

III PUBLIC DEBT MANAGEMENT STRATEGY FOR THE PERIOD 2026–2028

According to the Law on Public Debt, which serves as the legal basis for the borrowing of the Republic of Serbia, public debt comprises all direct liabilities of the Republic arising from borrowing, as well as guarantees issued by the Republic for the borrowing of public enterprises, local government units, and other legal entities. The Republic may borrow in domestic and foreign currency for the purpose of financing the budget deficit, current liquidity deficit, refinancing of outstanding debt, financing of investment projects, as well as for the fulfillment of obligations arising from issued guarantees. The provisions of the Law on Public Debt stipulate that public debt represents an unconditional and irrevocable obligation of the Republic of Serbia with respect to the repayment of principal, interest, and all related costs.

A quantitative approach was used in formulating the Public Debt Management Strategy, identifying possible constraints through macroeconomic indicators, cost and risk analysis, and market conditions that affect public debt management. For the purpose of the analysis, financing instruments available on the domestic and international financial markets were utilized. The Public Debt Management Strategy is based on principles that define the need for a transparent and predictable borrowing process, along with the continuous development of the government securities market and an acceptable level of exposure to financial risks.

The situation on the international and domestic financial markets, along with the successful implementation of fiscal consolidation measures and good coordination between fiscal and monetary policy, led to a significant decline in borrowing costs for dinar- and euro-denominated government securities during the period from 2012 to 2021, as well as to a reduction in the risk premium on Serbian government securities. However, at the beginning of 2022, a significant increase in interest rates occurred as a result of external factors, a trend that continued into 2023, before reversing during 2024 and 2025, when a gradual decline in interest rates took place.

The Fiscal Strategy envisions a reduction of the general government public debt to 44.1% of GDP by the end of 2028. In line with the public debt management guidelines defined by the World Bank and the IMF, the Public Debt Management Strategy includes a stress scenario analysis assessing the impact of exchange rate fluctuations of the domestic currency against the currencies in which the public debt of the Republic of Serbia is denominated.

Over the past ten years, significant progress has been made in increasing the average maturity of dinar-denominated government securities and reducing the cost of financing through this type of borrowing, thereby decreasing exposure to refinancing risk. It is important to note that during this period, the average weighted coupon rate on dinar-denominated government securities declined from 13.68% at the end of 2012 to 5.34% at the end of August 2025.

The Public Debt Management Strategy defines the key measures for the continued development of the dinar-denominated government securities market. The further development of this market is expected to lead to an increase in domestic debt and its share in total public debt, as well as to a reduction in the public debt's exposure to foreign exchange risk, which will have a positive impact on improving the credit rating of the Republic of Serbia.

Following the successful implementation of fiscal consolidation measures in 2016, the previously rising trajectory of public debt was reversed, and the share of public debt in GDP began to decline—from 67.2% of GDP at the central government level at the end of 2015 to 65.2% at the end of 2016. During 2017, a significant decrease was recorded, with the public debt share falling to 55.5% of GDP. This downward trend continued in 2018, when the share of public debt declined to 51.4% of GDP, as well as in 2019, when it further decreased to 49.7% of GDP. In order to mitigate the effects of the crisis caused by the COVID-19 pandemic, it became necessary to finance support measures for the economy and citizens, which resulted in an increase of the public debt-to-GDP ratio to 54.4% at the end of 2020.

During 2021, a slight decrease in this indicator was recorded, with the share of public debt in GDP amounting to 53.9% at the end of the year. The positive trend continued in the following years, with the debt-to-GDP ratio standing at 52.4% at the end of 2022, 48.0% at the end of 2023, and 46.7% at the end of 2024. As of the end of August 2025, the share of public debt in GDP amounted to 43.2%.

As a result of strengthened control over the issuance of guarantees during the past ten years, the guaranteed public debt has been significantly reduced—from EUR 2.8 billion at the end of 2013 to EUR 1.7 billion at the end of August 2025—while its share in GDP declined over the same period from 7.6% to only 1.9%.

The positive fiscal results achieved by the Republic of Serbia have been reflected in the country's credit rating over recent years. Thanks to the responsible macroeconomic policy continuously implemented by the Republic of Serbia, the country obtained an investment-grade rating for the first time. On October 4, 2024, Standard & Poor's upgraded Serbia's credit rating to investment grade, at BBB- with a stable outlook. Fitch Ratings, in its latest report dated July 25, 2025, confirmed Serbia's rating at BB+ with a positive outlook for further improvement, while Moody's, in its report of August 30, 2024, confirmed the rating at Ba2 and revised the outlook from stable to positive. Achieving an investment-grade rating is expected to significantly reduce Serbia's borrowing costs by expanding the investor base, as some investors previously refrained from investing in Serbian government bonds due to policies limiting investment to countries with investment-grade ratings. This development will lower borrowing costs in both domestic and international markets, reflecting the reduced risk of the instruments issued by the Republic of Serbia. Lower borrowing costs will result in budgetary savings while simultaneously reducing the risk profile of the public debt portfolio.

In 2020, the Republic of Serbia issued eurobonds on two occasions to finance a package of support measures for the economy and citizens, aiming to mitigate the impact of the COVID-19 pandemic and to redeem earlier high-cost eurobonds ahead of maturity. The first eurobond issuance took place on May 15, 2020, denominated in euros, at the most

critical moment during the first wave of the pandemic, totaling EUR 2.0 billion with a coupon rate of 3.125% and maturity in 2027. The second issuance occurred on December 1, 2020, totaling USD 1.2 billion with maturity in 2030, a coupon rate of 2.125%, and a final euro interest rate of 1.066% and 1.236% following a hedging transaction. Returning to the U.S. dollar bond market with this new dollar-denominated issuance allowed Serbia to remain included in the Emerging Markets Bond Index (EMBI), ensuring visibility in the U.S. capital market and on the broader international investment map. Proceeds from the December 2020 issuance were used to redeem USD 900 million of eurobonds issued in 2011, out of a total of USD 1.6 billion maturing in September 2021, which had been issued at a high coupon rate of 7.25%.

To reduce borrowing costs and extend debt maturity, on March 3, 2021, the Republic of Serbia successfully took advantage of still favorable conditions on the international financial market and, for the first time, issued twelve-year eurobonds denominated in euros, totaling EUR 1.0 billion with a coupon rate of 1.65%. On September 23, 2021, Serbia further expanded its financing options for investments by entering the international green bond market. A green eurobond was issued in the amount of EUR 1.0 billion, with a seven-year maturity and a coupon rate of 1.00%, the lowest achieved so far on the international market. This positioned Serbia among the few European countries that have issued green eurobonds on the international market exclusively to finance environmentally sustainable projects. Simultaneously, alongside the green eurobond issuance, a fifteen-year eurobond—the longest maturity to date—was issued in the amount of EUR 750 million with an annual coupon rate of 2.05%, further increasing the average maturity of the public debt.

In January 2023, eurobonds with maturities of five and ten years were issued, totaling USD 1.75 billion (USD 750 million for the five-year bond and USD 1 billion for the ten-year bond). The five-year eurobond was issued with a coupon rate of 6.25%, while the ten-year eurobond carried a coupon rate of 6.50%. On June 12, 2024, the Republic of Serbia successfully issued ten-year sustainable (ESG – Environmental, Social, and Governance) eurobonds denominated in

U.S. dollars on the international financial market, totaling USD 1.5 billion with a coupon rate of 6.00%.

Following best international practices in active public debt management, the Republic of Serbia executed its first hedging transaction in December 2020, using financial derivatives to protect against foreign exchange and interest rate risk in accordance with ISDA (International Swaps and Derivatives Association) standards. A cross-currency swap converted obligations from a U.S. dollar-denominated bond issuance of USD 1.2 billion into euros at a significantly lower final interest rate, resulting in euro-denominated payments at coupon rates of 1.066% and 1.236% on a nominal value of EUR 1.016 billion. This transaction leveraged favorable EUR/USD exchange rates and interest rate differentials between dollar and euro markets, achieving optimal borrowing costs, currency structure optimization, and mitigation of exchange rate risk. In January 2021, a second swap converted obligations under a debt rescheduling agreement with the Kuwait Investment Authority from U.S. dollars to euros at lower rates, with the rescheduled loan originally contracted at 1.5% in dollars being serviced in euros at 0.393% and 0.520%. In March 2021, a loan from the Export-Import Bank of China for the Belgrade bypass project, originally contracted in Chinese yuan at a fixed rate of 2.50%, was converted into euros at 0.09%. On November 24, 2021, a fourth swap converted obligations under a 2016 loan from the Abu Dhabi Development Fund, initially contracted in dirhams and payable in U.S. dollars at 2.25%, into euros at a fixed rate of 0.96%. In 2023, immediately following the issuance of dollar-denominated eurobonds, hedging transactions converted their obligations into euros, setting variable rates for the five-year bond at six-month EURIBOR + 2.908%, and for the ten-year bond at six-month EURIBOR + 3.073%, 3.286%, and 3.323%. Finally, in June 2024, alongside the issuance of a ten-year dollar-denominated sustainable (ESG – Environmental, Social, and Governance) eurobond at 6%, a swap transaction converted the dollar obligations into euros at a fixed interest rate of 4.754%.

In 2020, the issuance of “benchmark” government bonds continued on the domestic market. Bonds with maturities of 5, 5.5, and 12.5 years were issued in RSD with a nominal value of RSD 100 billion each, later

increased to RSD 150 billion each in 2021. On June 30, 2021, Serbia’s RSD-denominated benchmark bonds with maturities of 7, 10, and 12.5 years were included in the J.P. Morgan GBI-EM Index. Inclusion in this index marked significant progress in strengthening the liquidity of the secondary government securities market and attracted new international investment funds, which is expected to increase competition and further reduce borrowing costs. In March 2024, an 8-year benchmark bond issued in 2023 with a nominal value of RSD 150 billion was also included in the J.P. Morgan GBI-EM Index. On March 31, 2025, a new RSD benchmark bond maturing on July 27, 2035 (RSMFRSD34101) was included in the J.P. Morgan GBI-EM Global Diversified Index of emerging market government bonds.

In October 2021, Clearstream, the international central securities depository (ICSD) responsible for clearing and settlement, opened a securities account in the domestic registry and, through an intermediary—an authorized participant in the local market—enabled foreign investors to settle Serbian dinar-denominated government bonds.

Currency risk has been reduced over recent years, although it worsened somewhat over the last three years due to specific market conditions and the need for more intensive use of the international financial market to minimize borrowing costs. The share of public debt in domestic currency in total central government debt was only 2.6% at the end of 2008, rising to 30.5% by the end of 2020. Subsequently, due to increased borrowing on international markets under more favorable conditions, this share fell to 21.7% by the end of 2023, with a slight improvement to 21.8% in 2024 and reaching 22.2% at the end of August 2025. The growth of dinar-denominated debt in recent years has been primarily driven by the issuance of RSD government securities on the domestic market. In 2019 and 2020, early redemptions were made of high-cost eurobonds issued in 2011 and 2013 in U.S. dollars, as well as the regular repayment in February 2020 of the 2013 dollar-denominated bond. In December 2020, the first hedging transaction was executed, immediately converting a newly issued U.S. dollar eurobond into euros. Another hedging transaction followed in January 2021, converting dollar obligations into euros, with further hedging transactions executed in

January 2023 and June 2024 for dollar-denominated eurobond issuances, immediately converted into euros. Thanks to all these transactions, the share of dollar-currency debt in total public debt decreased from 33.9% at the end of 2016 to 12.5% at the end of August 2025.

Borrowing costs have also been significantly reduced in recent years. The share of interest costs in GDP

decreased from 2.8% at the central government level in 2015 to 1.8% in 2024.

At the end of August 2025, the total public debt of the general government sector amounted to RSD 4,516.8 billion, or 43.5% of GDP. Of this, direct obligations accounted for RSD 4,285.3 billion, indirect obligations for RSD 195.5 billion, and RSD 36.0 billion represented non-guaranteed debt of local government units.

Share of general government public debt in GDP, %

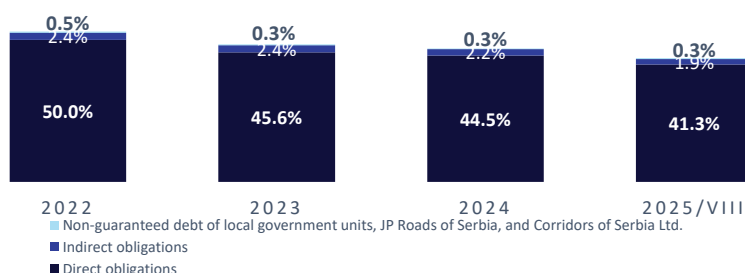


Table 28. Public Debt of the General Government Sector of the Republic of Serbia, End of 2022 – 31 August 2025

	2022	2023	2024	2025/VIII
Public debt of the general government (in RSD billion)	3,945.8	4,266.6	4,576.5	4,516.8
Public debt of the general government (in EUR million)	33,632.2	36,412.3	39,110.7	38,547.7
Public debt of the general government (in USD million)	35,821.6	40,301.1	40,702.5	44,973.6

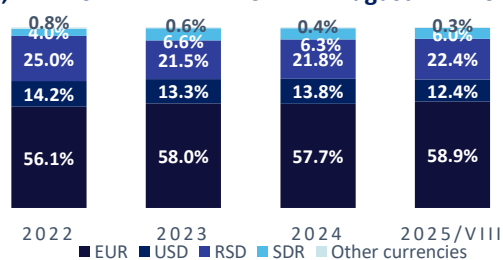
Over the past four years, there has been a noticeable increase in central government debt denominated in euros. Due to favorable borrowing conditions on international markets, eurobonds denominated in euros and U.S. dollars were issued on multiple occasions and immediately converted into euros. In addition, part of the debt in U.S. dollars, Chinese yuan, and UAE dirhams was converted into euros, taking advantage of the significantly lower volatility of the euro against the dinar compared to these currencies, in order to reduce currency risk. During 2022 and 2023, debt in Special Drawing Rights (SDRs) increased as a result of borrowing from the IMF under

favorable conditions. In 2022 and 2023, a decline in dinar-denominated debt was observed due to the regular repayment of maturing government bonds, while during 2024 and the first eight months of 2025, dinar debt increased. Frequent fluctuations of the U.S. dollar against the dinar fully justify the decision to minimize dollar-denominated debt, thereby reducing currency risk, and indicate that the timing of swap transactions was appropriate. As a result of these swap transactions, and also with the goal of minimizing currency risk, debt in other currencies was significantly reduced.

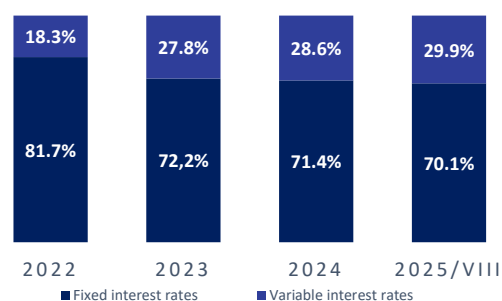
Table 29. Central Government Debt by Original Currencies, End of 2022 – 31 August 2025, in Millions

	2022	2023	2024	2025/VIII
EUR	18,585.2	20,857.5	22,387.8	22,540.0
USD	5,076.7	5,364.6	5,607.1	5,561.4
RSD	983,500.7	917,800.7	991,640.9	996,753.4
CHF	27.2	9.7	0.0	0.0
Special Drawing Rights (SDRs)	1,064.9	1,988.6	1,973.1	1,966.4
Other currencies (in RSD)	27,375.6	22,793.5	17,784.7	13,933.1

As of 31 August 2025, the largest portion of the public debt of the general government sector of the Republic of Serbia is denominated in euros, accounting for 58.9%. This is followed by the dinar at 22.4% and the U.S. dollar at 12.4%. The remainder of the debt is denominated in Special Drawing Rights (SDRs) at 0.3% and other currencies at 0.3%. Thanks to the continuous development of the domestic securities market and the gradual increase in the volume of issuances in the domestic currency, the share of domestic-currency debt grew in previous years from 16.4% at the end of 2011 to 30.4% at the end of 2020, but subsequently declined due to somewhat higher financing needs and changed market conditions.

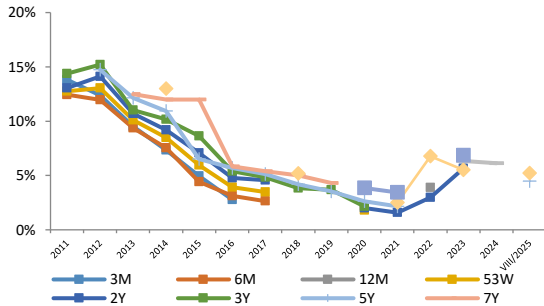
Currency Structure of the General Government Debt, 2022 – 31 August 2025


As of 31 August 2025, the largest portion of the public debt of the general government sector of the Republic of Serbia is at a fixed interest rate, accounting for 70.1%, while debt with a variable interest rate represents 29.9% of total public debt. Among variable interest rates, EURIBOR is the most represented at 68.1%, followed by the variable rate for Special Drawing Rights (SDRs) at 20.0% and Belibor at 11.7%, while obligations with other interest rates account for 0.2%.

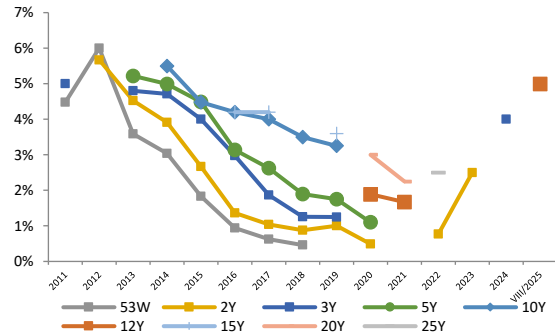
Interest Rate Structure of the General Government Debt, 2021 – 30 April 2025, %


Between 2014 and 2021, borrowing costs decreased significantly, with the most pronounced decline observed for government securities issued on the domestic market. This reduction was driven by the development of the government bond capital market, the country's rising credit rating (i.e., reduced risk premium), low inflation, and a decrease in the NBS reference interest rate. The average weighted interest rate on public debt fell from 5.70% at the end of 2014 to 2.53% at the end of 2021. An even more pronounced decline was observed for dinar-denominated government securities, where the average weighted coupon rate decreased from 10.68% at the end of 2014 to 5.34% at the end of August 2025. During 2022 and 2023, high inflation led to the sharpest increase in interest rates on the international financial market in this century, which partially affected Serbia's borrowing costs. In 2024, market conditions stabilized and interest rates declined, a trend that continued into 2025. At the end of August 2025, the average weighted interest rate on total public debt stood at 3.54%.

Overview of Average Effective Interest Rates on Dinar-Denominated Government Securities, 2011 – 31 August 2025



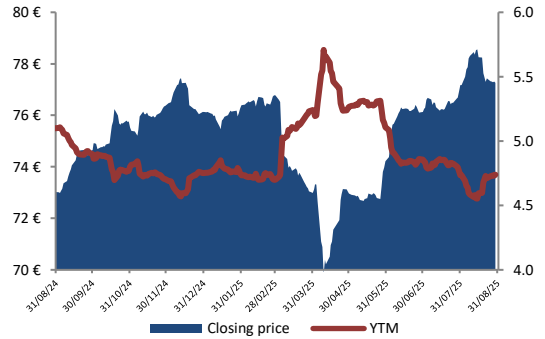
Overview of Average Effective Interest Rates on Euro-Denominated Government Securities, 2011 – 31 August 2025



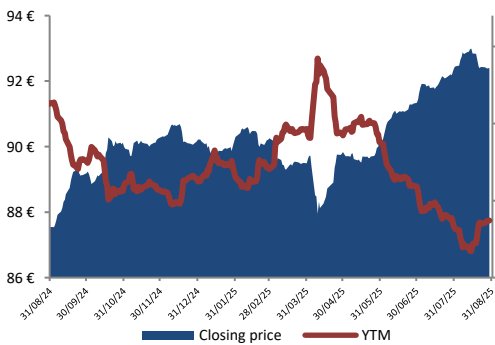
Overview of Price and Yield Movements for Serbia Eurobond (EB 2027 / 3.125%)



Overview of Price and Yield trends for Serbia Eurobond (EB 2036 / 2.050%)



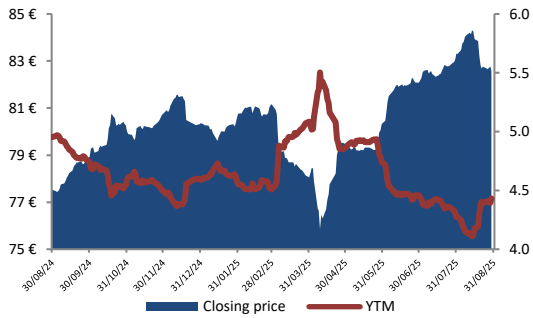
Overview of Price and Yield Movements for Serbia Eurobond (EB 2029 / 1.500%)



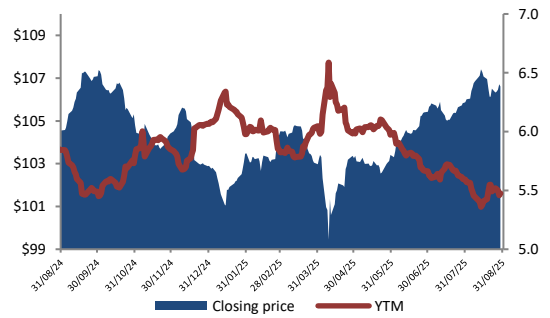
Overview of Price and Yield Movements for Serbia Eurobond (EB 2028 / 1.000%)



Overview of Price and Yield Movements for Serbia Eurobond (EB 2033 / 1.650%)



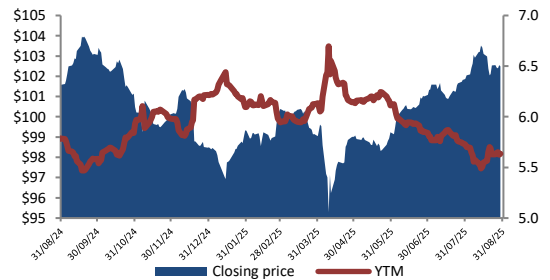
Overview of Price and Yield Movements for Serbia Eurobond (EB 2033 / 6.500%)



Overview of Price and Yield Movements for Serbia Eurobond (EB 2028 / 6.250%)



Overview of Price and Yield Movements for Serbia Eurobond (EB 2034 / 6.000%)



Overview of Price and Yield Movements for Serbia Eurobond (EB 2030 / 2.125%)

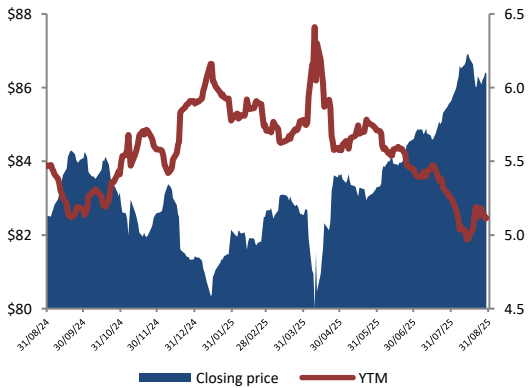


Table 30. Projections of Interest and Principal Repayments until 2028 (RSD billion)

	2025 p	2026 p	2027 p	2028 p
Principal*	445.0	746.4	705.0	802.0
Interest	195.2	211.8	226.5	247.2
Total	640.2	958.3	931.5	1,049.2
As a share of public debt as of 31 August 2025	14.3%	21.4%	20.8%	23.4%

* Including funds for buy-back operations

Table 31. Projections of Interest and Principal Repayments until 2028 (% of GDP)

	2025 p	2026 p	2027 p	2028 p
Principal	4.3%	6.7%	5.9%	6.3%
Interest	1.9%	1.9%	1.9%	1.9%
Total	6.2%	8.6%	7.7%	8.2%

The planned amounts for interest and principal repayments at the central government level also include funds for buy-back operations, i.e., early debt repayment to replace more expensive debt with cheaper debt, as well as insurance premiums on export credits.

Projection of General Government Debt, 2025–2028

Considering the projected primary budget balance of the Republic of Serbia for the period 2025–2028, including the volume of loan drawdowns for project financing by budget users, as well as the effects of changes in the exchange rate of the dinar against the euro and the U.S. dollar, under the baseline macroeconomic scenario, the central government debt is expected to reach 43.6% of GDP by the end of 2028.

Table 32. Baseline Projection of General Government Sector until 2028

	2025 p	2026 p	2027 p	2028 p
Public debt (central government), RSD billion	4,627.9	4,872.9	5,265.9	5,583.9
Central government debt, % of GDP	44.6%	44.0%	43.8%	43.6%
Non-guaranteed debt of local government units, % of GDP*	0.4%	0.5%	0.5%	0.5%
General government debt, % of GDP	45.0%	44.5%	44.3%	44.1%

* and the rest of the general government

By the end of 2025, the general government sector debt is expected to reach 45.0% of GDP. In the following years, a gradual decline in the ratio is projected under the baseline scenario, reaching 44.5% by the end of 2026, 44.3% by the end of 2027, and 44.1% by the end of 2028. During this period, major infrastructure projects are expected to be implemented, primarily financed through project loans, with more intensive execution compared to the previous period. This illustrates clear coordination between fiscal and development objectives. Attention is given to the sustainability of public debt and its gradual decline as a share of GDP, while new borrowing is used to improve infrastructure conditions, thereby promoting GDP growth, living standards, and new

investments. The non-guaranteed debt of local government units and the rest of the general government sector is expected to remain relatively stable at 0.4%–0.5% of GDP in the coming period.

Principles of Public Debt Management

According to the Public Debt Law, the primary objective of borrowing by the Republic of Serbia and managing public debt is to ensure the availability of funds for the regular servicing of budgetary needs under the most favorable conditions and financing costs, while maintaining an acceptable level of risk. Based on this, the Public Debt Management Strategy of the Republic of Serbia defines the following general objectives and principles:

- 1) Ensure financing of the fiscal deficit and the regular servicing of obligations arising from the public debt of the Republic of Serbia;
- 2) Define an acceptable level of risk, determined in the context of the targeted debt portfolio structure in terms of currency composition, interest rate structure, maturity profile, and debt composition by instruments;
- 3) Continue developing the government securities market both domestically and internationally, which would help reduce borrowing costs in the medium and long term;
- 4) Ensure transparency and predictability in the borrowing process.

The Public Debt Management Strategy is consistent with the overall medium-term macroeconomic and fiscal framework.

The public debt management strategy for the upcoming medium-term period is based on financing the budget deficit and principal repayments of the Republic of Serbia through the issuance of government securities on domestic and international capital markets, ensuring the regular servicing of obligations. Flexibility will be reflected in the choice of market for borrowing, the currency of issuance, and the financing instruments. The selection of the financing structure will take into account the current state and trends in the development of domestic and international financial markets (interest rate levels, risk premiums, yield curves, exchange rates of reference currencies) as well as an acceptable level of exposure to financial risks.

The objective in the upcoming long-term period is to conduct financing primarily through the issuance of dinar-denominated securities on the domestic market. A portion of financing may also be secured on the international financial market in the medium term. The establishment of the GMTN program in 2020 has enabled flexibility in the choice of financing and faster access to financing on the international market.

Borrowing in foreign currency, such as in US dollars, entails foreign exchange risk due to fluctuations in the euro–US dollar exchange rate; for this reason, hedging options will be utilized.

Public debt management policy must take into account the long-term perspective; however, decisions on financing budget expenditures are made on an annual basis. The decision on annual borrowing is adopted within the framework of the Budget Law for a given fiscal year. Depending on changes in key fiscal aggregates, adjustments to the borrowing plan may be made during the fiscal year.

Financial Risks and Measures for Financial Risk Management

The impact of financial and fiscal risks may lead to a higher growth of public debt than projected under the baseline scenario. The risks that are present and may result in increased indebtedness and higher public debt servicing costs include: refinancing risk, foreign exchange risk, market risk (interest rate risk, inflation risk), liquidity risk, credit and operational risks, as well as risks related to the distribution of servicing costs (debt structure, concentration of liabilities).

In order to reduce exposure to financial risks, the following measures need to be implemented:

1. Refinancing risk
 - Increase the share of medium- and long-term financial instruments denominated in dinars on the domestic financial market;
 - Evenly distribute public debt obligations on an annual basis over the upcoming long-term period;
 - Extend the average maturity of debt issued through securities.
2. Foreign exchange risk
 - Strive to reduce the share of debt denominated in foreign currency while taking into account the cost of new debt (costs of dinarization of debt);
 - Use financial derivatives to limit the effects of exchange rate fluctuations of reference currencies;
 - Ensure that external debt is primarily in euros, and US dollar-denominated debt is used only if financing on the international market in dollars is cheaper, with the use of financial derivatives to limit risk.

3. Market risk (interest rate risk, inflation risk)

- Strive to extend the average maturity of domestic debt in dinars;
- Ensure that interest rate risk on external debt does not compromise the long-term objective of minimizing public debt costs.

4. Liquidity risk

- Permanently maintain the level of cash in the accounts of the Republic of Serbia at a level that allows uninterrupted financing of obligations for at least four months and sufficient to absorb potential shortfalls in borrowing compared to the plan;
- Adequately manage free cash balances in the accounts of the Republic of Serbia in accordance with asset-liability management principles and available options.

5. Credit and operational risks

- Conduct transactions with financial derivatives only with financial institutions with a high credit rating
- Use financial instruments that limit credit risk;
- Provide guarantees and approve new debt to local government units only if there is an adequate analysis indicating a relatively low probability that the guarantee will be realized or that the local government unit will become insolvent in the medium term;
- Introduce adequate controls in all business activities of the Public Debt Administration and enhance staff knowledge.

6. Risks related to the distribution of servicing costs

- Adequately plan borrowing on an annual basis and distribute obligations evenly over the following years and throughout the fiscal year to avoid the risk of high concentration of refinancing obligations;
- Avoid concentration of public debt obligations on a monthly basis that could not be covered by free cash balances in the accounts of the Republic of Serbia.

Analyses Used in the Preparation of the Public Debt Management Strategy

A quantitative approach was used in the analysis of costs and risks affecting public debt management for

the formulation of the Public Debt Management Strategy.

Taking into account the macroeconomic environment and market conditions, alternative sources of financing are considered comparatively.

For the purpose of the analysis, instruments available on the domestic and international financial markets were used.

Sources of Financing Denominated in Foreign Currency:

- Loans from foreign governments, international financial institutions, commercial banks, and other creditors – presented as concessional instruments denominated in euros or US dollars, with fixed or variable interest rates;
- Treasury bills and government bonds issued on the domestic or international financial market, denominated in euros;
- Eurobonds – issued in euros or US dollars on the international financial market.

Sources of Financing in Domestic Currency:

- Treasury bills and government bonds issued on the domestic financial market, denominated in dinars;
- Credit arrangements denominated in dinars for financing significant domestic projects.

Future Market Interest Rates and Scenario Analysis

After selecting the appropriate composition of financing sources (both chosen and comparative financing strategies), an analysis of costs and risks is conducted based on the baseline (most likely) scenario, followed by stress testing for additional types of scenarios—shocks—to obtain an overview of the cost implications of the strategies under consideration.

The baseline scenario is based on the most likely market conditions for three groups of market variables: the exchange rate, international market interest rates, and domestic market interest rates.

After defining the baseline scenario, additional types of scenarios—shocks—were selected for stress testing purposes:

- Depreciation of the dinar by 15% against all currencies in 2027. In this scenario, the euro–US dollar exchange rate would remain stable, while only the dinar would depreciate against both currencies;
- Increase in interest rates on the domestic and international markets by 2 percentage points (pp);
- Increase in international market interest rates by up to 3 pp and domestic market interest rates by up to 4 pp;
- Combined shock involving a 15% depreciation of the dinar against the US dollar in 2027 and an increase in interest rates by 2 pp.

Alternative Borrowing Strategies for the 2026–2028

Based on the World Bank’s Medium Term Debt Strategy Model (MTDS), the analyzed alternative borrowing strategies are:

Baseline Strategy (S1): represents a strategy that covers total budget financing needs with an approximately balanced combination of foreign and domestic currency financing sources. Sources of budget financing in foreign currency primarily consist of proceeds from the sale of eurobonds on the international financial market with maturities of twelve, fifteen, and twenty years, as well as program loans from various creditors. Sources of budget financing in domestic currency consist of proceeds from the issuance of government bonds on the domestic financial market (with a dominant share of ten-year bonds, but maturities of twelve, seven, five, and four years are also planned). Project financing, as in previous years, is largely provided through foreign currency-denominated credit arrangements, but the share of domestic currency credit arrangements from domestic creditors is also becoming more visible.

Strategy (S2): compared to Strategy S1, total financing needs are met through the issuance of US dollar-denominated eurobonds with maturities of twelve and fifteen years.

Strategy (S3): compared to Strategy S1, total financing needs are met through the issuance of euro-denominated eurobonds with maturities of twelve and fifteen years. Additional

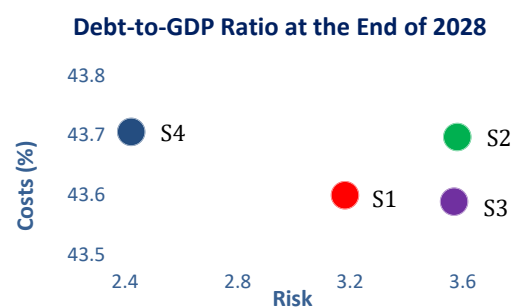
Dinarization Strategy (S4): represents a strategy that bases total financing on the issuance of dinar-denominated securities with maturities of ten and seven years.

Comparison of Alternative Strategies

Two cost measures are applied for the comparison of alternative borrowing strategies: the public debt-to-GDP ratio and nominal interest as a percentage of GDP. The first ratio is a stock indicator, while the second is a flow indicator. For comparison purposes, attention is focused on the results of the considered strategies at the end of 2028.

Based on the charts, the costs associated with each of the considered strategies are clearly visible. The cost of alternative strategies under the baseline macroeconomic scenario is shown on the vertical axis of the cost chart, while the horizontal axis indicates the potential cost of a given borrowing strategy (the result of stress testing).

Under the baseline macroeconomic scenario at the end of 2028, measured by the debt-to-GDP ratio, the highest costs are associated with Strategies S2 and S4, while Strategies S1 and S3 exhibit slightly lower cost levels. On the other hand, the greatest risk to the debt-to-GDP ratio, if the baseline macroeconomic scenario is deviated from, arises from exchange rate fluctuations. From the perspective of the impact of exchange rate shocks on the debt-to-GDP ratio, Strategy S4 holds the most favorable position, as total financing is in dinars, whereas Strategies S2 and S3 have higher exposure to exchange rate risk because financing is entirely based on foreign currency sources. Strategy S1 has a more favorable position regarding exchange rate risk compared to Strategies S2 and S3, as it combines financing in both domestic and foreign currency.



From the perspective of interest payments as a share of GDP, the most costly strategies are S4 (issuance of dinar-denominated bonds) and S2 (issuance of US dollar-denominated eurobonds), followed by Strategy S1 (which combines instruments denominated in euros, dinars, or dollars, with fixed or variable rates), while Strategy S3 is the most favorable (as it is based on euro-denominated eurobonds with fixed rates). Stress test results indicate that the greatest risk to changes in the interest-to-GDP ratio, if the baseline scenario changes, arises from interest rate shocks, which are higher in the domestic market than in the international market. As a result, Strategy S4 faces the highest risk of changes in the interest-to-GDP ratio. This is followed by Strategies S2 and S3, which consist of market instruments also exposed to

interest rate shocks on the international market, while for S1 this risk is mitigated due to the presence of concessional instruments with fixed rates.

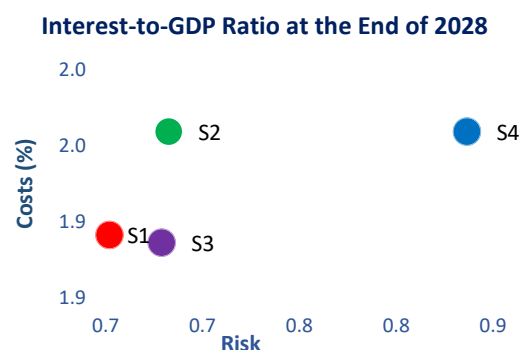


Table 33. Public Debt-to-GDP Ratio at the End of 2028

Scenarios	S1	S2	S3	S4
Baseline Scenario	43.6	43.7	43.6	43.7
Exchange Rate Shock (15% against all currencies)	46.8	47.3	47.2	46.1
Interest Rate Shock (Scenario 1)	44.3	44.5	44.4	44.5
Interest Rate Shock (Scenario 2)	44.8	44.9	44.8	45.1
Combined Shock (15% USD depreciation and Interest Rate Shock 1)	44.8	46.1	44.8	44.9
Maximum Risk	3.18	3.58	3.57	2.42

Table 34. Interest Payments-to-GDP Ratio at the End of 2028

Scenarios	S1	S2	S3	S4
Baseline Scenario	1.9	2.0	1.9	2.0
Exchange Rate Shock (15% against all currencies)	1.9	2.0	1.9	2.0
Interest Rate Shock (Scenario 1)	2.3	2.4	2.3	2.4
Interest Rate Shock (Scenario 2)	2.6	2.7	2.6	2.8
Combined Shock (15% USD depreciation and Interest Rate Shock 1)	2.3	2.5	2.3	2.4
Maximum Risk	0.68	0.71	0.71	0.87

The table below illustrates the evolution of key public debt indicators across all four analyzed strategies, thereby reflecting the above-mentioned features of each strategy.

Table 35. Risk Indicators for Alternative Strategies at the End of 2028

		S1	S2	S3	S4
Nominal Debt (% of GDP)		43.6	43.7	43.6	43.7
Applied Interest Rate (%)		4.6	4.8	4.6	4.8
Refinancing Risk	ATM ⁶ external portfolio (in years)	9.6	10.4	10.5	7.8
	ATM domestic portfolio (in years)	5.7	4.5	4.5	6.8
	ATM total portfolio (in years)	8.4	9.6	9.6	7.1
Interest Rate Risk	ATR ⁷ (in years)	5.6	8.0	8.0	5.6
	Refixing (% of total debt)	31.1	19.1	19.2	19.1
	Fixed-rate debt (% of total debt)	73.8	85.7	85.7	85.7
Foreign Exchange Risk	Foreign currency debt (% of total debt)	69.0	85.5	85.5	36.9

Stress-Test Analysis

Based on the planned macroeconomic framework, and in the absence of potential risk impacts, central government public debt is expected to reach 43.6% of GDP by the end of 2028.

The main factors affecting the stabilization of the public debt-to-GDP ratio are GDP growth, a positive primary balance, and the exchange rate of the dinar against foreign currencies.

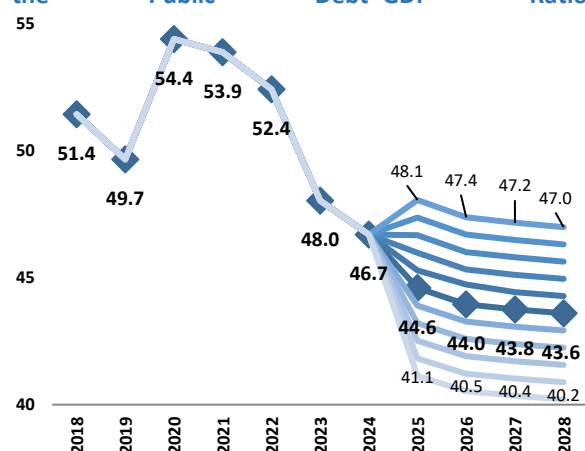
Table 36. Contributions of Key Macroeconomic Variables to Changes in the Public Debt (Central Government)–GDP Ratio, in %

	2023	2024	2025 p	2026 p	2027 p	2028 p
Central Government Debt/GDP	48.0	46.7	44.6	44.0	43.8	43.6
Change Compared to the Previous Year (% of GDP)	-4.4	-1.3	-2.1	-0.6	-0.2	-0.2
Contribution of Primary Fiscal Balance	0.3	0.4	1.1	1.1	1.2	0.6
Contribution of Interest Payments	1.7	1.8	1.9	1.9	1.9	1.9
Contribution of Nominal GDP Growth	-8.1	-4.6	-2.8	-2.8	-3.5	-2.6
Contribution of Other Factors	1.7	1.1	-2.3	-0.8	0.2	0.0

⁶ ATM (Average Time to Maturity)

⁷ ATR (Average Time to Refixing)

Impact of Changes in the Dinar Exchange Rate Against the Currency Basket of the Central Government Public Debt Portfolio on the Change in the Public Debt–GDP Ratio



The chart shows the movement of the central government public debt-to-GDP ratio depending on changes in the dinar exchange rate against a specific currency basket. The baseline projection is presented along with alternative scenarios reflecting appreciation or depreciation of the dinar within a range from 10% appreciation to 10% depreciation against the currency basket. Applying these scenarios, the debt-to-GDP ratio for 2028 would range between 40.2% and 47%, while under the baseline scenario it is projected at 43.6%.

The main risks to the implementation of the Strategy, in addition to the above-quantified factors, include the stability of the macroeconomic situation in the Republic of Serbia, the need for additional borrowing to settle debts at other levels of government, in the public sector, and in the financial sector of the Republic of Serbia, as well as the activation of provided guarantees.

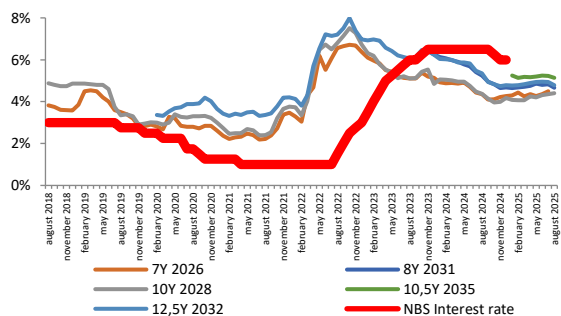
It is important to note that the reduction of public debt relative to GDP is also supported by adequate control over the issuance of guarantees and the improvement of the project prioritization process for investment projects financed through credit lines from multilateral and bilateral creditors.

Long-Term Strategic Framework for the Management of Public Debt

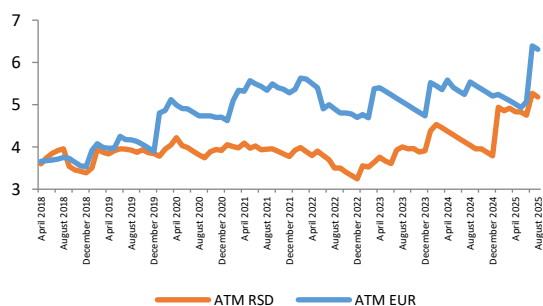
The main strategic objectives to be pursued in the upcoming long-term period, in order to minimize the risks of increased indebtedness and public debt servicing costs, are:

- The share of dinar-denominated debt should amount to at least 30% of total public debt in the medium term;
- The share of euro-denominated debt in public debt should account for at least 65% of foreign currency debt, including future borrowings and transactions;
- The share of debt with variable interest rates should be maintained within the range of 25% ± 5% in the medium term;
- The average time to interest rate reset (ATR) should be maintained at a minimum of 5.0 years, in line with the above measure of gradually reducing the share of debt with variable interest rates;
- The weighted average interest rate (WAIR) on domestic public debt should not exceed 6.00%;
- The share of short-term debt (maturing within one year) should not exceed 20% of total public debt;
- The average time to maturity (ATM) of domestic debt should be maintained at a minimum of five years in the medium term;
- The average time to maturity (ATM) of external debt should be maintained at 8.0 ± 0.5 years over the same time horizon.

Movement of Yields to Maturity of Dinar “Benchmark” Issuances Included in the GBI-EM Global Diversified Index on the Secondary Market



Average Time to Maturity (ATM) of Government Securities Issued on the Domestic Financial Market for the Period August 31, 2018 – August 31, 2025



Measures to Improve the Dinar-Denominated Securities Market in the 2025–2028 Period

The government securities market, in the period from 2012 to August 2025, is characterized by the achievement of established strategic objectives, primarily with respect to financing instruments, as well as the development and maintenance of a stable and diversified investor base. The transition from short-term financing sources, which were prevalent until 2010, to medium- and long-term financing instruments, together with a consistent reduction in borrowing costs, contributes to the mitigation of refinancing risk, one of the primary risks in public debt management. At the end of 2013, the share of long-term dinar instruments with an original maturity of three years or more accounted for 38.3% of the dinar-

denominated securities stock, while by the end of August 2025, this share reached 100.0%.

Transparency in operations and reporting, as well as a presence in the international capital market, affect market information and, consequently, the interest of non-residents to invest capital in debt instruments, primarily in long-term government dinar securities, thereby fostering the growth of a stable investor base. Following the successful execution of “benchmark” issuances in 2014 and 2015, the same practice continued in 2016. In February and July 2016, three-year and seven-year “benchmark” bonds were issued, each with a volume of 110.0 billion dinars. In April 2017, a three-year “benchmark” bond was issued with a volume of 110.0 billion dinars. In January and February 2018, five-year and ten-year “benchmark” bonds were issued, each with a volume of 110.0 billion dinars. In January 2019, three-year and seven-year “benchmark” bonds were issued with volumes of 100.0 billion and 150.0 billion dinars, respectively. In January and February 2020, five-and-a-half-year and twelve-and-a-half-year bonds with semi-annual coupons were issued for the first time. Amendments to the Regulation on General Conditions for the Issuance and Sale of Government Securities on the Primary Market (“Official Gazette of the RS”, Nos. 100/14, 78/17, 66/18, 78/18, and 140/20) enabled an increase in the volume of previously issued bonds. Thus, in 2021, the issuance volume of the five-and-a-half-year bonds (initially issued on January 28, 2020) and the twelve-and-a-half-year bonds (initially issued on February 18, 2020) was increased by 50 billion dinars each, while the ten-year bonds (initially issued on February 6, 2018) were increased by 10 billion dinars. During 2022, the issuance volume of the ten-year bonds (initially issued on February 6, 2018) was further increased by 25 billion dinars.

These issuances significantly increased the volume of secondary market trading of these instruments, which also contributed to a decline in the effective yields on reopenings of the aforementioned issuances. The share of foreign investors in dinar-

denominated securities amounted to 14.6% at the end of August 2025.

On June 30, 2021, three dinar benchmark bonds were included in the J.P. Morgan Government Bond Index for Emerging Markets (GBI-EM Global Diversified Index), with maturity dates of January 11, 2026 (RSMFRSD89592), February 8, 2028 (RSMFRSD55940), and August 20, 2032 (RSMFRSD86176). On March 5, 2024, a dinar benchmark bond with a maturity date of October 26, 2031 (RSMFRSD58761) was included in the J.P. Morgan GBI-EM Global Diversified Index. On March 31, 2025, a new dinar benchmark bond with a maturity date of July 27, 2035 (RSMFRSD34101) was included in the same index.

In 2023, two-year dinar bonds were issued. The issuance volume of ten-year dinar bonds was increased by 18.4 billion dinars, and that of twelve-and-a-half-year bonds by 50 billion dinars. In October 2023, a new eight-year dinar bond was issued with a volume of 110 billion dinars. Among euro-denominated securities, two-year bonds were issued.

In 2024, the issuance volume of the eight-year bond (initially issued on October 24, 2023) was increased by 40 billion dinars. Among euro-denominated securities, three-year bonds were issued.

In January 2025, a new ten-year dinar bond was issued with a volume of 120 billion dinars. The issuance volume of the ten-and-a-half-year bond (initially issued on January 23, 2025) was increased by 60 billion dinars in February. Among euro-denominated securities, twelve-year bonds were issued.

During the period covered by this Strategy, an improvement in the efficiency of the primary market is expected through access to the I-link platform, as a mechanism for the settlement of government securities, which directly contributes, in the longer term, to the reduction of borrowing costs and refinancing risk. The introduction of a system for the sale of government securities on the domestic financial market, with the possibility of settlement via a platform operated by a foreign legal entity providing

clearing and settlement services, will provide a solid foundation for enhancing the market efficiency of the secondary government securities market. Over time, the development of the secondary market will establish the concept of market efficiency in the valuation of government securities. The introduction of “benchmark” bond issuances has had a positive effect on the volume and continuity of secondary market trading, as well as on improving market efficiency in the primary market sales process.

The key factors influencing the yield curve of government securities include the fiscal outcome, the expected inflation rate, and the exchange rate. A separate group of factors comprises macroeconomic trends and expectations, as well as changes in the international financial market, which are reflected in the country risk premium.

At the end of 2012, the average maturity of dinar-denominated securities was 394 days (1.1 years); at the end of 2013, 469 days (1.3 years); at the end of 2014, 645 days (1.8 years); at the end of 2015, 749 days (2.1 years); at the end of 2016, 789 days (2.2 years); at the end of 2017, 864 days (2.4 years); at the end of 2018, 1,188 days (3.3 years); at the end of 2019, 1,403 days (3.8 years); at the end of 2020, 1,429 days (3.9 years); at the end of 2021, 1,377 days (3.8 years); at the end of 2022, 1,220 days (3.3 years); at the end of 2023, 1,427 days (3.9 years); at the end of 2024, 1,382 days (3.8 years); and at the end of August 2025, 1,892 days (5.2 years).

The development of the domestic government securities market by the Republic of Serbia has been supported by the following measures:

- The bonds of the Republic of Serbia have been included in the J.P. Morgan Global Government Bond Index for Emerging Markets in Local Currency (GBI-EM Global Diversified Index), which is expected to significantly increase the investor base and further promote secondary market trading, thereby contributing to lower borrowing costs through the issuance of dinar-denominated government securities.
- To create the largest possible investor base and develop the secondary market for securities

issued on the domestic market, equal tax treatment for domestic and foreign investors was introduced at the end of 2011, and efforts will continue to remove any remaining barriers to the free flow of capital.

- Measures have been taken to enable the settlement of government securities on the foreign market. Amendments to the Public Debt Law in December 2019 allowed clearing and settlement of government securities issued on the domestic market to be conducted, in addition to the Central Registry, by another foreign legal entity performing clearing and settlement operations.

During 2023 and 2024, active work was carried out to align legal regulations and IT infrastructure for the establishment of an international link (i-Link) between the Central Registry, the securities depository and clearing system, and Euroclear Bank. This work continued in 2025 to enable the settlement of government benchmark bonds through Euroclear

post-trade transaction providers. The main advantages of joining the Euroclear system include broadening the investor base by facilitating access to domestic securities for foreign investors, which further reduces costs through a shorter chain of securities purchase participants, thereby lowering yields on securities and the issuer's borrowing costs. Additionally, secondary market liquidity is increased through the expansion of the investor base.