for the second consecutive year. Also, appreciation pressures in 2024 were sustained by other FX supply-side factors – banks' net foreign cash purchase from exchange dealers and natural persons, increase in net indexed bank assets and the lengthening of the FX position of banks on account of the use of foreign (non-resident) payment cards. FX supply-side pressures were the strongest in June, when the NBS net bought EUR 695.0 mn in the IFEM.

FX swaps

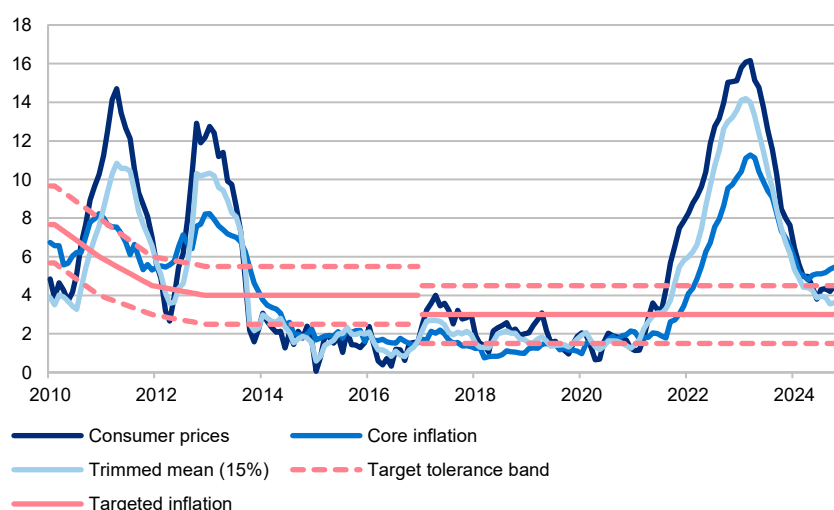
In 2024, banks were still able to conclude bilateral transactions of swap purchase and sale of FX (euros) with the NBS. By introducing bilateral swap transactions, the NBS sought to provide not only assistance to banks in their liquidity management, helping them overcome the problem of insufficient limits for concluding interbank transactions, but also greater flexibility regarding the moment of concluding transactions and their maturity.

In 2024, NBS bilateral swap transactions amounted to EUR 2,514.0 mn (swap purchase and sale worth EUR 1,257.0 mn each).

IV.1.3 Achievement of inflation target in 2024

Average inflation in 2024 fell to 4.6% (from 12.1% in 2023). In accordance with the NBS's expectations, y-o-y inflation in Serbia retreated within the target band ($3\pm 1.5\%$) in May, staying there until the end of the year. Weaker inflationary pressures in 2024 are also confirmed by the shift in the distribution of y-o-y inflation, from a group of products and services whose prices recorded double-digit y-o-y growth at end-2023 to a group of products and services whose y-o-y price changes ranged between -1.5% and 1.5% at end-2024. **Core inflation** (CPI excluding energy, food, alcohol and cigarettes) has trended above headline inflation since May, ranging between 5.0% and 5.5% y-o-y. The **trimmed mean** measure of inflation (CPI excluding 15% of products and services whose prices recorded the largest changes in both directions) moved below the headline inflation throughout 2024, averaging 4.0% y-o-y.

Chart IV.1.3.1 **Headline, core and trimmed mean inflation**
(y-o-y rates, in %)



Sources: SORS and NBS calculation.

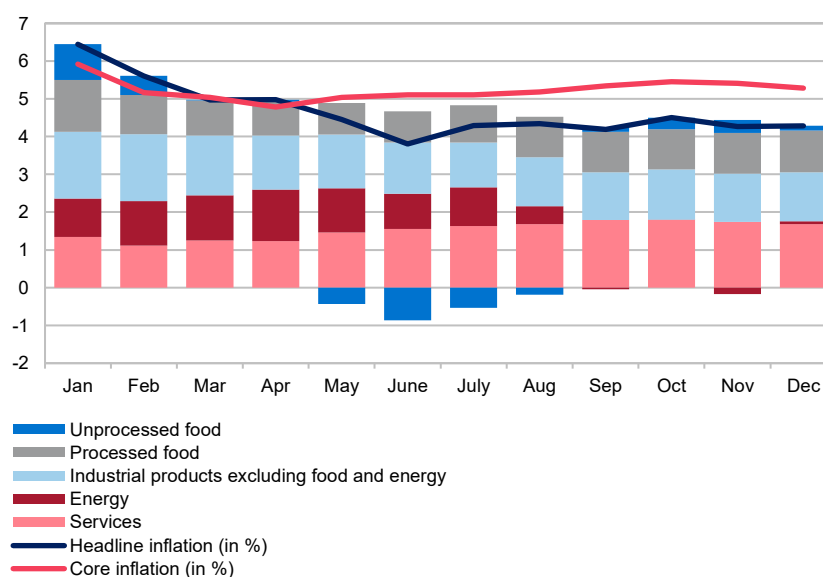
Y-o-y inflation continued dominantly on a downward path in H1, falling to 3.8% in June, half the level recorded at end-2023, chiefly due to significantly lower contribution of food prices (by 2.8 pp). However, the price increase in certain categories of processed food, reflecting the hike in global prices of raw materials (especially coffee and cocoa), and some services, drove y-o-y inflation up to 4.3% in July. Y-o-y inflation hovered around this level until end-2024, underpinned by the higher prices of vegetables due to drought in the summer months, adjustments in administered prices of utility services and the persistency of core inflation.

In terms of **individual CPI components**, after giving a neutral contribution to y-o-y inflation in mid-2024, food prices picked up their y-o-y growth in the remainder of the year, driven by the mentioned increase in processed food and

vegetable prices. At end-2024, the prices of food and non-alcoholic beverages grew by 4.0% y-o-y, almost entirely due to the rise in processed food prices (5.4% y-o-y, 1.1 pp contribution to inflation), and to a lesser extent, the prices of unprocessed food (1.2% y-o-y, 0.1 pp contribution to inflation). Regardless, food inflation slowed down significantly in the previous year, as the cumulative contribution of food

Chart IV.1.3.2 **Contribution of CPI components to y-o-y inflation during 2024**

(in pp)



Sources: SORS and NBS calculation.

prices, both processed and unprocessed, to y-o-y inflation at end-2024 was 1.5 pp lower than at end-2023.

Lower y-o-y inflation at end-2024 (by 1.3 pp) was significantly supported by the absence of increases in the prices of electricity and gas for households, while the prices of solid fuels decreased by 5.7% y-o-y in December due to lower prices of firewood. In contrast, domestic petroleum product prices increased in December by 1.2% y-o-y, driving up **energy prices** by 0.5% y-o-y and their contribution to inflation to 0.1 pp.

The prices of industrial products (excluding food and energy) posted a 4.6% y-o-y increase in December (with a 1.3 pp contribution to inflation), due to the cigarette price adjustments, the rise in the prices of clothes and footwear, as well as the higher prices of alcoholic beverages and household chemicals.

The prices of services rose by 6.8% y-o-y at end-2024 (with a 1.7 pp contribution to inflation), led primarily by the higher prices of personal, catering and tourism services, and also utility prices, whose increase had been avoided during the period of the strongest cost-push pressures. The rise in the prices of services was also affected by demand-side factors, primarily higher household consumption, as well as supply-side factors – mainly higher wages of employees in the services sector. As in most other countries, it was the prices of services that largely dictated the

dynamics of core inflation in 2024, which measured 5.3% y-o-y at year end (with a 2.4 pp contribution to inflation).

Administered prices, which are under direct or indirect government regulation, grew by 4.2% y-o-y at end-2024 (adding 0.8 pp to inflation), as a result of the mentioned adjustments in utility services and cigarette prices.

IV.2 Regulation and supervision of financial institutions

IV.2.1 Banks

In 2024, the structure of the NBS-supervised segments of the financial sector remained largely unchanged. The banking sector continued to dominate the Serbian financial system and was the key factor of its stability. It participated with 90.7%⁵ in the balance sheet total of the NBS-supervised segments of the financial sector and came at around 76% of GDP in 2024.

At the end of 2024, the banking sector employed 22,286 persons, 387 employees more than at end-2023.

Table IV.2.1.1 **Financial system structure**

	31 December 2023			31 December 2024		
	Number	Balance sheet total (RSD bn)	Share (%)	Number	Balance sheet total (RSD bn)	Share (%)
Banking sector	20	5,941.2	90.9	20	6,635.3	90.7
Lessors	15	163.8	2.5	15	203.0	2.8
Insurance undertakings	20	375.5	5.8	20	417.3	5.7
Voluntary pension funds	7	53.8	0.8	7	61.7	0.8
Total	62	6,534.4	100.0	62	7,317.3	100.0

Source: NBS.

Banking sector structure

At end-2024, the banking sector comprised 20 banks, 15 of which in the majority ownership of foreign shareholders, three banks with the majority private domestic capital and two in the majority ownership of the Republic of Serbia.⁶

Table IV.2.1.2 **Ownership structure of the banking sector in 2024**

	Balance sheet total (RSD mn)	Share (%)	Capital (RSD mn)	Share (%)
Domestic banks:	1,494,251	22.5	203,482	22.0
– state-owned	594,286	9.0	50,126	5.4
– private-owned	899,965	13.6	153,356	16.6
Foreign banks	5,141,044	77.5	719,785	78.0
Total	6,635,295	100,0	923,267	100.0

⁵ All data in the Report are based on the reports that banks are required to submit to the NBS. These reports were not audited by external auditors or verified by NBS on-site supervisors.

⁶ The Republic of Serbia is the majority owner and major individual shareholder.

Source: NBS.

In 2024, banking sector balance sheet total expanded by RSD 694.1 bn, or by 11.7%. The share of banks in the ownership of foreign shareholders increased by 0.6 pp to 77.5% at year end, the share of banks in government ownership edged up by 0.4 pp to 9.0%, while the share of banks in the domestic shareholders' ownership declined by 0.9 pp to 13.6%.

Of banks owned by foreign shareholders, those from Italy (26.7%), Austria (19.0%), Hungary (14.2%) and Slovenia (9.8%) held the largest shares in total assets, while banks from other countries accounted for 7.7% of total assets.

Balance sheet capital of the banking sector went up in 2024 by RSD 105.3 bn (12.9%).

Concentration

In 2024, market concentration, measured by the HHI index⁷ decreased in all three key categories (balance sheet total, total loans and total deposits). The HHI value in the case of balance sheet total and deposits is still below 1,000 indicating that these segments are concentration-free, while lending entered the moderate concentration zone.

Table IV.2.1.3 Concentration (HHI) and the shares of top banks in banking sector balance sheet total, loans and deposits

	31 December 2023	31 December 2024
Balance sheet total (HHI)	986	983
Share in balance sheet total (%):		
Top five banks	61.4	61.9
Top ten banks	91.4	90.3
Gross loans (HHI)	1,059	1,040
Share in gross loans (%):		
Top five banks	64.7	63.9
Top ten banks	92.9	92.1
Deposit potential (HHI)	990	983
Share in deposit potential (%):		
Top five banks	61.3	61.7
Top ten banks	91.6	90.3

Source: NBS.

⁷ The HHI (Herfindahl-Hirschman Index) is calculated as the sum of square values of individual bank shares in the category observed (assets, loans, deposits, etc.). HHI up to 1,000 indicates that there is no market concentration; 1,000–1,800 indicates moderate concentration; above 1,800 indicates high concentration.

Structure of banking sector assets and liabilities

Structure of assets

As Serbian banks are more oriented to traditional credit-deposit activities, loans and receivables,⁸ as the most important determinant of asset quality, accounted for the dominant share of banking sector net assets, which measured RSD 6,635.3 bn at end-2024. The bulk of loans and receivables (81.8%) pertained to the non-financial sector, and the rest to banks and other financial organisations. In spite of the nominal rise in net loans and receivables in 2024 (RSD 354.2 mn), their share in total net assets went down from 65.9% to 64.4%. A significant share is that of securities, which together with pledged financial assets made up 12.0% of net assets. The share of cash and assets with the central bank increased from 18.9% to 20.5% in 2024.

Table IV.2.1.4 **Structure of banks' net assets as at 31 December 2024**

	Amount (RSD mn)	Share (%)
Cash and balances with the central bank	1,358,901.1	20.5
Pledged financial assets	14,768.9	0.2
Derivative receivables	3,225.1	0.0
Securities	784,218.9	11.8
Loans and receivables from banks and other financial organisations	775,382.0	11.7
Loans and receivables from clients	3,495,331.6	52.7
Changes in the fair value of items being subject to hedging	0.0	0.0
Receivables under derivatives intended for hedging	2,968.5	0.0
Investment in associated undertakings and joint ventures	1,011.1	0.0
Investment in subsidiaries	34,702.2	0.5
Intangible assets	24,108.3	0.4
Property, plant and equipment	76,859.5	1.2
Investment property	4,047.8	0.1
Current tax assets	3,900.1	0.1
Deferred tax assets	2,299.5	0.0
Non-current assets held for sale and discontinued operations	2,477.6	0.0
Other assets	51,092.6	0.8
Total assets	6,635,295.0	100.0

Source: NBS.

Structure of liabilities

Owing to higher retained earnings and reserves from profit, the share of capital in the structure of the sources of Serbian banking sector assets increased mildly, from 13.8% to 13.9%. Deposits and other liabilities⁹ (of which 88.6% pertains to the non-financial sector) saw the nominal growth of RSD 587.5 bn, or 11.9%.

⁸ In addition to loans and deposits, this balance sheet item also includes FX accounts abroad, receivables from interest, fees and commissions and other receivables (factoring, forfeiting, guarantees, letters of credit and other sureties) and excludes excess liquidity and foreign currency required reserves deposited with the NBS.

⁹ Pursuant to balance sheet schemes, valid from 1 January 2018, the item 'Deposits and other liabilities', besides deposits, also includes received loans and liabilities in respect of interest, fees and commissions

Table IV.2.1.5 **Structure of banks' liabilities as at 31 December 2024**

	Amount (RSD mn)	Share (%)
Derivative liabilities	3,126.0	0.0
Deposits and other liabilities to banks, other financial organisations and the central bank	632,085.9	9.5
Deposits and other liabilities to other clients	4,890,223.9	73.7
Liabilities arising from hedging derivatives	1,027.6	0.0
Changes in fair value of items subject to hedging	0.0	0.0
Liabilities under securities	6,031.2	0.1
Subordinated liabilities	61,833.1	0.9
Provisions	25,702.1	0.4
Liabilities in respect of assets held for sale and discontinued operations	0.0	0.0
Current tax liabilities	6,013.3	0.1
Deferred tax liabilities	717.7	0.0
Other liabilities	85,267.1	1.3
Total liabilities	5,712,027.9	86.1
Capital	923,267.1	13.9
Total liabilities	6,635,295.0	100

Source: NBS.

Total undistributed net profit of the banking sector measured RSD 217.2 bn at end-2024, up by RSD 38.2 bn from end-2023. Reserves from capital came at RSD 315.7 bn, up by RSD 58.4 bn relative to end-2023.

Table IV.2.1.6 **Structure of bank capital**
(RSD mn)

	31 December 2023	31 December 2024
Share capital and other capital	381,731	390,468
Own shares	0	0
Reserves	257,293	315,648
Profit of the current and previous years	190,682	228,139
Loss of the current and previous years	11,754	10,987
Total	817,951	923,267

Source: NBS.

Off-balance sheet items

Total off-balance sheet items of the banking sector measured RSD 9,428.5 bn at end-2024, up by 12.2% from end-2023.

The bulk of banking sector off-balance sheet items are items with no credit risk exposure¹⁰ (79.4% of total off-balance sheet items). At end-2024, derivative receivables accounted for the bulk of total off-balance sheet items (11.5%). Issued guarantees and other sureties made up 7.8%, contingent irrevocable commitments 3.7% and financial assets carried over to off-balance sheet records in line with the Decision on the Accounting Write-Off of Bank Balance Sheet Assets – 1.9%.

¹⁰ Received material collateral, received guarantees and other sureties, funds from depositary and custody operations, approved framework loans and credit lines, revocable commitments, investments for and on behalf of third parties and other off-balance sheet assets.

Currency risk

At end-2024, the banking sector's total open FX position equalled RSD 13.7 bn and exposure to FX risk (expressed as the FX risk ratio) 1.81%, which is significantly below the prescribed 20% cap.

Table IV.2.1.7 **Banks' exposure to FX risk as at 31 December 2024**
(RSD mn)

Open position in EUR		Open position in USD		Open position in CHF		Open position in other currencies		Open position in gold		Total open position		Total net open FX position
Long	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long	Short	
1,972	13,380	277	107	81	39	667	195	204	0	2,997	13,721	13,721

Source: NBS.

Asset quality

According to data, Serbian banking sector asset quality was preserved at end-December 2024. The share of NPLs in total loans dropped to 2.53%, which is its historical minimum. Since the adoption of the NPL Resolution Strategy in August 2015, this indicator dropped by as much as 19.7 pp. Total gross NPLs equalled RSD 94.1 bn. Of that, 40.4% were corporate (with a 2.20% NPL ratio), and 58.5% household NPLs (with a 3.38% NPL ratio).

Table IV.2.1.8 **NPL composition**
(RSD mn)

	31 December 2023	31 December 2024
Total gross NPL		
amount	107,296	94,114
ratio	3.2%	2.5%
Corporates*		
amount	42,549	38,011
ratio	2.6%	2.2%
Natural persons**		
amount	63,791	55,019
ratio	4.3%	3.4%
Other		
amount	956	1,084
ratio	0.5%	0.3%

* Including the sectors of companies, public enterprises, companies in bankruptcy and public enterprises in bankruptcy as well as legal entities and institutions in education and health sectors not financed from the budget.

** Including the sectors of households, entrepreneurs, private households with employees and registered agricultural producers.

Source: NBS.

NPL coverage with allowances for impairment increased in 2024, indicating that banks remained cautious and proactive in their estimation of expected credit losses. At end-2024, 62.3% of total gross NPLs were covered by the relevant allowances for impairment carried out in line with the IFRS 9, while 113.4% of NPLs were covered by allowances for impairment of total loans.

At end-2024 total classified balance sheet and off-balance sheet assets of the banking sector stood at RSD 5,930.8 bn, up by RSD 658.0 bn or 12.5% from last year.

Table IV.2.1.9 **Classification of bank assets**
(RSD mn)

	Gross amount	Total classified assets	Classified assets		Share of assets classified in categories D and E in total classified assets (%)
			A + B + C	D + E	
31 December 2024					
Balance sheet assets	6,854,677	3,990,566	3,748,332	242,233	6.1
Off-balance sheet	9,428,480	1,940,278	1,900,968	39,311	2.0
Total	16,283,157	5,930,844	5,649,300	281,544	4.7
31 December 2023					
Balance sheet assets	6,163,234	3,631,125	3,370,406	260,719	7.2
Off-balance sheet	8,406,300	1,641,711	1,591,297	50,414	3.1
Total	14,569,534	5,272,836	4,961,703	311,133	5.9

Source: NBS.

Banking sector liquidity

The Serbian banking sector remains exceptionally liquid. Of all the risks in the system, liquidity risk is the least pronounced.

In December 2024, the average monthly banking sector liquidity ratio was twice higher than the prescribed minimum (1.0) and equalled 2.48. The ratio was above 2 throughout the year, suggesting that liquid assets (first-degree liquid receivables and other receivables due in the next month) were double the sum of liabilities without a set maturity date and liabilities due in the next month. The average monthly narrow liquidity ratio of 1.79 in December was also considerably above the regulatory minimum (0.7). As at 31 December 2024, liquid assets accounted for 45.4% of total balance sheet assets and 58.5% of short-term liabilities.

Liquidity coverage ratio (LCR) was 192.39%, which, together with the net stable funding ratio (NSFR) of 183.68%, testifies to the high liquidity of the banking sector.

Capital adequacy ratio of the banking sector

Owing to considerable capital buffers built over previous years and a favourable structure of regulatory capital, mainly (around 92%) composed of core capital (and almost in its entirety the top-quality capital component – CET 1 capital), the Serbian banking sector remained adequately capitalised in 2024 as well. CAR stood at 21.32% at the end of the year, significantly above the regulatory minimum (8%). Core capital adequacy ratio stood at 19.63% (the regulatory minimum is 6%), and CET 1 capital adequacy ratio equalled 19.59% (the regulatory minimum is 4.5%). The leverage ratio, i.e. ratio of core capital and total balance sheet and off-balance sheet exposure at end-2024 stood at 9.91%.

Performance indicators

All 20 banks in the Serbian banking sector fully complied with the prescribed limits of performance indicators at end-2024.

Table IV.2.1.10 Banks' performance indicators

	31 December 2024	Number of non-complying banks
Capital adequacy ratio (min. 8%)	21.3%	0
Indicator of total investments in non-financial sector entities, fixed investments and investment real estate (max. 60%)	10.6%	0
Indicator of the sum of all large exposures to a single entity or a group of related entities	-	0
Liquidity ratio*	2.5	0
FX risk ratio (max. 20%)	1.8%	0

* Average monthly indicator.

Source: NBS.

Profitability

In 2024, the Serbian banking sector posted a positive pre-tax net financial result of RSD 176.28 bn. RoA increased from last year's 2.4% to 2.8% in 2024, and RoE from 18.0% to 20.3%.

Table IV.2.1.11 Banks' financial result

	31 December 2023		31 December 2024	
	Amount (RSD mn)	Number of banks	Amount (RSD mn)	Number of banks
1. Profit	138,277	19	176,452	19
2. Loss	113	1	168	1
Financial result (1–2)	138,164	20	176,284	20

Source: NBS.

In 2024, 19 banks operated with profit, while one bank posted a negative pre-tax financial result.

Table IV.2.1.12 Banking sector profitability indicators (%)

	2023	2024
ROA	2.4	2.8
ROE	18.0	20.3
Interest margin / average balance sheet assets	4.0	4.1
Interest margin / total operating income	71.6	70.5
Operating expenses / total operating income	47.8	46.1
Salary expenses / operating expenses	36.7	38.0

Source: NBS.

The greatest generator of the Serbian banking sector net profit in 2024, as in previous years, was net income from fees, interests and commissions measuring RSD

350.5 bn, up by RSD 45.5 bn or 14.9% from the year before. Net interest income stood at RSD 257.4 bn, up by RSD 29.8 bn or 13.1%. Net income from fees and commissions equalled RSD 93.0 bn, rising by RSD 15.7 bn or 20.3%. On the other hand, net credit losses stood at RSD 20.6 bn, down by RSD 7.1 bn or 25.7%. Operating expenses equalled RSD 168.3 bn, recording an increase of RSD 16.5 bn or 10.9% from 2023.

Bank supervision activities

Regulatory activity

The NBS adopted the ***Decision Amending the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items***¹¹ and the ***Guidelines Amending the Guidelines for the Identification of Default***¹² in February 2024, raising the absolute threshold of material significance for determining default in the settlement of obligations toward banks – from RSD 1,000 to RSD 10,000 for natural persons and from RSD 10,000 to RSD 50,000 for legal persons. These amendments were adopted for the sake of a more proactive default management, with the added value of creating more space for lending.

The ***Decision Amending the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items***¹³ from June 2024 specified and completed the mandatory content of a credit file of a natural person (other than farmer and entrepreneur) in order to fully clarify what is considered acceptable evidence of employment and salary and/or pension and enable more efficient assessment of a borrower's creditworthiness in practice. The amendments also aimed to account for advancements in digitalisation, bearing in mind how much time has elapsed since the initial introduction of the concept of credit file in domestic regulations.

In June 2024, the NBS adopted the ***Decision Amending the Decision on the Management of Risks Arising from Outsourced Activities***¹⁴ seeking to further advance the outsourcing of receivables collection.

In December 2024, the NBS adopted the regulations within its remit to support the government programme of youth housing loans – the ***Decision Amending the Decision on Measures for Safeguarding and Strengthening Stability of the Financial System***¹⁵ and ***Decision Amending the Decision on Capital Adequacy of Banks***.¹⁶

By adopting the above bylaws, the NBS has set up an adequate regulatory framework for the implementation of the proposed government programme within its field of jurisdiction, allowing banks to apply the LTV limit of 99% (meaning that client participation in the financing of mortgaged property may be 1%). Apart from

¹¹ RS Official Gazette, No 10/2024 of 9 February 2024.

¹² RS Official Gazette, No 10/2024 of 9 February 2024.

¹³ RS Official Gazette, No 52/2024 of 14 June 2024.

¹⁴ RS Official Gazette, No 52/2024 of 14 June 2024.

¹⁵ RS Official Gazette, No 102/2024 of 23 December 2024.

¹⁶ RS Official Gazette, No 102/2024 of 23 December 2024.

that, banks may apply a lower risk weight of 35% to the overall exposure under the housing loan approved within the programme of government support for young people for the purchase of the first residential property.

This framework provides incentives both for borrowers – requiring minimum participation in the financing of residential property, and for banks – by calculating lower risk weight for housing loans under the programme.

The Decision on Temporary Measures for Banks to Facilitate Access to Financing for Natural Persons,¹⁷ adopted in December 2024, extended by six months the facilitated procedure for the approval of dinar consumer loans to natural persons, for up-to-two-year term and up to RSD 90,000, accepting as a proof of employment and salary/pension the signed statement issued by such borrower under full criminal and material liability. This enabled a faster, more efficient and simplified credit procedure and expanded the accessibility of such loan products to a wider range of clients. Banks may also grant such loans electronically, contributing to the development of modern e-banking and digitalisation. The NBS supports such facilitated access to consumer loans, which, being of lower amount, do not incur major risk.

In 2024 the NBS took a series of activities laying the groundwork for the ***Law Amending the Law on Banks***.¹⁸ The Law was adopted at the National Assembly on 6 March 2025, at the NBS's proposal. One of the key innovations is the setting up of the bank resolution fund, as an additional safeguard of budgetary and public funds, this being one of the key objectives of bank resolution. The Fund is yet another resolution mechanism preventing the rescue of troubled banks from falling on taxpayers' shoulders. The membership will be mandatory for all banks and the Fund will be managed by the NBS.

These legal solutions also comprehensively strengthen the banking prudential framework, by imposing additional obligations for banks, as well as conferring enhanced supervisory powers and responsibilities on the NBS, in response to the needs recognised in prior period. One of the important objectives of Law amendments is to advance corporate governance in banks, in line with the European regulatory framework and best comparative practices. This law at the same time further aligns the banking regulatory framework with the relevant EU regulations on bank recovery and resolution, as well as prudential regulations.

Off-site supervision

Off-site supervision means supervision and analysis of the reports and other documents banks are obliged to submit pursuant to NBS laws and regulations, as well as of other data on bank operations available to the NBS and data obtained from external sources (including foreign regulatory bodies with which the NBS has signed multilateral or bilateral agreements on cooperation, exchange of information and coordination of supervisory activities).

¹⁷ RS Official Gazette, No 102/2024 of 23 December 2024.

¹⁸ RS Official Gazette, No 19/2025.

To identify key operating risks and draw up risk profiles of banks, annual supervisory assessments were prepared, analysing banks' business models, the quality of corporate governance and system of internal controls and the risks affecting banks' solvency and liquidity, as well as assessing capital adequacy of banks. The supervisory assessments also included the evaluation of banks' recovery plans. The assessments of minimum bank capital adequacy ratios were submitted to banks, along with the decisions determining a capital adequacy ratio above the prescribed level, in accordance with the provisions of Article 23 of the Law on Banks¹⁹ and Section 5 of the Decision on Capital Adequacy of Banks.²⁰

In 2024, the NBS monitored on a daily basis the information on the movement of the liquidity ratio and on a weekly basis the changes in largest depositors, and/or changes in receivables and liabilities of the banking sector toward foreign banks and international financial institutions, as well as the quarterly liquidity gap analysis. The NBS also produced, on a monthly basis, the information on credit activity and movement of NPLs, banking sector profitability and optimisation of the liquidity coverage ratio by banks. The NBS monitored on a quarterly basis banks' solvency and concentration risk, as a subtype of credit risk, and collection of receivables outsourced to third parties, the share of FX and FX-indexed loans in total loans to the non-financial and non-government sectors approved and disbursed since 1 July 2023 and the status and movement of the NSFR.

In relation to temporary measures adopted with a view to supporting households and corporates amid the coronavirus pandemic, the NBS continued to produce during 2024, on a monthly basis, information on clients in default status under banking sector guarantee schemes and information on the application of debt repayment facilities.

In 2024, the NBS monitored the implementation of banks' plans for the reduction of gross NPLs and analysed the possibilities for further reduction of the NPL ratio at the level of individual banks.

Apart from that, it analysed 53 notifications on introduction of new products and notifications about the outsourcing of activities and assignment of receivables.

Also, to act pre-emptively and preclude the spillover of negative effects on the banking sector and the real economy, the NBS stepped up its monitoring of the liquidity position and loan approval in some banks.

It also held meetings with banks' management bodies, monitored activities related to planned bank integrations (mergers) and analysed specific aspects of banks' operations.

All these analyses and information were used in the preparation of a draft on-site supervision plan and plan of supervisory activities for 2025.

¹⁹ RS Official Gazette, Nos 107/2005, 91/2010 and 14/2015.

²⁰ RS Official Gazette, Nos 103/2016, 103/2018, 88/2019, 67/2020, 98/2020, 137/2020 and 59/2021, 67/2022, 137/2022, 48/2023, 110/2023 and 102/2024.

On-site supervision

On-site supervision of banks is supervision carried out on site by inspecting the business books and other documents of the bank, in accordance with the annual on-site supervision plan. **In 2024, 19 prudential on-site examinations were carried out, in accordance with the Law on Banks**, including seven targeted prudential examinations and 12 follow-ups on the measures imposed by the NBS. An overview of on-site examinations conducted in 2024 by supervision subject is shown in the table below.

Table IV.2.1.13 **Overview of on-site examinations in 2024**

Type of on-site examination	Subject of on-site examination	Number of on-site examinations
Prudential supervision of bank operations in accordance with the Law on Banks	Bank capital adequacy and accuracy of compiled forms on the balance and structure of bank's accounts	3
	Loan underwriting process for companies and foreign legal persons	1
	Underwriting process and monitoring of cash and housing loans and management of cash and housing NPLs	1
	Monitoring cash and housing loans and management of cash and housing NPLs, as well as management of operational risk with the focus on operational risk incidents relating to payment card abuse	1
	Process of assessment of impairment of balance sheet assets and probable losses on off-balance sheet items	1
	Relating to prudential supervision of bank operations in accordance with the Law on Banks	12
Follow-up on the implementation of measures imposed by the NBS		
Total on-site examinations conducted in 2024.		19

Source: NBS.

Measures against banks

In the bank supervision procedure in the course of 2024, the NBS adopted five decisions fining five banks: RSD 4,206,240 or 1.01% of total bank income in 2021; RSD 846,000 or 0.01% of total bank income in 2022; RSD 1,375,000 or 0.01% of total bank income in 2022; RSD 601,000 or 0.0028% of total bank income in 2022; RSD 624,775 or 0.006% of total bank income in 2022. It also issued one decision fining seven members of bank management bodies, in the amount of RSD 11,714,002.

The NBS issued eight letters of warning, two decisions on orders and measures and ten conclusions on suspension of examination procedures.

Acting upon requests for consent

Acting upon requests for issuing various consents and approvals in 2024, pursuant to the Law on Banks, the NBS issued:

- 13 decisions granting consent to banks' core acts (founding acts and articles of association);
- 62 decisions on granting prior consent to the appointment of members of managing and executive boards and one decision suspending the procedure for giving consent to the appointment of a member of the executive board;

- four decisions granting prior consent to include subordinated liabilities in the calculation of Tier 2 capital;
- five decisions granting prior consent to a bank for the inclusion of ordinary shares in Common Equity Tier 1 (CET 1) capital calculation – for the purpose of increasing CET 1 capital;
- one decision granting consent to a bank not to include a subordinated company, which is a financial sector entity, in its consolidated financial statement as at 31 December 2023;
- one decision granting prior consent for acquisition of ownership in a bank;
- six decisions granting prior consent for the allocation of undistributed profit from previous years by dividend payment to its shareholders which exceeds 10% of the bank's capital;
- one decision granting prior consent for acquisition and one decision granting consent for setting up a subordinated company;
- two decisions granting prior consent for writing down CET items;
- one decision granting consent to a foreign bank to open its representative office in the Republic of Serbia.

The NBS also processed 190 notifications on outsourcing and 38 notifications on the intended assignment of bank receivables.

IV.2.2 Insurance sector

The share of the insurance sector's balance sheet total in the balance sheet total of the financial sector supervised by the NBS (banks, financial lessors, (re)insurance undertakings and voluntary pensions funds)²¹ was 5.7%.

At end-2024, twenty (re)insurance undertakings operated in the Republic of Serbia, same as in 2023, with 16 of them engaging in insurance and four in reinsurance. Of the insurance undertakings, four were exclusive life insurers, six were exclusive non-life insurers, and another six undertakings provided both life and non-life insurance. The breakdown by capital ownership shows that 15 insurance undertakings were in majority foreign ownership.

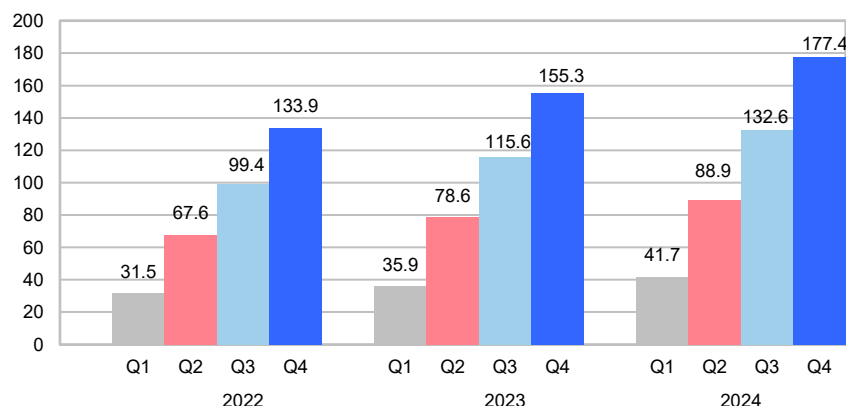
Besides (re)insurance undertakings, the sales network also included: 15 banks, 11 financial lessors and one public postal operator which are licensed for insurance agency operations, 115 legal entities (insurance brokerage and agency undertakings) and 84 insurance agents (natural persons – entrepreneurs). A total of 4,810 persons were certified for insurance brokerage/agency activities and listed in the NBS register of active certified brokers/agents in insurance.

In 2024, total insurance premium amounted to RSD 177.4 bn (1.8% of GDP), up by 14.3% from a year earlier. In terms of premium composition, the share of non-life insurance was 81.5% and of life insurance 18.5%. Non-life

²¹ Except payment institutions, electronic money institutions and virtual currency service providers.

insurance premium rose by 15.9% relative to 2023, and life insurance premium by 7.4%.

Chart IV.2.2.1. **Movement of total premiums cumulatively by quarter**
(in RSD bn)

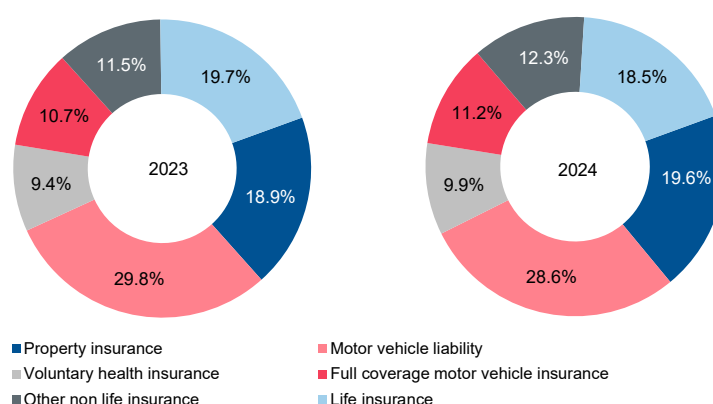


Source: NBS.

By type of insurance, premium composition in 2024 somewhat resembled that in 2023, with the largest share of motor third party liability insurance (MTPL) in total premium (28.6%). The second largest share was that of property insurance (19.6%), and next came life insurance (18.5%) and full coverage motor vehicle insurance (11.2%).

The balance sheet total of (re)insurance undertakings at end-2024 came at RSD 417.3 bn, up by 11.1% from a year earlier. The bulk of assets of (re)insurance undertakings consisted of debt securities measured at fair value through other comprehensive income (35.8%), fixed-income debt securities (15.1%), technical provisions charged to coinsurer, reinsurer and retrocessionaire (10.9%), cash and short-term deposits (10.5%), receivables (9.5%) and property, plant and equipment (7.6%).

Chart IV.2.2.2 **Total premium by type of insurance**



Source: NBS.

Technical provisions (68.5%) and capital (21.2%) accounted for the largest share of (re)insurance undertakings' liabilities. In 2024, capital rose by 11.3% (to RSD

88.6 bn), and technical provisions by 11.7% (to RSD 285.9 bn). The largest share in technical provisions was that of mathematical reserves, which rose slightly in 2024, by 2.3%.

Measured by HHI, market concentration decreased in 2024 relative to the year before, but remained moderate, at 1,176.²²

Performance indicators

In 2024, the **core capital adequacy ratio – CAR**,²³ as an indicator of capital coverage of risk exposure, equalled 204.8% for predominantly non-life insurance undertakings and 237.5% for predominantly life insurance undertakings.

The net combined ratio²⁴ as an indicator of price policy and adequacy, i.e. sufficiency of premiums for the settlement of obligations arising from non-life insurance contracts and adequacy of risk transfer to reinsurance and coinsurance, was satisfactory in 2024 (92.3%), improving from the year before (93.4%).

As an indicator of life-insurance premium adequacy, the **benefit ratio**²⁵ was 82.0% in 2024, which is a decrease compared to the previous year when it stood at 83.4%.

Business result

The insurance sector ended 2024 with a positive net financial result of RSD 13.3 bn before tax and RSD 12.4 bn after tax.²⁶ Total income of (re)insurance undertakings amounted to RSD 296.3 bn, up by 17.4% from 2023. The largest share in the sector's income was that of premium income (67.1%) and other operating (functional) income (23.9%). Total expenses of (re)insurance undertakings in 2024 equalled RSD 283.0 bn, up by 17.1% from 2023. The greatest share in expenses belonged to other operating (functional) expenses (39.9%), compensation of damage and sum insured, together with expenses of site inspection, assessment, liquidation and payment of damage (37.8%) and insurance administration expenses (19.1%).

Results of supervisory activities

Supervisory activities in (re)insurance undertakings and other supervised entities in 2024 included off-site supervision and on-site examinations, in accordance with the supervision plan envisaging four targeted on-site examinations for that year, two in the segment of *prudential supervision* and two focused on *market conduct*.

²² HHI is calculated based on the balance sheet totals of (re)insurance undertakings.

²³ The ratio of available to required solvency margin.

²⁴ Ratio of the sum of net claims and underwriting expenses relative to earned net premium.

²⁵ Ratio of the sum of net claims and changes in technical provisions compared to the earned net premium. When interpreting the results, we need to take into account the long-term character of life insurance and a significant impact of changes in technical provisions on this indicator.

²⁶ Includes only tax expenses which (re)insurance undertakings carried until submission of data to the NBS.

1) **On-site examinations** – both planned on-site *prudential examinations* were carried out, as well as one *ad hoc* targeted examination. The planned targeted on-site examinations focused on verifying the calculation of all elements of the guarantee reserve, the fulfilment of the requirements pertaining to capital adequacy in an insurance undertaking regarding which it was assessed that not taking appropriate action could lead to the undertaking's non-compliance with risk management rules and, in the second case, the examination focused on the creation, calculation and verification of the sufficiency of mathematical reserve and in that sense, examination of the established system of internal controls and its functioning. The *ad hoc* targeted examination looked into operating expenses. Furthermore, a series of follow-up activities were taken regarding the procedures and examinations initiated in prior reporting periods.

In the segment of *supervision of market conduct*, in 2024 the NBS carried out planned and follow-up activities. The examinations focused on the manner in which insurance undertakings inform the policyholders and sell insurance services, how they act upon claims in MTPL insurance, voluntary health insurance, life insurance etc. and how they handle complaints. The examinations also covered the sale of life insurance including an investment component.

2) **Off-site supervision** – The NBS also carried out continuous off-site supervision, both in the part of *prudential supervision* and the *supervision of market conduct*.

Prudential off-site supervision included continuous monitoring of (re)insurance undertakings both from the *financial-economic* and *actuarial* aspect, as well as taking activities to clarify the submitted data and information and to remove the identified irregularities. Activities under the off-site prudential supervision included: (1) monitoring of the risk of (re)insurance undertakings by supervisory matrices, (2) analysis of quarterly opinions of the certified actuary, opinion of the certified actuary on financial statements and annual reports on the operations of undertakings, opinion of the certified actuary on the implementation of the coinsurance and reinsurance policy, analysis of undertakings' internal audit, receipt and analysis of the submitted internal acts of (re)insurance undertakings; (3) analysis of submitted annual, quarterly and monthly data of (re)insurance undertakings; (4) preparation of monthly, quarterly and annual reports about the situation in the insurance sector. Off-site prudential supervision placed special emphasis on the implementation of legal provisions on solvency requirements, the formation of prescribed technical provisions sufficient for meeting all future liabilities toward insurance users, implementing coinsurance and reinsurance policy, adequate investment of insurance assets and preserving their real value, liquidity, assessment of balance sheet positions and insurance administration costs. Off-site prudential supervision is focused on monitoring the identified operating risks, with a view to preserving financial stability and solvency and improving the system of internal controls and corporate governance of (re)insurance undertakings.

Within off-site supervision of *market conduct* of insurance undertakings, the NBS regularly monitored the risks of market behaviour, based on the analysis of qualitative and quantitative indicators, identifying aspects of operation of individual

insurance undertakings and other supervised entities which call for improvement. These aspects of operation, i.e. activities of insurance undertakings and other supervised entities which were recognised as potentially detrimental to the rights and interests of insurance service users were covered by supervisory actions in order to timely examine the activities and carry out appropriate measures to protect the rights and interests of insurance service users. Concurrently with the mentioned activities, a large number of thematic analyses were carried out, the necessary opinions were provided to insurance service users, supervised entities, journalists and other interested parties, with regard to the introduction of new insurance products, advertising and sale of insurance, distribution channels for various types of insurance, conclusion of distance insurance contracts, content of insurance conditions, rights to compensation from insurance contracts and other.

In 2024, the NBS carried out regular analyses of annual reports for 2023 about insurance brokerage and agency activities submitted to the NBS by 223 other supervised entities (insurance brokerage/agency undertakings, agents – entrepreneurs, banks, financial lessors, public postal operator), based on which supervisory action was taken (letters of warning, off-site supervision).

As part of its *licensing* work (issuing licences and approvals in accordance with the Law on Insurance), in 2024 the NBS issued 76 prior approvals for the appointment of members of management and one decision denying prior approval for such appointment, 20 prior approvals for the selection of audit firms and two prior approvals for the acquisition of qualifying holding and one prior approval for investing in another legal person. All these decisions were supported by prior analyses including the assessment of economic impact of granting consent to undertaking's operations, as well as three prior approvals for changing the head office address. The NBS also issued 35 confirmations that (re)insurance operating licences are still valid.

During the reporting period, the NBS issued four licences to carry out insurance brokerage activities to insurance brokers, nine licences to carry out insurance agency to natural persons – entrepreneurs, insurance agents, while four licences expired, one for insurance brokerage and three for insurance agency activities. The NBS issued two prior approvals to lessors to carry out insurance agency as an additional activity, 11 prior approvals for acquiring qualifying holding in insurance brokerage and/or agency undertakings, 16 prior approvals for appointment of members of management in insurance brokerage and/or agency undertakings and 13 prior approvals for change of business name, head office and/or head office address of insurance brokerage/agency undertakings and natural persons – entrepreneurs, insurance agents. An assessment of the fulfilment of the conditions for entrusting the duties to the insurance agent's manager has also been carried out.

Certification and further professional development in insurance

The NBS pays special attention to the education of certified insurance brokers/agents and actuaries. According to regulations, prior to taking professional exams at the NBS, they are required to attend relevant training courses in order to

acquire the necessary knowledge and adequately carry out the tasks for which they are authorised.

To raise the level of competence of persons who acquired the authorisation to carry out insurance brokerage and agency activities and to establish the final list of persons actively carrying out those activities, the law mandates continuous professional development. Subject to meeting the requirements of professional development, persons are kept in the relevant register and may carry out the activity.

Based on the *Agreement on training candidates for taking certification exam to obtain the title of certified broker or certified agent in insurance and professional development of certified insurance brokers and agents*, signed by the NBS and the Serbian Chamber of Commerce, trainings and certifications exams were organised for brokers and agents in 2024, in the regular exam periods.

The NBS organised two certification exams for obtaining the title of certified actuary.

Based on the final exam results, the NBS issued 450 decisions awarding the titles of certified brokers/agents, while six persons acquired the title of certified actuary.

In 2024, the NBS regularly supervised continuous professional development of certified brokers and agents and certified actuaries. In 2024, the proof of continuous development of certified actuaries was submitted by 58 certified actuaries and the obligation of continuous professional development was observed by 3,491 certified insurance brokers and agents.

Regulatory and European integration activities

The NBS continuously monitors EU regulations in the insurance area with a view to aligning domestic regulations and adequately preparing the Republic of Serbia for joining the EU, taking care of the stability of the insurance market and protecting the rights and interests of insurance service users.

In 2024, the NBS continued the drafting of preliminary versions of regulations necessary for establishing a new regulatory framework for carrying out (re)insurance business, fully aligned with the *acquis communautaire*, including the Solvency II Directive, Insurance Distribution Directive, the new accounting framework etc. In the fifth revised National Programme for the Adoption of the Acquis (NPAA), adopted on 24 October 2024, Q4 2027 was confirmed as a deadline for adopting the new Insurance Law.

In 2024, the NBS adopted the following bylaws: *the Decision on Implementing Provisions of the Insurance Law relating to the Issuance of License to Carry on Insurance/Reinsurance Activities and Specific Approvals of the National Bank of Serbia*,²⁷ *the Decision Amending the Decision on the System of Governance in an Insurance/Reinsurance Undertaking*,²⁸ *the Decision Amending the Decision on Investment of Insurance Funds*,²⁹ *the Decision Amending the Decision on Reporting*

²⁷ RS Official Gazette, No 44/2024.

²⁸ RS Official Gazette, No 82/2024.

²⁹ RS Official Gazette, No 82/2024.

by Insurance/Reinsurance Undertakings³⁰ and the Decision Amending the Decision on the Chart of Accounts and Content of Accounts in the Chart of Accounts for Insurance Undertakings.³¹

IV.2.3 Voluntary pension funds

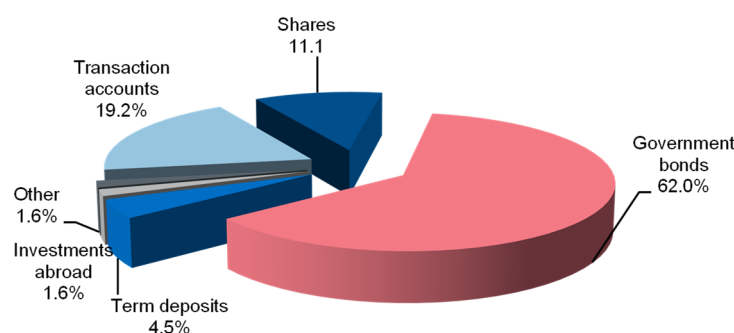
At end-2024, the market comprised four companies managing seven voluntary pension funds (VPFs), same as in 2023. The assets of all funds were held with two custody banks. Intermediation services in the conclusion of VPF membership contracts were provided by five banks and one insurance brokerage undertaking, acting as intermediaries, while information services on membership in VPFs were provided by 613 sales agents (of 1,197 persons licensed by the NBS to perform these activities). For the purpose of securities purchase and sale, management companies cooperated with 12 brokerage firms.

The market remained highly concentrated, as indicated by the HHI of 2,773 points at end-2024 (2,748 points at end-2023). The share of the largest fund in net assets of the entire sector was around 42%, while four largest funds held around 91% of the market (same as in the year before).

The VPF balance sheet total increased in 2024. At year end, net VPF assets equalled RSD 61.7 bn, up by 14.7% relative to December 2023 (RSD 53.8 bn). Total net contribution payments equalled RSD 4.9 bn, up by 14% relative to 2023, while withdrawals totalled RSD 2.4 bn (2.7 bn in 2023). A significant impact on the value of net assets came from the realised profit from investment of VPF assets, which amounted to RSD 5.4 bn in 2024 (RSD 3.9 bn in 2023). Members' individual payments rose by around 14% compared to 2023, indicating increased household confidence in these financial institutions.

At end-2024, VPF services were used by 225,665 persons (220,714 persons in 2023), i.e. little less than 10% of the total number of employees in Serbia.

Chart IV.2.3.1 Composition of VPF assets
(as at 31 December 2024)



Source: NBS.

³⁰ RS Official Gazette, No 82/2024.

³¹ RS Official Gazette, No 106/2024.

As before, VPF investments were dictated by financial market developments, so at end-2024, the major portion of VPF assets was invested in government bonds – 62.0%, while funds in custody accounts accounted for 19.2%, shares 11.1%, time deposits 4.5% and foreign shares 1.6%.

The average maturity of funds invested in government securities, weighted by their share in total investments in such government debt instruments, amounted to 6.1 years (5.5 years in 2023).

As the investment structure varies, the returns of VPFs also differ. Annual VPF returns in 2024 ranged from 2.82% to 11.54%. The sector's return, measured by FONDex, which indicates movements in investment unit values of all VPFs, measured 9.8% in 2024 (8.1% in 2023).

Broken down by currency structure, at end-2024, dinar assets accounted for around 71% of total VPF assets, euro assets for 15% and USD assets for 14%.

Regulatory activity

The NBS keeps track of current developments and amendments to domestic and EU regulations, in order to harmonise and improve regulations in the VPF field, with a view to preserving the stability of the VPF sector and protecting the interests of fund members.

No new regulations were adopted in 2024, nor have there been any amendments to the existing ones.

Ongoing supervision

During 2024, the NBS continuously supervised VPFs by collecting, monitoring and analysing the submitted reports, and performed on-site examinations and licensing procedures.

In 2024, the NBS conducted a targeted on-site examination of one VPF management company. The procedure was discontinued after the company responded to the supervision report and submitted evidence showing that it had largely eliminated the irregularities listed in the report, so that only minor irregularities remained which did not require supervisory action. Also, one more targeted on-site examination was initiated in one management company.

In 2024, four decisions were issued giving approval to the appointment and five decisions approving the reappointment of members of management of management companies; eight decisions were issued approving VPF prospectuses and summary prospectuses, and one decision approving the text of advertisement. The NBS also issued two opinions in the field of VPF supervision and initiated the procedure of granting prior approval for indirect acquisition of qualified stake in a VPF management company.

The NBS also organised licensing exams in two regular exam terms for the provision of information on VPF membership and operation, as well as the

dissemination of prospectuses, and issued 112 licences to persons who passed the examination.

IV.2.4 Financial leasing

Market participants

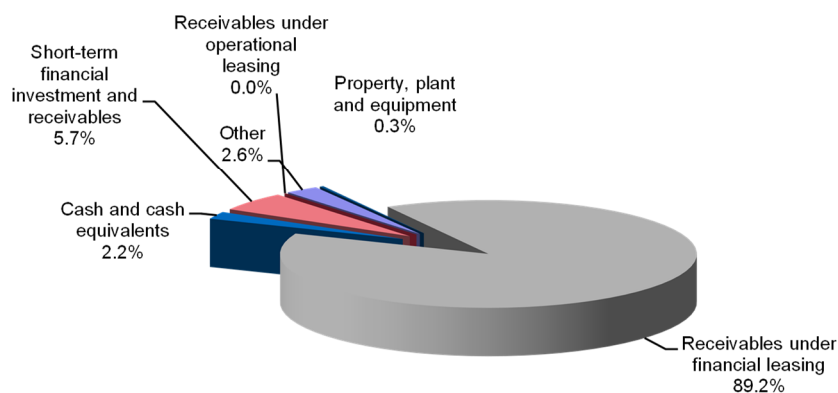
At end-2024, there were 15 financial lessors licensed by the NBS to perform financial leasing, employing 426 people in total.

Of 15 lessors, five were fully or mostly owned by foreign legal persons, while ten were in 100% or majority ownership of domestic persons, of which seven were owned by domestic banks with foreign capital. One lessor was founded by natural persons, and all the remaining ones by banks, banking group members or other financial institutions.

Balance sheet

At end-2024, balance sheet assets of financial lessors totalled RSD 203 bn, up by 23.9% from end-2023. The largest share of financial lessors' total balance sheet was made up of financial lease receivables (89.2%). The share of short-term financial assets and receivables in total balance sheet assets stood at 5.7%, while that of cash and cash equivalents amounted to 2.2%.

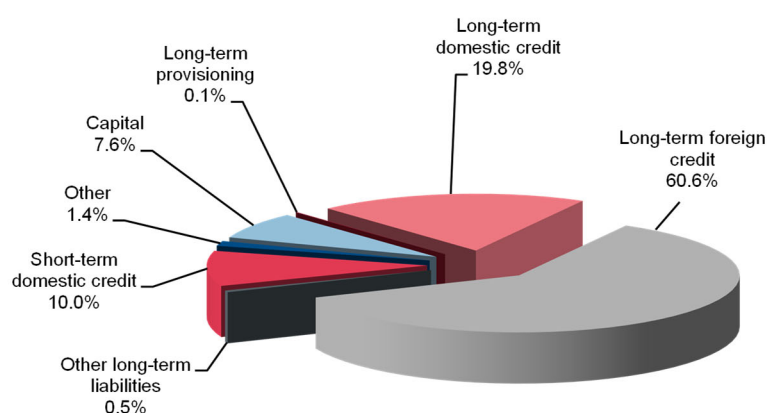
Chart IV.2.4.1. **Composition of lessors' assets**
(as at 31 December 2024)



Source: NBS.

As financial lessors finance most of their activities by long-term foreign borrowing, long-term foreign credits made up the largest portion of their liabilities (60.6%), while the share of long-term and short-term loans in the country measured 19.8% and 10.0%, respectively.

Chart IV.2.4.2 **Composition of lessors' liabilities**
(as at 31 December 2024)



Source: NBS.

Market share

The financial leasing market falls into a moderate concentration category, as indicated by the HHI, which equalled 1,282.7 points in 2024. Out of 15 lessors, two of which undergoing voluntary liquidation, seven lessors account for 88.5% of the total market's balance sheet assets. The share of the largest financial lessor in total balance sheet assets came at 20.2%, rising slightly from end-2023 (20.1%).

Structure of lease investments

At end-2024, the bulk of **financial leasing** went to non-financial corporates (85.8%), while entrepreneurs received 6.5%, public enterprises 2.6%, and farmers and natural persons 2.3% each. At end-2024, **operational leasing** approved to non-financial corporates made up 77.7%, to banks 13.8%, to entrepreneurs 6.0%, natural persons – 1.1% and autonomous province and local government units – 0.9%.

At year end, the structure of investment by the **financial lease** asset showed that the financing of passenger vehicles accounted for 43.5%, and freight vehicles, minibuses and buses for 36.5%. The financing of construction machinery and equipment made up 7.7% and agricultural machinery 4.0%. The smallest share of financing was that of machinery and equipment for service provision (2.9%), production machinery and equipment (2.4%), commercial immovables (1.3%), other movables (1.2%), railway vehicles, vessels and aircrafts (0.5%) and other immovables (0.0%). The structure of receivables by the **operational lease** asset consisted of passenger vehicles (85.7%), freight vehicles, minibuses and buses (13.5%) and machinery and equipment for service provision (0.8%).

Breakdown by sector shows that the majority of **financial lease** investments went to transportation and storage, information and communications (28%), trade (13.2%), construction (12.4%), mining, manufacturing, water supply and management and electricity and gas supply (12.1%), agriculture, forestry and fishing

(4.2%), accommodation and food services (1.4%), health and social care (0.4%), financial sector (0.2%), while other activities accounted for 28.1%. As for the sector composition of **operational lease** investments, the largest share was that of trade (23.7%), mining, manufacturing, water supply and management and electricity and gas supply (20.2%), other activities (15.8%), financial sector (14.7%), transportation and storage, information and communications (13.9%), construction (9.2%), food and accommodation services (2.3%) and health and social care (0.3%).

Income statement

Total pre-tax result of all financial lessors in 2024 equalled RSD 2.5 bn (up by 24.1% from 2023, when it stood at RSD 2 bn). Relative to 2023, total income and gains increased by 35.9%, and total expenses and losses by 40.4%.

The most significant category of lessor income was interest income from financial lease with the share of 74.4% in total income. Financial lease income participated with 11.5% and operational lease income with 4.1%. Net other interest income accounted for 1.3% of total income.

The largest category in total lessor expenses were financial lease interest expenses (57.3%), salaries, salary compensations and other personal expenses (15.1%), other operating expenses (11.1%), financial lease expenses (5%), and operational lease expenses (2.5%).

Off-site supervision of financial lessors

Off-site supervision of financial lessors was conducted based on data from quarterly reports submitted in 2024. No irregularities or illegalities were identified that would require supervisory action.

On-site supervision of financial lessors

In 2024, NBS supervisors conducted a comprehensive on-site examination in one financial lessor, examining the compliance with the Law on Financial Leasing. The examination report is being drawn up.

The examination procedures in two lessors were discontinued.

Two letters of warning were issued.

Licences and approvals

In 2024, the NBS issued:

- one decision granting approval to a lessor's assembly to adopt the documents prescribed under Article 29, paragraph 7 of the Law on Bankruptcy and Liquidation of Banks and Insurance Undertakings, in order to complete the voluntary liquidation procedure;

- 23 decisions granting approval for the appointment of members of the managing and executive boards;
- two decisions granting approval to the acquisition of ownership over stakes of the lessor, which provide 10% or more voting rights.

IV.2.5 Supervision of financial institutions' information systems

The NBS continuously monitors how financial institutions (banks, re/insurance undertakings, financial lessors, VPF management companies, payment institutions, e-money institutions and public postal operator in the part of their operation regarding payment services provision and/or electronic money issuance) manage the information-communication technology (ICT) system risk and assesses such risk, in order to achieve higher levels of security and stability of financial institutions. The NBS also assesses the adequacy of ICT systems of virtual currency service providers.

Pursuant to its mandate, the NBS conducted examinations targeting the management of ICT systems and business continuity in financial institutions, according to the examination plan for 2024. An on-site examination was initiated in a VPF management company. Also, in 2024 the NBS continued implementing activities regarding on-going examinations, and monitoring measures imposed on financial institutions in such examinations to remove identified irregularities in the ICT system management.

In 2024, the NBS actively monitored activities of financial institutions related to the transition to a new system of core business applications and data migration due to status change (acquisition) of a financial institution, and/or the planned implementation of the strategy of development of the ICT system. In 2024, the NBS monitored migration to a new system of core business applications in one bank, while in one joint stock insurance undertaking and one joint stock reinsurance undertaking migration and change of data centre location were successfully completed. Given that the year 2023 saw several data migrations and changes of core business applications, in 2024 the NBS continued to actively monitor post-migration period in order to act preventively, protect consumers' interests and provide adequate services. Due to the complexity of ICT systems and integration procedures, three migration procedures in different financial institutions were regularly monitored, to mitigate the negative effects on business operations due to ICT system replacement.

On several occasions, the NBS supervised, guided and advised financial institutions with a view to protecting financial assets and data of financial service consumers.

In 2024, the NBS circulated the *Questionnaire about the information system of financial institutions*, which offers insight into the current state of affairs and the process of ICT system management in each individual financial institution.

In December 2024, the NBS adopted the Decision on Minimum Information-Communication System Management Standards for Financial Institutions,³² and the Decision on Technical Standards for Strong Customer Authentication and Common

³² RS Official Gazette, No 102/2024.

and Secure Open Standards of Communication.³³ These regulations were adopted for the sake of gradual alignment with the EU legal framework in the area of managing financial institutions' ICT systems, especially bearing in mind amendments and supplements to the Law on Payment Services, which prescribe the obligation to adopt the implementing bylaws and ensure compliance with the Law.

In 2024, the NBS analysed the submitted documents as part of notifications about the outsourcing of ICT-related activities and application of new technologies and assessment of risk in the provision of electronic services. It processed 740 notifications, or 57% more than in 2023. The increased volume of notifications resulted from financial institutions' obligation to align their contracts with the provisions of the Decision on Terms and Conditions of Outsourcing Relating to Financial Institution's Information-Communication System,³⁴ and the compliance deadline was 31 December 2024.

The NBS continued to provide education in the area of supervision of ICT systems in cooperation with the Association of Serbian Banks and participated in a series of seminars in 2024.

IV.2.6 Protection of financial service consumers

In 2024, the NBS continued to actively assist financial service consumers in exercising their rights through procedures of individual protection of consumers – by dealing with complaints, mediating in disputes and providing education and information. In addition, the NBS carried out bank and lessor supervisory procedures for the protection of financial service consumers.

Although in complaint procedures regarding the work of banks, financial lessors, payment services providers and e-money issuers the NBS is authorised to order the removal of irregularities and to fine the financial services provider, the most significant results are achieved in implementing supervisory procedures, where the NBS establishes a systemic irregularity and orders the removal of such irregularity in respect of all consumers affected.

In the observed period, based on the conducted procedures of bank supervision, consumers gained a direct financial effect of over RSD 55.3 mn. Moreover, based on the activities which the NBS undertook in the previous years, a large number of loan users making an early repayment were allowed a reduction in the remaining amount of debt, which, according to data and estimates, equals around EUR 5 mn per annum – this amount was possibly even higher due to the increase in the amount of early loan repayment. In consumer complaints and mediation procedures, consumers gained a direct financial effect of around RSD 83.9 mn. The immediate financial effect could not be calculated in all cases. The indirect (financial) effect is even greater, but impossible to quantify, and relates to the prevention of the repetition of observed individual irregularities and elimination of systemic irregularities.

³³ RS Official Gazette, No 102/2024.

³⁴ RS Official Gazette, No 100/2023.

In 2024, the NBS renewed its full membership in the International Financial Consumer Protection Organisation (FinCoNet), which was founded with a view to promoting strong and effective protection of financial service consumers among supervisory authorities, establishing international cooperation in the area of improving the protection of financial service consumers, and conducting research and exchanging experiences between members.

Supervision of financial service providers in the area of protection of financial service consumers

In the observed period, the NBS supervised banks' compliance with the Law on Banks and regulations governing the protection of financial service consumers (provision of financial and payment services etc.) and followed up on banks' actions in accordance with the measures imposed by the NBS. The NBS also supervised lessors' compliance with the Law on Financial Leasing, from the standpoint of implementation of regulations in the area of protection of financial service consumers.

The NBS also conducted off-site and on-site supervision in the area of protection of financial service consumers, with both types of supervisory procedures offering specific advantages. Off-site supervision in the field of consumer protection enables swift response upon detecting a specific problem in operation, starting from problem identification, carrying out the supervisory procedure to imposing of measures aimed at removing irregularities in respect of all affected consumers. On the other hand, comprehensive on-site examinations are conducted based on the on-site examination plan, on financial service providers' premises. Supervisory procedures are important as they ensure that financial service providers remove systemic irregularities which affect a large number of consumers, even the ones who are not aware of such irregularities.

In the period observed, 13 procedures were conducted in banks and lessors, including on-site, off-site and follow-up procedures. In an off-site procedure, a letter of warning was issued to one bank and in an on-site procedure a letter of warning was issued to one lessor. One off-site bank supervision procedure was discontinued after the bank removed the irregularities. Four follow-up procedures are underway in banks, examining their compliance with the orders and letters of warning issued by the NBS. In three out of six off-site supervision procedures, banks removed the detected irregularities after learning about them from the supervision reports, while in two procedures they did so after orders issued by the NBS.

Complaint procedure

In complaint procedures, the NBS adopts decisions ordering the removal of irregularities and/or imposing fines on banks or other financial service providers found not to have complied with certain provisions of the law governing the protection of financial service consumers. Before adopting a decision, the NBS draws up findings on established irregularities, on the basis of which banks or other

financial service providers usually immediately remove the irregularity during the complaint procedure. Also, if irregularities of minor importance are found in the complaint procedure, the NBS sends the service provider a notice ordering it to remove such irregularities. In the observed period, in handling complaints from financial service consumers, the NBS drafted one decision on detected irregularities imposing a fine on a lessor, as well as four findings and 13 notifications for banks, which were sent for the purpose of removing irregularities.

Table IV.2.6.1 Number of complaints by financial service provider in 2024

Financial service provider	Total	In %
Banks	1,379	63.4
Insurance undertakings	787	36.2
VPF mng companies	1	0.0
Financial lessors	4	0.2
Payment institutions	3	0.1
E-money institutions	0	0.0
Total	2,174	100.0

Source: NBS.

In 2024, the NBS acted upon 2,174 complaints, 63.4% of which related to the work of banks, 36.2% to insurance undertakings and 0.4% to other financial service providers.

Of the 1,379 complaints against banks resolved in 2024, the majority involved payment services (75% – of which 38% concerned payment accounts and 37% payment cards).

Also, 787 complaints against insurance undertakings were resolved, most of them relating to motor third party liability insurance – 32% and 17% to accident insurance.

Mediation procedure

In 2024, 132 mediation proposals were made, of which 33 were accepted by the parties. In the observed period, 33 mediation procedures were initiated, of which 72.7% pertained to insurance undertakings and 27.3% to banks.

Of the total number of completed mediation procedures (28), an agreement between the financial institution and consumer was reached in ten procedures.

Table IV.2.6.2 Number of mediation procedures in 2024

Financial service providers	In progress	Agreements	Peaceful resolution	Cancellation	Abandonment	Total	In %
Banks	0	1	0	6	2	9	27.3
Insurance undertakings	5	9	0	8	2	24	72.7
Total	5	10	0	14	4	33	100.0

Source: NBS.

Regulatory activity

By continuously improving the regulatory framework to ensure the most efficient protection of financial service consumers, in 2024 the NBS submitted to the Serbian National Assembly Proposal of the Law on the Protection of Financial Service Consumers (which was adopted in the meantime).

The Proposal relied on extensive experience generated in prior years based on the implementation of the Law on the Protection of Financial Service Consumers from 2011 and its amendments and supplements from 2014, when the NBS actively used all its provisions and mechanisms to improve the position of financial service consumers. In parallel, the NBS kept a close eye on the practice of the EU Court of Justice in the implementation of directives on consumer protection and the application of comparative practices, mainly in EU member states, with a view to maintaining, as well as improving the current level of consumer protection. Provisions from EU directives were somewhat adjusted to fit into the domestic legal system, with some of the rights having even been broadened compared to those guaranteed by the directives.

Informing financial service consumers and financial education

In 2024, financial service consumers were informed through NBS responses to media queries, consumers' queries and calls addressed to the Info Centre, while regional financial education offices at NBS branches informed the consumers who addressed them. They also held educational panels.

In relation to financial services and protection of consumer rights, the NBS responded to around 38 queries from the print and electronic media, by TV appearances and giving statements by phone.

The NBS responded to 757 queries from consumers (one or more questions) regarding financial services and consumer rights, the majority of which concerned bank operations (76%).

The NBS Info Centre responded to 14,622 calls from consumers, while 969 consumers addressed financial education offices at NBS branches.

Thirty-nine educational panels attended by around 1,200 participants were held in the given period and around 6,500 educational flyers were distributed.

IV.2.7 Anti-money laundering/countering the financing of terrorism

In the area of anti-money laundering and countering the financing of terrorism (AML/CFT), the NBS has a twofold role of both the regulator and the supervisor.

Regulatory role

As a regulator, the NBS draws up/takes part in drawing up laws and bylaws in this area with the aim of, among other things, reducing the possibilities for money laundering and terrorism financing (ML/TF) through financial institutions and other entities supervised by the NBS, in accordance with the Law on the Prevention of Money Laundering and the Financing of Terrorism.³⁵ In 2024, the NBS actively participated in the adoption of the Law Amending the Law on the Prevention of Money Laundering and the Financing of Terrorism³⁶ aimed at harmonisation with the latest amendments to international standards in the AML/CFT area prescribed by the Financial Action Task Force (FATF), all with a view to improving the assessment of the system's technical compliance within the forthcoming process of evaluation of Serbia's AML/CFT system in the sixth round of mutual evaluations by Moneyval experts.

Supervisory role

As a supervisor, the NBS issues appropriate licences and approvals and, **in the course of supervision, verifies whether the supervised entities comply with regulations**. In particular, supervision focuses on the assessment of compliance of supervised entities' operations with AML/CFT regulations. If irregularities and/or shortcomings in the application of regulations or the implementation of AML/CFT measures are detected, the NBS takes corrective measures or sanctions in accordance with regulations.

Off-site supervision

To further strengthen financial sector stability and improve the supervisory function in line with the development and expansion of supervised entities' activities, as well as to ensure alignment with EU regulations, relevant international standards and best practices, **the NBS continuously works on improving the supervisory assessment of the ML/TF risk**.

Sources of data used for ML/TF risk assessment in entities supervised by the NBS are internal acts related to ML/TF risk management, findings of on-site examinations and other supervisory assessments, data and information received from the Administration for the Prevention of Money Laundering, data from the questionnaire drawn up for the purpose of collecting quantitative and qualitative data, information received from the competent prosecutors' offices and courts, results of the National Money Laundering and Terrorist Financing Risk Assessment in the Republic of Serbia and other data and information available to the supervisor.

Continuous upgrades were made to questionnaires on AML/CFT/CPWMD activities through which relevant data are collected from banks, financial lessors, insurance undertakings, VPF management companies, authorised exchange dealers,

³⁵ RS Official Gazette, Nos 113/2017, 91/2019, 153/2020, 92/2023 and 94/2024.

³⁶ RS Official Gazette, No 94/2024.

payment institutions, e-money institutions, public postal operator, and virtual currency service providers, in order to keep in step with all trends and ensure timely updating of supervisory information.

The key result of the supervisory ML/TF risk assessment is the supervisory judgement about financial institutions' exposure to this risk, quality of risk management, and its maintenance at an acceptable, low level. Internal methodologies for risk assessment were upgraded for the same purpose.

In addition to examinations envisaged in the on-site examination plan for 2024, ongoing off-site supervisions of ML/TF risk management in entities supervised by the NBS were also conducted. **In 2024, 1,406 off-site supervisions of entities supervised by the NBS in the AML/CFT area were conducted.** In addition, the NBS invited authorised exchange dealers and the public postal operator to submit annual reports on conducted internal control in 2023 and 826 such reports were analysed.

On-site supervision

In the course of 2024, the NBS carried out 312 AML/CFT on-site examinations of supervised entities. The NBS accordingly undertook the following measures – sent letters of warning, issued decisions imposing fines, filed charges for commercial offences and misdemeanours and discontinued follow-up examinations in cases when entities implemented the supervisory measures.

NBS as a member of the AML/CFT Coordination Body

The NBS took active part in the work of the AML/CFT Coordination Body and of the National Coordination Body for Countering the Proliferation of Weapons of Mass Destruction, established by the Serbian Government to improve coordination and efficiency of cooperation of all stakeholders in the AML/CFT/CPWMD system in the Republic of Serbia.

The NBS continued to actively participate in the implementation and monitoring of the activities envisaged by the Action Plan for Implementing the AML/CFT Strategy 2022–2024. The focus was also placed on considering and identifying potential future AML/CFT/CPWMD activities.

NBS representatives participated in the development of the National ML/TF/PWMD Risk Assessment. This included assessment of ML risk, TF risk, risk of legal entities and legal arrangements, ML/TF risk in the digital assets sector, PWMD risk and risk of abuse of non-profit organisations for terrorism financing. Specifically, the NBS took part in the assessment of AML vulnerability of the financial sector segment under its supervision, coordinated the development of the assessment of AML/TF risk in the digital assets sector, and within its scope of authority, it also contributed to the development of assessments of TF risk, PWMD risk, risk of abuse of non-profit organisations for terrorism financing and risk associated with legal entities and legal arrangements. Together with other

participants in the NRA development, NBS representatives started to present the NRA results to the public and private sector.

Cooperation with international organisations (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism – Moneyval)

The NBS has an active role in Moneyval, the Council of Europe’s committee which gathers experts who assess the compliance of the AML/CFT regulations in member states with all relevant international standards in the field of legal practice, financial system and internal affairs through the process of mutual evaluations of equal members. The Committee aims to ensure that all member states, including Serbia, have systems to effectively prevent money laundering and terrorism financing in accordance with relevant standards, particularly with the **FATF Recommendations** and international conventions. Moneyval’s reports include recommendations for the improvement of the effectiveness of AML/CFT systems in individual states, as well as for boosting the capacity for international cooperation. Regular and extraordinary reports on the progress and AML/CFT activities taken in the Republic of Serbia were submitted to the European Commission, IMF, Moneyval and FATF.

In H2 2024 Moneyval announced and launched its 6th round of mutual evaluations of Serbia’s AML/CFT system. In relation to this, several expert visits of the Council of Europe experts were organised, within the technical assistance AML/CFT project in Serbia, yielding recommendations for further development of supervisory activities in the AML/CFT area, as well as recommendations regarding the presentation of the progress achieved to Moneyval experts through simulation of the procedure. In accordance with expert recommendations, institutions swiftly undertook to improve their internal regulations and supervisory practices to keep up the pace with the contemporary trends in AML/CFT/CPWMD. Within its scope of authority, the NBS participated in answering Moneyval questionnaires submitted in the first phase, focused on the assessment of Serbia’s technical compliance with the relevant AML/CFT standards, and the questionnaires Moneyval sent for assessing the effectiveness of our AML/CFT system.

IV.3 Bank resolution function

As a bank resolution authority, the NBS is responsible for planning, initiation and implementation of resolution of banks and banking groups under its jurisdiction.

Bank resolution is carried out in order to achieve the following objectives:

- ensure the continuity of banks’ critical functions;
- avoid a significant adverse effect on the stability of the financial system;
- protect budgetary funds and other public funds;
- protect depositors and investors; and

- protect client funds and other assets.

In other words, the objective of bank resolution is to minimise the use of budgetary and other public funds, while at the same time avoiding the adverse effects of the discontinuation of bank's operations on financial stability, businesses and citizens.

Regulatory activities

Continuing its ongoing improvements to the regulatory framework, in 2024 the NBS carried out a series of activities laying the groundwork for the Law on Amendments and Supplements to the Law on Banks which, among other things, raises efficiency and effectiveness of the already established bank resolution framework, in parallel with further alignment with the EU *acquis* in this field. One of the key novelties of the law is the setting up of a bank resolution fund, to be managed by the NBS. Such a fund provides an additional layer of protection of budgetary and public funds, this being one of the primary resolution objectives. Together with the existing resolution mechanisms, this fund prevents the saving of distressed banks from falling on taxpayers' shoulders.

Bank resolution planning process was also improved – in the segment of assessing resolution options and identifying potential obstacles to resolution, as well as in the segment relating to the assessment of bank's critical functions – through amendments to internal acts regulating the methodology of these processes. Both acts were applied in updating the resolution plans during this year.

Planning resolution activities

Updates of draft resolution plans for all banks and banking groups under the NBS's competence were adopted in 2024, as well as solutions for the minimum requirement for own funds and eligible liabilities (MREL), which banks are required to fulfil to ensure adequate capacity to cover losses and capital increase in the event of initiation of a resolution procedure.

A new cycle of drafting resolution plans for banks and banking groups began, including: conducting a strategic analysis of the bank's operations, considering resolution options, choosing a resolution strategy, i.e. resolution measures and tools, assessing the financial and operational prerequisites for ensuring continuity in the event of initiating the resolution procedure, analysing management information systems and ways of providing information for the needs of resolution, assessing the resolvability, i.e. obstacles to implementing the resolution procedure (including defining appropriate activities for their removal, where applicable), as well as determining MREL requirements.

Through regular and periodic reports and information from banks, the fulfilment of prescribed MREL requirements was monitored, as well as other elements affecting bank resolvability.

Cooperation with other regulatory authorities

In accordance with cooperation agreements, the NBS took part in the work of colleges for the resolution of banking groups with cross-border operations, whose members operate in the territory of the Republic of Serbia. In the previous year, the NBS cooperated mainly with the EU Single Resolution Board and the central bank of Hungary, exchanging information necessary for preparing plans for the resolution of relevant banking groups and their members and discussing the key elements of resolution plans.

Other activities

In 2024, activities, including a series of meetings with interested parties, were taken to lay the groundwork for the issue of dinar bonds eligible for inclusion in the calculation of MREL requirements.

In the same period, at the request of banks and other legal persons, three opinions were prepared relating to the implementation of bank resolution regulations.

As part of capacity strengthening within the second phase of the regional IPA Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the Integration to the European System of Central Banks, the planned bank resolution trainings were held in 2024.

IV.4 Financial system stability

IV.4.1 Financial stability function

In addition to its primary objective, which is to maintain price stability, the NBS is also mandated to safeguard and strengthen the stability of the financial system.

Thus, the NBS determines and carries out, within its scope of authority, the measures and activities aimed at preserving and strengthening financial system stability. The NBS's regulatory and other recommendations and measures in this field, as well as a detailed analysis of financial stability and potential risks, are published in the *Annual Financial Stability Report*, which is submitted to the National Assembly in accordance with the Law on the National Bank of Serbia.

In 2015, the NBS published a consultation document *Macroprudential Framework*, setting down in more detail the objectives, instruments and decision-making process of macroprudential policy, without prejudice to the achievement of the central bank's primary objective – maintenance of price stability.

To ensure the preservation of financial stability, regulatory standard Basel III was adopted at the international level in response to the global financial crisis of 2007–2008. With a view to implementing this standard in the Republic of Serbia, in 2016 the NBS Executive Board adopted the regulatory package transposing Basel III into domestic regulations. An integral part of this set of regulations is the Decision

on Capital Adequacy of Banks, which introduced capital buffers into banking regulations, as the most important instrument of macroprudential policy. Capital buffers represent additional CET 1 capital that banks are obligated to maintain above the regulatory minimum so as to mitigate and contain systemic risks in the financial system. They have been applied as of 30 June 2017 and include capital conservation buffer, countercyclical buffer, capital buffer for global systemically important banks, capital buffer for systemically important banks and systemic risk buffer.

Capital conservation buffer is the requirement for a bank to maintain additional CET 1 capital equal to 2.5% of its total risk-weighted assets enabling banks to absorb losses and maintain solvency during periods of financial stress.

Countercyclical buffer is additional CET 1 capital applied in the financial cycle upturn phase which may range from 0% to 2.5% of a bank's risk-weighted assets. The NBS sets the countercyclical buffer rate on a quarterly basis, taking into account the deviation of the credit-to-GDP ratio from its long-term trend and additional optional indicators reflecting the characteristics of the domestic financial system and pertaining to the real estate market, the country's external position and movements in the banking sector. The Decision on the Countercyclical Buffer Rate for the Republic of Serbia from June 2017 set the rate for this capital buffer at 0%. The rate was kept at the same level in 2024, in order to support lending activity amid tightened global financial conditions and global uncertainty.

Capital buffer for systemically important banks, identified as such in the Republic of Serbia, is determined based on at least one of the following criteria: bank's size, importance for the Serbian economy, importance of bank's cross-border activities, connectedness with the financial system, replaceability in the financial system and complexity of operations. The identified systemically important banks are required to maintain additional CET 1 capital up to 2% of their risk-weighted assets. The Decision on Establishing a List of Systemically Important Banks in the Republic of Serbia and Capital Buffer Rates for Those Banks of 10 May 2024 identifies nine systemically important banks, four of which are required to maintain capital buffer at 2% of their risk-weighted assets, while the other five are required to maintain it at 1%. The list of systemically important banks and capital buffer rates for these banks is published on the NBS website and is reviewed at least once a year.

The application of **capital buffer for global systemically important banks** in the Republic of Serbia is postponed until the day of Serbia's accession to the EU.

Systemic risk buffer was set in June 2017 to mitigate the systemic risk of euroisation and incentivise banks to reduce the degree of euroisation. Since euroisation is a major systemic risk, it was decided that all banks headquartered in Serbia whose FX and FX-indexed receivables exceeded 10% of their total household and corporate receivables must maintain systemic risk buffer at 3% of their FX and FX-indexed receivables from corporates and households in Serbia. The NBS re-examines the systemic risk buffer requirement at least every two years. It was last re-examined in March 2024, when it was decided to keep the prescribed systemic risk buffer requirement unchanged.

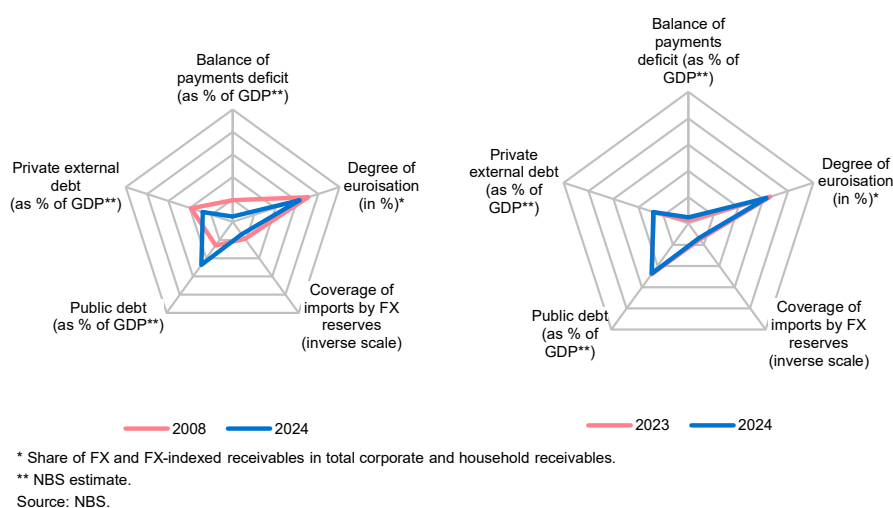
The ratio of the loan amount and the value of the asset serving as collateral is limited (loan to value limit) in Serbia. A bank may approve to a natural person a loan not exceeding:

- 80% of the appraised value of the mortgaged residential real estate;
- 90% of that value if the loan is approved within the government measures supporting specific categories of natural persons or a natural person purchasing the first residential real estate;
- 99% of that value if the loan is approved within the government programme supporting young people purchasing their first residential real estate.

IV.4.2 Financial stability assessment

The comparison of **financial system vulnerability indicators**³⁷ for 2024 and 2023 reveals an increase in the financial system's resilience, reflected in a reduced share of public debt in GDP (from 48.0% to 47.2%), higher FX reserves, which at end-2024 reached a record-high end-month and end-year level (EUR 29.3 bn), as well as the FX reserves coverage of goods and services imports, which was more than double the standard level of FX reserves adequacy. Strengthened financial system resilience is signalled also by the lower degree of euroisation of the domestic financial system, measured by the share of FX and FX-indexed corporate and household receivables in total bank receivables, which in 2024 edged down by 2.9 pp, to 62.6% at year end. The share of FX and FX-indexed corporate and household deposits in total bank deposits also contracted (from 55.6% at end-2023 to 53.5% at end-2024).

Chart IV.4.2.1 Key macroeconomic risks



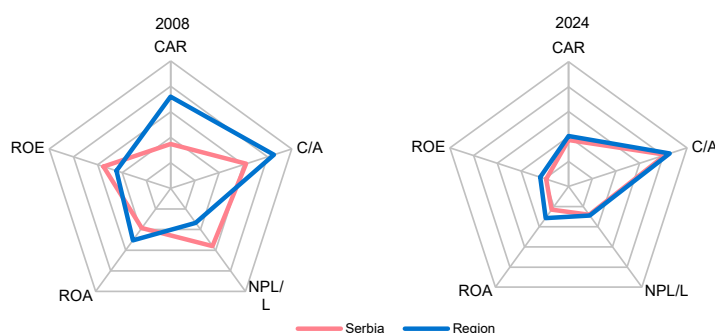
³⁷ The following were used as the basic indicators of vulnerability of the Serbian financial system: change in the current account deficit, private external debt, public debt, degree of euroisation and FX reserves adequacy (measured by the inverse value of the number of months of the coverage of imports by gross FX reserves). The farther the position from the centre of the chart, the higher the risk for each of the indicators.

On the other hand, the share of private external debt in GDP increased slightly (from 27.5% to 28.1%), and the share of the current account deficit in GDP went up from 2.4% to 4.7%. The rise in the current account deficit from its historically low level of 2.4% of GDP in the previous year, was expected due to the implementation of investments under the programme Leap into the Future – Serbia Expo 2027, the rise in household disposable income and the associated higher imports and partly also due to the lower external demand for Serbia's exports, primarily from the euro area. FDI inflow to Serbia reached the record EUR 5.2 bn in 2024, ensuring a full coverage of the current account deficit for the tenth year in a row.

The stability of the financial system reflects the stability of the banking system, since banks make up around 91% of the Serbian financial system. **The banking sector can be assessed as stable thanks to its high capitalisation, liquidity and profitability.** Several approaches were used to assess financial stability, some of which are presented below: comparison of financial soundness indicators with some countries of the region, composite systemic stress indicator, stress tests and network modelling.

Financial soundness indicators show that the capitalisation of the Serbian banking sector is somewhat higher than the region's average. Serbia's banking sector posted a positive result in 2024. ROA and ROE stood above the region's average. **The NPL share in total loans touched a new low at end-2024, measuring 2.5%, which is below the region's average.**

Chart IV.4.2.2 Financial soundness of the Serbian banking sector compared to the 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 – 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: Bosnia and Herzegovina, Bulgaria, Hungary, North Macedonia, Poland, Romania, Turkey and Croatia. The region's FSIs are non-weighted averages of the individual countries' FSIs.

Sources: NBS and IMF.

In order to determine crisis periods and the level of systemic stress of the Serbian financial system, a methodology was developed based on which the **composite indicator of systemic stress**,³⁸ was constructed. This indicator is used by the European Systemic Risk Board³⁹ and the ECB⁴⁰ to analyse risk accumulation in

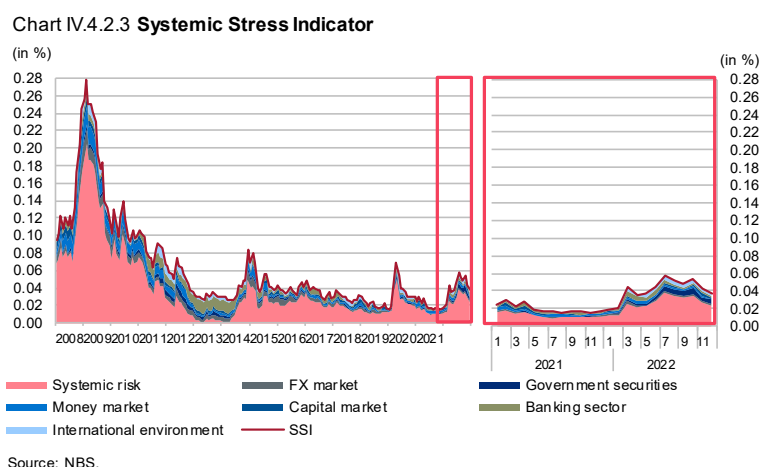
³⁸ Kovačević, Darko (2021) "Assessment of the Republic of Serbia's Systemic Risk and the Likelihood of a Systemic Crisis", the *NBS Working Papers Bulletin*, p. 75–125, and the *Annual Financial Stability Report* – 2015.

³⁹ <https://www.esrb.europa.eu/pub/rd/html/index.en.html>

⁴⁰ <https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1426.pdf?6d36165d0aa9ae601070927f3ab799fc>

different segments of the financial system and assess the level of total systemic stress.

This indicator gives decision-makers significant and timely information about trends in financial markets and possible implications for financial and macroeconomic stability. Additionally, it enables the identification of early warning signals, which provides timely information on the potential occurrence of a systemic crisis. The SSI covers a great number of indicators which capture the level 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 international environment.



In 2024, the systemic stress indicator pointed to a period of low risk, accompanied with a low and stable systemic component. At end-2024, the indicator value was lower than at end-2023. The decrease reflects positive developments in the international environment owing to the lower composite risk premium. Developments in the government securities sector worked in the same direction, thanks to the preserved macroeconomic fundamentals and the consequent decline of Serbia's risk premium.

Macroprudential stress tests of the NBS⁴¹ are conducted on a quarterly basis to assess banking sector resilience and vulnerability in adverse scenarios of different intensity.

Macroprudential stress tests of the NBS enable:

- 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 unfavourable macroeconomic conditions;
- application of network modelling to assess banking sector systemic risk and systemic importance of individual financial institutions;

⁴¹ A detailed overview of the results of macroprudential stress tests at the banking sector level is published in the *Annual Financial Stability Report*.

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

Credit risk is the most significant risk in the Serbian banking sector.

Solvency stress tests assess the resilience of the banking sector to an increase in credit risk over a period of one year, by projecting a higher share of NPLs in total loans for three different macroeconomic scenarios and, consequently, the impact on the solvency of individual banks and the banking sector as a whole.

The results of macroprudential solvency stress tests point to high solvency of the banking system. They indicate that the banking sector would remain adequately capitalised even in the worst-case scenario (which implies high depreciation of the dinar, a decrease in real wages and an increase in the key policy rate). In other words, the capital adequacy ratio would remain above the regulatory minimum of 8% under all scenarios.

The analysis of macroprudential liquidity stress tests includes three assumed scenarios. The first two scenarios, *déjà vu* and *risk spillover*, are based on the withdrawal of deposits which occurred in October 2008. The worst-case scenario is based on an expert assessment of the largest possible deposit withdrawal. Liquidity stress tests, used to measure liquidity risk caused by the loss of depositors' confidence and unfavourable economic conditions, indicate that the liquidity indicator would remain above the regulatory minimum even in the case of the largest assumed deposit withdrawal, i.e. the liquidity indicator would remain above the regulatory minimum of 1 under all scenarios.

As the interconnectedness of financial institutions in the banking sector may lead to a contagion or shock transmission, it is of particular importance to assess the connection among banks and the potential systemic risk arising therefrom.

Network modelling, based on interbank exposures, is used to assess the systemic component of risk which stems from the banks' interconnectedness in the system. The network model provides an assessment of the global efficiency and the density of connectivity in the banking sector which indicate the capacity of the network in terms of shock transmission and possible paths of shock propagation through the system. Also, the network model assesses the systemic impact of the corporate sector on the capital positions of the banking sector in the conditions of greater probability of default. The results of network modelling indicate that there is no significant systemic risk component in the Serbian banking sector arising from interbank connectivity and links with the real sector.

The results of the conducted macroprudential stress tests confirm the banking sector's stability and resilience.

V OTHER FUNCTIONS AND ACTIVITIES OF THE NATIONAL BANK OF SERBIA

V.1 Foreign exchange reserves management

Stock and changes in FX reserves in 2024

At end-2024, gross NBS FX reserves were at their highest end-of-month and end-of-year level on record, equalling EUR 29,294.5 mn, up by EUR 4,385.4 mn from end-2023. This level of FX reserves covered 168.2% of money supply M1 and 7.3 months' worth of the country's imports of goods and services (more than twice the level prescribed by the adequacy standard).

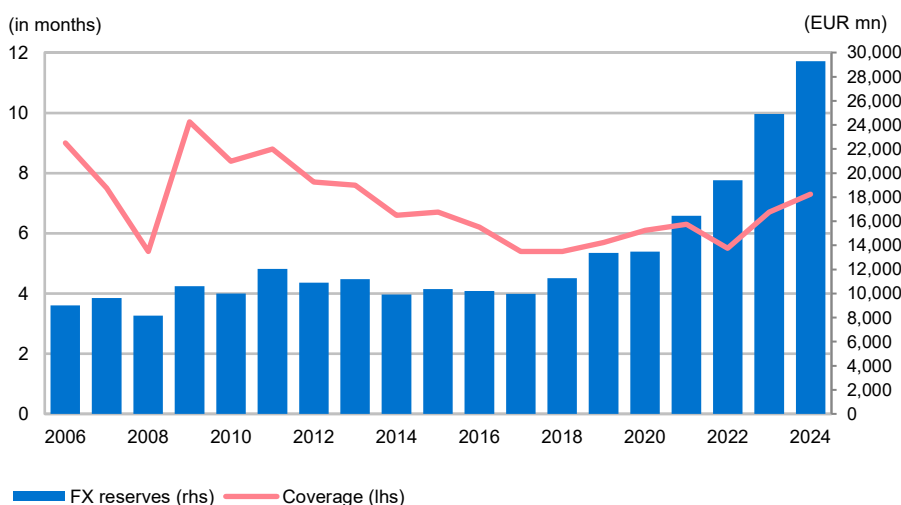
In 2024, FX reserves growth was propped up primarily by FX inflows from NBS interventions – net FX purchase in the IFEM⁴² (net inflow of EUR 2,715.0 mn or 61.9% of the total increase in gross FX reserves). The issue of FX government securities in the domestic and international financial markets generated a total net inflow of EUR 986.4 mn, with USD 1.5 bn referring to the issue of 10Y USD sustainability bonds in the international financial market, the proceeds of which are intended for green agenda and social responsibility projects.

Sizeable FX inflows also came from banks' FX required reserves (EUR 838.0 mn net). Inflows came from interests and redeeming securities' coupons in the amount of EUR 550.9 mn, payment transactions with Kosovo and Metohija⁴³ amounting to EUR 366.2 mn and grants – EUR 278.0 mn.

⁴² Transactions under NBS interventions in the IFEM are disclosed in line with the accounting rules as at the execution day, and not the trading day.

⁴³ Under the Law on Temporary Performance of Some Payment Transactions in the Territory of the FRY (FRY Official Gazette, No 9/01), banks are required to sell the FX proceeds from transactions with Kosovo and Metohija to the NBS.

Chart V.1.1 Coverage of imports by FX reserves



The largest outflow from NBS FX reserves resulted from the net debt repayment by the Republic of Serbia to foreign creditors in the total amount of EUR 2,817.0 mn.

Net NBS FX reserves climbed to their highest end-of-month and end-of-year level on record, **measuring EUR 24,693.3 mn on 31 December 2024**, up by EUR 3,908.1 mn from end-2023.

Structure and profitability of FX reserves

On 31 December 2024, NBS FX reserves were made up of foreign securities (59.16%), FX funds in accounts abroad (22.04%), gold in NBS vaults (13.26%), foreign cash (5.30%) and SDR holdings with the IMF (0.24%).

The currency composition of NBS FX reserves (excluding gold) on 31 December 2023 was as follows: 69.83% – EUR, 26.35% – USD, 1.44% – GBP, 1.44% – CAD, 0.28% – SDR and 0.66% – other currencies.

A major portion of FX reserves (EUR 17,329.98 mn) was invested in securities denominated in the euro, US dollar, pound sterling and Canadian dollar. Of this, 69% was invested in long-term and 31% in short-term securities.

Within **long-term securities**, funds were invested in government securities with maturities of one to ten years of the USA, Canada, Germany, UK, France, Austria, Luxembourg, Slovakia, Belgium and Finland, including Treasury Inflation-Protected Securities (TIPS); public sector securities (supranational, subnational, agencies, sovereign), including floating rate notes (FRN); and covered bonds with maturities from one to five years.

As for **short-term securities**, funds were invested in the following types of assets: government discount securities (T-bills) with up to one-year maturity (USA, Canada, Germany and France), government coupon securities with up to one-year maturity (USA, Canada, UK, Germany, France, Austria, Belgium, Luxembourg, the

Netherlands, and Slovakia), public sector securities (supranational, subnational, agencies and sovereign), including floating rate notes (FRN) and covered bonds.

A portion of FX reserves worth EUR 6,455.5 mn was held in **current accounts abroad and invested in term deposits**. Of this amount, 66% was invested with central banks (Fed, Bundesbank, Bank of Canada, Oesterreichische Nationalbank, Central Bank of Luxembourg and Reserve Bank of Australia) and the international financial organisation BIS in Basel, while 34% went to top-tier foreign commercial banks with a composite credit rating of AAA (up to six months), foreign commercial banks with a composite credit rating of at least AA- (up to three months), and current accounts of correspondent commercial banks abroad.

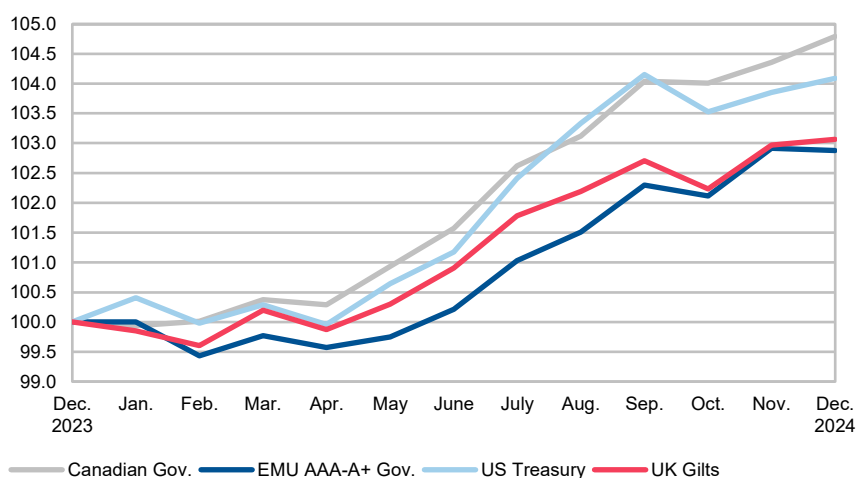
In 2024, the NBS generated a net income of EUR 657.3 mn from investment in foreign securities and interest on foreign exchange assets.

Risk management

In 2024, the NBS remained committed to maintaining its portfolio risk at a very low level, sustaining high levels of safety and liquidity.

As the yield rates on government bonds in the NBS portfolio went down for shorter and up for longer maturities in 2024, yield curves at year end were no longer inverted. In the case of European government bonds (German, French and Dutch), the yield rates declined mainly on up-to-three year maturities, in US government bonds, the yield rate drop was sharp for up-to-two year maturities, while Canadian government bonds saw a decline almost all the way up to seven-year maturity. The yield curve for UK gilts showed the most severe drop in the part of the curve with up-to-one year maturity.

Chart V.1.2 **Sovereign bond indices in local currency**
(Dec 2023 = 100)

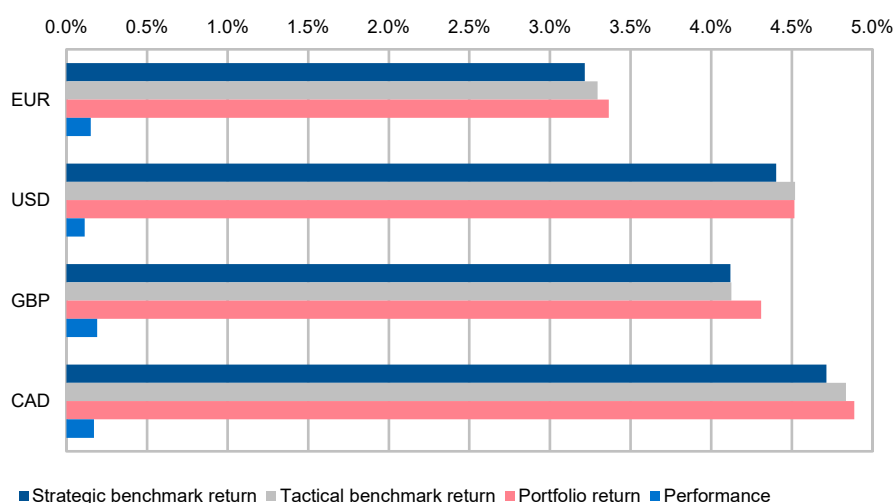


Source: NBS.

In such circumstances, and thanks to a timely adjustment of duration and a cautious investment approach, the NBS generated positive yields on all its portfolios. The highest yield of 4.89% was recorded in the CAD portfolio, followed by the USD

portfolio (4.52%), GBP portfolio (4.31%) and EUR portfolio (3.37%). **All NBS portfolios posted higher yields relative to the comparable tactical benchmarks.**

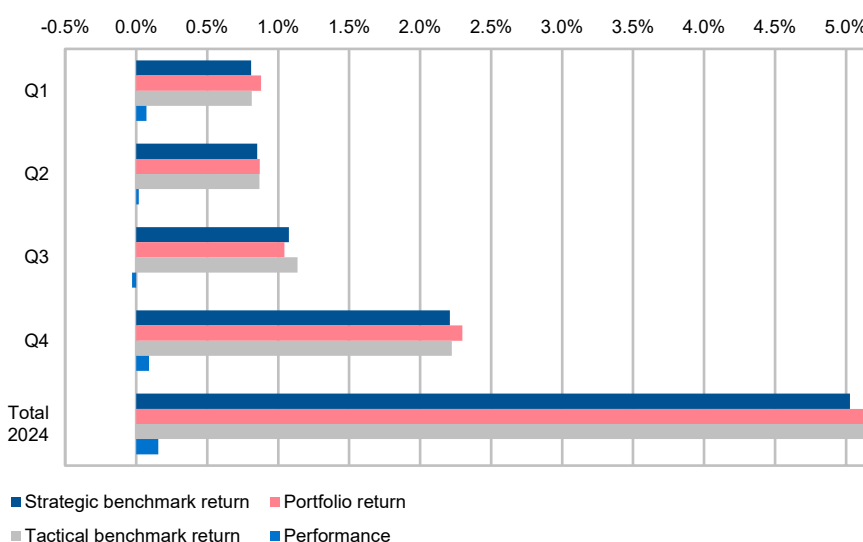
Chart V.1.3 Portfolio and benchmark return in original currency in 2024



Source: NBS.

Generally speaking, 2024 was marked by a continuation of geopolitical tensions and unfavourable global growth outlook. Inflationary pressures weakened in H1, so that as of mid-year, leading central banks embarked on monetary policy easing.

Chart V.1.4 Total portfolio and benchmark return in RSD, by quarter



Source: NBS.

The euro lost 6.44% against the US dollar and 4.67% against the pound sterling, while gaining 1.77% against the Canadian dollar. The yield of the entire investment portfolio calculated in euros was positive, measuring 5.33%, owing to the yields generated within the original portfolios and cross-currency relations. In the conditions of a mild appreciation of the dinar exchange rate against the euro, the overall portfolio yield calculated in dinars was positive at 5.18%.

The asset and currency structure of the investment portfolio was in line with the Strategic Guidelines for the Management of FX Reserves of the National Bank of Serbia.

In 2024, the NBS invested in highly liquid bonds of low market and credit risk. The currency risk was considerably mitigated by matching the currency structure of FX reserves and the country's external debt, while the interest rate risk was reduced by maintaining adequate portfolio duration. This is also confirmed by the low value-at-risk (VaR) which estimates the value of market risk for a given level of confidence and is calculated by individual portfolios and different calculation methods.

Table V.1.1 Value-at-Risk (VaR) as at 31 December 2024

(degree of probability 95%, reference period one day)

	EUR portfolio	USD portfolio	GBP portfolio	CAD portfolio
Parametric VaR	0.15%	0.21%	0.13%	0.15%
Historical VaR	0.09%	0.14%	0.08%	0.10%
Monte Carlo VaR	0.13%	0.19%	0.12%	0.13%

Source: NBS.

Stress testing indicates the percentage by which the market value of the NBS portfolio would decrease in case of an abrupt and unexpected 1.00 pp rise in market yield rates.

Table V.1.2 Stress test as at 31 December 2024

(reference period one day)

Scenario	Change in market value			
	EUR portfolio	USD portfolio	GBP portfolio	CAD portfolio
Rise in market interest rates by 100 bp	-1.43%	-1.58%	-1.10%	-1.27%

Source: NBS.

To manage credit risk, the NBS has set high criteria for depositing FX reserve funds with issuers and banks. Eligible are banks with the minimum composite credit rating of AA- (according to Standard & Poor's, Moody's and Fitch). The minimum composite credit rating for government bonds is A-, for public sector bonds – A+, and for covered bonds – AA. In 2024, credit ratings of issuers and bonds in the NBS portfolio mostly remained the same as in 2023, according to all rating agencies, while the outlook was periodically revised. The ratings of commercial banks in which the NBS invests remained largely unchanged and their rating outlook was periodically revised.

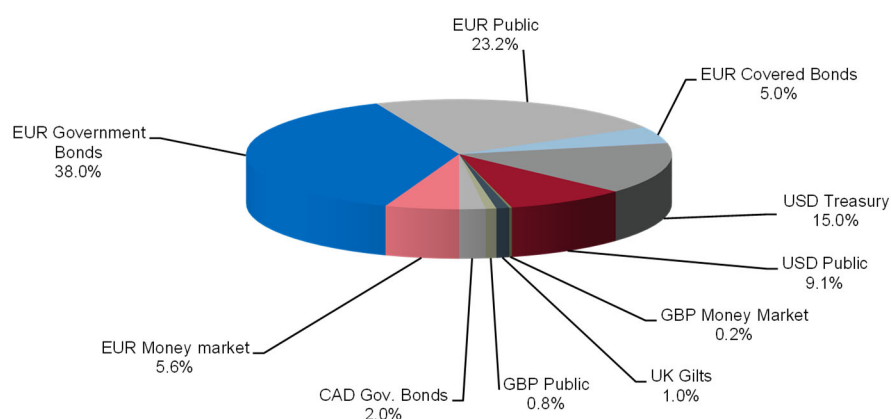
In addition to financial indicators from bank balance sheets, other credit risk indicators were also monitored, such as the five-year CDS⁴⁴ spread for banks.

In 2024, all other indicators: the tracking error, limits on the structure and duration of the portfolio, as well as credit limits, were within the framework

⁴⁴ CDS (Credit Default Swap) spread is a market risk indicator. It includes the implicit probability of the issuer's bankruptcy according to market assessment.

prescribed by the Strategic Guidelines for the Management of FX Reserves of the National Bank of Serbia.

Chart V.1.5 **Composition of investment portfolio**
(as at 31 December 2024)



Source: NBS.

V.2 Issue of money and cash management

V.2.1 Issue of banknotes and coins

In 2024, currency in circulation included banknote series issued by the NBS from 2003 onwards – banknotes in denominations of 10, 20, 50, 100, 200, 500, 1000, 2000 and 5000 dinars and coins in denominations of 1, 2, 5, 10 and 20 dinars.

As at 31 December 2024, currency in circulation (excluding currency kept in NBS vaults, cash vaults of banks and the Ministry of Finance – Treasury Administration) totalled RSD 399.6 bn, up by 8.2% from end-2023. Of the total stock of currency in circulation, banknotes accounted for 99.2% and coins for 0.8%. The share of banknotes inched up 0.1% relative to end-2023.

At end-2024, there were 481.1 mn pieces of banknotes in circulation, or 2.7% more than a year ago.

In nominal terms, the share of 5000-dinar banknotes went up by 2.8%, while the share of 2000-dinar banknotes went down by 3.4% relative to the year before. There was 1% more of 1000-dinar banknotes than in 2023. The shares of 500- and 200-dinar banknotes did not change from the year before, while those of 100-, 50-, 20- and 10-dinar banknotes edged down by 0.1%.

The share of 500-, 1000-, 2000- and 5000-dinar banknotes in cash transactions came at 97.2% nominally, up by 0.4% from end-2023.

There were 1,003.6 mn circulating coins at end-2024, down by 6.1% compared to end-2023. The denomination structure of circulating coins shows the prevalence

of 1-dinar coins (40.4%), followed by 5-dinar coins (29.5%), 2-dinar coins (25.8%), 10-dinar coins (2.10%) and 20-dinar coins (2.2%).

To meet the needs of cash payment operations and replace banknotes unfit for circulation, in 2024 the NBS planned the production of an additional quantity of banknotes – 70 mn pieces in denominations: 30 mn of 1000-dinar banknotes, 20 mn of 100-dinar banknotes and 20 mn of 10-dinar banknotes. The planned production was realised in full.

Table V.2.1.1 **Denominational structure of currency in circulation**

Denomination	31 December 2023		31 December 2024	
	In RSD mn	In %	In RSD mn	In %
5000-dinar	60,210	16.4	76,185	19.2
2000-dinar	192,703	52.6	194,925	49.2
1000-dinar	86,250	23.6	97,767	24.6
500-dinar	15,479	4.2	16,405	4.2
200-dinar	4,555	1.2	4,585	1.2
100-dinar	3,069	0.8	2,887	0.7
50-dinar	1,704	0.5	1,695	0.4
20-dinar	1,266	0.4	1,239	0.3
10-dinar	921	0.3	901	0.2
Total:	366,157	100.0	396,589	100.0

Source: NBS.

As for coins, the plan for 2024 was to produce 60 mn pieces. Of this, 20 mn pieces of 5-dinar coins were planned and produced, 20 mn pieces of 2-dinar coins were planned, but 4 mn were produced, while out of 20 mn of planned 1-dinar coins, none were produced. A total of 24 mn of 5- and 2-dinar coins were produced (40% of the quantity planned for 2024).

In the process of **expert analysis** of suspect counterfeits, **1,697 counterfeit (dinar) banknotes** were detected in 2024. In denomination terms, the dominant share among counterfeits related to 2000-dinar (74.25%), 1000-dinar (11.20%) and 500-dinar (9.90%) notes, which accounted for 95.35% of the total number of detected banknote counterfeits.

Table V.2.1.2 **Overview of detected banknote counterfeits**
(in pieces)

Denomination	5000	2000	1000	500	200	100	50	20	10	Total
Pieces	51	1,260	190	168	10	17	0	1	0	1,985
Share in %	3.00	74.25	11.20	9.90	0.59	1.00	0.00	0.06	0.00	100.00

Source: NBS.

In value terms, the 2000- and 5000-dinar banknotes made up the largest share of the dinar counterfeit structure (82.55% and 8.35%, respectively). In percentage terms, these two denominations taken together accounted for 90.90% of the total number of detected banknote counterfeits.

Table V.2.1.3 Overview of detected banknote counterfeits
(in RSD thousand)

Denomination	5000	2000	1000	500	200	100	50	20	10	Total
Amount	255.00	2,520.00	190.00	84.00	2.00	1.70	0.00	0.02	0.00	3,052.72
Share in %	8.35	82.55	6.22	2.75	0.07	0.06	0.00	0.00	0.00	100.00

Source: NBS.

The ratio of the number of detected dinar counterfeits and of genuine dinar banknotes in circulation reveals that 2.59 pieces in one million circulating banknotes were found to be counterfeit, i.e. in nominal terms, there was RSD 5,643.48 worth of counterfeits in every RSD 1 billion.

The largest number of detected counterfeits was produced on commercial paper, using inkjet or laser printers, or colour photocopying machines of the newer generation. They were therefore considered bad and medium-quality counterfeits. Among medium-quality counterfeits, there were 2000-dinar banknotes which imitated optically variable ink, producing a rather convincing impression of a genuine banknote. The counterfeits detected did not include those made by intaglio, letterpress and offset techniques, which in the majority of cases belong to the category of higher quality counterfeits (very good quality and dangerous counterfeits) that are hard to distinguish from genuine notes.

Numismatic money

Based on the Framework Agreement (G. No 890 of 5 February 2018 and G. No 7908 of 21 July 2023), concerning the production of numismatic money with the portrait of Nikola Tesla and individual contracts based on this Agreement for 2018, 2019, 2020, 2021, 2022, 2023 and 2024, the Institute manufactured 640 silver coins with Nikola Tesla's portrait in 2024, 230 of which according to the 6th design (1st design in 2023), 210 according to the 7th design (2nd design in 2023) and 200 coins according to the 8th design (3rd design in 2023).

Thus, the planned production of 500 pieces of silver coins according to 1st – 6th design was fully completed. It remains to manufacture 290 silver coins according to the 7th design, 300 coins according to the 8th design and 500 coins according to the 9th and 10th design (1st and 2nd design in 2024).

Cash management

In 2024, NBS branches in Belgrade, Kragujevac, Niš, Novi Sad and Užice were supplied with sufficient quantities of banknotes and coins in a timely manner, to meet bank requirements for cash withdrawal at all times.

In 2024, 622.4 mn pieces of banknotes and coins worth RSD 694.2 bn nominally were **delivered to banks**. Relative to 2023, the quantity declined by 9.9%, but the nominal value went up by 9.8%.

A total of 506.4 mn pieces of banknotes and coins worth RSD 608.8 bn nominally were **received from** banks. Relative to 2023, the received quantity dropped by 13.9%, though its nominal value increased by 8.3%.

In the NBS count rooms, 513.2 mn pieces of banknotes were **processed**, in the nominal amount of RSD 606.0 bn, down by 59.3 mn pieces relative to 2023. Of the total banknotes processed, 93% were fit for circulation. In 2024, the velocity of money (the quantity of processed relative to the quantity of circulating banknotes) equalled 1.07.

A total of 5.9 mn pieces of banknotes unfit for circulation were **destroyed**. The renewal index (number of destroyed banknotes relative to the number of banknotes in circulation) was 6.29.

V.2.2 Activities of NBS Branches

In 2024, NBS Branches performed vault and teller operations as part of cash management and organised education of financial service consumers about financial products and services of the institutions supervised by the NBS.

Belgrade Branch

In the process of managing the flow of cash and other valuables in 2024, the Belgrade Branch received from and delivered to banks dinar and foreign cash, and provided them with uniform blank bills of exchange, received foreign cash from government bodies, sold commemorative coins and performed safe custody operations.

Table V.2.2.1 **Cash management and foreign cash operations – Belgrade Branch**

(in RSD, unless specified otherwise)

Type of operation	Turnover		Total turnover in 2024	Index 2024/2023
	In 2023	In 2024		
Cash in-payments by banks	351,760,406,500	357,113,651,500	357,113,651,500	101.5
Cash out-payments to banks	315,116,036,500	355,452,971,500	355,452,971,500	112.8
Foreign cash in-payments by banks	221,233,074 ¹⁾	260,002,131 ¹⁾	30,424,123,359 ²⁾	117.5
Foreign cash in-payments by government bodies	1,494,215 ¹⁾	2,310,711 ¹⁾	270,387,500 ²⁾	154.6
Foreign cash out-payments to banks	51,038,890 ¹⁾	128,309,774 ¹⁾	15,014,155,374 ²⁾	251.4
TOTAL			758,275,289,232	

¹⁾ In EUR.

²⁾ In the dinar equivalent at the middle exchange rate of the dinar as at 31 December 2024.

Source: NBS.

In 2024, total cash in-payments from banks were higher by 1.5% than in 2023, and cash out-payments by 12.8%. In nominal terms, banks' in-payments of foreign cash increased by 17.5% and out-payments by 151.4%.

In 2024, EUR 2,310,711 were received from government bodies, which is 54.6% more than in the previous year.

The Belgrade Branch processed 288.4 mn pieces of banknotes and coins worth RSD 355.9 bn, as well as foreign cash received from banks operating in the territory of the Republic of Serbia, i.e. 6.7 mn pieces of banknotes in the equivalent of EUR 424 mn.

A total of 9.4 mn banknotes, worth RSD 786 mn (3.3% of the total volume of banknotes processed), were cancelled and destroyed.

A total of 2,890 banknotes were sent for expert analysis as suspect counterfeits or to be checked against the degree of damage and alert colour. Also, 441 foreign currency banknotes were sent for analysis as suspect counterfeits.

The Branch handed over 1.5 mn blank bills of exchange worth RSD 74.5 mn to commission banks and recorded six sales of commemorative coins in the total amount of RSD 97,717.46. It also received 16 and issued one safe custody item.

Since it keeps an electronic database of account statements and payment orders from accounts of government bodies, legal entities and entrepreneurs, the Belgrade Branch processed and addressed 56 applications requesting copies of account statements – payment orders and statements on balance and changes in accounts kept until 31 December 2002 by the National Bank of Yugoslavia – Accounts and Payment Bureau (ZOP). It also issued 20 fee payment notifications for the services provided.

Novi Sad Branch

In 2024, the Novi Sad Branch processed 3,047 cash in-payment and out-payment transactions with banks and the Treasury Administration, and 381 foreign cash in-payment and out-payment transactions with banks, customs, judiciary and other government bodies, in the total amount of RSD 191.2 bn. All foreign cash in-payments from customs, judiciary and other government bodies were processed at the Novi Sad Branch tellers upon receipt. In the reporting period, as part of vault operations, the Branch received 30 and issued 13 safe custody items.

Table V.2.2.2 Cash management and foreign cash operations – Novi Sad branch
(in RSD, unless specified otherwise)

Type of operation	Turnover		Total turnover in	Index
	In 2023	In 2024	2024	2024/2023
Cash in-payments	65,896,430,000	86,176,553,000	86,176,553,000	130.8
Cash out-payments	84,374,755,000	86,759,201,000	86,759,201,000	102.8
Foreign cash in-payments by banks	113,998,263 ¹⁾	152,537,141 ¹⁾	17,849,118,275 ²⁾	133.8
Foreign cash in-payments by government bodies	2,083,579 ¹⁾	849,280 ¹⁾	99,378,377 ²⁾	40.8
Foreign cash out-payments to banks	490,000 ¹⁾	2,659,000 ¹⁾	311,142,619 ²⁾	542.7
TOTAL			191,195,393,271	

¹⁾ In EUR.

²⁾ In the dinar equivalent at the middle exchange rate of the dinar as at 31 December 2024.

Source: NBS.

In addition, as part of its teller operations, the Branch handed over 417,000 blank bills of exchange worth nominal RSD 20.9 mn to commission banks. In 28

transactions with natural persons, it sold 312 commemorative coin packs and vacuum sets of coins issued by the National Bank of Yugoslavia and the NBS, in the total amount of RSD 1.4 mn. The Branch **received** 763 pieces of dinar and foreign currency banknotes which were sent for expert analysis as being suspect counterfeits, stained with colour or unfit for replacement.

The Novi Sad Branch **processed** cash in-payments received at its tellers from banks and the Treasury Administration, as well as cash paid-in to the cash tellers of other branches in the NBS system. In total, RSD 116.6 bn, i.e. 122.9 mn pieces of banknotes and coins were processed. In the processing procedure, the Branch **cancelled** 5.4 mn banknotes worth RSD 405.6 mn and **destroyed** 214 pieces of banknotes worth RSD 107,000. In the course of processing, 79 banknotes were set aside and sent for expert analysis, suspected to have been counterfeited, stained with alert colour or damaged in a high percent, above the regulatory threshold. Two banknotes whose replacement term has expired and one faulty banknote were also set aside.

In 2024, the Novi Sad Branch processed 29 applications requesting copies of statements of changes in accounts kept until end-2002 by the National Bank of Yugoslavia – Accounts and Payment Bureau (ZOP). Of this, 12 requests were submitted by natural and 17 by legal persons.

Niš Branch

In 2024, through dinar and foreign cash receipt from and delivery to clients (banks and government bodies), as part of cash management, the Niš Branch generated a turnover of RSD 208 bn.

In 1,093 transactions, total cash in-payments by commercial banks, the Ministry of Finance and Treasury Administration in 2024 were worth RSD 84 bn, up by 52.14% from 2023, while 2,099 out-payment transactions amounted to RSD 116.7 bn, or 29.81% more than in 2023.

Table V.2.2.3 **Cash management and foreign cash operations – Niš Branch**

(in RSD, unless specified otherwise)

Type of operation	Turnover		Total turnover in 2024	Index 2024/2023
	In 2023	In 2024		
Cash in-payments	54,996,038,000	83,670,444,500	83,670,444,500	152.14
Cash out-payments	89,867,052,000	116,650,445,000	116,650,445,000	129.81
Foreign cash in-payments by banks	16,990,768 ¹⁾	64,763,579 ¹⁾	7,578,303,720 ²⁾	381.17
Foreign cash in-payments by government bodies	2,291,395 ¹⁾	1,329,739 ¹⁾	155,599,276 ²⁾	58.03
Foreign cash out-payments to banks	540,000 ¹⁾	100,000 ¹⁾	11,701,490 ²⁾	18.51
TOTAL			208,066,493,986	

¹⁾ In EUR.

²⁾ In the dinar equivalent at the middle exchange rate of the dinar as at 31 December 2024.

Source: NBS.

In-payments of foreign cash by commercial banks in 96 transactions were worth EUR 65 mn, rising by 281.17% from the year before, while out-payments (in a single

transaction) were worth EUR 0.1 mn, going down by 81.49% relative to 2023. In 120 transactions, EUR 1.3 mn were received from government bodies, or 41.97% less than in the previous year.

The Niš Branch processed 77 mn banknotes in the nominal amount of RSD 96 bn.

Niš Branch tellers received 329 pieces of dinar and 17 pieces of foreign currency banknotes suspect as counterfeits and sent them for expert analysis.

In addition, the Branch handed over 295,000 blank bills of exchange to commission banks, worth RSD 14.7 mn nominally.

Since the Niš Branch keeps a part of the electronic database of payment orders and statements of the stock and flow in the gyro accounts kept until end-2002 by the National Bank of Yugoslavia – Accounts and Payment Bureau (ZOP), in 2024 it processed 27 requests for such data and issued 11 copies of payment orders.

Kragujevac Branch

In 2024, the Kragujevac Branch performed vault and teller operations as part of cash management and organised education of financial service consumers about financial products and services of the institutions supervised by the NBS.

Through 2,963 dinar in-payment and out-payment transactions with banks and the Treasury Administration, 45 foreign cash in-payment and out-payment transactions with banks, judiciary and other government bodies, 155 transactions of buying and selling foreign cash from/to natural persons, the Kragujevac Branch generated a turnover of RSD 162.84 bn, up by 7.86% compared to 2023.

Table V.2.2.4 Cash management and foreign cash operations – Kragujevac Branch

(in RSD, unless specified otherwise)

Type of operation	Turnover		Total turnover in 2024	Index 2024/2023
	In 2023	In 2024		
Cash in-payments	60,402,965,000	53,707,155,000	53,707,155,000	88.91
Cash out-payments	88,576,686,500	103,498,421,000	103,498,421,000	116.85
Foreign cash in-payments by banks	2,111,165 ¹⁾	1,502,009 ¹⁾	175,757,477 ²⁾	71.15
Foreign cash out-payments to banks	14,890,000 ¹⁾	46,579,000 ¹⁾	5,450,437,027 ²⁾	312.82
Foreign cash in-payments by government bodies	15 ¹⁾	57,445 ¹⁾	6,721,869 ²⁾	382,966.67
Purchase of foreign cash from natural persons	23,502 ¹⁾	10,107 ¹⁾	1,184,021 ³⁾	43.00
Sale of foreign cash to natural persons	23,084 ¹⁾	6,347 ¹⁾	743,732 ³⁾	27.50
TOTAL			162,840,420,126	

¹⁾ In EUR.

²⁾ In the dinar equivalent at the middle exchange rate of the dinar as at 31 December 2024.

³⁾ In the dinar equivalent at the daily middle exchange rate.

Source: NBS.

In addition, the Branch handed over 309,000 blank bills of exchange worth nominal RSD 15.45 mn to commission banks. The Branch sold commemorative coins in eight transactions worth RSD 132,826.44. The Branch received at its tellers

149 pieces of dinar and foreign currency banknotes which were suspect as being counterfeits, stained with colour or unfit for replacement, and they were sent for further expert analysis. In 2024 the Kragujevac Branch processed 41.58 mn banknotes in the nominal amount of RSD 52.84 bn.

In 2024, the Branch also processed 11 requests for the issuance of copies of payment orders and statements of changes in accounts kept until 31 December 2002 by the National Bank of Yugoslavia – Accounts and Payment Bureau (ZOP).

Užice Branch

In 2024, banks paid at the Branch tellers dinar cash worth RSD 28.1 bn and submitted requests for dinar cash out-payments worth RSD 31.7 bn. Total cash in-payments by banks were 2% lower than in 2023 and cash out-payments went down by 12.3%. In 2024, the Branch received EUR 111.173 from government authorities, 54.6% less than in 2023.

It supplied commission banks with 138,000 blank bills of exchange, worth RSD 6.9 mn, down by 8% relative to 2023. Also, it **received** 75 dinar and foreign currency banknotes suspect as being counterfeit/stained with alert colour and sent them to expert analysis. In 2024, the sale of numismatic money equalled RSD 22,000.

Table V.2.2.5 **Cash management and foreign cash operations – Užice Branch**

(in RSD, unless specified otherwise)

Type of operation	Turnover		Total turnover in 2024	Index 2024/2023
	In 2023	In 2024		
Cash in-payments by banks	28,702,135,000	28,130,780,000	28,130,780,000	98.0
Cash out-payments to banks	36,200,379,000	31,740,308,500	31,740,308,500	87.7
Foreign cash in-payments by banks	9,605,662 ¹⁾	0 ¹⁾	0 ²⁾	0
Foreign cash out-payments to banks	260,000 ¹⁾	60,000 ¹⁾	7,020,894 ²⁾	23.1
Foreign cash in-payments by government bodies	245,080 ¹⁾	111,173 ¹⁾	13,008,897 ²⁾	45.4
TOTAL			59,891,118,291	

¹⁾ In EUR.

²⁾ In the dinar equivalent at the middle exchange rate of the dinar as at 31 December 2024.

Source: NBS.

In the reporting period, the Užice Branch **processed** cash in-payments at its tellers from banks and the Treasury Administration, as well as cash paid in at the cash tellers of other branches in the NBS system. A total of 29 mn banknotes worth nominally RSD 30.8 bn were processed. In the processing procedure, the Branch **cancelled** 773,000 pieces of banknotes, worth RSD 50.1 mn. In the course of processing, 33 suspect counterfeits were set aside and sent for expert analysis (to be checked against the degree of damage and the alert colour).

In 2024, the Užice Branch processed 18 requests for copies of statements of changes in accounts and account balances kept until 31 December 2002 by the National Bank of Yugoslavia – Accounts and Payment Bureau (ZOP). It issued 11 fee payment notifications for the services provided.

V.3 Payment system operator, oversight of payment service providers, e-money issuance and provision of virtual currency services

Performance indicators of payment systems and DinaCard system

The NBS operates the following payment systems: the NBS RTGS payment system, NBS IPS system, NBS clearing system, DinaCard clearing system, as well as the systems of interbank and international clearing of foreign exchange payments.

At end-2024, the NBS RTGS included 24 participants – 20 banks, the Ministry of Finance – Treasury Administration, the Central Securities Depository and Clearing House, the Association of Serbian Banks and the NBS.

Since 22 October 2018, the NBS has been the operator of the NBS IPS system that has been operating successfully for the seventh year in a row. At end-2024, the system included 22 direct participants – 20 banks, the NBS and the Ministry of Finance – Treasury Administration, one indirect participant with direct access and three indirect participants with indirect access.

At end-2024, 17 banks and 10 processing companies participated in the DinaCard clearing system. Fourteen banks participated in the payment card settlement in the Visa system, 13 banks in the MasterCard system, and 11 in the UnionPay system.

The number of participants in the systems of interbank and international clearing of foreign exchange payments was 22 at end-2024: 13 banks from Serbia, the NBS, seven banks from Bosnia and Herzegovina and one bank from Montenegro.

The availability of the NBS RTGS and clearing systems in 2024 was 99.89%, and of the central switch in the DinaCard system 99.996%.

NBS RTGS system

The RTGS is a system for real-time gross settlement of interbank payments.

A total of 214.7 mn payments were carried out through the NBS RTGS system in 2024, with the total turnover amounting to RSD 221,683.7 bn.

Table V.3.1.1 **Value of turnover and number of payments in RTGS system**

(turnover in RSD bn, number of payments in thousand)

2024	Number of business days	Number of payments	Daily average number of payments	Value of turnover	Daily average turnover
January	21	16,537.9	787.5	19,573.3	932.1
February	19	17,471.3	919.5	14,824.1	780.2
March	21	17,903.1	852.5	15,206.5	724.1
April	22	19,906.6	904.8	17,972.8	816.9
May	19	17,137.9	902.0	14,397.2	757.7
June	20	17,132.7	856.6	17,045.7	852.3
July	23	18,424.9	801.1	20,989.2	912.6
August	22	17,303.2	786.5	19,229.4	874.1
September	21	16,959.0	807.6	19,255.7	916.9
October	23	18,455.6	802.4	20,768.6	903.0
November	20	17,520.8	876.0	18,615.9	930.8
December	22	19,990.1	908.6	23,805.4	1,082.1
Total	253	214,743.1		221,683.7	
		Monthly average: 17,895.3	Daily average: 848.8	Monthly average: 18,473.6	Daily average: 876.2

Source: NBS.

NBS clearing system

The NBS clearing system is a system for the exchange and processing of individual or aggregate payment orders of payment system participants, on a multilateral net basis.

A total of 17.5 mn payments, worth RSD 408.1 bn, were performed in the clearing system in 2024.

Table V.3.1.2 **Value of turnover and number of payments in the clearing system**

(turnover in RSD bn, number of payments in thousand)

2024	Number of business days	Number of payments	Average daily number of payments	Value of turnover	Average daily turnover
January	21	1,254.9	59.8	27.7	1.3
February	19	1,556.0	81.9	30.8	1.6
March	21	1,383.6	65.9	32.5	1.5
April	22	1,513.9	68.8	37.5	1.7
May	19	1,521.5	80.1	32.6	1.7
June	20	1,320.6	66.0	31.8	1.6
July	23	1,484.7	64.6	37.0	1.6
August	22	1,524.7	69.3	34.6	1.6
September	21	1,383.4	65.9	33.7	1.6
October	23	1,509.6	65.6	36.6	1.6
November	20	1,519.3	76.0	33.8	1.7
December	22	1,522.6	69.2	39.5	1.8
Total	253	17,495.0		408.1	
		Monthly average: 1,457.9	Daily average: 69.2	Monthly average: 34.0	Daily average: 1.6

Source: NBS.

NBS IPS system

The NBS IPS system carries out individual instant credit transfers of up to RSD 300,000. The system operates in the 24/7/365 regime. Payments are executed almost instantaneously, and the funds are made available to the recipient within no more than a few seconds.

The IPS system infrastructure enables instant payments via standard means of payment (e.g. e-/m-banking or tellers of payment service providers), instant payments at merchants' points-of-sale, as well as additional services for participants – bill presentment (BP) and the Transfer service, i.e. making instant payments using the registered mobile phone number of the payee.

Table V.3.1.3 Value of turnover and number of payments in NBS IPS system

(turnover in RSD bn, number of payments in thousand)

2024	Number of business days	Number of payments	Average daily number of payments	Value of turnover	Average daily turnover
January	31	6,011.2	193.9	62.5	2.0
February	29	6,611.6	228.0	71.4	2.5
March	31	6,929.4	223.5	76.4	2.5
April	30	7,083.9	236.1	85.0	2.8
May	31	6,991.0	225.5	80.0	2.6
June	30	7,005.2	233.5	83.3	2.8
July	31	7,121.3	229.7	90.7	2.9
August	31	7,189.1	231.9	89.1	2.9
September	30	7,377.0	245.9	91.1	3.0
October	31	7,984.6	257.6	99.8	3.2
November	30	8,083.7	269.5	98.5	3.3
December	31	8,810.1	284.2	116.0	3.7
Total	366	87,198.1		1,044.0	
		Monthly average:	Daily average:	Monthly average:	Daily average:
		7,266.5	238.2	87.0	2.9

Source: NBS.

In line with the system's operating rules, IPS participants can be the NBS, a bank headquartered in Serbia and licensed by the NBS, the Ministry of Finance – Treasury Administration, a payment institution with the head office in Serbia and licensed by the NBS for the provision of payment services, an e-money institution with the head office in Serbia and licensed by the NBS for e-money issuance, and the public postal operator with the head office in Serbia.

A total of 87.2 mn payments worth RSD 1,044.0 bn were performed in the NBS IPS system in 2024. The average daily number of payments was 238,200, and the average daily value of transactions RSD 2.9 bn. The average transaction execution time was 1.2 seconds. The fee for the execution of transfer orders in the NBS IPS system, charged by the NBS to participants in that system, is the same as the fee for retail payments in the NBS RTGS and clearing systems, equalling RSD 4 per order.

The fee for the execution of transfer orders based on requests for payment at a point-of-sale equals RSD 1 for amounts of up to RSD 600 and RSD 2 for amounts above RSD 600. These fees are charged to the acquirer – merchant's payment service

provider. The multilateral interchange fee is determined by the NBS IPS system operating rules and equals 0.2% of the value of an executed instant payment at a point-of-sale and is paid by the acquirer to the issuer of the IP payment instrument.

Systems of interbank and international clearing of foreign exchange payments

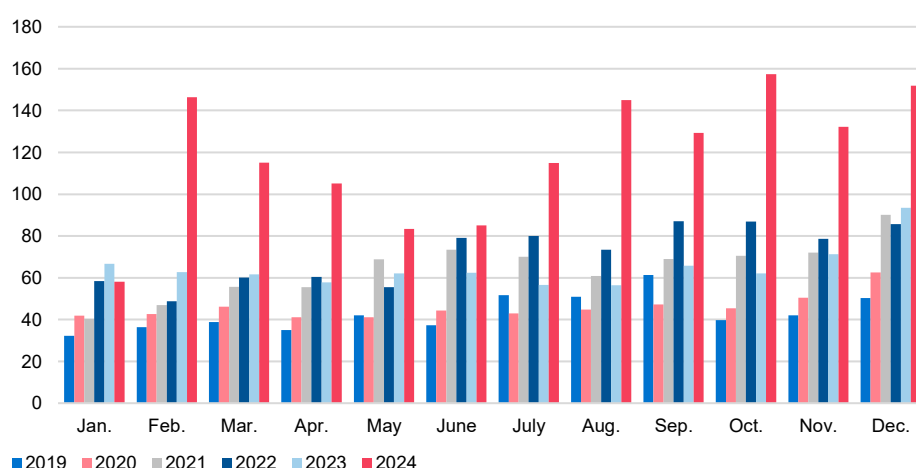
The interbank and international payments clearing systems enable euro payments between all participants of these systems in Serbia, Bosnia and Herzegovina and Montenegro, on a multilateral net basis.

Table V.3.1.4 **Turnover and number of payments in interbank and international clearing**
(in EUR mn)

2024	Number of business days	Number of payments	Daily number of payments	Value of turnover	Daily average turnover
January	21	3,250	154.8	58.2	2.8
February	19	3,506	184.5	146.4	7.7
March	21	3,794	180.7	115.1	5.5
April	22	4,346	197.5	105.2	4.8
May	19	3,889	204.7	83.4	4.4
June	20	4,596	229.8	85.0	4.3
July	23	4,556	198.1	114.9	5.0
August	22	4,046	183.9	144.9	6.6
September	21	4,050	192.9	129.3	6.2
October	23	5,088	221.2	157.4	6.8
November	20	4,420	221.0	132.3	6.6
December	22	5,328	242.2	151.9	6.9
Total	253	50,869		1,424.0	
		Monthly average: 4,239.1	Daily average: 201.1	Monthly average: 118.7	Daily average: 5.6

Source: NBS.

Chart V.3.1 **Turnover in interbank and international clearing**
(in EUR mn)



Source: NBS.

In 2024, a total of 50,869 payments worth EUR 1,424.0 mn were processed in the systems.

National payment card system – DinaCard

DinaCard is the national payment card of the Republic of Serbia, established with a view to developing cashless payment methods, reducing the volume of cash in money supply, providing cost-efficient card products for citizens and merchants, and curbing the grey economy. With the national card, banks can offer to their clients a payment card which can be used in the entire Serbian acceptance network. Special care was taken that the national card is accessible to citizens and merchants and that multilateral interchange fees are in accordance with the law and conditions in the Serbian market. The DinaCard was modelled upon the national cards of the largest European countries where citizens dominantly use the national cards for reasons of economic prudence, as the preferred choice in terms of costs for the national economy. **The fees of the DinaCard national card system are multiple times lower than in other card systems in the Serbian market, which among other things brings down the costs of acquiring the national payment card for merchants, because the acquiring banks offer merchants a lower merchant fee for DinaCard acquiring service.** Besides, national card systems are also important for the preservation of market competition, faster adjustment to the specific local market needs and financial inclusion.

In 2024, 199 mn transactions were carried out in the national card system (up by 13% from the previous year), with the turnover of RSD 1,035 bn (up by 18% from the previous year). Of this, 79% of transactions and 34% of turnover were recorded at points-of-sale (payments of goods and services), while the rest were cash withdrawal transactions. Interbank transactions accounted for 60% of total transactions and 29% of total turnover. At end-2024, there were 6.1 mn DinaCard payment cards issued in the market.

Concluding with 2024, starting from the introduction of contactless technology in the DinaCard system on 1 June 2024, 19% of all DinaCards were contactless.

In 2024, the implementation of contactless technology in the DinaCard system was completed. Intensive testing was conducted on the issuing and accepting sides, after which contactless acceptance of DinaCard cards was enabled at POS terminals at points-of-sale and banks began issuing contactless DinaCard cards. All banks participating in the DinaCard system issue and reissue exclusively contactless DinaCard cards.

Cooperation with the Chinese national card operator – UnionPay International continued in 2024 and the acceptance of UnionPay cards was enabled in over 95% of ATMs and 73% of POS terminals in the acquiring network in Serbia. Activities are underway to issue the joint DinaCard-UnionPay card with the contactless payment function, accepted at all terminals in the country and the global UnionPay acquiring network. Banka Poštanska štedionica was the first to issue such cards. Other banks that make such decision can also issue these cards to their users.

As cooperation with Discover Financial Services (DFS) continued in 2024, activities began concerning the processors and acquirers to enable the acceptance of cards from the DFS card system in Serbia. The first bank to enable the acceptance of these cards in its acceptance network is Banka Poštanska štedionica.

In 2024, the number of transactions of the “Withdraw dinars” service continued to rise, allowing dinar cash withdrawals at the time of purchase at points-of-sale (the so-called “purchase with cashback” service). The acceptance network for this service also continued to spread. This service is available at all petrol stations of NIS Petrol, ART Petrol and Gazprom, and in Merkator, Roda, Maxi, iDEA Soulfod, PerSu and AD Podunavlje stores.

The online shopping network allowing payments with the domestic card continued to expand during the year. At end-2024, the number of online merchants accepting the DinaCard increased by 29% relative to end-2023 and the domestic card was accepted at around 2,700 online points-of-sale.

In 2024, activities intensified to enable additional authentication of DinaCard users when making online payments in the country (3DS 2.0).

Interest-free deferred payment in instalments was intensively used by users of DinaCard-PostCard issued by Banka Poštanska štedionica, users of DinaCard Klasik issued by NLB Komercijalna banka, and users of DinaCard debit issued by Banca Intesa, with a constant rise in the number of transactions and the volume of turnover. The number of points-of-sale accepting this card at end-2024 climbed to over 17,000.

Regulatory activity

Following the initiative for Serbia to join the Single Euro Payments Area (SEPA), the NBS undertook activities to prepare an application for joining SEPA and, in cooperation with the relevant ministries and government institutions, analysed Serbia’s legal and regulatory framework in order to align the national regulatory framework in the field of payment services with the European *acquis*.

In order to meet the criteria for joining SEPA, the NBS has prepared a set of regulations to harmonise and standardise payment services provision – the Law Amending the Law on Payment Services which implemented the provisions of Payment Services Directive 2 (PSD2), Decision on Special Requirements for Credit Transfers and Direct Debits in Euro which ensures alignment with Article 5 and the Annex to Regulation EU 260/2012, specifying the technical and business requirements that apply to credit transfers and direct debits in euro, and the Decision on Technical Standards for Strong Customer Authentication and Common and Secure Open Standards of Communication,⁴⁵ implementing the provisions of Regulation EU 2018/389 for the purpose of alignment with PSD2.

In view of the European Commission’s decision that in the procedure for submitting a draft application for Serbia’s accession to SEPA, Serbia needs to submit adopted regulations for a preliminary assessment of the fulfilment of the criteria for accession to SEPA, and not drafts as in the case of other economies in the region, on

⁴⁵ RS Official Gazette, No 102/2024.

31 July 2024 the Law on Amendments to the Law on Payment Services was adopted. It entered into force on 8 August 2024, and is applied since 6 May 2025. Also, on 8 August 2024 the NBS Executive Board adopted the Decision on Special Requirements for Credit Transfers and Direct Debits in Euro.⁴⁶ As the adoption of the above regulations fulfilled the key criteria for joining SEPA, in mid-August 2024, the NBS submitted to the European Commission – DG FISMA and the European Payments Council (EPC) a draft application for the Republic of Serbia to join the SEPA region for a preliminary opinion, before submitting to the EPC the official application for joining SEPA.

In relation to the above, and starting from the prescribed obligation to pass secondary legislation pertaining to the adopted Law Amending the Law on Payment Services for the purpose of alignment with PSD2, on 20 December 2024 the NBS passed the relevant secondary legislation – Decision on Implementation of Provisions of the Law on Payment Services Relating to Issuing of Licenses and Approvals of the National Bank of Serbia, Decision Amending the Decision on Capital and Capital Adequacy of Payment and Electronic Money Institutions, 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, and the Decision Amending the Decision on Detailed Conditions and Manner of Supervision of Payment Institutions, Electronic Money Institutions and Public Postal Operator.

Following the comments received from the European Commission and the EPC on the draft application for Serbia's accession in mid-December 2024 (the comments related to the areas of payment services, banking and the prevention of money laundering and terrorist financing), the NBS further amended the regulations to align them with relevant EU regulations and, on behalf of the Republic of Serbia, an official application to join SEPA was submitted on 27 December 2024.

Within other regulatory activities undertaken in 2024, the NBS adopted the Decision Amending the Decision on the Form, Content and Manner of Using Payment Order Forms for Dinar Payment Transactions, amending Annex 3 – Payment Codes⁴⁷ by adding, at the proposal of the Ministry of Finance, two new payment codes in “Transactions in respect of trade in goods and services” – 29 for digital asset transactions and 30 for trade in immovable property.

Payment system oversight

The NBS oversight activities in 2024 included the monitoring of payment systems and their operators for the purpose of adequately detecting potential risks and coordinating activities with operators to ensure safe and stable operation of these systems.

Based on information from regular quarterly reports by payment system operators, it was established that during 2024 a high degree of reliability of all

⁴⁶ RS Official Gazette, Nos 68/2024 and 102/2024.

⁴⁷ RS Official Gazette, No 82/2024.

payment systems was maintained, and that in systems carrying out netting based on transfer orders, there were no cases of the non-settlement of monetary obligations in respect of net positions of participants at the moment this was expected from them. The NBS also carried out the regular annual supervision of payment systems not operated by the NBS, in the part of their operations pertaining to capital maintenance, in line with the provisions of the Law on Payment Services and other bylaws of the NBS. The analysis of the submitted reports on the work of payment systems established that payment system operators efficiently managed risks and met the requirements for ensuring safe and stable functioning of payment systems they manage in line with regulations.

During 2024, the NBS activities within the supervisory function were also focused on monitoring changes in the regulatory framework governing payment services. By adopting amendments to the Law on Payment Services, in the part pertaining to payment systems an obligation has been defined for banks as participants in important payment systems to enable all payment service providers who are not participants in these systems (payment institutions, electronic money institutions and the public payment operator), to send transfer orders, at their request, through this system so that services of an important payment system are available to them to ensure an efficient execution of payment transactions in an impartial, non-discriminatory and commensurate manner.

Also, special attention was paid to Serbia's preparation for SEPA accession in order to enable faster harmonisation of non-cash payments in euros. The emphasis was on levelling the conditions for executing national and cross-border payment transactions in accordance with SEPA standards, thereby creating conditions for connecting the national payment infrastructure, primarily for instant payments (NBS IPS), with the European Central Bank's instant payment system (TIPS).

The supervision of payment instruments constitutes an important part of payment systems oversight, where payment transactions initiated by these instruments are executed, and primarily pertains to assessing the security of their use, which is crucial for maintaining public confidence in the national currency. By adopting a decision regulating the technical standards for strong customer authentication and common secure open communication standards, conditions were established to enhance the security of electronic payment transactions, particularly those initiated online, thereby significantly reducing the risk of fraud in online payments.

Furthermore, during 2024, activities were carried out to connect payment institutions and electronic money institutions as indirect participants in the NBS IPS system, in accordance with the conditions set by the operating rules of this payment system. After meeting the required conditions, three electronic money institutions began providing services based on instant transfer orders, namely: Tenfore DOO Beograd as an indirect participant with direct access to the NBS IPS system, and PaySpot doo Novi Sad and Alta Pay Group DOO Beograd as entities with indirect access to the system.

Additionally, in 2024, the NBS conducted activities to connect new participants to the Interbank Foreign Exchange Clearing System. Based on the submitted application for accession by Banka Poštanska štedionica AD Beograd and the fulfilment of the conditions set by the operating rules of this system, the said bank became a direct participant in the Interbank Foreign Exchange Clearing System and an indirect participant in the International Foreign Exchange Clearing System, whose operator is the NBS.

Development of instant payments

The NBS continued to develop services based on instant payments and projects of support to the digitalisation process in Serbia, closely monitoring these projects within its oversight function in order to assess compliance of various technical and technological solutions with the pre-defined minimum requirements and standards – so that participants in the NBS IPS system could offer them to their payment service consumers.

At end-2024, 17 banks enabled instant payments to their clients at merchant points-of-sale and payment of bills/invoices by scanning the IPS QR code, to citizens through mobile banking applications, while six banks also offered these services to legal persons and entrepreneurs. Thirteen banks offered the Transfer service, within which funds are transferred simply by choosing the mobile phone number registered by the payee for this service.

As for the acceptance of instant payments at merchant points-of-sale, in 2024 eight technical-technological solutions developed by banks were assessed as ready to be offered to merchants. At year end, 11 banks were able to offer some technical-technological solution for the acceptance of instant payments at merchant points-of-sale, including online. In 2024, the NBS continued its efforts aimed at expanding the acceptance network and bolstering the use of instant payments at brick-and-mortar and online points-of-sale.

At end-2024, 15 banks enabled their clients to make payments at online points-of-sale using the upgraded IPS Scan method, which also includes the deep-link technology. Also, six acquiring banks offer to their merchants the service of accepting payments at online points-of-sale by using deep-link technology solutions.

As a result of the expansion of the online acceptance network, in 2024 the number of brick-and-mortar points-of-sale increased many times over, as did the number of merchants accepting online instant payments. The number of such transactions also increased many times over.

Payment institutions, e-money institutions and virtual currency services providers

As at 31 December 2024, eight payment institutions, seven e-money institutions and two virtual currency service providers operated in Serbia. Of this number, seven payment institutions, five e-money institutions and the public postal operator also rendered their payment services through agents. During 2024, 845 decisions were

passed on entering agents in the register of payment institutions/e-money institutions/agents of the public postal operator kept by the NBS, as well as 283 decisions on deleting agents from the register.

In 2024, the NBS passed one decision on granting the licence for e-money issuance. In relation to the operations of virtual currency service providers, one decision was passed granting prior consent to changes in the general acts (operating rules) of virtual currency service providers, as well as one decision rejecting the application for granting prior consent to the Proposed Amendments to the Operating Rules. One decision was passed granting consent to the acquisition of a qualifying holding in a virtual currency service provider and two decisions granting consent to the increase in the qualifying holding in a virtual currency service provider. Also, two decisions were made granting prior consent to the appointment of a member of the managing body (director) and manager of a virtual currency service provider and one decision rejecting the application for granting prior consent to the appointment of a member of the managing body (director) of a virtual currency service provider. Two additional decisions were made to reject requests for approval to publish a white paper on the issuance of virtual currencies (by natural persons). Furthermore, as one of the competent authorities responsible for overseeing the implementation of the provisions of the Law on Digital Assets, the NBS undertook activities throughout 2024 and prepared several submissions and opinions regarding the application of this law and the regulations arising from it, specifically concerning virtual currencies as a type of digital assets.

In addition to the above, documentation related to the introduction of video identification for payment institutions and e-money institutions was analysed, and its implementation was approved, along with the analysis of documentation regarding submitted notifications by virtual currency service providers for the introduction of video identification procedures via a mobile application. Documentation submitted with notifications by payment institutions was analysed concerning opinions on meeting prescribed conditions related to changes in persons with a qualifying holding in the capital of a payment institution, as well as documentation submitted in connection with applications for acquiring and increasing the qualifying holding in the capital of virtual currency service providers. Documentation was also reviewed regarding notifications by e-money institutions about changes in circumstances related to persons with a qualifying holding. Additionally, documentation was analysed concerning changes in members of managing and governing bodies, or persons directly responsible for managing payment services and electronic money issuance, as well as submitted notifications by payment institutions, e-money institutions, and virtual currency service providers regarding the introduction of new business models. Notifications and reports from payment institutions, e-money institutions, and the public postal operator were analysed concerning the performance of outsourced banking activities, along with a review of a part of the documentation related to the onboarding and access of these institutions to the NBS IPS payment system. Beyond the above, participation was achieved in numerous activities aimed at enhancing the system for combating money laundering, terrorism financing, and the financing of the proliferation of weapons of

mass destruction. This included activities related to the adoption of the National Risk Assessment for Money Laundering, Terrorist Financing, and the Weapons of Mass Destruction Proliferation Financing Risk Assessment (adopted in 2024), as well as activities related to the implementation of the Law on Digital Assets (workshops, seminars, training sessions, presentations, inspections of unauthorised provision of virtual currency services, acting on citizen reports regarding the use of virtual currency services, participation in preparing responses to journalists' inquiries, and cooperation with the Securities Commission).

On-site and off-site supervision of payment services provision, e-money issuance and virtual currency services provision

In 2024, based on the Law on Payment Services and the Decision on Detailed Conditions and Manner of Supervision of Payment Institutions, Electronic Money Institutions and Public Postal Operator, the NBS issued four decisions ordering on-site supervision of the operations of payment and e-money institutions. One conclusion was made to discontinue the supervision procedure of a supervised entity after conducting the verification of compliance with the issued decision to remove irregularities identified in the supervision procedure of that entity. The NBS conducted four on-site supervision procedures of the operations of payment institutions/e-money institutions and one on-site supervision procedure of the operations of a virtual currency service provider. The NBS also adopted one decision issuing a temporary measure ordering a payment institution to suspend payment service provision for six months and implement certain activities prescribed by the Law on Payment Services. It also adopted two decisions imposing monetary (procedural) fines for unauthorised provision of virtual currency services, pursuant to the Law on Digital Assets.

The off-site supervision of payment service providers, e-money issuers, and virtual currency service providers was carried out continuously through the monitoring of reports and other available data. In 2024, ongoing inspections of unauthorised provision of virtual currency services continued. Numerous activities were undertaken in preparation for the upcoming mutual evaluation process of Serbia's anti-money laundering and counter-terrorist financing system, conducted as part of the sixth round of mutual evaluations by the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval). Special emphasis was placed on enhancing off-site supervision activities in the area of the prevention of money laundering, terrorism financing, and financing the proliferation of weapons of mass destruction by analysing a large number of questionnaires, statements, and submitted data and information.

V.4 Other activities

V.4.1 Economic analysis and statistics

Economic analysis and research

The objective of **economic analyses** at the NBS is to provide analytical support to the Executive Board and the Council of the Governor in their decision-making within their respective domain, and in compiling consistent, high-quality and reliable analyses and macroeconomic projections, which fully played out in terms of inflation and economic activity in 2024.

In the area of inflation analysis and short-term projection, the greatest focus was still on the analysis of cost-push pressures (increase in coffee and cocoa prices in the global market and the effects of the draught in the local market) and imported inflation, which were the main generators of inflationary pressures in 2024 as well, together with the hike in services prices within core inflation. The NBS continued to actively monitor and analyse the price formation chain – from raw material prices through industrial producer to consumer prices. In this regard, meetings were again arranged with representatives of the largest retail trade chains in Serbia. The results of the **Inflation Expectations Survey** were analysed and during 2024 the NBS continued to publish the monthly *Report on the Results of the Inflation Expectations Survey*, which is conducive to strengthening the credibility and transparency of the monetary policy.

Short-term inflation projections were made monthly, along with the analysis of factors leading to deviation from medium-term projections. For the needs of inflation projections, expert judgement was used, as well as econometric models developed in the prior years, adjusted to the short-term projection of various indicators of core inflation. Models for core inflation projection and the fruit and vegetable prices based on meteorological data were further developed, as well as models for the estimate of services prices. Furthermore, activities were stepped-up on improving the techniques of **big data collection and processing**. Based on daily collection of product and services prices on the internet (more than 30,000 product and services prices from around 130 websites), the NBS estimated, several times during a month, inflation movements in real time (inflation nowcasting), which served as an input for short- and medium-term projections, as well as an auxiliary instrument when making monetary policy decisions. We also used various textual analysis methods (word counting, thematic classification, sentiment analysis) in order to create inflationary pressure indicators and the overall economic sentiment.

Medium-term inflation projections were made on a quarterly basis, as well as the analyses of the main risks to the projections and their impact on monetary policy. Further efforts were made to improve the main medium-term projection model – the model structure was regularly reviewed, and model parameters assessed, while model features were analysed upon the inclusion of new variables in order to obtain a more accurate inflation projection, i.e. increase the model reliability. In 2024,

special focus was placed on improving model performance and assessing coefficients in regard to the neutral interest rate. Also, in an environment of extremely elevated uncertainty due to geopolitical tensions, emphasis was also put on the development of alternative medium-term projection scenarios. The selection of scenarios and underlying assumptions was aligned with ECB scenarios, given that supply-side shocks affected almost all European countries in a similar way. Additionally, given that wages recorded relatively high real growth in 2024, special attention was paid to the model assessment of the impact of wages and other labour market factors on inflation.

In the **real sector**, the focus was on analyses and projections of the annual and quarterly GDP growth structure, on the production and expenditure side. Similarly to inflation, expert judgement and econometric models were used for GDP projections. When it comes to the **labour market**, we continued to monitor and analyse all available indicators, while placing particular focus on their impact on inflation on the demand side and the cost component of inflation (productivity and unit labour costs).

In terms of the balance of payments, the NBS continued to perform analyses and projections of the current and financial account components. Within the current account, a particular emphasis was placed on foreign trade, i.e. the dynamics, structure and growth factors of goods and services import and export, and terms of trade. To estimate export growth more accurately, researchers focused on Serbia's key export branches, such as the automobile industry, food production and base metals, while placing emphasis on the importance of FDI in expanding and strengthening the export base. The country's international investment position, i.e. balance of foreign assets and liabilities, was analysed and assessed from the point of view of external debt sustainability and preservation of financial stability.

The NBS **carefully analysed trends in the money, lending and capital markets**, as well as **banking sector liquidity**. Based on this and other macroeconomic indicators, monetary projections were made (of loans and money supply). By monitoring the movement of interest rates in the money, lending and savings market, the effects of the NBS's monetary policy accommodation (which began in June 2024) were assessed, as well as the **efficiency of the monetary policy transmission mechanism**. Additionally, the quarterly survey on bank lending activity continued to be conducted, with results published at the same dynamics in the *Report on the Results of the Bank Lending Survey*. A more detailed insight into credit market trends (including borrowing conditions for businesses and households) was presented in the *Trends in Lending* report, which is also published on a quarterly basis.

In terms of fiscal developments, we continuously monitored the execution of the central government and consolidated budget, public debt and the monetary effect of fiscal policy. Special attention was paid to capital investment, particularly the projects planned under the new government investment cycle, from the standpoint of their impact on investment and construction in the short and medium term. The NBS gave its expert opinion about government's key fiscal documents – the Fiscal Strategy, Budget Law Proposal and a set of laws on the

budget system, as well about a series of other legislative proposals in terms of their impact on price and financial stability, and economic activity.

The analysis of international economic trends focused particularly on global growth prospects, especially in terms of European economies, as well as on global inflation, notably inflation in the euro area and countries in the region with the same monetary policy regime. Monetary policies of other central banks were carefully monitored and analysed. Another important aspect of the analyses were developments in the international commodity market (movements in the prices of energy, primary agricultural commodities, metals and other industrial raw materials), as well as those in global financial markets, including the ratios between leading world currencies.

The analyses and projections of macroeconomic developments were presented to the public in the *Inflation Report*, as the most important means of informing the public about economic developments that determine the decisions of the Executive Board. In 2024, as before, the *Inflation Report* was issued quarterly, presenting primarily information about actual and expected inflation, analyses of underlying macroeconomic trends, explanations of the rationale behind the Executive Board's decisions, and the assessment of monetary policy efficiency in the previous quarter. The *Report* also contains inflation and GDP projections for the following eight quarters, an overview of assumptions behind the projections, and the analysis of main risks to the projection.

As in the previous period, particular attention in the *Inflation Report* was devoted to **current macroeconomic developments, presented in text boxes**. The text boxes focused on different inflation indicators and the distribution of consumer price growth, analysis of the materialisation of the NBS's macroeconomic projections and comparisons with other institutions, trends in core inflation movements and food prices in Serbia and its regional peers, expectations of corporates in terms of business conditions in Serbia, the effects of the transmission mechanism, analysis of the impact of wages on inflation, Serbia's borrowing conditions in the international market, analysis of the change in credit rating and outlook on FDI inflow to Serbia, recent trends in the manufacturing industry, channels of influence and quantification of the level of geopolitical risk, etc. Each *Inflation Report* also included a separate text box on alternative projection scenarios.

After Executive Board meetings, when *Inflation Reports* (February, May, August and November) were reviewed and adopted, **press conferences** were organised, to inform the public about the current macroeconomic developments and NBS projections, and the factors underlying the Executive Board's decisions. Press conferences were streamed live on the NBS website, and the *Inflation Reports* and the material presented at the conferences were published simultaneously.

NBS macroeconomic analyses and projections were also presented in the documents prepared by the Republic of Serbia for the needs of monitoring progress in EU accession. These documents were discussed in detail at the meetings with the IMF, World Bank, European Commission, ECB, rating agencies, investors etc. The

NBS's semi-annual *Working Papers Bulletin* included papers focusing on macroeconomic analyses.

Statistical activities

The NBS produces official statistics in accordance with the Law on Official Statistics and Article 68 of the Law on the National Bank of Serbia and the five-year statistical programme and annual plans. Data are collected, verified, processed and published for different statistical fields (monetary, financial, balance of payments and international investment position, as well as government finance statistics). The data obtained through these processes and within these statistics groups are publicly shared and used by the NBS to prepare reports and analyses, as well as by government institutions, domestic and international financial market participants, domestic and international financial institutions, scientific institutes, the media and the general public.

As part of coordination of statistics development, in 2024 the NBS continued to cooperate with other official statistics producers and government institutions in preparing the Official Statistics Plan for 2025, and in aligning statistics with EU statistical standards and requirements.

Within the statistical standard e-GDDS, in cooperation with the Statistical Office, the NBS continued to regularly update the National Summary Data Page (NSDP) for the Republic of Serbia. It also continued to participate in a project led by the Statistical Office on the calculation of indicators of the UN Sustainable Development Goals and Macroeconomic Imbalances Procedure, providing data and metadata under its remit.

The NBS and Statistical Office **were involved in the work of the IMF Technical Mission**, organised on the request of the Ministry of Finance, with the aim of supporting the Treasury Administration in implementing plans to improve monthly reporting on government finance. The NBS was involved in the MB IPA 2019 and MB IPA 2022 projects, to support further development of the government finance statistics and the excessive deficit (EDP) reporting procedure. In addition, the NBS was involved in a project aimed at developing the capacities of external sector statistics for Western Balkan economies, initiated by the IMF and financed under IPA 2017.

In regard to monetary and financial statistics, in 2024 the NBS was regularly receiving, processing and publishing monetary and financial statistics on its website, in line with the data publication schedule. To increase transparency of monetary and financial statistics data and to better inform the public, in June 2024 the NBS started to publish press releases on interest rate statistics at a monthly basis, on the day the data in this area are made public. Standard reports were regularly submitted to international financial institutions such as the IMF, BIS, Eurostat etc. Further alignment with ECB regulations in the areas of monetary and financial statistics was stepped up, with regular monthly reporting on interest rates.

In the area of statistics of the balance of payments and the international investment position, the NBS regularly produced and published statistical data, and submitted them to international institutions in line with the undertaken reporting obligations. In accordance with the major revision of the national accounts system, the development of the balance of payments continued, according to the BPM6 for the period prior to 2007, as well as the revision of balance of payments data. In line with the agreed dynamics, the data are submitted to the Serbian Statistical Office.

In the field of government finance statistics, the NBS continued to implement activities concerning the broadening of the EDP report, which is submitted, in cooperation with the Statistical Office, to Eurostat in April and October. Owing to its cooperation with relevant national institutions, the NBS continued to submit to Eurostat data about the Maastricht debt of the Republic of Serbia on a quarterly basis, while the data on debt level according to these criteria are also published by the Ministry of Finance – Public Debt Administration. The data about the Maastricht debt were also calculated for the 2005–2014 period. Also, thanks to the cooperation with relevant institutions, as of 2024 the NBS has reported to Eurostat about quarterly financial accounts and the structure of the annual general government debt. These are all important activities in aligning our statistics with European practices and a necessary step within our country's EU accession process. The NBS continued to submit quarterly data to the World Bank and IMF about the Republic of Serbia budgetary debt under securities and loans.

V.4.2 International cooperation

Relations with international institutions and the European Union

In 2024, the NBS continued to cooperate with international financial institutions, most notably with the IMF, World Bank, EBRD, BIS and the EU.

International Monetary Fund

The year 2024 saw the successful conclusion of two reviews of Serbia's performance under the agreed economic programme within the stand-by arrangement approved to Serbia by the IMF on 19 December 2022.

Within the third review, the IMF delegation visited Belgrade from 14 to 26 March. During the mission's visit, the delegations agreed on the economic programme objectives and measures until end-2024. In view of the successful reduction of macroeconomic imbalances, the accumulation of considerable reserves, creation of fiscal space and adequate balance of payments financing, a decision was made to continue the stand-by arrangement as a pre-cautionary one (without intending to actually draw the funds except for the country's balance of payment needs).

On 8 July, the IMF Executive Board adopted the decision on the successful completion of the third review of the results of the economic programme supported by the stand-by arrangement. The IMF praised the results Serbia achieved in terms

of programme implementation. They underlined that all quantitative performance criteria and indicative targets were achieved, and that progress continued in implementing the structural reform agenda.

The IMF mission stayed in Belgrade from 3 to 15 October as part of the fourth and final review of the results of the agreed economic programme supported by a stand-by arrangement. At the same time, a new economic programme was discussed, which would be backed by the Policy Coordination Instrument (PCI) over a 36-month period. Following the discussions, the IMF mission assessed that the macroeconomic outturns were excellent, with strong economic growth and labour market performance, reduced inflation, record-high FX reserves, a well-capitalised and liquid financial sector, and a further decline in the public debt-to-GDP ratio.

In the meeting held on 9 December, the IMF Executive Board decided that the last review of the results of the ongoing stand-by arrangement was successfully concluded and approved the three-year PCI. The IMF assessed that Serbia successfully implemented measures under the agreed economic programme, achieving results above expectations and with excellent prospects for the upcoming period.

It was emphasised that, under the stand-by arrangement, ambitious reforms were diligently implemented, contributing to outstanding macroeconomic outturns. In October 2024, Serbia received an investment-grade credit rating for the first time in its history. Strong economic growth was achieved despite challenging global conditions, while the fiscal deficit and public debt were reduced despite numerous obstacles. Inflation was brought back within the target tolerance band, FX reserves reached a record high, and the financial system remained stable thanks to adequate capitalisation, high liquidity, and profitability.

The completion of the fourth review enabled the withdrawal of funds amounting to SDR 316.47 mn (approximately EUR 400 mn). Given the achieved results and continued stability of economic indicators in our country, the arrangement has been treated as precautionary since the second review (i.e. one review earlier than initially anticipated at the time of approval). Since then, the available funds have remained undrawn.

The new PCI builds upon the successful completion of the previous stand-by arrangement, and is a continuation of the productive cooperation between Serbia and the IMF, as well as further validation of Serbia's macroeconomic achievements to date, including its stable monetary policy, responsible management of public finances, and policymakers' commitment to implementing structural reforms. This advisory instrument is designed for countries pursuing strong and credible economic policies and does not involve the use of IMF financial resources.

The agreed programme supported by the PCI aims to preserve macroeconomic and financial stability, continue implementing public investments while maintaining fiscal discipline, further reduce public debt, and promote inclusive and sustainable medium-term growth through an ambitious structural reform agenda. Particular

emphasis has been placed on strengthening the resilience of the energy sector and creating conditions for significant investments in this area.

The delegation of the Republic of Serbia, headed by NBS Governor and Serbia's Governor to the IMF Jorgovanka Tabaković, took part in the IMF and World Bank Group Spring Meetings from 15 to 20 April. The Spring Meetings focused on global economic movements, prospects and risks, and issues relevant to the macroeconomic and financial stability in a challenging global environment. During the Spring Meetings, the NBS delegation held a series of bilateral meetings with the management of these institutions. They also held meetings with a number of investors in order to further promote the Serbian economy and investment potential.

The Annual Meetings of the IMF and World Bank Group were held from 21 to 26 October in Washington DC, and the Serbian delegation was headed by NBS Governor and Serbia's Governor to the IMF Jorgovanka Tabaković. The Annual Meetings were marked by important events – the 80th anniversary of Bretton Woods institutions; the admission of a new, 191st IMF member – the Principality of Liechtenstein, which joined the Swiss Constituency that also includes the Republic of Serbia; the approval of reforms to IMF lending facilities; and the historic establishment of a 25th Executive Director seat on the Executive Board to ensure more adequate representation for sub-Saharan African countries.

After the IMF Executive Board **adopted the Sixteenth General Review of Quotas**, the following step was to have member countries formally agree to increase their quotas by 50% in proportion to their quotas at the time. In a session held on 24 October, the Serbian Government adopted a Conclusion in which it accepted the increase of the Republic of Serbia's quota with the IMF from SDR 654.8 mn to SDR 982.2 mn. The Conclusion also authorised NBS Governor Jorgovanka Tabaković, as Serbia's Governor to the IMF, to formally notify the IMF (in a written notification) about accepting the proposed quota increase. The written notification was submitted to the IMF on 29 October 2024.

World Bank

In the period from March 2002 until the end of 2024, the World Bank approved to the Republic of Serbia funds for programme and project loans in the amount of EUR 3.89 bn, of which EUR 3.2 bn was used. The implementation of the five-year Country Partnership Framework 2022–2026 (CPF) is underway.

Within the current cooperation programme, during 2024 the World Bank approved the following loans to Serbia: Second Real Estate Management Project, securing USD 32.5 mn for the improvement of transparency, accessibility and reliability of the real estate management system; Serbia Railway Sector Modernisation Project Using the Multiphase Programmatic Approach Phase 2 in the amount of USD 65 mn and Additional Financing for the Serbia Accelerating Innovation and Growth Entrepreneurship Project worth USD 26.7 mn.

European Union

During 2024, the NBS remained committed to the EU integration process, contributing to the fulfilment of all obligations arising from it. Within the negotiating groups chaired or co-chaired by the NBS, and other groups of which the NBS is a member, its representatives were actively engaged in the work and the preparation of documents and materials relevant for further progress in Serbia's EU accession talks.

The NBS's contribution to Serbia on its path to full-fledged EU membership was recognised in the **Annual Progress Report for 2024**, published on 30 October as part of the Enlargement Package. The section of the Report on the economic criteria for EU membership underlined, *inter alia*, that Serbia remains strongly committed to the preservation of macroeconomic stability and continuation of economic reforms.

As regards the ability to assume the obligations of EU membership for Chapter 9 – Financial services, the European Commission underlined that the institutional and legal framework for this area has been set up, and that Serbia has achieved a sound level of alignment with the Capital Requirements Regulation (CRR 2) and the Capital Requirements Directive (CRD 5). They acknowledged that preparations for alignment with Solvency II Directive are underway, in accordance with the NBS Strategy. In addition, in the part pertaining to Chapter 17 – Economic and monetary policy, the report concluded that the institutional framework in the area of monetary policy has been established, and that the legal framework is largely aligned with the EU *acquis*. In regard to Chapter 4 – Free movement of capital, the European Commission said that Serbia has made progress, given that in July 2024 it adopted the Law Amending the Law on Payment Services in order to align it with the Payment Services Directive 2 (PSD2).

The NBS also participated in drafting the new **National Programme for the Adoption of the EU Acquis (NPAA) for 2024–2027**, which the Serbian Government adopted on October 24. The programme outlines plans for the remaining alignment with the EU *acquis* in terms of the NBS's jurisdiction, as well as measures aimed at establishing the institutional and administrative capacities required to implement the harmonised legislation.

NBS representatives participated in the work and preparation of materials for meetings of bodies set up to monitor the implementation of the **Stabilisation and Association Agreement** – Subcommittee on Economic and Financial Issues and Statistics and Subcommittee for Internal Market and Protection of Competition, as well as the Stabilisation and Association Committee.

Implementation of the regional IPA project

During the year, phase two of the regional IPA project “Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the Integration to the European System of Central Banks” continued.

Seven seminars were held during 2024, covering areas such as bank resolution, protection of financial services consumers, accounting, statistics, European integration, monetary policy and research, as well as payment system policy and supervision.

Activities were concluded in terms of the realisation of four bilateral measures of the NBS regarding the greening of monetary policy and financial system, financial stability, insurance supervision and cash operations.

Revolving Fund of the Republic of Serbia

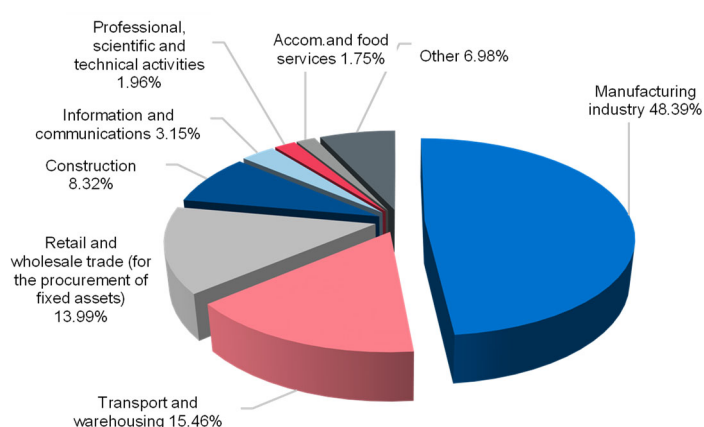
Funds of the Serbian Revolving Credit Fund (initially EU grant) were used during 2024 to finance small- and medium-sized enterprises and entrepreneurs.

A total of 15 loans worth EUR 1.5 mn were disbursed during the year.

A total of 1,430 loans worth EUR 145.4 mn have been disbursed so far through 14 intermediary banks. It was envisaged that the loans would create 3,274 jobs.

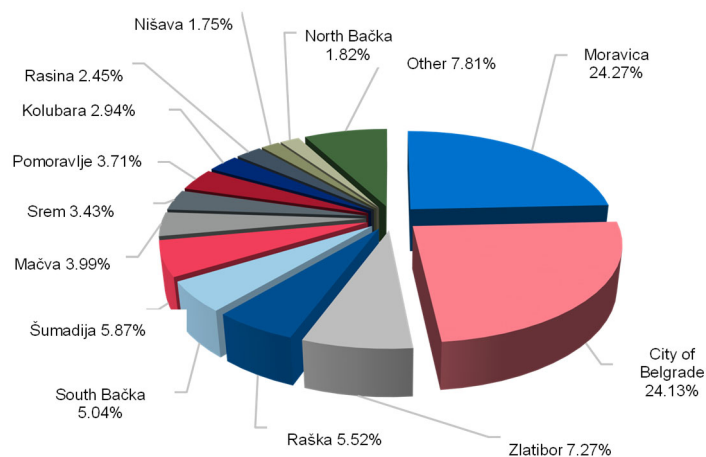
To verify the authorised use of funds under loans approved to final beneficiaries from the Revolving Fund, the supervision procedure was conducted in 2024 for 10 loans disbursed through two intermediary banks. It was determined that all funds were used for the intended purposes.

Chart V.4.2.1 RS Revolving Credit Fund - classification of activities
(as at 31 December 2024)



Source: NBS.

Chart V.4.2.2 RS Revolving Credit Fund - territorial breakdown
(as at 31 December 2024)

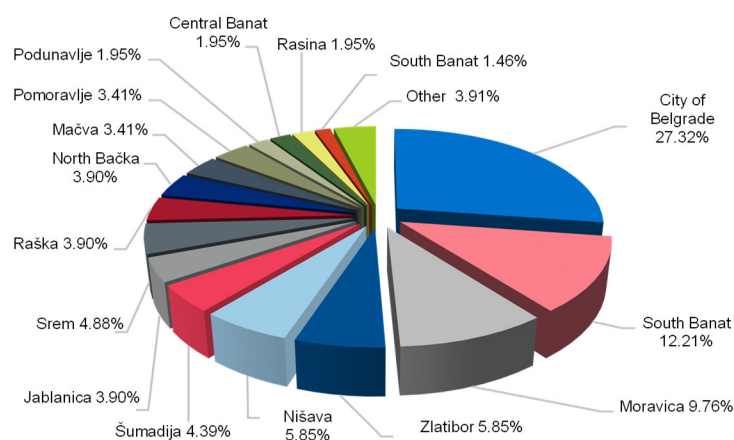


Source: NBS.

European Investment Bank

From 2001 through 2024, the EIB extended EUR 6.97 bn in financial support to Serbia's public and private sectors, of which EUR 5.69 bn was disbursed. Infrastructure was the priority area, and significant support was also provided for the development of SMEs.

Chart V.4.2.3 Disbursement of Apex loan IIIB -
territorial breakdown
(as at 31 December 2024)



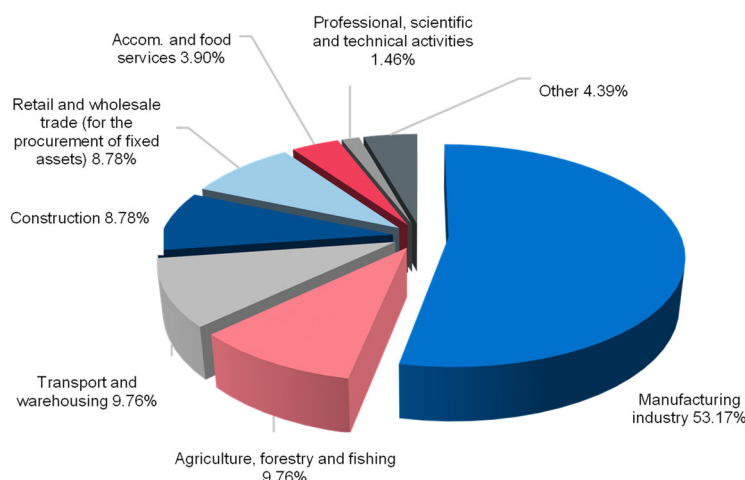
Source: NBS.

Under five Apex loans for SMEs, entrepreneurs, and local self-governments, a total of EUR 857.06 mn was disbursed.

The deadline for drawing the second tranche of the fifth Apex loan for SMEs and other priorities worth EUR 150 mn expired on 15 December 2020. By that date, the loan was realised in 23 tranches by drawing funds for 146 projects (with

reallocations) worth EUR 144.3 mn, whereby the creation of 1,374 new jobs was planned.

Chart V.4.2.4 Disbursement of Apex loan IIIB - classification of activities
(as at 31 December 2024)



Source: NBS.

Ten intermediary banks involved in the realisation of this loan have an opportunity to use the drawn funds for new projects on the grounds of re-employment until December 2032. By end-2024, EUR 34.2 mn was re-employed through 59 loans, and the creation of 407 jobs was planned.

In 2024, monitoring of the authorised use of funds under nine EIB Apex loans approved to final beneficiaries was carried out in four intermediary banks. It was determined that all funds were used for the intended purposes.

European Bank for Reconstruction and Development

The EBRD has been providing assistance to Serbia since 2001. By 31 December 2024 loans worth EUR 9.57 bn were approved, of which EUR 7.99 bn was used. Significant funds were approved for infrastructure projects, support to financial institutions, bolstering economic activity, projects in the energy sector and environmental protection programmes.

Cooperation with the EBRD is unfolding within the EBRD's Serbia Country Strategy 2023–2028, adopted in December 2023. The EBRD's priorities for Serbia within the Strategy are the following: 1) accelerating green energy transition; 2) enhancing private sector competitiveness, productivity and access to finance; and 3) financing sustainable infrastructure and strengthening regional connectivity.

Presentation of the EBRD's Transition Report 2023–2024 titled "Transitions Big and Small" was held on 31 January 2024 at the NBS. The opening remarks were delivered by NBS Governor Jorgovanka Tabaković.

Bank for International Settlements (BIS)

The NBS is a BIS member and holds 2,920 of the shares of the oldest international financial institution.

In June 2024, Governor Jorgovanka Tabaković participated in the BIS 94th Annual General Meeting, at which the work of the BIS Board of Directors in the previous financial year was presented, and future activities and plans were discussed.

NBS's membership in the Network for Greening the Financial System

The NBS is a member of a renowned international group of central banks and supervisors within the Network for Greening the Financial System (NGFS). In December 2024, the network had 142 members from more than 90 countries, and 21 observers, including the largest central banks and international financial institutions.

NBS representatives took part in the NGFS annual plenary meetings and in the work of its working bodies and expert networks. In addition, they participated in webinars and themed meetings in the area of green finance, organised by the NGFS and its partner institutions.

Bilateral financial cooperation

The NBS prepared numerous briefs under its remit, pertaining to various aspects of Serbia's cooperation with individual countries (information on bilateral-financial cooperation, overviews of goods and services trade by year, etc.).

A number of preparatory meetings were held at the NBS for the newly appointed extraordinary and plenipotentiary ambassadors of the Republic of Serbia.

On 8 May 2024, NBS Governor Jorgovanka Tabaković and Chairman of the Bank of China Group Mr Ge Haijiao attended the official ceremony on the occasion of the establishment of a clearing bank for the Chinese yuan in Serbia. This ceremony was held following the designation of Bank of China Srbija a.d. Beograd by the People's Bank of China in January 2024 as the clearing bank for the Chinese yuan in Serbia. This step confirms the successful implementation of the previously signed Memorandum of Understanding, which governs the cooperation between the NBS and the People's Bank of China.

Following the signing of the **Framework Agreement on Service Provision by Bank of China Limited to the National Bank of Serbia for the purpose of joining the Chinese interbank market** at end-2023, in 2024 the NBS undertook activities to prepare and sign the necessary documentation with the **Bank of China, Shanghai and relevant Chinese institutions** so that investment in the assets denominated in the Chinese yuan could be an option for the expansion of the NBS's investment universe.

On 9 September 2024, Governor Tabaković met with Vice Minister of the National Financial Regulatory Administration (NFRA) Cong Lin, during the visit of an NFRA's delegation to the NBS aimed at fortifying the cooperation between the two regulatory authorities based on the agreements signed in 2018

between the Chinese regulatory committee for the banking and insurance sector and the NBS.

As part of the work of intergovernmental commissions on trade and economic cooperation with China, Azerbaijan, Kazakhstan, and India, the NBS contributed by preparing relevant materials within its area of responsibility.

The NBS also participated in the drafting of a number of agreements on economic partnership between Serbia and other countries.

V.4.3 Foreign exchange operations and foreign credit relations

Foreign exchange operations

Pursuant to the Decision on Terms and Conditions under Which Residents May Hold Foreign Exchange in Bank Accounts Abroad, **during 2024 a total of 607 decisions were made allowing residents to hold foreign exchange in banks abroad.** Of these, 277 decisions concerned the financing of investment works abroad (EUR 159 mn), 307 decisions related to the payment of current spending of representative offices/branches abroad and services in the international goods and passenger transport (EUR 15.3 mn), 14 concerned the return of tax generated abroad (EUR 12.6 mn), four pertained to a foreign financial loan intended for payments abroad (EUR 87.7 mn), two pertained to research work abroad (EUR 1 mn), two pertained to the settlement of liabilities abroad arising from trade in energy as well as the balance responsibility of a participant in the energy transport system (EUR 150.5 mn) and one to collection under the return of funds invested in a company founded abroad (EUR 4.9 mn).

In the same period, at the request of legal and natural persons, 70 opinions were prepared in relation to the application of regulations in the field of FX operations.

Supervision of foreign exchange operations

During 2024, the procedure of on-site supervision of FX operations was initiated in 80 residents to verify and determine the legality and regularity of FX operations in accordance with the relevant regulations. Seventy-five reports on on-site supervision of FX operations were compiled, three reports about the inability to perform supervision of FX operations due to the residents not being at the address recorded in the business register kept by the Business Registers Agency or did not provide the requested data and documents, and three decisions ordering the supervised entity to enable the supervision of its FX operations. Seventy-four reports ascertained one or more violations of regulations. During the on-site FX operations supervision procedure, the NBS actively cooperates with the Ministry of the Interior – Criminal Police Directorate, Service for Combating Organised Crime, Prosecutor's Office for Organised Crime, Public Prosecutor's Office, Customs Administration and Administration for the Prevention of Money Laundering at the Ministry of Finance. The aim of such cooperation is the exchange of information and joint action

directed at the protection of the financial and economic systems from the risk of money laundering and other illegal activities in financial and business operations.

The NBS carried out 54 off-site supervisions of FX operations. In regard to this, it compiled 54 reports ascertaining one or more violations of regulations governing FX operations.

Supervision of exchange operations

During 2024, the procedure of on-site supervision of exchange operations of authorised exchange dealers was carried out in 289 exchange offices for the purpose of verifying and ascertaining the legality and regularity of exchange operations in accordance with the relevant regulations, including regulations governing the prevention of money laundering and terrorism financing in exchange operations (210 general supervisions) and regulations concerning the freezing of assets to prevent terrorism and the proliferation of weapons of mass destruction (79 targeted supervisions). A total of 291 reports were compiled on the completed on-site supervision of exchange operations with authorised exchange dealers – 193 reports recorded a violation of regulations governing exchange operations and the prevention of money laundering and terrorism financing. Forty-seven decisions were adopted ordering authorised exchange dealers to remove the illegalities or irregularities in their exchange operations. Also, during 2024, due to the identified irregularities or illegalities in exchange operations, in accordance with the Decision on Detailed Conditions and Manner of Conducting Supervision of Exchange Operations, the NBS temporarily revoked the authorisation for performing exchange operations from 33 exchange offices.

The procedure of **off-site supervision of exchange operations was carried out in 269 exchange dealers** for the purpose of verifying and ascertaining the legality and regularity of exchange operations in accordance with the relevant regulations, as well as in relation to the request of authorised exchange dealers for permanent cessation of exchange operations. In regard to this, 106 reports were compiled on the completed off-site supervision of exchange operations, where the violation of regulations on exchange operations was ascertained. In addition, 163 official notes were compiled.

Issuance and revocation of authorisations and issuance of certificates for the performance of exchange operations

As at 31 December 2024, the total number of authorised exchange dealers was 2,125, and the number of exchange offices 3,066. In 2024, upon the request of economic entities, 331 decisions were passed on the issuance of authorisations for the performance of exchange operations (127 decisions concern new authorised exchange dealers, 84 new exchange offices, 26 the relocation of the exchange office and 94 decisions pertain to the change of other data), and 255 decisions on the revocation of authorisations (187 decisions were adopted at the request of authorised

exchange dealers for permanent cessation of exchange operations and 68 decisions on the revocation of authorisations *ex officio*).

Based on the Decision on the Procedure and Conditions for Obtaining a Certificate for the Performance of Exchange Operations, Single Training Programme for the Performance of Exchange Operations and Eligibility Requirements for Trainers, during 2024 the NBS organised 12 training cycles and testing of candidates who applied for the certificate. The testing committee checked the tests of candidates and based on that, the NBS issued 937 certificates on training completed in the field of exchange operations. One decision was made rejecting the application to attend the training and acquire the certificate on grounds that the candidate did not meet the required conditions.

Procedures before competent judicial bodies, complaints against decisions of misdemeanour courts, and application of foreign exchange regulations

In 2024, 345 requests for the initiation of misdemeanour procedures were filed with competent misdemeanour courts – 114 requests in respect of irregularities determined in the supervision of FX operations and 231 request in respect of irregularities determined in the supervision of exchange operations (210 requests concerning the violation of the Law on FX Operations, 16 requests concerning the violation of the Law on FX Operations and the Law on the Prevention of Money Laundering and the Financing of Terrorism, and five requests concerning the violation of the Law on the Prevention of Money Laundering and the Financing of Terrorism). A total of eight agreements on admission of guilt concerning misdemeanours were concluded. Together with a proposed sanction-reprimand, they were submitted to the relevant misdemeanour courts for further handling.

A total of 11 criminal charges were filed with the competent public prosecutors' offices due to the violation of: Article 58 of the Law on FX Operations, i.e. reasonable suspicion that legal persons and their responsible persons made collections/payments abroad in the amount exceeding EUR 100,000 based on false documents (two charges); Article 237 of the Criminal Code, i.e. reasonable suspicion that the supervised entity did not enable the performance of the supervision (eight charges); and Article 57 of the Law on FX Operations, i.e. reasonable suspicion that the resident bought/sold foreign cash from/to natural persons without an authorisation of the NBS (one charge). Also, eight charges were filed to the relevant public prosecutors' offices for violations of the Law on the Prevention of Money Laundering and the Financing of Terrorism.

A total of 556 complaints were filed against the decisions of misdemeanour courts due to an inadequate misdemeanour sanction, violation of valid regulations and material violations of the provisions of misdemeanour procedures, and the incompletely or inaccurately ascertained factual state.

Orders for enforcement of final court decisions

The NBS conducted the procedure to execute 126 final and enforceable court decisions in respect of foreign exchange that was temporarily seized pursuant to the Law on FX Operations. Based on this, 156 orders for enforcement were issued, namely: 125 orders for the enforcement of the protective measure of seizing the object of misdemeanour, resulting in an inflow to the Republic of Serbia's budget of EUR 1,649,932.00 (in the dinar equivalent) in accordance with Article 66 of the Law on FX Operations, and 31 order for the refund of temporarily seized assets, based on which EUR 545,247.00 was returned to natural persons. In accordance with orders to execute the protective measure of seizing the object of misdemeanour – foreign cash which was entrusted to the NBS for safekeeping, after the foreign cash was sold to a foreign bank, a total of EUR 632,941.00 in the dinar countervalue was paid to the Serbian budget. Also, eight orders were issued for the enforcement of a protective measure of seizing the object of misdemeanour – foreign cash, which was entrusted to the NBS for safekeeping, and which will be executed after the sale of the foreign cash to a foreign bank by depositing the dinar countervalue of the permanently seized funds to the Serbian budget, in line with Article 66 of the Law on FX Operations. Four orders were issued for the return of temporarily frozen assets entrusted to the NBS for safekeeping.

Documentary control and foreign payment transactions

In 2024 as part of regular activities, documentary control and foreign payment transactions were carried out for the needs of budget beneficiaries through the consolidated treasury account system for FX funds and through other special purpose FX accounts, these operations being assigned to the NBS by law.

In addition, other activities were fully implemented, namely the ones concerning the provision of cover for foreign payment orders for budget beneficiaries and for the needs of the NBS, which relate to the collection of payments and payments under foreign loans, transfers based on the FX required reserves of banks and transactions of the Central Securities Depository and Clearing House, purchase of foreign currency assets from banks in line with special laws governing temporary payment operations with AP Kosovo and Metohija, and transfers in respect of donations. Also, activities on the realisation of letters of credit for the needs of the import of goods were performed, as well as payment of services for budget beneficiaries. In this context, letters of credit worth EUR 452.06 mn were opened in 2024, while total payments made amounted to EUR 570.04 mn.

In 2024, 78 cross currency swap transactions were executed to settle credit liabilities and payments under issued bonds. These transactions were concluded in prior years by the Republic of Serbia with foreign banks to hedge public debt against the foreign exchange (currency) risk and the interest rate risk. Collections made in this respect amounted to EUR 415.53 mn and payments to around EUR 405.64 mn.

In addition to the above, at the request of the Public Policy Secretariat of the Republic of Serbia, a special purpose FX account was opened in 2024 for the

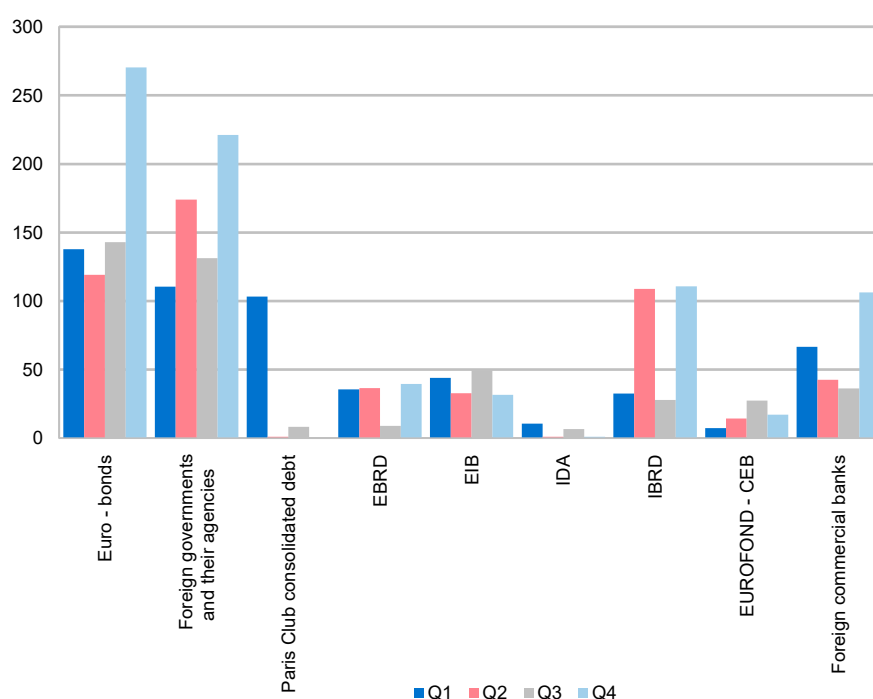
realisation of a World Bank grant for the project Serbia Digitalisation for Business Environment Project – Grant No TF0C3901. At the request of the Ministry of Finance, eight special purpose FX accounts were opened for managing EU's pre-accession assistance within the IPA III 2021–2027, specifically for the Cross Border Cooperation Programme Serbia–Montenegro 2024 and Cross Border Cooperation Programme Serbia–North Macedonia 2024, as well as one account for the Instrument for Pre-Accession Assistance for Rural Development – IPARD III.

The said operations which the NBS performs for the Republic of Serbia in accordance with the law were conducted in a timely manner and with adherence to local regulations, as well as international banking standards and practices.

Foreign credit operations

In 2024, a total of 1,002 borrowing transactions of domestic persons abroad were recorded in the amount of EUR 7.29 bn, at the average interest rate of 5.50% and the average repayment period of four years and four months. Of the total contracted amount, company borrowing amounted to EUR 6.52 bn, of which EUR 3.1 bn were intended for conversion into dinars, EUR 1.38 bn for the repayment of previously disbursed external loans, EUR 1.46 bn for the import of goods and services, and the remaining EUR 578 mn for other purposes. Bank borrowing amounted to EUR 770.88 mn. By activity, most debtors were from the financial sector and insurance (23%), followed by information and communications (21%) and the manufacturing industry (18%).

Chart V.4.3.1 **Settled foreign credit liabilities in 2024 in respect of which the NBS is the agent – by creditor and quarter**
(EUR bn)



Source: NBS.

In 2024, 239 lending transactions of domestic persons abroad were recorded in the amount of EUR 443.81 mn, at the average interest rate of 4.79% and the average collection period of two years and six months. Companies approved EUR 237.3 mn to non-residents and banks approved EUR 206.51 mn. Creditors from the financial sector and insurance made up the largest share (47%), while creditors in the area of transport and storage accounted for 13% of total credit transfers.

Total liabilities arising from defaults in foreign trade operations not completed within a period longer than one year amounted to EUR 1.3 bn at end-2024. Of this, EUR 869.5 mn related to the unpaid import of goods and services and EUR 435.2 mn to advance payments for which export was not carried out.

Total receivables arising from defaults in foreign trade operations not completed within a period longer than one year amounted to EUR 918.8 mn at end-2024. Of this, EUR 454.4 mn related to the unpaid export of goods and services and EUR 464.4 mn to advance payments for which import was not carried out.

During 2024, 10 opinions were prepared concerning the implementation of regulations in the field of foreign credit operations.

Performance of foreign credit liabilities of the Republic of Serbia with the NBS as the agent

In 2024, liabilities under all foreign credits and loans in respect of which the Republic of Serbia is the debtor or guarantor and the NBS is the agent were serviced on time. In the capacity of the Republic of Serbia's agent, the NBS paid a total of EUR 2,315.82 mn (EUR 1,437.62 mn was the principal and EUR 878.20 mn interest and other expenses). Based on engagement costs, around EUR 15.45 mn was paid in respect of unused funds under approved loans.

In 2024, loans worth EUR 2,195.33 mn, granted by international financial organisations, commercial banks, governments and their agencies, were disbursed. Of this, EUR 1,141.65 mn (52% of total used funds) was used through special purpose FX accounts of the Republic of Serbia with the NBS.

In 2024, the Republic of Serbia borrowed EUR 2,837.83 mn (of which EUR 2,525.68 mn is the direct government debt and EUR 312.15 mn is the guaranteed debt), namely:

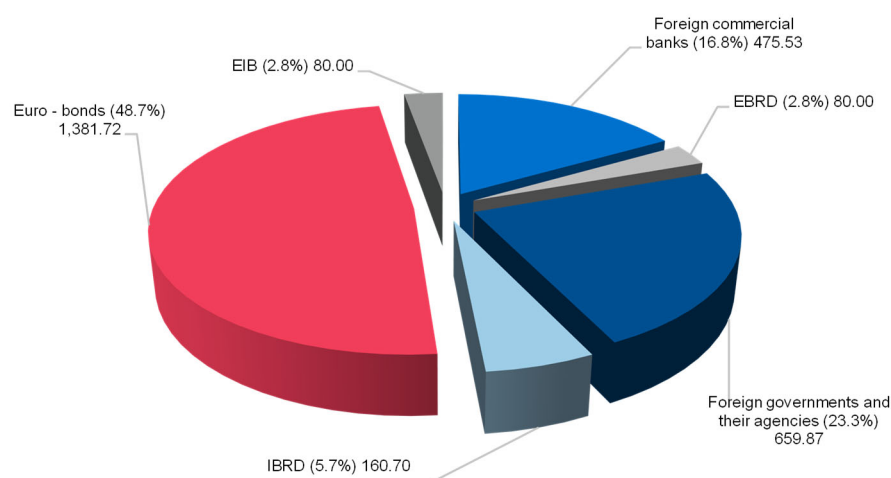
- USD 1.5 bn **on account of long-term securities** (XV issue). These funds will be used for financing and/or refinancing acceptable expenditures in line with the Framework Agreement of the Republic of Serbia for Issuing Green and Socially Sustainable Bonds 2024. To mitigate the FX and interest rate risk of public debt, a hedging transaction was concluded for these bonds and liabilities in US dollars were converted to euros in the amount of **EUR 1,381.72 mn;**
- **on account of 19 loan arrangements totalling EUR 1,456.11 mn** (of which EUR 1,143.95 mn is the direct government debt), **concluded with:**
- **Saudi Fund for Development** in the total amount of **EUR 196.58 mn** for financing Development of Transmission System Operator (Phase 1)

Project (EUR 62.33 mn), Strengthen Irrigation Infrastructure in Different Areas Project (EUR 71.92 mn) and Construction of the Bio4 Campus in Belgrade Project (EUR 62.33 mn);

- **Bank of China Ltd. Luxembourg Branch** in the amount of **EUR 183.94 mn** for financing Clean Serbia II Project – construction of the sewage network and wastewater treatment plants in nine municipalities in Serbia (the loan is insured with the China Export & Credit Insurance Corporation – Sinosure);
- **Deutsche Bank S.P.A. Milano and Societe Generale, Paris** in the amount of **EUR 200 mn** for budget support;
- **Deutsche Bank AG Hong Kong** in the amount of **EUR 178.38 mn** for the Belgrade Metro Construction Project (funds beneficiary is the public utility company Belgrade Metro and Train);
- **IBRD** in the total amount of **EUR 160.7 mn** for the Serbia Noncommunicable Diseases Prevention and Control Project (EUR 70.7 mn), the Second Land Administration Improvement Project in Serbia (EUR 30 mn) and the Serbia Railway Sector Modernisation Project as part of the Multiphase Programmatic Approach – Phase 2 (EUR 60 mn);
- **KfW** in the total amount of **EUR 155 mn** for financing Energy Efficiency in Public Purpose Facilities Project, Phase III (EUR 50 mn), Good Jobs for Serbia Project (EUR 50 mn), Development of the Biomass Market in the Republic of Serbia programme – second component (EUR 20 mn), and the project Regional Energy Efficiency in the Transmission Sector II – Trans-Balkan Electricity Corridor, Sections III and IV (EUR 35 mn), where the Serbian transmission system operator Elektromreža Srbije a.d. is the borrower, and the Republic of Serbia the guarantor;
- **Cassa Depositi e Prestiti S.P.A.** in the amount of **EUR 100 mn** for emergency liquidity provision through financial assistance to Elektroprivreda Srbije a.d. (supporting the development of a decarbonisation strategy, including the coal phase-out roadmap until 2050, designed to help Serbia improve its long-term power supply security and establish transition framework to clean energy), guaranteed by the Republic of Serbia;
- **Deutsche Bank AG Paris Branch** in the amount of **EUR 97.15 mn** for the modernisation of the electricity transmission network, and ensuring a portion of the funds for settling the obligations of the borrower Elektrodistribucija d.o.o. Belgrade, for which the Republic of Serbia is a guarantor;
- **EBRD** in the total amount of **EUR 80 mn** for financing renewable energy in remote heating systems in Serbia (EUR 30 mn), and for financing urgent rehabilitation of railway infrastructure in Serbia (EUR 50 mn);

- **EIB** in the total amount of **EUR 80 mn** for the project to install smart electricity metres in Serbia, where Elektrodistribucija Srbije d.o.o. Belgrade is the borrower, and the Republic of Serbia the guarantor;
- **BPI France** in the amount of **EUR 24.35 mn** for the automation of the medium-voltage distribution network (the beneficiary is Elektrodistribucija Srbije d.o.o. Belgrade).

Chart V.4.3.2 New foreign credit liabilities in 2024 – by creditor
(in % and EUR mn)



Source: NBS.

V.4.4 Legislative activities

Current legislative activity

In the course of 2024, the NBS took part in preparing and giving opinion on the following drafts and proposals:

- Proposal of the Law Amending the Law on the National Bank of Serbia;
- Proposal of the Law Amending the Law on Banks;
- Proposal of the Law Amending the Law on Payment Services;
- Proposal of the Law Amending the Law on the Protection of Financial Services Consumers;
- Proposal of the Law Amending the Law on Foreign Exchange Operations;
- Draft Law on the Central Records of Beneficial Owners;
- Draft Law Amending the Deposit Insurance Law;
- Draft Law Amending the Law on the Deposit Insurance Agency;
- Draft Law on the 2025 Budget of the Republic of Serbia;
- Draft Law Amending the Law on the Budget System;

- Draft Law Amending the Law on the Prevention of Money Laundering and Financing of Terrorism;
- Draft Law on the Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction;
- Draft Law on Information Security;
- Draft Law on Crowd Funding;
- Draft Law on Services;
- Draft Law on Establishing the Guarantee Scheme and Subsidising Part of the Interest as a Measure to Support Young People in Purchasing their First Residential Property;
- Draft Law on Enforced Collection of Funds;
- Draft Law Amending the Law on Republic Administrative Fees;
- Draft Law on Electronic Delivery Notes.

In 2024, the NBS enacted 25 bylaws, published in the RS Official Gazette – of which 24 decisions and one guideline. These regulations cover the following functions and activities of the NBS:

- **monetary policy operations** (determining the 2025 NBS Monetary Policy Programme);
- **financial stability** (measures for the preservation and strengthening of financial system stability);
- **FX operations** (special rules for executing credit transfers and direct debits in euros);
- **payment system and payment services** (form, content and manner of using dinar payment order forms, technical standards for reliable user authentication and common and secure open communication standards);
- **supervision of payment and e-money institutions** (issuing licences and consents in accordance with the Law on Payment Services, capital and capital adequacy of payment and e-money institutions, supervision of payment and e-money institutions and the public postal operator, content and manner of keeping registers of payment and e-money institutions);
- **bank supervision** (temporary restriction on interest rates on loans to natural persons, temporary measures for banks to facilitate natural persons' access to financing, managing risks arising from activities outsourced by the bank to third parties, capital adequacy of banks, determining default status, classification of bank balance sheet assets and off-balance sheet items);
- **insurance supervision** (issuing licences for insurance/reinsurance activities and granting consents, the governance system in an insurance/reinsurance undertaking, reporting by insurance/reinsurance undertakings, investing insurance funds, Chart of Accounts and the contents of the Chart of Accounts for insurance undertakings);

- **supervision of financial institutions' information systems** (minimum standards for managing financial institutions' information systems);
- **money issuance and cash flow management** (issuance and main features of numismatic money with the image of Nikola Tesla, releasing into circulation 2- and 5-dinar coins);
- **single tariff** used by the NBS to charge fees for the services provided.

Court representation

In the course of 2024, 51 administrative proceedings were conducted before the Administrative Court, of which seven were disposed. Proceedings conducted before commercial courts included four litigations and eight enforcement proceedings, of which two were disposed, 39 were bankruptcy proceedings, two liquidation proceedings and 17 economic offence proceedings. A total of 32 litigations, five non-litigious proceedings, 14 enforcement and five criminal proceedings were conducted before general jurisdiction courts, six of them being finally disposed. Thirty-one proceedings were conducted before misdemeanour courts. Three litigations, two enforcement and one bankruptcy proceeding were conducted before foreign courts.

Compliance

In 2024, the NBS conducted a number of activities within the compliance function. **It adopted 30 general internal acts** governing the NBS's work and organisation in different areas – from internal organisation and job classification, employment relations and office administration, to workplace safety and health, procurements, defence, protection and internal order, and other areas of internal operations. The necessary activities were undertaken to ensure regular annual reporting of organisational units on identified and assessed compliance risks. During the year, the NBS continued examining the compliance of certain segments of its operations – e.g. it conducted verification of compliance in the area of cash handling through agent banks to identify potential compliance risks and propose mitigation measures. It also continued with activities to set up an internal database of NBS opinions so as to facilitate the implementation of regulations and ensure uniform conduct in procedures.

The NBS continuously undertook activities to improve ethical and professional standards of employee conduct, as well as activities aimed at ensuring the Bank's compliance with the obligations under the Anti-Corruption Law. During the year, the third cycle of drafting the NBS integrity plan continued – a new integrity plan was adopted (following an analysis and planning of measures in four phases) and delivered to the Anti-Corruption Agency. The NBS continued conducting training and other activities contributing to the institution's compliance culture.

Activities regarding the implementation of the Law on Free Access to Information of Public Importance

In 2024, the NBS acted upon requests for access to information of public importance, in accordance with the law. It received 61 requests, of which 46 were granted or partially granted, one was rejected and 13 were denied. The majority of requests were submitted by citizens (29), media representatives (10), associations (4), and others (18). A total of 14 complaints were filed during the year. Of this number, two pertained to the request being denied, and 12 to not addressing the request.

In accordance with Article 43 of the Law on Free Access to Information of Public Importance, the NBS submitted to the Commissioner for Information of Public Importance and Personal Data Protection the annual report, outlining activities and measures undertaken in 2024 for the purposes of implementing the said Law.

V.4.5 Enforced collection

Since 2003, the NBS performs enforced collection pursuant to Article 48 of the Law on Payment Transactions.

In 2024, the NBS received, checked and recorded 409,993 execution titles issued by Tax Administration units, customs, courts, public bailiffs and other competent bodies, which is an increase of 2.10% from the previous year. Also, 26,126 decisions were returned to the issuing bodies due to their inadequacy, which is 1.93% more than the year before.

Around three-fifths of the received execution titles (56.35%) were submitted by commercial, basic and misdemeanour courts, and public bailiffs. Observed by type of the court decision received, a significant proportion related to the termination and suspension of enforcement (16,795 in total). Of the decisions received from state-level tax administration, a large number pertains to the prohibition of the disposal of assets in the account due to the Tax Identification Number (TIN) being revoked from the taxpayer (a total of 12,421).

In addition to the said decisions, the NBS also enforces commercial court decisions on the institution, suspension and closing of bankruptcy proceedings against debtors. In 2024, the NBS received 445 decisions on instituting bankruptcy proceedings, 383 decisions on closing, 16 decisions on suspension and 36 decisions on suspension of the proceedings because of the sale of the bankruptcy debtor. In addition, it received 64 decisions on instituting a preliminary bankruptcy procedure with security measures, and 21 decision on the adoption of the pre-pack reorganisation plan.

Pursuant to the Law on Companies, in 2024 the NBS submitted 6,237 initiatives to the Business Registers Agency to strike off from the register the entrepreneurs whose accounts have been blocked for more than two years, an increase of 32.04% from the previous year.

As of October 2015, the NBS has kept the Single Register of Accounts of Natural Persons – Consumers in accordance with the Law on Payment Services. Based on 61,294 requests received from authorised persons and bodies in 2024, signed by the qualified electronic signature of authorised persons and bodies (public bailiffs, Interior Ministry, Tax Administration, Administration for the Prevention of Money Laundering), the NBS submitted account data for 254,274 natural persons. At the same time, through the Judicial Information System, the NBS provided the users of this platform (Ministry of Justice, courts, public prosecutors' offices, public notaries and other authorised bodies) with data about the accounts of 200,938 natural persons in response to 261,694 requests received. In parallel, the NBS received 516 written requests from authorised persons and bodies regarding data on natural persons' accounts, which is 21.10% less than a year before.

Pursuant to the Law on the National Bank of Serbia and regulations on the prevention of money laundering and terrorism financing, as of mid-2020 the NBS has set up and kept the Single Register of Safe-deposit Boxes and the Single Register of Money Remittance Beneficiaries.

V.4.6 Public debt administration

On behalf of and for the account of the Republic of Serbia, the NBS administers public debt under frozen FX savings, FX deposits placed with the Dafiment banka a.d. Beograd and Banka privatne privrede Crne Gore DD Podgorica – Jugoskandik, as well as under the economic development loan.

In 2024, payments of matured bonds of the A2002–A2016 series issued based on frozen FX savings continued, with an evident downward trend.

Between 26 August 2002 and 31 December 2024, the total amount of FX savings converted to bonds was EUR 3,722.3 mn (of which EUR 0.3 mn in 2024). Bonds in the A2002–A2016 series were paid (upon or before maturity) in the nominal amount of EUR 3,664.6 mn. In 2024, RSD 223.2 mn was secured from the budget for the payment of matured bonds in the amount of EUR 2.0 mn.

In 2024, the NBS was in daily communication with citizens of the Republic of Serbia, former Yugoslav republics and other countries about the possibility of exercising their rights in respect of frozen FX savings deposited with banks with headquarters in the Republic of Serbia and their branches in the former Yugoslav republics. It also provided expert, administrative and technical assistance to the Committee for issuing certificates based on which the entitlement to the payment of due liabilities is determined to the depositors with the Dafiment banka a.d. Beograd and citizens who deposited their FX assets with Banka privatne privrede Crne Gore d.d. Podgorica, based on the Contract on Business and Technical Cooperation with Jugoskandik d.d. Beograd. Based on the requests/complaints of depositors, data/calculations and available documents were supplied to the said Committee for consideration, while the conclusions adopted by the Committee were implemented in the prescribed manner.

V.4.7 Communication with the public

The NBS informs the public about its operations in intensive cooperation with the media, by publishing information on the official website and its subdomains, as well as on social media.

By issuing press releases, answering journalist queries, engaging in interviews, television and radio appearances, organising press conferences and posting information on social media, the central bank informs the general public about its activities in a responsible, consistent and timely manner. In 2024, 92 press releases were issued and 242 answers provided to journalist queries. As many as 73 statements and 11 interviews were given for both print and electronic media, while 55 television and radio appearances were made by the Governor, Vice-Governors and other members of NBS staff. The NBS recorded and released 12 short videos in the *It's good to know* category in which NBS staff explained decisions and measures within the NBS's competence. These videos are posted on all NBS communication channels. The NBS published more than 800 posts on the X platform and more than 800 posts on its Facebook account. The NBS's official LinkedIn account, launched in August 2023 to further improve the current framework for communication with the professional and broader public, recorded its highest number of followers to date at end-2024 – 13,186.

In 2024 the NBS held four public presentations of the *Inflation Report* and recorded the beginning of the plenary meeting with the IMF mission during its two visits to Serbia. The NBS organised the media coverage of the “Instant Payments, Global Inspiration” conference held on its premises, as well as the celebration of the 140th anniversary of the NBS on which occasion the innovated Visitor Centre was opened. It also ensured media coverage of its cultural, humanitarian and other socially responsible activities.

In 2024, the NBS used its website, regular publications, statistical bulletins and press releases to transparently inform the public about the instruments and measures for implementing monetary policy, as well as instruments and measures applied to preserve and strengthen financial stability. It also presented its activities in the field of supervision of financial institutions, payment services providers and electronic money institutions. The NBS website live streamed press conferences presenting *Inflation Reports*. It also published the *Annual Report on Activities and Results*, *Annual Financial Stability Report*, *Annual Monetary Policy Report* and *Semi-Annual Monetary Policy Report*, monthly issues of the *Statistical Bulletin*, quarterly reports on the banking sector, financial leasing supervision, supervision of the insurance sector and voluntary pension funds sector, as well as activities in the field of financial consumer protection. Quarterly publications included the *Report on Dinarisation of the Financial System* and the *Inflation Report*. Also available to the public were the following quarterly reports: *Trends in Lending*, *Counterfeit Currency Report*, *Report on the Results of the Bank Lending Survey*, and the monthly *Report on Inflation Expectations*. Printed and electronic materials intended for the public are available in both Serbian and English.

At the Governor's initiative, the *NBS Working Papers Bulletin* was prepared and published both in print and electronically, on a semi-annual basis. It contains staff papers on the current topics, including macroeconomic, monetary and fiscal analyses, as well as different tasks performed by the NBS.

At the DinaCard subdomain, the NBS continued to publish all information about the domestic payment card – DinaCard, information about the DinaCard system, as well as the list of all acceptors. The Instant Payments subdomain continued to provide all the relevant information about instant payment advantages and methods.

On other subdomains – Your Money and Visitor Centre – the NBS continued to inform the public about its activities in the field of financial consumer protection and education, exhibitions and cultural events, and educational programmes for pupils and students.

On its YouTube channel, the NBS published recordings of conferences for the press and professionals presenting the *Inflation Report*, NBS Governor's addresses to the public, videos in the *It's Good to Know* category, as well as recordings about the history of the Bank, financial education and money, and other relevant content.

In the course of 2024, exhibitions, educational and cultural programmes of the NBS intended for the public recorded a turnout of 6,710 visitors – the exhibition and educational space in Kralja Petra 12 was visited by 2,050 guests, and the gallery hall at Slavija Square by 2,100 visitors. Educational workshops were attended by 2,560 students.

The NBS pays special attention to the financial education of children and youth. Financial education programmes focus on raising awareness of young people about the importance of money, its role, value and benefits of financial product management. In cooperation with educational institutions, the NBS organised workshops, lectures and tournaments in educational games across Serbia.

The exhibition and educational hall of the NBS at Nemanjina 17 was the venue for the following exhibitions: 150 years of the Serbian Dinar, Seventh Salon of Photography of NBS Employees, Divine Inspiration – the Gospel of Miroslav and the Serbian Psalter, Theatre Puppets of the Kosovo Covenant, Bank Day – 140 Years of the National Bank of Serbia, A Look Back, Exhibition of Paintings by Ranko Brkić, Masterpieces of Serbian Collectors 1950–1990, Parallel Worlds, Hélène of Anjou, My Banknote, Nature as Heritage, and the Mechanics of Darkness.

The NBS observed the Global Money Week, World Savings Week, the International Days of the Francophonie, Days of Belgrade and European Heritage Days.

V.4.8 Social responsibility

Cultivating philanthropy, in 2024 the NBS organised humanitarian activities in the head and branch offices and provided different forms of assistance to those in need. Employees were actively engaged in humanitarian campaigns to collect funds, food and clothing for socially vulnerable groups, children with developmental challenges, children without parental care and the elderly. They also took part in

volunteer campaigns, striving to contribute to solving existing social issues and help those in need.

Thanks to cooperation with charity organisations, centres, associations and schools for children with developmental challenges, the humanitarian and voluntary campaigns organised by the NBS are extremely successful. **The total cash value of the humanitarian activities of NBS employees in 2024 amounted to RSD 1,288,595.**

In a humanitarian campaign in Niš, employees of the Niš Branch collected money and donated it to a 14-year old girl from their town for further medical treatment. Employees of the Užice Branch collected money to purchase educational material for the Primary School for the Education of Children with Developmental Disabilities “Miodrag V. Matić.” Employees of the Novi Sad Branch collected money to buy school stationery supplies for children using the Soup Kitchen in Sremski Karlovci. Employees of the Kragujevac Branch collected money to buy educational material for elementary school students of the School and Centre for Children with Hearing Impairments in Kragujevac.

In a humanitarian campaign to collect new and second-hand clothing items for elderly citizens titled “Make the elderly happy with a good deed and ennoble your heart,” employees in Belgrade collected 70 packages of cotton T-shirts, sweatshirts, socks and bed linen for the residents of the Elderly Care Nursing Home in Karaburma.

Traditional New Year exhibitions of the artwork made by children and youth with developmental disabilities and elderly persons were held in the Belgrade head office and in the Novi Sad Branch to collect funds for purchasing materials needed for educational programmes of these persons.

NBS volunteers showed how important and beneficial this type of social responsibility is. Volunteers from Belgrade and Novi Sad participated in the 23rd voluntary campaign “Good Deeds towards True Values,” which was realised in June in Bačko Gradište. They worked on repairing the clay and reed ceiling, sanding and painting windows and doors, as well as the panelling. After the event, they also whitewashed and cleaned the hall where the town residents gather and hold ceremonies. In November, 34 volunteers painted the Bambi kindergarten in Užice. This campaign was the first of its kind organised for employees of the Užice Branch, with the support of their coworkers from the head office.

Traditionally, NBS employees participated in a socially responsible campaign to collect food for users of the soup kitchen within the Serbian Orthodox Church’s charity Versko Dobrotvorno Starateljstvo, to mark the International Day for the Eradication of Poverty. A total of 1,132 kg of food and 170 litres of sanitary products was collected.

In a traditional humanitarian campaign “A Present for an Unknown Friend” held before the New Year’s, employees donated 530 New Year’s gifts and more than 100 packages of second-hand clothing and toys to children and youth of the Day Care Centre for Children and Youth with Developmental Disabilities “Neven” in Pančevo, “Kocka” kindergarten in Bačko Gradište, the School and Centre for

Children with Hearing Impairments in Kragujevac and the Home for Children and Youth with Developmental Disabilities “Veternik” in Novi Sad.

Through the collection and sale of secondary raw materials (paper and PET bottles), which NBS employees sorted in their offices, an income of RSD 192,635 was generated. These funds were collected for charity purposes and donated to non-profits, associations, educational or health institutions. This year, the funds were donated to the Association of Single Parents and Families of Children with Disabilities “Plava školjka” in Belgrade and will be used to build a gazebo at the House of Hope in Banja Koviljača.

In 2024, NBS employees gathered around 1,700 kg of plastic bottle caps as part of the ecological and humanitarian campaign “Bottle Cap for Handicap,” thus securing funds for purchasing two orthopaedic tricycles.

Donations are regulated by the Decision on Establishing the Committee for Review of Applications for Donations and Humanitarian Assistance and Setting the Conditions, Mechanisms and Criteria of Award. On the basis of that Decision, funds for donations and humanitarian assistance, fixed assets, intangible assets and inventory no longer in use, as well as small inventory, consumables and supplies may be granted or donated, in accordance with the act determining the criteria for technical and technological deterioration of NBS resources, to legal persons, local government units, educational and cultural institutions, social and health care institutions, non-profit organisations and associations, humanitarian organisations and other institutions.

In 2024, the NBS allocated RSD 2,500,000.00 for these purposes. The Institute for Manufacturing Banknotes and Coins – Topčider produced and donated plaquettes to the “Dositej Obradović” Foundation.

In 2024, the NBS continued to behave responsibly towards the community and the environment. Waste formed in the process of current and investment maintenance of facilities and equipment is handled in accordance with the Law on Waste Management. The sorted waste is properly and temporarily stored in a dedicated packaging, and then handed over to the authorised companies for final disposal. Records on the waste generated and handed over are kept regularly, and measures are taken to reduce the waste.

The long-term strategic approach to environmental protection is reflected in the continuous efforts of the Institute for Manufacturing Banknotes and Coins – Topčider to reduce the impact of its business activities on the environment, as well as to promote commitment to sustainable development.

The emission of pollutants into water, air, and soil is continuously monitored in accordance with the law. The results of these measurements confirm that all production processes at the Institute are conducted in compliance with the established legal environmental protection standards.

In 2024, the Institute handed over 310 tonnes of non-hazardous and 28 tonnes of hazardous waste for recycling and final disposal.

V.5 Management

V.5.1 Human resource management

Number of staff, their qualifications and age structure

In 2024, the NBS employed 2,354 persons, of which 93.50% are employed for an indefinite term.

Table V.5.1.1 **A comparative overview of the number of employees**

Organisational unit	31 December 2023			31 December 2024			Change (in %)
	Indefinite term	Definite term	Total	Indefinite term	Definite term	Total	
1	2	3	4 (2+3)	5	6	7 (5+6)	8
Main organisational units	1,440	121	1,561	1,452	108	1,560	-0.06
Belgrade Branch	82	13	95	79	12	91	-4.40
Novi Sad Branch	95	6	101	95	1	96	-5.21
Niš Branch	48	6	54	46	7	53	-1.89
Kragujevac Branch	42	3	45	44	14	58	22.41
Užice Branch	36	3	39	37	2	39	0.00
Institute for Manufacturing Banknotes and Coins	426	30	456	448	9	457	0.22
Total in NBS:	2,169	182	2,351	2,201	153	2,354	0.13

Source: NBS.

Staff qualification and age structure

As at 31 December 2024, employees with an MSc/MA degree (41.75%) and with secondary education (37.48%) accounted for the largest share of NBS staff, while employees with a PhD degree accounted for 1.09%.

Table V.5.1.2 **Qualification structure of staff employed for an indefinite period**

Organisational unit	31 December 2024					
	Higher education			Secondary education	Primary education	Total
	PhD	MSc/MA	BSc/BA			
Main organisational units	21	765	236	376	54	1,452
Belgrade Branch	1	11	18	49	0	79
Novi Sad Branch	0	16	12	63	4	95
Niš Branch	0	9	6	28	3	46
Kragujevac Branch	0	12	9	22	1	44
Užice Branch	1	9	8	16	3	37
Institute for Manufacturing Banknotes and Coins	1	97	68	271	11	448
Total in NBS:	24	919	357	825	76	2,201

Source: NBS.

In terms of gender, women (57.34%) continue to outnumber men (42.66%).

Table V.5.1.3 **Staff gender structure by organisational unit**

31 December 2024				
Organisational unit	Men		Women	
	No of staff	%	No of staff	%
Main organisational units	563	38.77	889	61.23
Belgrade Branch	25	31.65	54	68.35
Novi Sad Branch	36	37.89	59	62.11
Niš Branch	22	47.83	24	52.17
Kragujevac Branch	22	50.00	22	50.00
Užice Branch	9	24.32	28	75.68
Institute for Manufacturing Banknotes and Coins	262	58.48	186	41.52
Total in NBS:	939	42.66	1,262	57.34

Source: NBS.

As in the past several years, the most prevalent age groups in 2024 were employees aged 50–60 (35.07%) and 40–50 (28.40%). The average age was 48.40 years.

Table V.5.1.4 **Age structure of staff employed for an indefinite period**

Organisational unit	31 December 2024							Average age
	Below 20	20–30	30–40	40–50	50–60	Over 60	Total	
Main organisational units	1	162	207	435	466	181	1,452	47.52
Belgrade Branch	1	3	8	21	24	22	79	51.28
Novi Sad Branch	0	4	14	25	41	11	95	50.16
Niš Branch	0	1	7	13	20	5	46	49.41
Kragujevac Branch	0	3	6	15	11	9	44	49.16
Užice Branch	0	1	14	9	8	5	37	45.76
Institute for Manufacturing Banknotes and Coins	0	8	76	107	202	55	448	50.44
Total in NBS:	2	182	332	625	772	288	2,201	48.40
In %	0.09	8.27	15.08	28.40	35.07	13.08	100.00	

Source: NBS.

Education, professional training and development

Work in the NBS calls for a high level of expertise, commitment and ability to adapt to modern-day challenges. To make sure its employees are up to date with the latest trends in central banking, finance and technological innovation, the NBS invests in their development through formal education programmes at higher education institutions, professional training courses for acquiring different

certificates and licences required for performing some jobs, as well as seminars and workshops.

In 2024, the NBS covered the costs of education at higher education institutions in the Republic of Serbia for 24 employees, enabling them to acquire a higher level of education by attending graduate, master, specialist and doctoral studies, while 36 employees had the opportunity to acquire various licences and certificates.

Seminars, conferences, specialised courses and workshops on different central banking topics have enabled employees to stay informed about current trends and foresee future challenges faced by the central bank. The lecturers were experts from central banks and international institutions such as the IMF, World Bank, BIS, ECB, national insurance supervision agencies, Centre of Excellence in Finance (CEF), Official Monetary and Financial Institutions Forum (OMFIF), the European Money and Finance Forum (SUERF), etc.

V.5.1.5 Education, professional training and development

2024	
Form of education, professional training and development	No of employees
Education	
BA/BSc – graduate studies	4
BA/BSc – specialist applied studies	1
BA/BSc – basic applied studies	1
MA/MSc – master studies	9
MA/MSc – master applied studies	6
PhD – doctoral studies	3
Professional training	36
Professional development	
Seminars, workshops, counselling, conferences and online training in the country	80
Seminars, workshops and conferences abroad – in-person	151
Online training courses organised by central banks and international institutions	129
Online training courses within bilateral cooperation	19
Student internship	
Internship for university students from Serbia, Republic of Srpska and abroad	77

Source: NBS.

The NBS organised internship for 77 university students giving them a chance to gain practical work experience on top of the theoretical knowledge acquired at university, as a basis for further career development.

V.5.2 Internal audit and risk management

The regulatory framework for internal audit in the NBS is established by the Law on the National Bank of Serbia, Statute of the National Bank of Serbia and internal general acts which regulate in more detail the internal audit and its performance.

Internal audit is carried out in accordance with the Annual Plan adopted by the Council of the Governor. Reports on conducted internal audits are submitted to managers of the audited units and to the Governor. The Council of the Governor is also informed about internal audit activities on a quarterly basis through the Audit Committee.

A total of 18 audits were conducted in 2024 in the following fields: NBS asset management, monetary policy implementation, supervision of financial and other entities, operations with cash and other valuables, payment systems, finance and accounting, procurement and information-communication system management.

A follow-up on **13 recommendations** from prior years was also carried out.

The results of the audits and the follow-up indicate that the **operating risk is continuously lessening and control processes are improved on an ongoing basis.**

V.5.3 Information and communication technologies

We carefully monitor the operation of all components of the NBS information system, as its stable functioning is an important precondition for the smooth performance of key business processes. We also successfully maintain the required level of information system security, despite heightened malicious activity caused by the geopolitical situation in the world. For this reason, we constantly upgrade the applied hardware and software solutions and conduct staff training.

One ICT infrastructure project was implemented in 2024 for the needs of the NBS and external users.

In 2024, the security of the infrastructure systems and the entire NBS computer network was enhanced through regular check-ups of applied security controls, identification and analysis of vulnerabilities, and migration to the latest versions of all hardware and software security solutions.

We worked continuously to further upgrade the ICT infrastructure, network infrastructure, database infrastructure, primary data centres and disaster recovery locations for key NBS processes.

The exchange of financial messages in the MX format (ISO 20022) was enabled through the SWIFT network. We also checked and verified the alignment of the SWIFT service with the requirements of SWIFT Customer Security. There were no disruptions or incidents in the work of the SWIFT system for international payments.

With regard to internal application development, in 2024 the NBS implemented new and upgraded existing application solutions to support business processes, in line with legal regulations and amended internal work regulations and procedures. Business sectors submitted 224 requests for change and upgrade of applications, and 237 requests were implemented (including requests from the prior period). A new application development ICT project was opened in 2024, and the implementation of previously opened projects is under way. In addition, the focus of application development was on applications' transitioning to a higher technological level.

In 2024, technical support recorded and responded to 1,262 simpler requests, 5,460 more complex requests and 1,139 incidents reported by internal and external users in connection with the installation, use and maintenance of software for exchange transactions.

Fees were charged in 2,546 cases for the installation and use of the standard desktop and network versions of the software for exchange transactions, as well as for using commercial banks' applications for exchange transactions in 2024.

VI FINANCIAL STATEMENTS

VI.1 Financial position and result of the National Bank of Serbia

The NBS is a non-profit institution mandated to achieve the legally defined objectives of ensuring price and financial stability in a sustainable manner, while supporting economic growth. **The success of the NBS, like the success of any other central bank in the world, is therefore not measured by the financial result achieved in a given year, but by whether it has delivered on its legally defined objectives and ensured favourable conditions for doing business and investing.**

The statement of financial position of the NBS as at 31 December 2024 (Balance Sheet) discloses the assets – property of the Republic of Serbia used by the NBS for the purpose of meeting its objectives and exercising its functions, and liabilities – total liabilities and capital of the NBS, in the total amount of RSD 3,734 bn. In 2024, total assets of the NBS increased by 16.8%, i.e. by RSD 537.1 bn relative to 2023.

The most important balance sheet positions in total NBS assets as at 31 December 2024 are:

- **cash and current accounts held with banks** in the amount of RSD 443.4 bn, down by 37.5% from 2023;
- **gold and other precious metals** in the amount of RSD 455.8 bn, up by 61.9% from 2023;
- **deposits** in the amount of RSD 524.2 bn, up by 10.6% from 2023;
- **securities** in the amount of RSD 2,180.1 bn, up by 35.8% from 2023.

Table VI.1.1 **Balance sheet**

(RSD thousand)

	31 December 2024	31 December 2023
ASSETS		
Cash and current accounts held with banks	443,362,919	709,492,176
Gold and other precious metals	455,843,848	281,548,953
Deposits	524,219,095	474,039,603
Derivative receivables	31,435	18,764
Securities	2,180,099,991	1,605,342,085
Loans and placements	815,913	846,133
IMF membership quota and SDR holdings	97,568,791	94,385,689
Intangible assets	1,657,448	1,425,830
Property, plant and equipment	22,688,259	22,088,073
Investment property	484,208	484,208
Other assets	7,252,276	7,204,533
TOTAL ASSETS	3,196,876,047	3,196,876,047
LIABILITIES		
Liabilities		
Derivative liabilities	31,435	18,764
Deposits and other liabilities to banks and other financial organisations	1,688,125,076	1,461,704,093
Deposits and other liabilities to the government and other depositors	902,710,992	807,399,400
Liabilities to the IMF	97,508,018	94,463,082
Provisions	2,452,278	1,897,053
Current tax liabilities	452,939	416,934
Currency in circulation	399,640,272	369,368,005
Other liabilities	5,510,038	3,146,922
Total liabilities	3,096,431,048	2,738,414,253
Capital		
State-owned capital	221,061,583	216,507,798
Reserves	233,960,766	215,941,487
Retained earnings	182,570,786	26,012,509
Total capital	637,593,135	458,461,794
TOTAL LIABILITIES	3,734,024,183	3,196,876,047

Source: NBS.

Liabilities measured RSD 3,096.4 bn and capital RSD 637.6 bn.

As at 31 December 2024, NBS liabilities included primarily:

- liabilities to banks and other financial organisations, arising mainly from the conduct of monetary policy, i.e. determining bank required reserves and implementing open market operations in the amount of RSD 1,688.1 bn or 15.5% more than a year earlier;

- liabilities to the government and other depositors in respect of transaction and other deposits in dinars and foreign currency in the amount of RSD 902.7 bn, up by 11.8% from a year earlier;
- liabilities to the IMF in the amount of RSD 97.5 bn or 3.2% more than in 2023;
- liabilities to transactors for currency in circulation in the amount of RSD 399.6 bn or 8.2% more than a year earlier.

The NBS Income Statement for 2024 discloses profit of RSD 182.6 bn. Operating profit (not originating from exchange rate gains/losses and revaluation reserves), measuring a total of RSD 48.4 bn, was distributed under Article 77 of the Law on the National Bank of Serbia so that 70%, or RSD 33.9 bn, was allocated to the budget of the Republic of Serbia. Of the remainder, 10% was allocated to core capital and 20% to the special reserves of the NBS.

Interest income and expenses were the most significant income and expenses generated by the NBS in 2024 while carrying out its legal mandate as stipulated in the Law on the National Bank of Serbia. Interest income came at RSD 98.8 bn and interest expenses at RSD 49.7 bn. In 2024, net interest income amounted to RSD 49.1 bn, up by RSD 28.5 bn relative to 2023.

The NBS also recorded substantial fee and commission income in the total amount of RSD 7.3 bn, mostly from the payment of fees and commissions laid down in the Decision on Uniform Fees Charged for Services Provided by the NBS, and fee and commission expenses totalling RSD 0.5 bn. Of total other operating income of the NBS in the amount of RSD 7.4 bn, income from business operations of the Institute for Manufacturing Banknotes and Coins – Topčider accounted for RSD 7 bn.

In 2024, the NBS recorded net income from exchange rate gains/losses and currency clause effects worth RSD 134.2 bn. Net gains from derecognition of financial instruments measured at fair value through profit and loss measured RSD 0.4 bn.

Other operating expenses recorded by the NBS include: salaries, compensations and other employee-related expenses (RSD 7.9 bn), depreciation expenses (RSD 1.8 bn) and other expenses (RSD 5.3 bn), largely comprising production expenses of the Institute for Manufacturing Banknotes and Coins – Topčider.

Table VI.1.2 **Income statement**

(RSD thousand, 1 January – 31 December)

	2024	2023
Interest income	98,788,473	71,116,721
Interest expenses	(49,650,224)	(50,495,981)
Net interest income	49,138,249	20,620,740
Fee and commission income	7,281,494	5,593,498
Fee and commission expenses	(533,829)	(661,267)
Net fee and commission income	6,747,665	4,932,231
Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income	351,632	(2,499,552)
Net loss from derecognition of financial assets measured at amortised cost	-	(3,251)
Net exchange rate gains and gains from currency clause effects	134,205,240	8,379,971
Net gain/(loss) from depreciation of financial assets	170,683	(97,151)
Other operating income	7,404,020	6,817,032
Salaries, compensations and other employee-related expenses	(7,907,508)	(6,431,201)
Depreciation expenses	(1,825,159)	(1,709,766)
Other income	68,518	1,406,044
Other expenses	(5,329,615)	(4,985,654)
PROFIT BEFORE TAX	183,023,725	26,429,443
Profit tax	(452,939)	(416,934)
PROFIT AFTER TAX	182,570,786	26,012,509

Source: NBS.

VI.2 Accounting principles and standards

The accounting principles and standards applied by the NBS in preparing, presenting and disclosing financial statements are defined by the accounting policy of the NBS, in line with the International Accounting Standards and International Financial Reporting Standards.

The goal of the accounting policy of the NBS is to ensure that the property status, success of operations and change in the financial position of the NBS are disclosed fairly and objectively in its financial statements. Accounting policy refers to the estimation of assets, liabilities and capital, calculation of operating results and disclosure of these items in financial statements.

The accounting policy applied in recognition, valuing and disclosure of the most significant items in the balance sheet and income statement for 2024 is presented below.

Interest income and expenses

Interest income and expenses, including default interest and other income and expenses arising from interest-bearing assets and/or interest-bearing liabilities, are calculated according to the matching principle. In calculating interest income or

expenses under a financial asset or financial liability, the effective interest rate is applied to the gross carrying amount of the asset or the amortised cost of the liability. Interest income from a credit-impaired financial asset (impairment stage 3) is calculated by applying the effective interest rate to the amortised cost of the financial asset, i.e. the carrying amount adjusted for the impairment allowance.

Fee and commission income and expenses

Fee and commission income and expenses are recognised in the period when realised.

Conversion of FX-denominated assets and liabilities

Transactions performed in foreign currencies whose exchange rates are officially published by the NBS are converted into dinars using the official middle exchange rates effective as at the transaction date, whereas for currencies whose exchange rates are not officially published by the NBS, conversion is performed using corresponding cross-exchange rates of the NBS effective as at the transaction date.

Monetary assets and liabilities denominated in foreign currency are converted into dinars using the official middle exchange rate valid on the balance sheet date (if the currency rate is published by the NBS in the official exchange rate list) or the corresponding exchange rate of the NBS (for currency rates not published in the official exchange rate list).

Exchange rate gains or losses arising from the conversion of transactions in a foreign currency and the recalculation of monetary balance sheet items denominated in foreign currency are credited or charged to the income statement as gains/losses from exchange rate and currency clause effects.

Financial instruments

Classification of financial assets and liabilities

The management determines the classification of financial assets and liabilities at initial recognition. Any subsequent reclassifications are carried out only if the business model within which they are held is changed, in which case the reclassification is mandatory.

The classification depends on the business model within which financial assets are held and the characteristics of the cash flows arising from such assets.

The NBS classifies its financial assets in the following categories:

- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income, and
- financial assets at fair value through profit and loss.

Financial liabilities are classified as financial liabilities valued at amortised cost and financial liabilities valued at fair value through profit and loss.

Measurement of financial assets and liabilities

At initial recognition, financial assets are carried at fair value, in accordance with the IFRS 9. The **fair value of financial assets is the price that would be received to sell them in an orderly transaction**. Depending on the classification category, after initial recognition, financial assets are measured:

- at amortised cost,
- at fair value through other comprehensive income, and
- at fair value through profit and loss.

At initial recognition, financial liabilities are carried at fair value, in accordance with the IFRS 9, and at subsequent measurement they are measured at amortised cost, except for financial liabilities held for trading and financial liabilities carried at fair value through profit and loss based on the decision issued by the Governor or a person authorised by the Governor.

Modification of financial assets

Modification of a financial asset is the change in the established (contracted, prescribed or otherwise determined in accordance with regulations) cash flows on the financial asset, through renegotiation or otherwise. If the modified financial asset results in contractual cash flows that are not significantly different from the benchmark cash flow, recognition of that financial asset is continued at a modified value, and the difference between the carrying amount and the modified value is recognised in the income statement. If the modified financial asset results in contractual cash flows that are significantly different from the benchmark cash flow, the modification results in the derecognition of that financial asset and the recognition of a new financial asset.

Impairment of financial assets

Loss allowance is recognised (recognition of impairment, that is loss allowances) for expected credit losses on a financial asset measured at amortised cost, on a financial asset measured at fair value through other comprehensive income and on other receivables in accordance with IFRS 9 requirements.

Expected credit losses on a financial asset are estimated for an individual financial asset or a group of financial assets with the same characteristics, taking into account all the relevant and available quantitative and qualitative information, pertaining to the past, current and future events.

Financial assets are classified under *impairment stage 1* if it is estimated that they have low credit risk or if the credit risk did not increase significantly since the date of initial recognition of those financial assets. For these financial assets, 12-month expected credit losses are estimated.

Financial assets are classified under *impairment stage 2* if it is estimated that the credit risk increased significantly since the initial recognition. Lifetime expected credit losses are determined for these financial assets.

Financial assets are classified under *impairment stage 3* if it is estimated that the credit risk increased significantly so that the value of these financial assets may be considered credit-impaired. Lifetime expected credit losses are determined for these financial assets.

Financial assets that are credit-impaired at acquisition are obligatorily classified under *impairment stage 3* and remain there for their lifetime.

Derecognition

A financial asset or a part thereof should be derecognised when the right to all or some cash flows from the financial asset expires, or when a financial asset or a part thereof is transferred. A financial liability or a part thereof should be derecognised when it is fully or partially discharged or expires. The difference between the carrying amount of the derecognised financial asset and liability or a part thereof measured at the date of derecognition and the consideration received (if any) is recognised in the income statement.

VI.3 Risk exposure and management

The key financial risks to which the NBS is exposed in its daily operations are the following:

- **credit risk,**
- **liquidity risk,**
- **interest rate risk, and**
- **currency risk.**

Given that the primary objective of the NBS is to preserve price and financial stability, its financial risk management framework differs from that of commercial financial institutions. The majority of financial risks in the NBS's operations arise from FX reserve management and financial market operations.

FX reserve management is based on the Strategic Guidelines for the Management of FX Reserves, determined by the NBS Executive Board. The Guidelines define the criteria for investment of FX reserves, purposes for which the reserves are used, global investment framework and other. Based on these Guidelines, the NBS's Investment Committee prepares the proposal of Tactical Guidelines for FX Reserve Management and submits them to the Executive Board for adoption.

Credit risk

Credit risk is the risk of default on obligations, i.e. the possibility of funds not being timely and/or fully repaid or not collected according to the planned/agreed timeframe. The NBS's exposure to credit risk is primarily in the domain of FX reserve management. When investing FX reserves, the NBS is guided by the principles of liquidity and safety. The analysis and measurement of the credit risk inherent in the NBS portfolio is performed in accordance with generally accepted methods, including minimum credit rating requirements.

Table VI.3.1 Concentration of credit risk of financial assets by country and region

(RSD thousand, as at 31 December 2024)

	Serbia	Europe	USA and Canada	Other	Total
Cash and current accounts held with banks	27,837,176	232,672,207	921,502	122,416	261,553,301
Deposits	3,554	419,242,864	104,972,677	-	524,219,095
Securities	138,023,342	1,465,740,555	456,577,777	105,547,598	2,165,889,272
Loans and placements	815,913	-	-	-	815,913
IMF membership quota and SDR holdings	-	-	8,421,482	-	8,421,482
Other assets	1,216,993	1,870	1,935	-	1,220,798
Total					
31 December 2024	167,896,978	2,117,657,496	570,895,373	105,670,014	2,962,119,861
Total					
31 December 2023	144,774,443	2,019,585,373	352,263,628	83,198,466	2,599,821,910

Source: NBS.

The securities in which investment is made must have a composite credit rating of at least A- for government bonds, A+ for public sector bonds and AA for covered bonds, as assigned by Standard & Poor's, Moody's and Fitch. In addition, commercial banks maintaining non-collateralised deposits of the NBS must have a minimum composite credit rating of AA-. A credit limit for each bank is determined based on the bank's credit rating, prior experience in operations with that bank and an analysis of its business performance. A credit limit for each bank is set in the List of Authorised Issuers of Securities and Banks in Which it is Permissible to Place FX Reserve Funds of the NBS, which is adopted by the Executive Board. There are no limitations to investments with central banks and international financial institutions. An exception to the above are funds held in regular current accounts of the NBS with banks not having the required credit rating and used for the performance of foreign payment transactions.

Liquidity risk

Liquidity risk refers to the (in)ability to ensure regular payment of obligations and regular collection of receivables within agreed timelines. As part of its strategy of liquidity risk management, the NBS holds a portfolio of liquid assets, including funds held in accounts with foreign banks and bonds of the most

developed countries, international financial institutions, federal units of the most developed countries and financial institutions supported by these countries, as well as prime covered bonds, in line with the guidelines for managing FX reserves.

Table VI.3.2 Exposure to liquidity risk – financial assets and liabilities with maturity date

(RSD thousand, as at 31 December 2024)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Non-derivative financial liabilities							
Deposits and other liabilities to banks and other financial organisations	1,688,678,231	-	-	-	-	-	1,688,678,231
Deposits and other liabilities to the government and other depositors	644,740,716	169,346,663	90,638,809	-	-	-	904,726,188
Liabilities to the IMF	46,192	-	-	-	8,309,020	89,152,806	97,508,018
Currency in circulation	399,640,272	-	-	-	-	-	399,640,272
Other liabilities	4,925,737	23,807	107,130	110,174	-	-	5,166,847
Total	2,738,031,148	169,370,470	90,745,939	110,174	8,309,020	89,152,806	3,095,719,556
Derivative financial liabilities							
Derivative liabilities	13,996	17,439	-	-	-	-	31,435
Inflows	12,288,397	9,733,361	-	-	-	-	22,021,758
Outflows	(12,300,116)	(9,709,028)	-	-	-	-	(22,009,144)

Source: NBS.

Interest rate risk

Interest rate risk is the risk of reduction of the net result or net value of the Bank's assets due to changes in the level of interest rates. The exposure to the interest rate risk depends on the relation between interest-sensitive assets and liabilities of the Bank.

The NBS sets the key policy rate and the interest rates at which, in the conduct of monetary policy, it charges interest on loans and other placements (and other receivables) and pays interest on bank assets held with the NBS in order to meet its legally defined objectives – price and financial stability, and to support, without prejudice to its legally defined objectives, the economic policy of the Government of the Republic of Serbia.

Table VI.3.3 **Exposure to interest rate risk**

(RSD thousand, as at 31 December 2024)

	Interest-bearing items	Non-interest- bearing items	Total
Financial assets			
Cash and current accounts held with banks	232,352,735	211,010,184	443,362,919
Deposits	522,142,005	2,077,090	524,219,095
Derivative receivables	-	31,435	31,435
Securities	2,110,549,484	69,550,507	2,180,099,991
Loans and placements	321,536	494,377	815,913
IMF membership quota and SDR holdings	8,392,720	89,176,071	97,568,791
Other assets	-	1,220,798	1,220,798
	2,873,758,480	373,560,462	3,247,318,942
Financial liabilities			
Derivative liabilities	-	31,435	31,435
Deposits and other liabilities to banks and other financial organisations	1,174,593,615	513,531,461	1,688,125,076
Deposits and other liabilities to the government and other depositors	411,105,473	491,605,519	902,710,992
Liabilities to the IMF	8,309,020	89,198,998	97,508,018
Currency in circulation	-	399,640,272	399,640,272
Other liabilities	-	5,152,091	5,152,091
	1,594,008,108	1,499,159,776	3,093,167,884
Net exposure as at			
31 December 2024	1,279,750,372	-1,125,599,314	154,151,058
31 December 2023	1,228,589,920	-1,079,070,268	149,519,652

Source: NBS.

However, interest-bearing assets, mostly kept abroad, are exposed to substantial risk of changes in market interest rates. As all this can induce a change in the financial position, the NBS's rules for investment, primarily of FX reserves, aim to limit potential losses arising from market risks. The two main methods the Bank uses to quantify market risks relating to financial assets include: Value-at-Risk (VaR) and stress test methods. The first method is used to anticipate the highest possible loss in normal market circumstances, while the other is used to anticipate losses in extreme market circumstances.

When VaR (95%) is calculated at a monthly level, for the entire portfolio which includes coupon and discount securities and time deposits included in the investment portfolio in a foreign currency, calculated in euros as at 31 December 2024, in only 5% of the cases can we anticipate loss exceeding 0.75% or RSD 15,727.97 mn (EUR 134.41 mn). In case of extreme market conditions, the VaR analysis is supplemented by the stress test model which, based on portfolio duration and convexity, anticipates the possible effect of interest rate change and other adverse scenarios on portfolio value.

The most important scenario for the Bank is an unexpected increase in interest rates (decline in the prices of securities), reflecting what would happen to the entire portfolio if interest rates went up by 100 bp. If interest rates had gone up by 100 bp as at 31 December 2024, the portfolio in euros would have lost RSD

21,622 mn (EUR 184.78 mn), the US dollar portfolio – RSD 7,953 mn (USD 70.73 mn), the GBP portfolio – RSD 459 mn (GBP 3.25 mn), and the CAD portfolio – RSD 531 mn (CAD 6.78 mn).

Currency risk

The NBS is exposed to the currency risk because of changes in exchange rates. Most of the assets and liabilities in the NBS balance sheet are denominated in a foreign currency, which enables the NBS to respond, as needed, to requirements regarding the maintenance of the country's external liquidity and to moderate short-term volatility of the dinar exchange rate.

In order to minimise medium-term risks, the NBS makes efforts to match the currency structure of assets with the expected FX liabilities. In the short term, this can lead to exchange rate gains/losses, recorded in the income statement.

Table VI.3.4 **Currency risk exposure of financial assets and liabilities**

(RSD thousand, as at 31 December 2024)

	EUR	USD	SDR	Other currencies	Total foreign currencies	RSD	Total
Financial assets							
Cash and current accounts held with banks	377,110,733	17,480,125	-	20,934,819	415,525,677	27,837,242	443,362,919
Deposits	311,940,622	207,079,385	-	5,195,533	524,215,540	3,555	524,219,095
Derivative receivables	-	-	-	-	-	31,435	31,435
Securities	1,388,907,835	559,763,567	14,209,778	79,195,469	2,042,076,649	138,023,342	2,180,099,991
Loans and placements	-	-	-	-	-	815,913	815,913
IMF membership quota and SDR holdings	-	-	97,568,791	-	97,568,791	-	97,568,791
Other assets	26,247	622,285	-	996	649,528	571,270	1,220,798
	2,077,985,437	784,945,362	111,778,569	105,326,817	3,080,036,185	167,282,757	3,247,318,942
Financial liabilities							
Derivative liabilities	-	-	-	-	-	31,435	31,435
Deposits and other liabilities to banks and other financial organisations	397,315,622	1,804	-	6,214	397,323,640	1,290,801,436	1,688,125,076
Deposits and other liabilities to the government and other depositors	370,630,168	264,680,007	453,058	1,913,941	637,677,174	265,033,818	902,710,992
Liabilities to the IMF	-	-	97,508,018	-	97,508,018	-	97,508,018
Currency in circulation	-	-	-	-	-	399,640,272	399,640,272
Other liabilities	786,971	421,171	-	224,834	1,432,976	3,719,115	5,152,091
	768,732,761	265,102,982	97,961,076	2,144,989	1,133,941,808	1,959,226,076	3,093,167,884
Net exposure as at:							
31 December 2024	1,309,252,676	519,842,380	13,817,493	103,181,828	1,946,094,377	1,791,943,319	154,151,058
31 December 2023	1,305,300,939	414,967,407	12,333,510	86,267,407	1,818,869,263	1,669,349,611	149,519,652

Source: NBS.

VI.4 Independent auditor's report



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*This is English translation of the Report
originally issued in Serbian language
(For management purposes only)*

INDEPENDENT AUDITORS' REPORT

TO THE COUNCIL OF GOVERNORS OF NARODNA BANKA SRBIJE

Opinion

We have audited the financial statements of **Narodna banka Srbije** (the Bank), which comprise the balance sheet as at **31 December 2024**, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards applicable in Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

PIB: 101824091 • Matični broj: 17155270
Poslovni račun 160-000000399176-13 kod Banke Intesa a.d. Beograd




Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with Auditing Standards applicable in Republic of Serbia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belgrade, 21 March 2025


 Nikola Ribar
 Authorized Auditor
 Ernst & Young d.o.o. Beograd



A member firm of Ernst & Young Global Limited

VI.5 Annual financial statements

Balance sheet

NATIONAL BANK OF SERBIA

BALANCE SHEET As at December 31, 2024

In thousands of RSD	Note	December 31, 2024	December 31, 2023
ASSETS			
Cash and current accounts held with banks	15, 3.4	443,362,919	709,492,176
Gold and other precious metal	16, 3.5	455,843,848	281,548,953
Deposits	17, 3.3	524,219,095	474,039,603
Derivative receivables	3.3	31,435	18,764
Securities	18, 3.3	2,180,099,991	1,605,342,085
Loans and placements	19, 3.3	815,913	846,133
IMF membership quota and SDR holdings	20, 3.3	97,568,791	94,385,689
Intangible assets	21, 3.7	1,657,448	1,425,830
Property, plant and equipment	21, 3.7	22,688,259	22,088,073
Investment property	21, 3.7	484,208	484,208
Other assets	22	7,252,276	7,204,533
TOTAL ASSETS		3,734,024,183	3,196,876,047
LIABILITIES AND EQUITY			
Liabilities			
Derivative liabilities	3.3	31,435	18,764
Deposits and other liabilities to Government and financial organisations	23	1,688,125,076	1,461,704,093
Deposits and other liabilities to Government and other depositors	24	902,710,992	807,399,400
Liabilities to the IMF	25, 3.3	97,508,018	94,463,082
Provisions	26, 3.11	2,452,278	1,897,053
Current tax liabilities	27, 3.9	452,939	416,934
Cash in circulation	28	399,640,272	369,368,005
Other liabilities	29	5,510,038	3,146,922
Total liabilities		3,096,431,048	2,738,414,253
Equity			
State-owned capital		221,061,583	216,507,798
Reserves		233,960,766	215,941,487
Retained earnings		182,570,786	26,012,509
Total equity	30	637,593,135	458,461,794
TOTAL LIABILITIES AND EQUITY		3,734,024,183	3,196,876,047

Notes on the following pages form an integral part of these financial statements.

These financial statements were approved by the Governor:

Jorgovanka Tabakovic, PhD
Governor

Income statement

NATIONAL BANK OF SERBIA

INCOME STATEMENT

For the period from January 1 to December 31, 2024

<u>In thousands of RSD</u>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Interest income		98,788,473	71,116,721
Interest expenses		(49,650,224)	(50,495,981)
Net interest income	4, 3.1	49,138,249	20,620,740
Fee and commission income		7,281,494	5,593,498
Fee and commission expenses		(533,829)	(661,267)
Net fee and commission income	5, 3.1	6,747,665	4,932,231
Net losses from derecognition of financial instruments measured at fair value through other comprehensive income	6, 3.3	351,632	(2,499,552)
Net losses from derecognition of financial instruments measured at amortized cost	3.3	-	(3,251)
Net exchange rate gains and gains from contractual currency clause	7, 3.2	134,205,240	8,379,971
Net (expense) of impairment/Net income from impairment of financial assets	8, 3.3, 3.1	(170,683)	(97,151)
Other operating income	9	7,404,020	6,817,032
Salaries, salary compensations and other personal expenses	10, 3.10	(7,907,508)	(6,431,201)
Depreciation costs	11, 3.7	(1,825,159)	(1,709,766)
Other income	12	68,518	1,406,044
Other expenses	13	(5,329,615)	(4,985,654)
PROFIT BEFORE TAX		183,023,725	26,429,443
Income tax	27, 3.9	(452,939)	(416,934)
PROFIT AFTER TAX	30	182,570,786	26,012,509

Notes on the following pages form an integral part of these financial statements.

These financial statements were approved by the Governor:

Jorgovanka Tabakovic, PhD
Governor

Statement of other comprehensive income

NATIONAL BANK OF SERBIA		
STATEMENT OF OTHER COMPREHENSIVE INCOME		
In the period from January 1 to December 31, 2024		
In thousands of RSD	2024	2023
Profit for the period	182,570,786	26,012,509
Components of other comprehensive income which cannot be reclassified to profit or loss:		
Increase in revaluation reserves based on intangible assets and fixed assets	-	-
Positive effects of change in value of equity instruments measured at fair value through other comprehensive income	1,611,273	467,957
Actuarial losses	(128,254)	(105,954)
Components of other comprehensive income that may be reclassified to profit or loss:		
Positive effects of change in value of debt instruments measured at fair value through other comprehensive income	7,420,312	32,553,584
Other comprehensive income for the period	8,903,331	32,915,587
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	191,474,117	58,928,096

Notes on the following pages form an integral part of these financial statements.

These financial statements were approved by the Governor:

Jorgovanka Tabakovic, PhD
Governor

Statement of changes in equity

NATIONAL BANK OF SERBIA

STATEMENT OF CHANGES IN EQUITY For the year ended December 31, 2024

In thousands of RSD	State owned capital	Special reserves	Revaluation reserves	Fair Value Reserves	Actuarial losses	Retained earnings	Total
Balance as at January 1, 2023	204,260,998	162,760,357	17,031,131	(21,284,313)	(10,473)	39,525,003	402,282,703
Distribution of profit from previous year (Note 30)	12,246,800	24,529,198	-	-	-	(39,525,003)	(2,749,005)
Increase in fair value reserve of equity instruments measured at fair value	-	-	-	467,957	-	-	467,957
Actuarial losses	-	-	-	-	(105,954)	-	(105,954)
Increase in fair value reserves of debt instruments measured at fair value	-	-	-	32,553,584	-	-	32,553,584
Net gain for the current year	-	-	-	-	-	26,012,509	26,012,509
Balance as of December 31, 2023	216,507,798	187,289,555	17,031,131	11,737,228	(116,427)	26,012,509	458,461,794
Balance as at January 1, 2024	216,507,798	187,289,555	17,031,131	11,737,228	(116,427)	26,012,509	458,461,794
Distribution of profit from previous year (Note 30)	4,553,785	9,115,948	-	-	-	(26,012,509)	(12,342,776)
Increase in fair value reserve of equity instruments measured at fair value	-	-	-	1,611,273	-	-	1,611,273
Actuarial losses	-	-	-	-	(128,254)	-	(128,254)
Increase in fair value reserves of debt instruments measured at fair value	-	-	-	7,420,312	-	-	7,420,312
Net gain for the current year	-	-	-	-	-	182,570,786	182,570,786
Balance as at December 31, 2024	221,061,583	196,405,503	17,031,131	20,768,813	(244,681)	182,570,786	637,593,135

Notes on the following pages form an integral part of these financial statements.

Financial statements were approved by the Governor:

Jorgovanka Tabakovic, PhD
Governor

Statement of cash flows

NATIONAL BANK OF SERBIA

CASH FLOW STATEMENT

In the period from January 1 to December 31, 2024

<u>In thousands of RSD</u>	<u>2024</u>	<u>2023</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Interest	74,986,610	51,824,589
Fee and commission	7,348,507	5,654,585
Inflows from sales of products and services (Institute for Manufacturing Banknotes and Coins)	8,292,549	7,578,569
Inflows from other operating activities	820,695	2,201,963
Cash inflow from dividends and profit sharing	155,023	119,743
<i>Cash inflow from operating activities</i>	<i>91,603,384</i>	<i>67,379,449</i>
Interest payments	(54,644,217)	(46,550,375)
Fee and commission payments	(536,143)	(683,826)
Payments for operating expenses	(14,483,758)	(13,383,768)
<i>Cash outflow from operating activities</i>	<i>(69,664,118)</i>	<i>(60,617,969)</i>
Net inflow in deposits received	349,669,206	546,870,409
Net outflow in loans and placements	(99,249,765)	(193,833,314)
Net outflow in securities and other financial assets not held for investing	(557,929,696)	(431,152,325)
<i>Net increase from operating activities before income tax</i>	<i>(285,570,989)</i>	<i>(71,353,750)</i>
Income tax paid	(416,934)	(483,977)
Payment of the distributed result-transfer to the budget of the Republic of Serbia	(12,342,776)	(2,749,004)
Net cash inflow from operating activities	(298,330,699)	(74,586,731)
CASH FLOW FROM INVESTING ACTIVITIES		
Inflow from purchase intangible assets and fixed assets	1,434	-
Outflow for purchase of intangible assets and fixed assets	(2,535,603)	(1,828,944)
Net cash outflow from investing activities	(2,534,169)	(1,828,944)
CASH FLOW FROM FINANCING ACTIVITIES		
Other outflows from financing activities	(165,432)	(145,081)
Net cash outflow from financing activity	(165,432)	(145,081)
Net increase in cash and cash equivalents	(301,030,300)	(76,560,756)
Cash and cash equivalents at the beginning of the period	716,100,693	809,980,556
Foreign exchange, net	36,213,020	(17,319,107)
CASH AND CASH EQUIVALENTS AT THE PERIOD END (Note 2d)	451,283,413	716,100,693

Notes on the following pages form an integral part of these financial statements.

These financial statements were approved by the Governor:

Jorgovanka Tabakovic, PhD
Governor

VI.6 Institute for Manufacturing Banknotes and Coins – Topčider

Total income of the Institute for Manufacturing Banknotes and Coins – Topčider (ZIN) in 2024 amounted to RSD 7,521.4 mn, and total expenses to RSD 4,989 mn.

Despite specific and difficult business circumstances, ZIN posted a positive financial result in 2024 which measured RSD 2,532.4 mn, recording a continuous increase in operating income and in total income (2.6% increase from 2023).

Table VI.6.1 **Total income and expenses of ZIN**
(RSD mn)

	2023	2024	Index 2024/2023
Total income of ZIN	7,328.4	7,521.4	102.6
Operating income:	7,168.7	7,352.4	102.6
Products for the NBS	873.9	502.1	57.5
Products for the domestic market	6,268.6	6,827.9	108.9
Export products	26.2	22.4	85.7
Other (financial) income	159.7	169.0	105.8
Total expenses of ZIN	4,668.5	4,989.0	106.9
Income-to-expense ratio	157.0	150.8	-

Source: NBS.

Thanks to maximum efforts made to optimise processes and harmonise the rules and standards of intermediate goods consumption, significant progress was again achieved in planning and organising production, making savings as well as ensuring adequate levels of inventories, particularly of strategic products.

The stability and continuity in achieving a positive financial result in the past several years, resulting from ZIN's main activity and its diversified portfolio, enable ZIN to continue its prosperous technological development and affirm its market position and recognisability.

The conversion of working capital in the most liquid (cash) form has been set as the primary operational objective. Hence, it is important to note that the dynamics of collection relative to the realised sale did not experience oscillations and was unusually high (the percentage of uncollected claims was below 0.3%).

Therefore, the indicators of business efficiency (average inventory turnover, gross profit margin and return on assets) exceeded the average of Serbian companies.

In 2024, ZIN posted a positive financial result of RSD 2,030 mn, excluding income from products manufactured for the NBS, which are included in the internal reporting segment for the purposes of a comprehensive overview of ZIN's operations. The calculation of this result (excluding income from products manufactured for the NBS) does not exclude the costs of production, i.e. manufacturing of banknotes and circulating coins, reports, catalogues, posters, business cards, internal payment cards, etc.

Structure of income

ZIN recorded most of its income (RSD 6,827.9 mn or 90.8% of total income) in the domestic market. Income from exports measured RSD 22.4 mn or 0.3% of total income.

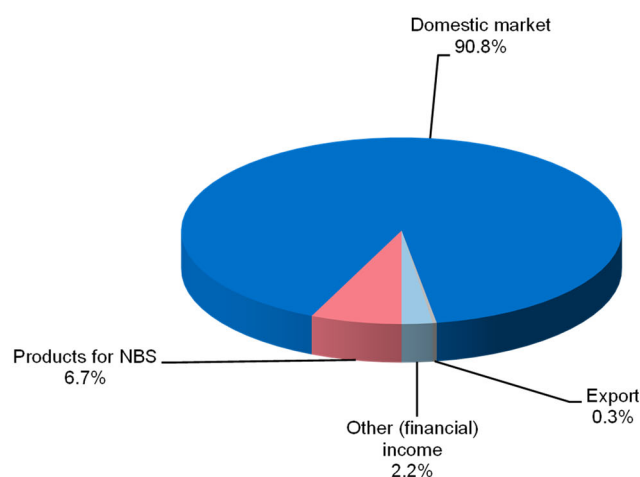
Operating income generated in the domestic and foreign market is dominated by income from the manufacturing and personalisation of payment cards, and from valuables and products with security features.

Table VI.6.2 **Structure of total income**
(RSD mn)

	2023	2024	Index 2024/2023
Total income of ZIN	7,328.4	7,521.4	102.6
Operating income	7,168.7	7,352.4	102.6
Products for NBS	873.9	502.1	57.5
Banknotes	556.2	337.8	60.7
Circulating coins	298.1	105.3	35.3
Commemorative coins	-	-	-
Other products and services for the NBS	19.7	59.0	299.5
Domestic market and exports	6,294.8	6,850.3	108.8
Pre-production services	6.8	0.6	8.7
Banknotes and other products	7.0	0.3	4.0
Circulating and commemorative coins	4.5	6.8	151.7
Other coined products and services	517.3	527.3	101.9
Valuables	1,077.3	1,096.4	101.8
Products with security features	1,806.2	1,736.2	96.1
Books, publications and promotional material	11.5	14.5	125.9
Other products	965.0	1,026.4	106.4
Personalisation	1,921.9	2,441.7	127.0
Other (financial) income	159.7	169.0	105.8

Source: NBS.

Chart VI.6.1 **Composition of ZIN's income in 2024**



Source: NBS.

Income from products manufactured for the NBS measured RSD 502.1 mn or 6.7% of total income.

The percentage of receivables collection is very high. Receivables past due comprised less than 0.3% of the total invoiced value in 2024.

Structure of expenses

Operating expenses were dominant within total expenses, most notably basic material and energy (47.3%), gross wages and other employee-related expenses (26.5%) and depreciation (10.1%).

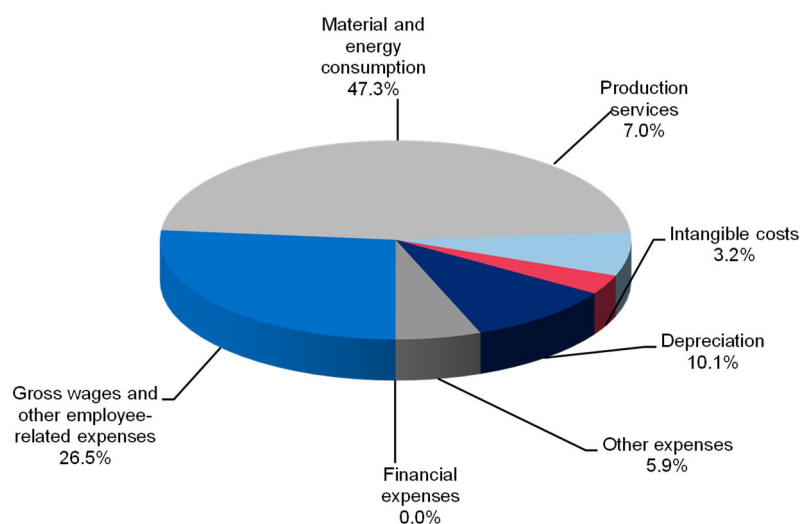
The share of these expenses in total income is continuously stable.

Table VI.6.3 **Structure of total expenses**
(RSD mn)

	2023	2024	Index 2024/2023
Total expenses	4,668.5	4,989.0	106.9
Financial expenses	0.6	0.3	45.9
Gross wages and other employee-related expenses	1,138.0	1,323.8	116.3
Material and energy consumption	2,292.0	2,358.9	102.9
Production services	172.8	351.3	203.3
Intangible costs	151.4	158.8	104.9
Depreciation	534.8	503.9	94.2
Other expenses	378.9	292.0	77.1

Source: NBS.

Chart VI.6.2 **Composition of ZIN's expenses in 2024**



Source: NBS.

VII MAIN PLANS FOR THE FUTURE PERIOD

Going forward, maintenance of price and financial stability in the medium term, together with the support to the fastest possible economic growth and a further rise in employment and living standards, will remain our monetary policy priority.

The NBS pursues the inflation targeting strategy and conducts a responsible and consistent monetary policy. **It therefore plans its activities in line with its legally mandated objectives and will remain committed to their achievement in the future period as well.** The main principles of future monetary policy implementation are laid down in the 2025 Monetary Policy Programme of the National Bank of Serbia.

In 2025 as well, the NBS's monetary policy will remain flexible with regard to the degree of its response and the use of the tools available in the inflation-targeting regime. Monetary policy decisions will be taken in a **consistent and well-timed manner, taking into account the anticipated movement in factors at home and abroad and their impact on inflation projection and the speed of inflation's slowdown, as well as the efficiency of the monetary policy transmission mechanism**, while at the same time considering the impact on financial stability and sustainable economic growth.

Without prejudice to its own independence, **the NBS will coordinate its monetary policy with the fiscal policy and structural policies of the Government** as their joint objective is medium-term price stability, preservation of financial stability and sustainability of public finances and, by extension, economic growth sustainable over the long term. This will help raise resilience to potential negative effects of the factors from the international environment, which is particularly important in periods of heightened global uncertainty and pronounced risks.

The NBS will continue to implement activities aimed at increasing the use of the dinar in the financial system.

Amid extreme uncertainty and challenges from the international environment, the regulatory and prudential measures taken by the NBS, along with the preserved macroeconomic stability and relative stability of the dinar exchange rate against the euro, have increased the level of dinarisation, which is one of the NBS's strategic objectives.

With its required reserve policy so far (more stimulating required reserve ratios for dinar sources of funding and higher remuneration for allocated dinar required reserves) and other macroprudential policy measures, the NBS has encouraged banks to make greater use of dinar sources of funding and will continue to do so. Also, to support further financial market development, the NBS will continue to implement measures and activities aimed at upgrading the domestic money and capital markets, with particular emphasis on further development of FX risk hedging instruments.

In order to maintain its FX reserves at an adequate level and ensure a high degree of their liquidity and safety, the NBS will remain committed to keeping the risk of its investment portfolio at a very low level.

Adequate FX reserves, in terms of both their volume and composition, are an important warranty of safety, particularly in times of crises. At the same time, they serve as proof that, through its measures and activities, the NBS has contributed to increasing the resilience of the domestic economy to any negative impacts from the international environment. During 2025 as well, the NBS will remain consistent in keeping its FX reserves at an adequate level, and will be guided in their management by the principles of safety and liquidity. To further upgrade the process of FX reserves management, new financial instruments and operations are planned to be introduced in 2025 to achieve more efficient and flexible management of the FX reserves portfolio and to hedge against currency changes, while at the same time providing application support by developing additional functionalities.

The NBS will continue to carefully monitor the financial system and, as needed, enact regulations aimed at preserving asset quality and financial stability.

All regulatory activities of the NBS will remain geared at preventing the materialisation of any risks that could negatively affect financial system stability in the coming period, and at continuously upgrading the regulatory framework for banks, in line with international standards and the best comparative practice, as well as the needs and specificities of the local market, in order to maintain and further strengthen banking sector resilience. Going forward, the NBS's regulatory activities will focus primarily on drawing up bylaws needed for the implementation of the Law on Amendments and Supplements to the Law on Banks, as well as on further alignment with the EU *acquis* in the area of financial services.

Plans for **banking supervision include the implementation of the supervisory activities plan for 2025**. On-site supervision of the solvency and legality of bank operations has been planned in line with the above plan. Within off-site supervision, plans include further monitoring of banks' liquidity and NPL ratios, solvency and banking sector profitability.

In the area of **financial lessors' supervision**, activities in 2025 will focus on: continuous monitoring and analysis of operations of financial lessors; continuous on-site and off-site supervision of financial lessors' operations and the taking of appropriate measures; implementing procedures at the request of lessors and other persons relating to the issuance of licences and consents, and monitoring the introduction of new products/services aimed at providing a better-quality offer to service consumers/lessees and achievement of better business results.

The NBS's activities in 2025 will be directed at preserving the stability of the insurance sector (by implementing the plan of on-site supervisions, through continuous off-site supervision of supervised entities and amendment of regulations in the area of prudential supervision and the supervision of market conduct of insurance undertakings), **and at upgrading the supervisory function, in order to protect insureds, insurance beneficiaries and injured parties**.

In the area of **voluntary pension funds supervision**, activities in 2025 will focus on **ongoing supervision of VPFs and VPF management companies, licensing operations and on-site supervision in line with the plan of on-site supervision assignments for 2025**. Special attention will also be paid to funds' investment activities to protect the interests of members and preserve the stability of the VPF sector. In 2025, work will be done on **drawing up proposed amendments to the regulations relating to VPFs**, as it has been planned to adopt a new Law on Voluntary Pension Funds and Pension Schemes, and the corresponding set of bylaws by end-2027 in order to align with EU regulations.

In 2025, the NBS plans to continuously monitor the ways in which financial institutions assess and manage information system risks through on-site and off-site supervision, as needed, and in line with the supervision plan. Within its remit, the NBS will continue to monitor the operations of virtual currency service providers. Further, **in line with changes in the standards on the information-communications system and its security, the NBS will take activities to amend and supplement current regulations in the area of supervision of financial institutions' information systems**.

To preserve and reinforce financial stability, the NBS plans the following activities for 2025: **quarterly setting of the countercyclical buffer rate for the Republic of Serbia** to limit the cyclical systemic risk; **review of the list of systemically important banks in the Republic of Serbia** and capital buffer rates for those banks; **continued monitoring and assessment of the impact of climate risks on Serbia's banking sector** within the existing methodology for macroprudential stress tests; **continued cooperation with experts from the Banque de France under the IPAREG project aimed at improving the analysis of the real estate market**, improving the quality of analysis of the existing data and

macroprudential tools for monitoring trends in the real estate market; continued cooperation with domestic institutions in order to enhance this cooperation and continue mutual exchange of data; cooperation with other central banks and their macroprudential bodies to analyse their experiences with regard to macroprudential policy measures and instruments applied to moderate and contain systemic risks, all of which can greatly contribute to further development of the financial stability function of the NBS.

In the field of bank resolution, the NBS will continue to be (pro)active, enhancing both the regulatory framework for bank resolution and the practice. In particular, it will monitor the activities taken by banks to enhance resolvability.

In line with **amendments and supplements to the Law on Banks**, the NBS **will adopt a number of bylaws** regulating in more detail the provisions of that law relating to bank resolution. Among other things, these bylaws will regulate the process of continuous resolvability assessment, as a constituent part of resolution plans of banks and banking groups, manner of determining and meeting the MREL and reporting on bank resolution, as well as new processes relating to the determining and collection of contributions to the Bank Resolution Fund, management of these funds and reporting thereon. The entire information system for the receipt and processing of reports on bank resolution will be upgraded.

During 2025, **updates of resolution plans for all banks and banking groups will be prepared and adopted and new MREs will be defined**, as part of the regular annual updating of resolution plans.

Within pre-emptive and supervisory function, in 2025 the NBS will continue to monitor the implementation of regulations on foreign exchange operations and supervise foreign exchange and exchange transactions in order to verify and establish their legality and regularity, with a view to protecting the financial and economic system from unlawful activities.

The Law on Amendments and Supplements to the Law on Foreign Exchange Operations,⁴⁸ which entered into force on 14 March 2025, authorises the NBS to take appropriate measures if it detects unlawful conduct during the supervision procedure, but also to impose fines against supervised entities. This will allow the NBS to ensure a lawful and stable exchange market by timely responding and punishing all entities that act in breach of regulations on exchange operations. In addition, subject to amendments to the Law on Foreign Exchange Operations, the NBS will control unauthorised performance of exchange operations and take appropriate measures and impose fines against persons who engage in these operations without the authorisation issued by the NBS.

In 2025, the NBS will continue to **improve the efficiency of monitoring the implementation of foreign exchange regulations and of reporting about the effects of measures taken in the field of foreign exchange operations**, so as to timely remove or mitigate potential risks to macroeconomic and financial stability

⁴⁸ RS Official Gazette, No 19/2025.

of the country, particularly amid instability of international financial flows. At the same time, the NBS will continue to **supervise foreign exchange and exchange operations in order to verify and establish their legality and regularity in line with regulations governing foreign exchange operations**, with a view to protecting the financial and economic system from unlawful activities, as part of its preventative and supervisory function.

The NBS will continue to upgrade activities relating to the **issuance and revocation of authorisations to perform exchange operations, implementation of training programmes and issuance of certificates to perform exchange operations, as well as maintaining registers in this area**.

In addition, the NBS will continue to implement the procedure of enforcement of final and enforceable court decisions on temporarily seized assets, foreign cash and cheques (orders for enforcement of safeguard measure of seizing and/or returning the above assets, temporarily seized under the Law on Foreign Exchange Operations).

As part of the financial service consumer protection function, the mechanism of collective protection will be upgraded.

Going forward, **the NBS plans to take corrective actions to remove irregularities and preventative actions to pre-empt them. Its regulatory activities will focus on developing and further upgrading financial services consumer protection, creating conditions for applying the best practice in the financial market.**

In addition to the regular activities aimed at protecting individual rights and interests of financial service consumers (acting upon consumer complaints and mediation proposals), the NBS also plans to continue using the mechanism of collective consumer protection (through on-site and off-site supervision procedures in the area of financial service consumer protection), which is consistent with the current international trend of developing the financial service consumer protection function. The NBS remains committed to taking preventative activities to pre-empt irregularities, by monitoring the conduct of financial service providers and issuing orders and instructions binding for all financial service providers. Plans also include **the exchange of information and experiences with competent authorities of other countries, in order to improve cooperation in the area of financial service consumer protection** and, in particular, in order to raise the standards of banks' market conduct. The NBS also plans to upgrade and issue regulations in the area of financial service consumer protection as part of its regulatory activity.

The NBS will continue to maintain the stability and safety of payment systems, developing them further and implementing instant payments-based services.

Going forward, the NBS will ensure stable and secure operation of payment and card systems as their operator. In this regard, it will ensure adequate management of those systems, and proper work of the hardware and software platforms used in their operation.

Plans for 2025 include **migration from the current MT format under the ISO 15022 standard to the MX format under the ISO 20022 standard** in the **NBS RTGS, clearing, international and interbank clearing of FX payments systems**. This migration is consistent with the project of the Republic of Serbia's accession to the SEPA geographical scope and with the best standards for electronic message formats used in interbank communication and the process of payment execution.

After the Republic of Serbia officially joined the **SEPA geographical scope, activities will continue in relation to enabling SEPA payments**, including preparation of payment service providers to access SEPA schemes, further analysis of the possibility of using the domestic NBS IPS infrastructure for access to SEPA payment schemes for Serbian payment service providers (among other things, the possibility of connecting the NBS IPS system to the European TIPS). This would ensure the efficiency of SEPA transactions, and simpler and faster payments to/from countries within SEPA compared to the current cross-border payments models.

In order to maintain safe and sound payment system operation **as part of its oversight function, in 2025 the NBS will work on upgrading the regulatory framework with regard to payment system oversight**, particularly in the part relating to systemically important payment systems and operational and cyber risk management, to ensure the stability of financial infrastructure and minimise the risk of disruptions in the payments market.

In 2025, the NBS will continue its activities within the project of modernisation of payment systems in the Western Balkans aimed at enabling cost-efficient payments between economies of the region, as well as with EU countries.

In 2025, the NBS will continue developing new functionalities within the NBS IPS system and take activities to expand the acceptance network, further reduce the costs of non-cash payments in the Republic of Serbia, and continue to educate consumers/companies in our country about non-cash payments.

The NBS's activities in the area of supervision of payment services provision, e-money issuance and virtual currency service provision in 2025 will focus on: **continuous monitoring and analysis of operations of payment institutions, e-money institutions and virtual currency service providers**; continued activities relating to the preparation for the **sixth round of mutual evaluations launched by Moneyval – the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism**; continuation of activities relating to the **procedures for issuing licences to provide payment services, issue e-money and provide virtual currency services**, etc.

The NBS will be active in the area of anti-money laundering – as both the regulator and the supervisor.

In order to achieve better direct results with regard to the application of measures to counter the production and proliferation of weapons of mass destruction, the NBS **plans to issue the list of indicators for recognising grounds for suspicion of financing the proliferation of weapons of mass destruction for the entities it supervises**.

In the coming period, the NBS will take activities to **further improve its supervisory activities and timely monitor the exposure to the risk of money laundering, terrorism financing and financing the proliferation of weapons of mass destruction in the supervised entities**. It will pay special attention to implementing the plan of on-site supervisions of management of the risk of money laundering, terrorism financing and financing the proliferation of weapons of mass destruction, and of the implementation of the provisions of the law regulating the freezing of assets with the aim of preventing terrorism and proliferation of weapons of mass destruction for 2025. It will also continuously monitor international standards in this area. The NBS's activities will focus on further strengthening the cooperation with relevant state authorities (in particular with the Administration for the Prevention of Money Laundering), the financial institutions it supervises in the area of preventing money laundering, terrorism financing and financing the proliferation of weapons of mass destruction, and international partners (especially the supervisory bodies from other countries).

The NBS representatives, together with other participants in the system, launched the education and presentation of the results of national risks assessments to the public and private sector. This activity will be continuously maintained during the coming period, in order for the largest possible number of stakeholders to be better informed about the results of the national risk assessments.

In cooperation with other participants in the system, in 2025 the NBS will **take part in all activities within the sixth round of mutual evaluations of the AML/CFT system in the Republic of Serbia launched by Moneyval and in preparing the materials for the Evaluation Report to be published by Moneyval after the mutual evaluations**.

Based on the results of the adopted national risk assessments, **plans include the revision of the strategic goals in the Republic of Serbia and the adoption of a new strategy to counter money laundering, terrorism financing and financing the proliferation of weapons of mass destruction**. Activities will be defined to help achieve these strategic objectives, and bylaws and internal acts of the NBS will be revised in line with the findings of the National ML/TF/WMDPF Risk Assessment.

The NBS will continue to adjust the legal regulations under its remit to ensure efficient functioning of the entire system.

In accordance with the adopted laws proposed by the NBS (Law on Amendments and Supplements to the Law on Payment Services, Law on Amendments and Supplements to the Law on the National Bank of Serbia, Law on Amendments and Supplements to the Law on Banks, Law on the Protection of Financial Service Consumers and Law on Amendments and Supplements to the Law on Foreign Exchange Operations), **relevant bylaws will be adopted to implement the legal solutions**.

Activities will continue on aligning the regulations under the NBS's remit with the needs of the practice and development tendencies, as well as with the relevant EU regulations, international standards and the best practice.

Representation of the NBS before courts and operational compliance activities will continue. The application of standards of business conduct in the NBS will be continuously analysed and improved to respond to the development of employees' tasks in the modern-day environment.

Work will continue on creating legal and other grounds for enabling the use of e-bills of exchange in legal and business transactions in the Republic of Serbia, for the purpose of further digitalisation of operations, improvement of conditions and creation of new opportunities for economic development.

On the international plane, the NBS plans to continue successful cooperation with the IMF and other international financial institutions, as well as its activities in the process of European integration and bilateral financial cooperation.

Two regular performance reviews under the agreed economic programme, supported by the IMF's Policy Coordination Instrument, are expected to take place during the year.

In 2025, key activities in the process of European integration will focus on accelerating this process, and on harmonisation and fulfilment of all commitments by 2026.

Supervision of the authorised use of loans approved to final beneficiaries by intermediate banks under Apex loan to SMEs and other priorities III/A, III/B and reinvested funds, as well as loans approved to final beneficiaries by intermediate banks from the Revolving Credit Fund of the Republic of Serbia, will also continue in 2025.

The NBS will continue to upgrade its analytical framework, as a supporting tool in monetary and macroprudential policy decision-making.

In 2025, the NBS will continue to improve its macroeconomic and macroprudential analyses and the production of official statistics, given the importance of high-quality and timely data and analyses for successful economic policy pursuit.

In statistics, the plan is to proceed with the alignment of the methodology with EU regulations in the areas of monetary, financial and balance of payments statistics.

Plans also include further enhancement of our models used for short- and medium-term projections of inflation and other macroeconomic indicators.

The publication of the *NBS Working Papers Bulletin* is expected to continue. This publication was launched in 2021 in order to bring our institution's scientific and research work closer to the general public and to make a contribution to the discussion within the academic and wider community.

In order to preserve a high level of credibility and transparency of the central bank, responsible and timely communication will remain a priority.

Central bank communication on macroeconomic developments and outlook and the measures and activities it implements based on them increases the predictability and understanding of the central bank's role and the results achieved in its work. For

this reason, the **NBS aims at clear and active communication not only with the professional community but also with the public at large and it will continue to inform the public in a responsible and timely manner about its operations and activities** using different communication channels – its webpage, social networks, answers to media and general public queries in electronic form, participation of NBS representatives in radio and television shows, etc. As so far, the NBS will regularly inform the public about its monetary policy decisions by issuing press releases after monthly Executive Board meetings, as well as present the *Inflation Report* on a quarterly basis to the professional community and the wider public with projections of key macroeconomic variables for the period ahead. The *Financial Stability Report* will also be presented to the public, in order to provide information about the situation and risks in the financial system, as well as to timely indicate potential systemic risks. In 2025, the NBS will continue to develop its internet domain and subdomains and implement exhibition and educational activities.

Plans of the Institute for Manufacturing Banknotes and Coins include further technological development of production processes, along with optimisation of operating costs.

As so far, the **Institute for Manufacturing Banknotes and Coins – Topčider (ZIN)** is motivated and ready to strive towards further progress and achievement of even higher-quality and better results by finding new ways to employ human and technological potentials. ZIN's progress is also reflected in the innovations and business ideas, as well as in its ability to manage complex production processes through adequate planning, organisation and control, and this will continue in 2025 as well. Plans include the adoption of new models, technological and applicative enhancements, including identification of the right approach to raising employees' awareness.

Adequate level and composition of cash in circulation will be sustained.

To meet strategic and operational objectives relating to the provision of an adequate volume, quality and denominational structure of cash in circulation, as well as in order to replenish stocks in the NBS's vaults, plans for 2025 include the production of additional 65.0 mn pieces of banknotes in denominations of 20, 50, 500 and 2000 dinars and 60.0 mn pieces of coins in denominations of 1, 2 and 5 dinars. Plans for 2025 also include the production of 500 pieces each of the ninth, tenth, eleventh and twelfth design of numismatic coins with the portrait of Nikola Tesla for the needs of the numismatic market in the Republic of Serbia. The remaining 290 pieces of the seventh and 300 pieces of the eighth design, not produced in 2024, will be manufactured this year.

To improve and increase the efficiency of overall business processes, the NBS's staff engage in ongoing education and development of their competencies.

The NBS continues to **invest in staff professional capacities with constant innovations and adoption of the best central banking practices.**

Going forward, the commitment to preserving comprehensive professional experience and the culture of permanent professional development will remain an integral part of the strategic orientation of the policy of managing human resources and institutional capacities in the NBS.

As so far, the NBS will be **socially responsible** and committed to numerous activities contributing to the welfare of the broader community.

In 2025, in the domain of information-communication technologies, the NBS will proceed with regular NBS information system management and **continue implementing infrastructure and application development projects and improving management functions**, in line with the ESCB's good practice and experience,⁴⁹ including through improved management and use of the disaster recovery location for key business processes. Staff training on ICT system security will continue in line with the requirements of the ISO 27001 standard,⁵⁰ SWIFT requirements for mandatory security controls and other specific needs of the NBS information system.

⁴⁹ ESCB – European System of Central Banks.

⁵⁰ Information security management standard.

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