

SEE-5 Banking Sector Overview 2025 & Outlook

Successfully navigating financial and geopolitical volatility

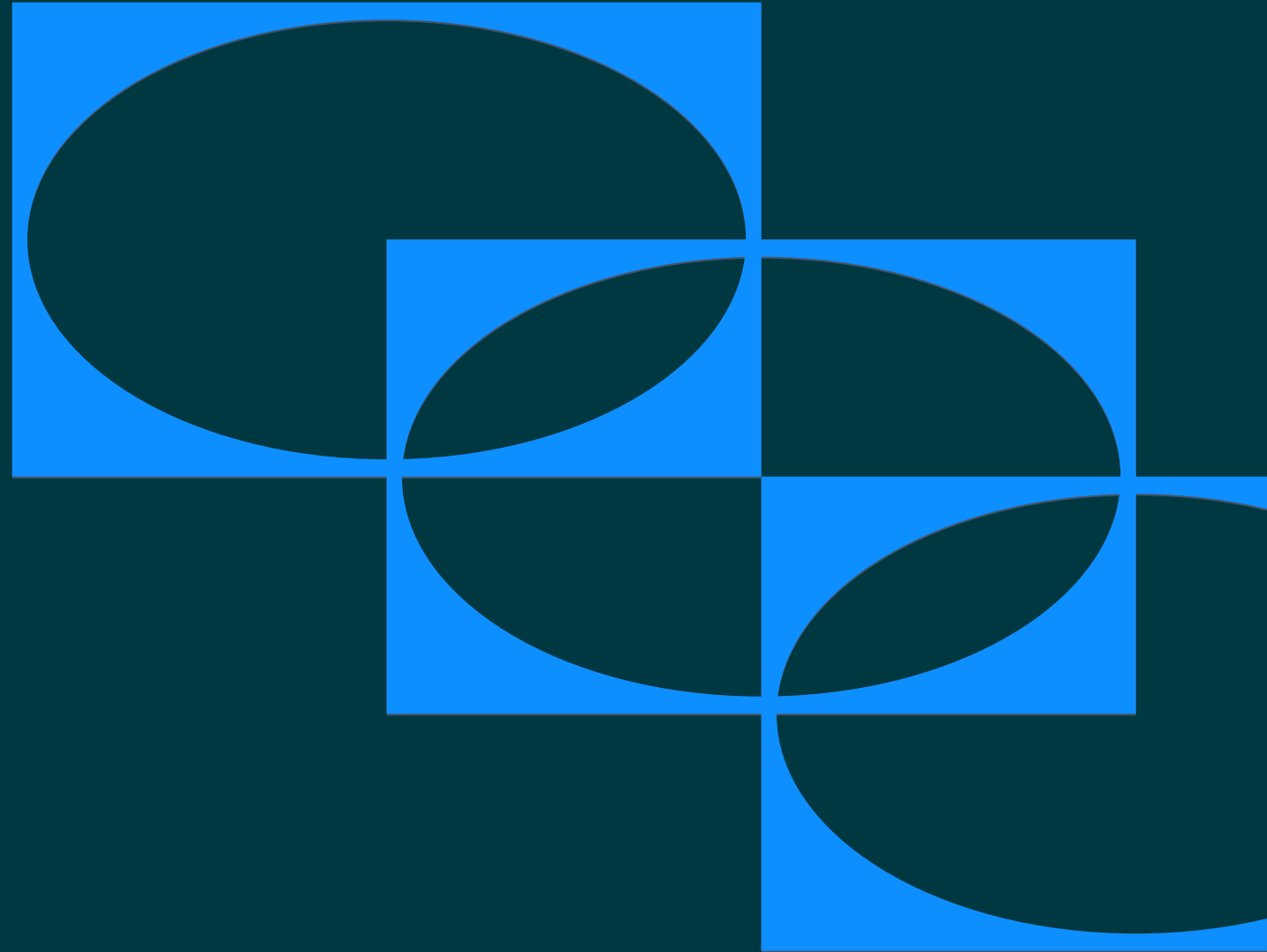
JULY 2026

SPECIAL FOCUS:

SEE-5 Banks' Exposure to Real Estate

Economic Analysis Division Emerging Markets Analysis

Romania | Bulgaria | Serbia | North Macedonia | Albania



Key Takeaways

- ✓ **Macroeconomic conditions remained supportive** for banks across the SEE-5 in 2025, except in Romania
- ✓ **Credit expansion accelerated in 2025**, reflecting easing financing conditions, while deposit growth remained strong
- ✓ **Bank profitability normalized following a decline in policy rates**, but remained above the EU and historical averages
- ✓ **Provisioning charges remained subdued amid resilient asset quality** metrics and supportive macroeconomic conditions
- ✓ **Operational efficiency weakened slightly**, yet remained significantly stronger than the EU average
- ✓ **The macroeconomic impact of the Middle East conflict is projected to remain manageable** in 2026, with normalization in 2027
- ✓ **Credit expansion is projected to moderate**, reflecting tighter lending standards and macroprudential measures
- ✓ **Higher-for-longer interest rates** should keep NIMs at elevated levels, building on already structurally high margins
- ✓ **Profitability to moderate amid higher provisioning** but remain above historical averages
- ✓ **Signs of overvaluation in real estate market** warrant caution
- ✓ **Strong fundamentals** underpin banking sector resilience
- ✓ **Financial intermediation remains low** in SEE-5, broadly in line with economic development and income per capital levels
- ✓ Despite slowing M&A activity, **market consolidation continued**, supported by increased portfolio carve-outs

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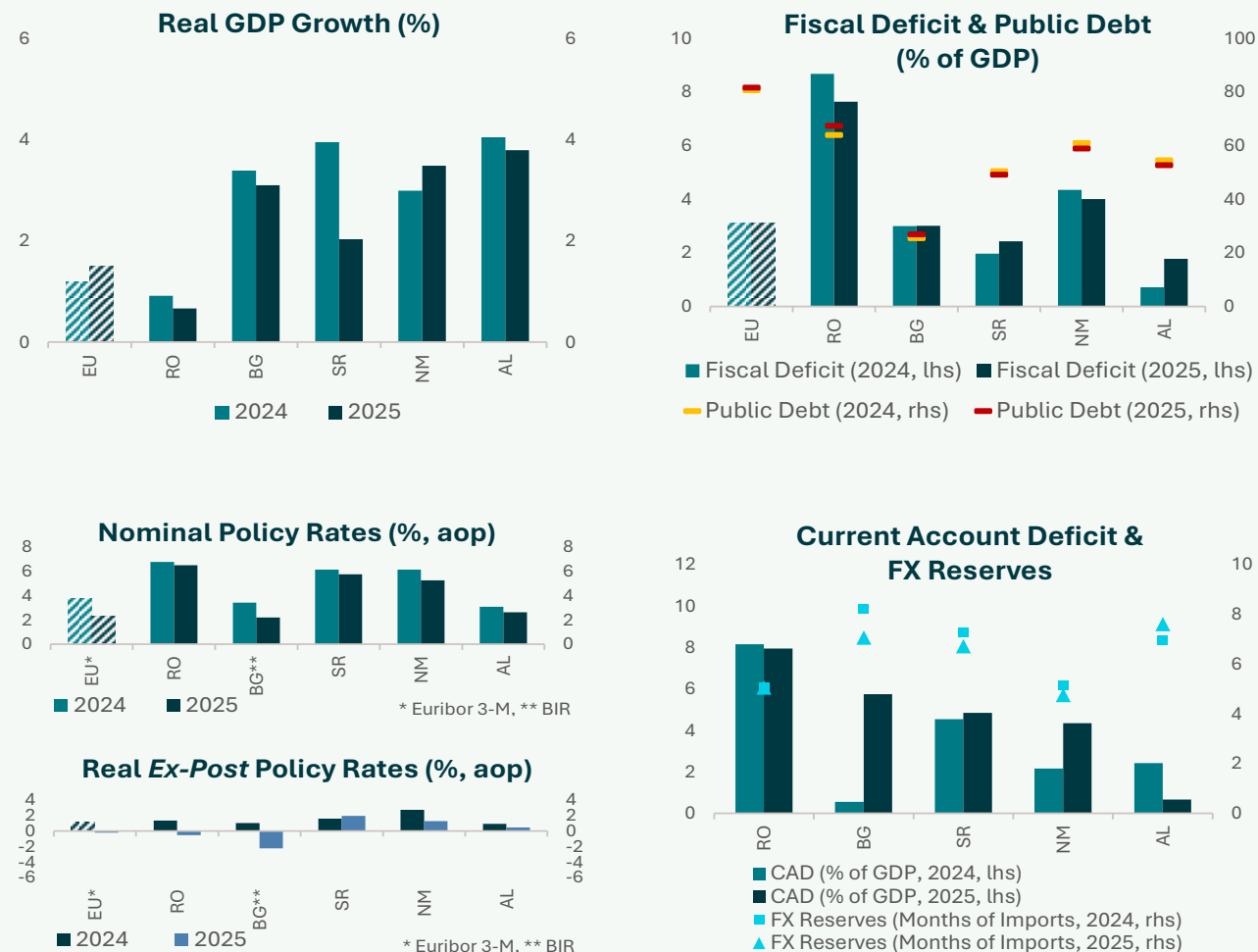
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16 Banking Sector Indicators (2025)

Macroeconomic Environment - 2025 Overview

- Bulgaria, North Macedonia and Albania recorded solid GDP growth rates in 2025, underpinned by robust domestic demand, outperforming the EU average. While moderating, private consumption remained the main driver, supported by tight a labour market amid easing inflation, except in Romania. Fixed investment also contributed to overall growth, largely driven by the public sector. Strong domestic demand continued to weigh on net exports, while external demand from the EU remained resilient despite headwinds from shifting US trade policies
- In Romania, weakening sentiment amid aggressive fiscal adjustment has brought the economy into stagnation. In Serbia, GDP growth moderated abruptly, primarily reflecting the impact of prolonged political uncertainty on economic sentiment
- Headline inflation eased in 2025, except in Romania, albeit slowly, and remained above its pre-pandemic average. Disinflationary momentum weakened as favourable base effects from earlier increases in global energy prices faded, while strong demand-side pressures kept core inflation elevated. In Romania, a VAT hike pushed inflation to nearly double-digits
- Against this backdrop, regional central banks remained cautious, with some undertaking small interest rate adjustments, mostly in the first half of 2025
- Fiscal consolidation halted in most of the economies under review in 2025, while budget deficits remained above pre-pandemic levels, except in Albania. In Romania, aggressive fiscal measures, including a VAT hike, led to a significant reduction in the budget deficit from the highest level in the EU
- Against the backdrop of strong domestic demand, and despite favourable global energy price developments, current account balances remained under pressure across the economies under review, while Albania continued to benefit from higher tourism inflows. The implied external financing gaps were broadly covered without recourse to FX reserves, except in Bulgaria, Serbia and North Macedonia, where FX reserves declined slightly

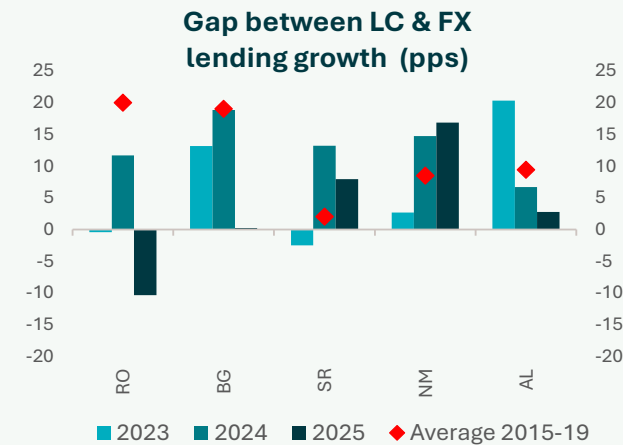
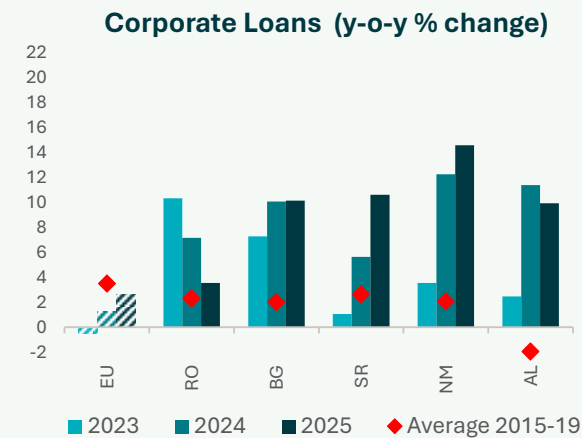
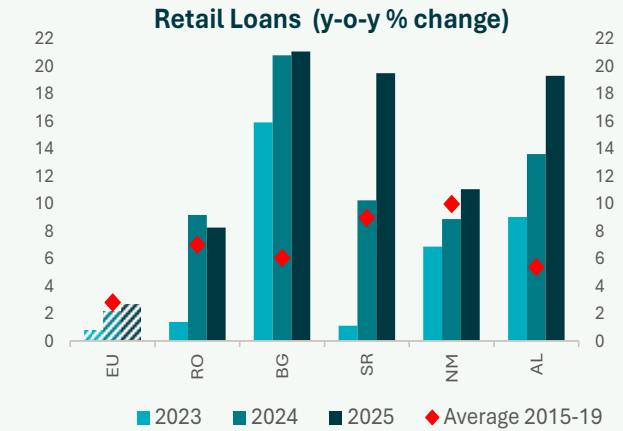
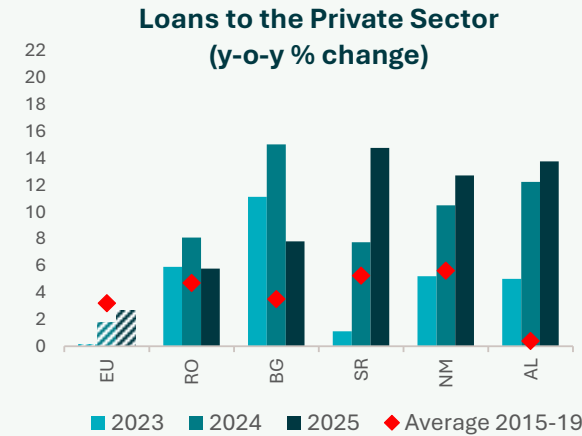
Macroeconomic conditions remained supportive for banks across the SEE-5 in 2025, except in Romania



Sources: EBA, National Central Banks & NBG estimates

Credit growth accelerated in 2025, reflecting easing financing conditions...

- Lending growth strengthened across the SEE-5, with Romania being the only exception, in 2025, exceeding pre-pandemic averages, as gradually declining interest rates, amid slowing inflation and firmer growth prospects, supported credit demand, while easing lending standards and strong competition for market share boosted credit supply
- In Romania, economic stagnation, amid ongoing fiscal consolidation, weighed on credit demand, while prompting banks to adopt a more cautious stance
- Mortgage lending continued to drive household credit growth across the banking systems under review. In Romania, Bulgaria and Albania, mortgage lending remained predominantly denominated in local currency (LC). By contrast, in Serbia and North Macedonia foreign exchange (FX) continued to account for the bulk of housing loans. In North Macedonia, however, authorities' efforts to curb FX lending growth, through, *inter alia*, hikes in banks' reserve requirement rates, have borne fruit, with LC lending growth outpacing that of FX lending for the first time since 2021
- Consumer lending also strengthened across the banking systems under review, albeit from a relatively low base, with Romania standing out as the exception
- Corporate lending expanded at a robust pace in Serbia and North Macedonia in 2025, driven by LC lending amid a strengthening investment cycle. Bulgaria and Albania followed with broadly stable dynamics, at the threshold of double digits. In Albania, FX lending growth gained momentum, supported by the steady appreciation of the Lek against the EUR. By contrast, corporate lending growth in Romania slowed markedly, with FX lending emerging as the main driver, reflecting the persistent wide RON-EUR interest rate differential

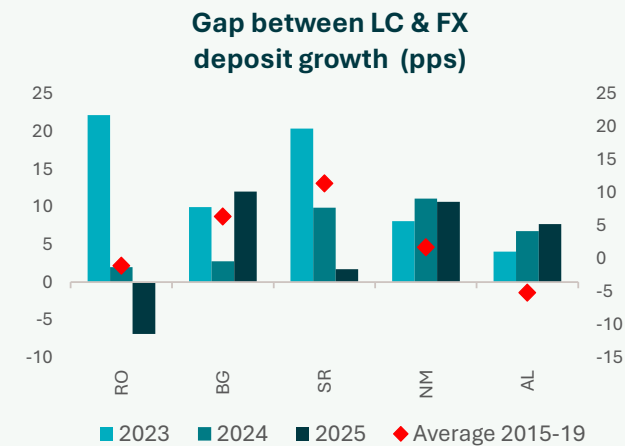
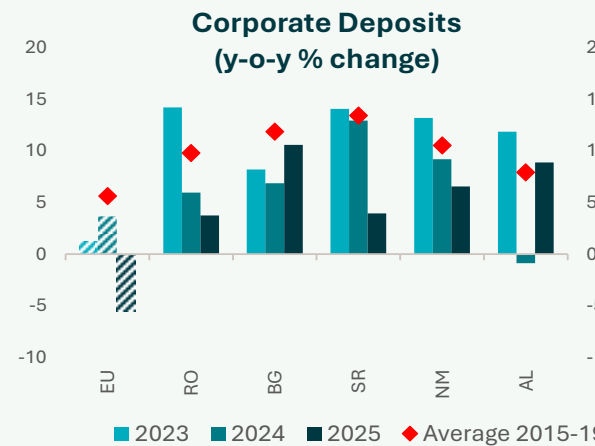
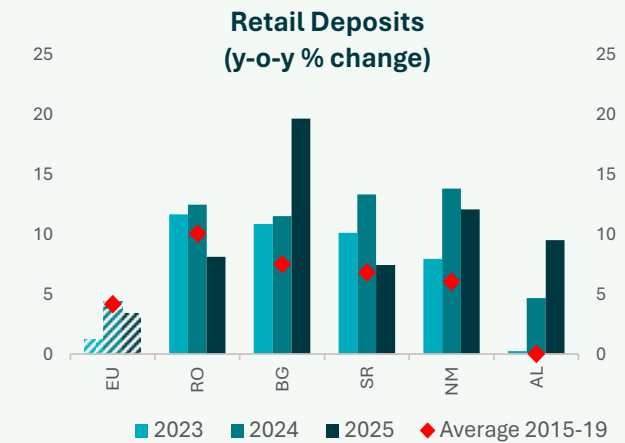
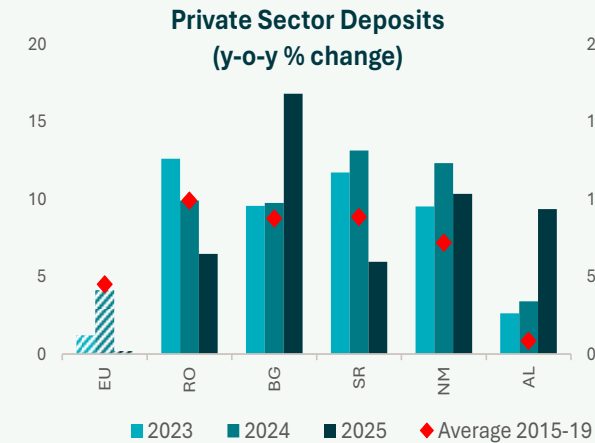


The values of the years 2020-21 are not included on the charts since their outcomes are heavily impacted by the schemes implemented to mitigate the impact of the pandemic

Sources: EBA, National Central Banks & NBG estimates

... while deposit growth remained strong, amid favourable macroeconomic conditions

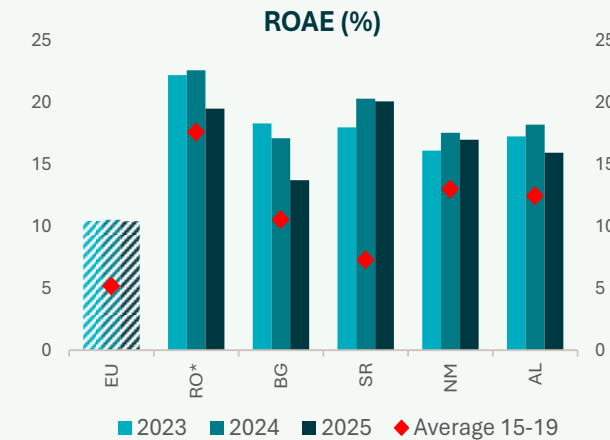
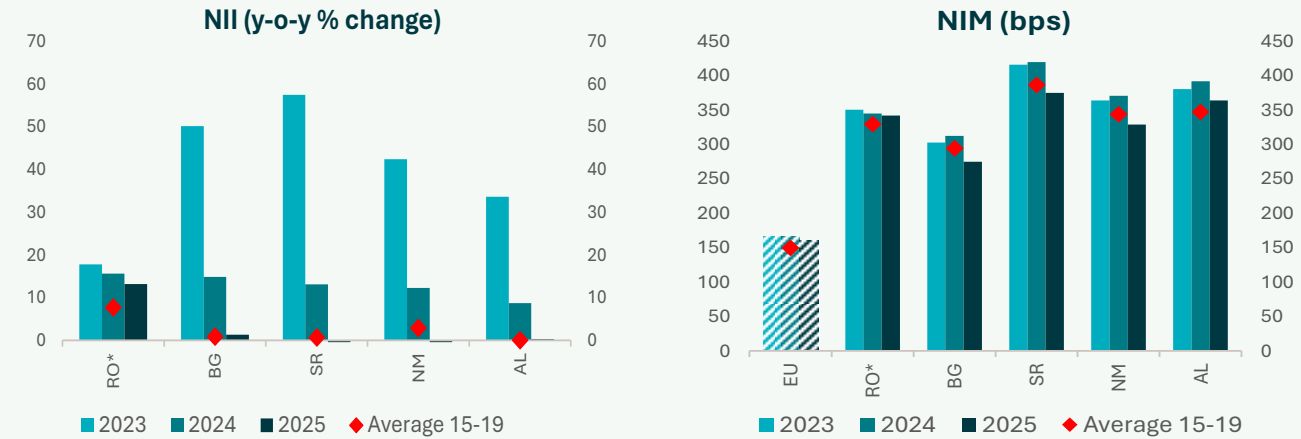
- Robust growth in real disposable income, supported by moderating inflation and resilient labour market conditions, together with still-elevated real *ex-post* deposit rates, continued to underpin strong financial savings accumulation in Bulgaria, North Macedonia and Albania in 2025, with deposit growth outpacing that of GDP growth for a 3rd consecutive year. In Bulgaria, deposit growth was also boosted by the redeposit of cash holdings previously kept outside the banking system ahead of euro adoption on January 1, 2026
- In Romania and Serbia, deposit growth moderated significantly in 2025, against a backdrop of slowing economic activity. In Romania, fiscal consolidation, including tax increases and public wage restraint, weighed on household and corporate savings. In Serbia, deteriorating economic sentiment amid heightened political uncertainty, which weakened foreign capital inflows, including foreign direct investment, reduced deposit inflows. As a result, the deposit-to-GDP ratio declined in both banking systems
- Deposit growth in LC significantly outpaced that in FX across all the economies under review, except Romania, underpinned by stronger GDP growth in the SEE-5 relative to its main trade partner, the EU, and favourable interest rate differentials. In Romania, heightened political uncertainty and fiscal adjustment dampened sentiment and eroded confidence in the RON, contributing, *inter alia*, to a rebalancing towards FX deposits
- The LC loan-to-deposit (L/D) ratio -- the key metric for assessing bank liquidity -- increased in Serbia, North Macedonia and Albania -- yet remaining below the critical threshold of 100% -- while easing slightly in Romania and Bulgaria (see also p.12,13). In the FX segment, the L/D ratio rose in Romania, Serbia (to almost 96.0%) and Albania, remained flat in North Macedonia, and contracted in Bulgaria (to a mere 6.0%), reflecting the impact of official euroization and the subsequent reclassification of EUR-denominated positions



The values of the years 2020-21 are not included on the charts since their outcomes are heavily impacted by the schemes implemented to mitigate the impact of the pandemic
Sources: EBA, National Central Banks & NBG estimates

Bank profitability normalized following a decline in policy rates but remained well above both European peers and historical averages

- Bank profitability in SEE-5 saw a cyclical normalization in 2025, consistent with the shift towards a more accommodative monetary policy stance across the region that was initiated in H2:24. Still, the Return On Average Equity (ROAE) remained well above historical averages, ranging between 13.7% in Bulgaria and 20.1% in Serbia, and exceeding the EU average of 10.4%
- Net interest income (NII) remained resilient, close to the record-highs recorded in 2025, and continued to account for the largest share of Gross Operating Income (GOI), although its share edged down slightly (ranging from c. 67% in Serbia to c. 73% in North Macedonia, well above the EU average of 58%)
- Romania stood out as an exception, with NII continuing to grow at a double-digit rate, reflecting asymmetric interest rate pass-through and banks' strategic reallocation of excess liquidity into high-yielding government securities and the central bank's overnight deposit facility
- Elsewhere, robust credit growth partially offset the moderation in net interest margins (NIM), which nonetheless remained broadly aligned with or close to historical averages, supported by still-elevated interest rates
- Serbian banks recorded the largest NIM (375 bps), while Bulgarian banks the lowest (275 bps, well above that of EU banks -- 160 bps)
- Net non-interest income (NNII, primarily fees & commissions) continued to increase in 2025, supported by solid economic activity and banks' efforts to diversify their revenue base, resulting in a further increase in its share of GOI



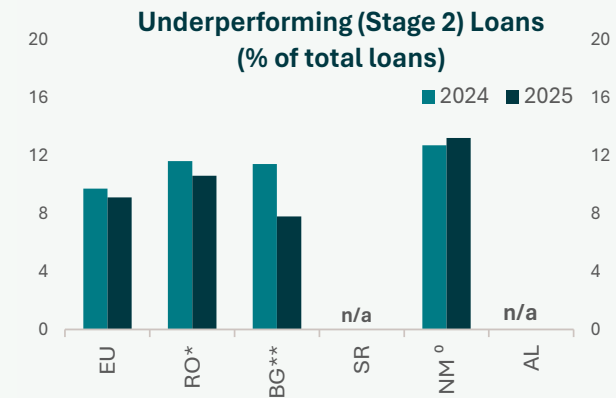
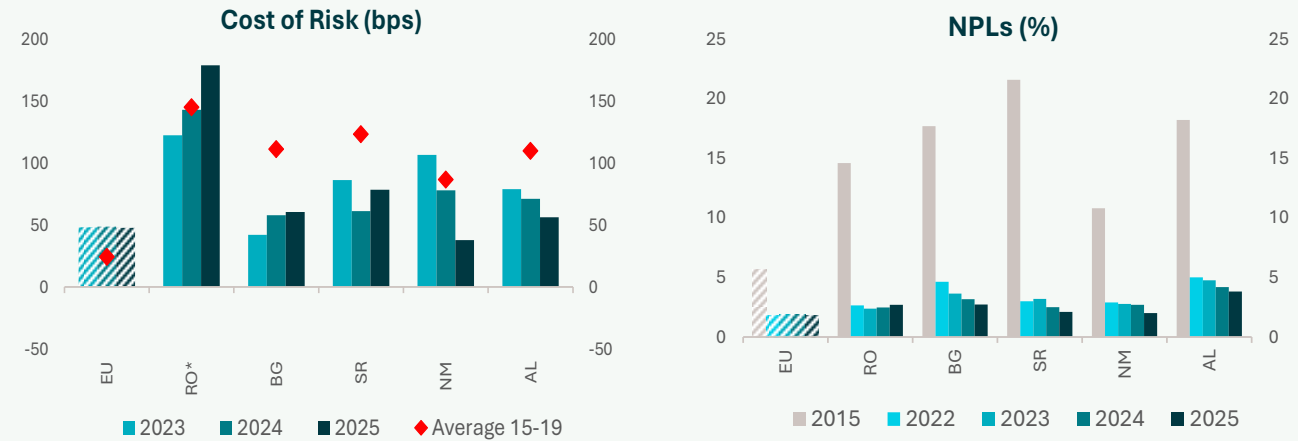
* 4 largest banks, together accounting for c. 54% of the banking system's assets

Sources: EBA, National Central Banks & NBG estimates

Banking Sector Profitability - 2025 Overview

- Improved asset quality (see below) and solid economic growth prospects allowed banks to maintain their loan loss provisioning charges at relatively subdued levels (Bulgaria) or reduce them further (North Macedonia, Serbia and Albania). At current levels, their cost-of-risk is well below pre-pandemic times, thanks, *inter alia*, to past balance sheet clean-ups, intensified portfolio restructuring efforts, and the impact of structural reforms that improved the operating framework for credit servicers and insolvency procedures
- Amid weakening growth momentum and a challenging outlook -- reflecting sizeable fiscal consolidation needs and elevated policy uncertainty amid heightened political noise -- Romanian banks increased provisioning charges in 2025, pushing the cost of risk above pre-pandemic levels
- Against the backdrop of gradually easing -- yet still elevated -- interest rates and solid economic growth supporting borrowers' debt repayment capacity, banks' asset quality improved further in 2025. Non-performing loan (NPL) ratios receded to new post-GFC lows in Bulgaria, Serbia, North Macedonia and Albania, driven by robust credit expansion and sustained write-offs. The notable exception was Romania, where the NPL ratio registered a marginal uptick for a 2nd consecutive year, while remaining within comfortable levels. That said, regional NPL ratios remain above the EU average (of 1.8%), with that of Albania (3.8%) topping the list
- The share of stage 2 loans in total loans -- an early indicator of underlying asset quality -- evolved unevenly across the region in 2025. In Romania, the (counterintuitive) decline in the Stage 2 ratio reflected the structural migration of exposures into Stage 3, alongside strong loan growth. In Bulgaria, the ratio fell below the EU average, on the back of robust credit expansion and tighter supervisory scrutiny ahead of euro area accession. In North Macedonia, the Stage 2 ratio increased despite a continued decline in the NPL ratio, pointing to emerging asset quality pressures, partly reflecting the lagged effects of past monetary tightening and sector-specific vulnerabilities

Provisioning charges remained subdued supported by robust asset quality and favourable macroeconomic conditions



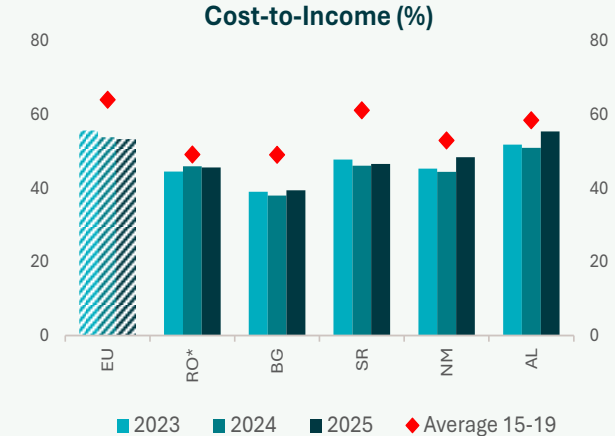
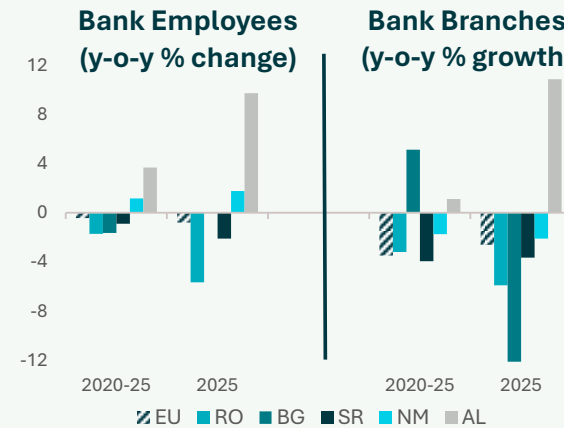
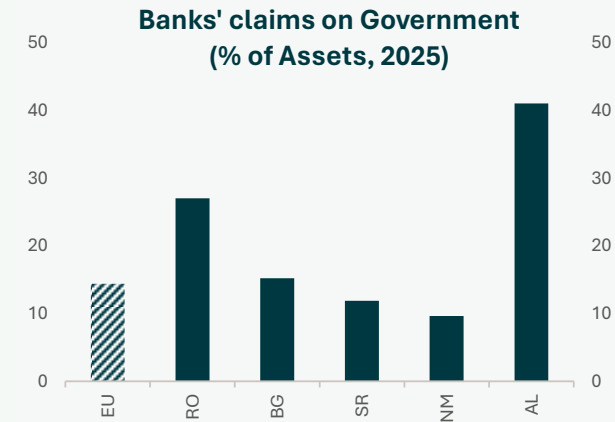
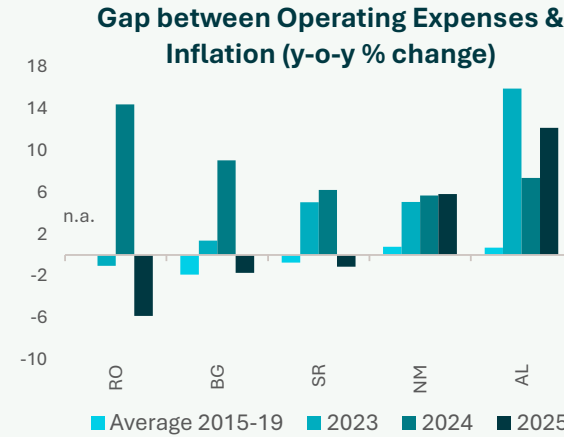
^o loans classified in the risk categories B and C regular, Mar. 2025

* 4 largest banks, together accounting for c. 54% of the banking system's assets

Sources: EBA, National Central Banks & NBG estimates

Operational efficiency weakened slightly at a regional level, yet remained significantly stronger than the EU average

- In Romania, Bulgaria, and Serbia, operating expense growth moderated sharply in 2025 -- falling below the inflation rate -- as the banking sector continued to reduce employment and branch presence. By contrast, in Albania and North Macedonia, operating expense growth continued to erode revenue gains for a 3rd consecutive year, driven by expansion in workforce and branch networks, wage pressures tight labour markets, and accelerated investment in digital transformation and IT infrastructure
- Despite large holdings of financial securities -- particularly government bonds, underscoring a strong sovereign-bank nexus -- SEE-5 banks recorded only limited unrealized gains from the downward shift and flattening of sovereign yield curves, largely reflecting the high share of debt securities measured at amortized cost (ranging from c. 50% in Romania to over 70% in Bulgaria). Albanian banks remain by far the most exposed to sovereign debt in both regional and European comparison, with government securities accounting for c. 41% of total assets, exceeding the share of loans
- Despite mixed performance in 2025, SEE-5 banks continued to outperform their EU peers in terms of operational efficiency. Their cost-to-income ratios -- ranging from 39.4% (Bulgaria) to 55.4% (Albania) -- remained below their pre-pandemic averages, comparing favourably with the EU average of 53.3%
- In Romania, the supplementary turnover tax on banks -- originally introduced in 2024 -- was raised to 4.0% in H2:25 (up from 2.0% previously) as part of the authorities' broader fiscal consolidation efforts, further weighing on bank profitability



* 4 largest banks, together accounting for c. 54% of the banking system's assets
Sources: EBA, National Central Banks & NBG estimates

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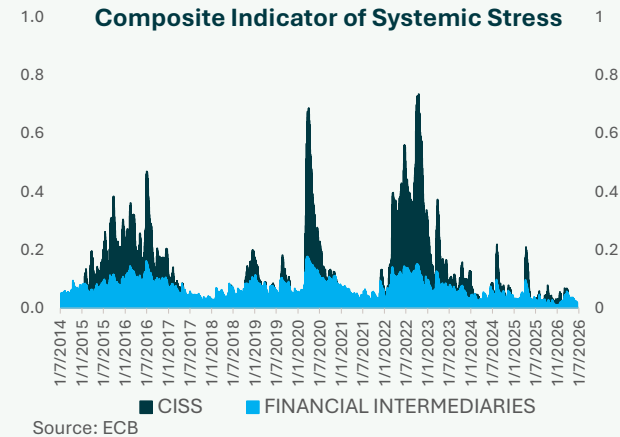
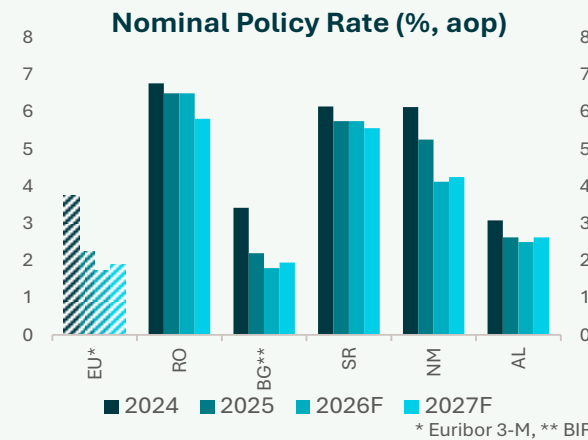
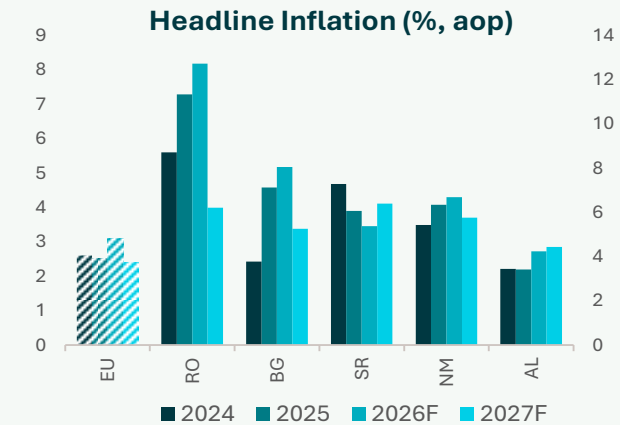
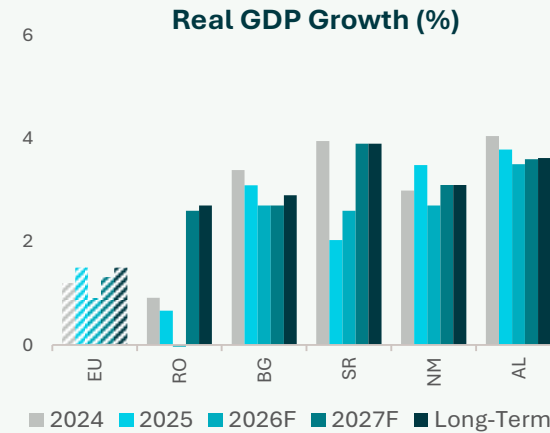
16 Banking Sector Indicators (2025)



Macroeconomic Environment - Outlook

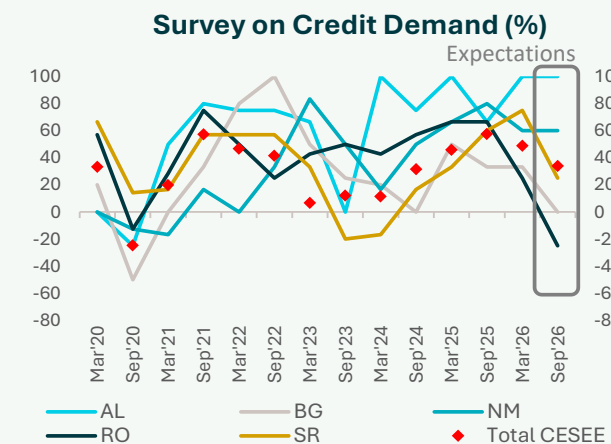
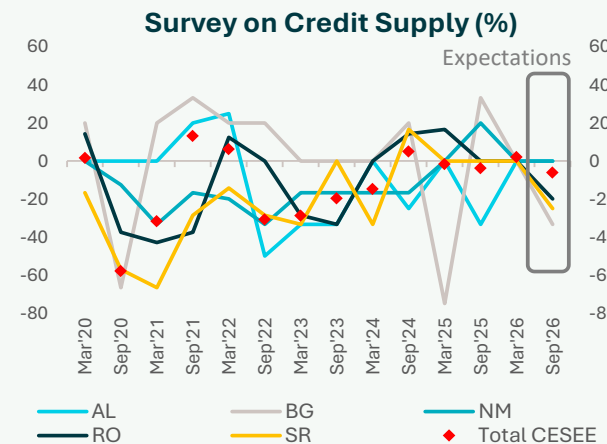
- The Middle East conflict has weighed on the macroeconomic outlook since late February. If the fragile ceasefire holds and leads to a broader agreement, much of the current uncertainty should recede. Nevertheless, activity is likely to remain constrained by lingering supply-side disruptions. Energy prices, although already well below their peak, are expected to ease towards pre-conflict levels only gradually as operational constraints unwind and geopolitical risk premia dissipate. As a result, the macroeconomic impact should remain contained, depending on economies' energy intensity and their import reliance. Cyclical conditions differ from 2022, when post-pandemic tailwinds amplified inflation pass-through while supporting economic activity
- Private consumption is expected to remain resilient, supported by strong labour markets despite temporary adverse income and confidence effects. Investment will remain a key growth driver, underpinned by public spending and frontloaded EU funding ahead of the RFF expiry. By contrast, exports are likely to remain subdued amid weaker EU growth and structural headwinds from US tariffs and intensifying Chinese competition
- GDP growth is projected to moderate across most regional economies while remaining solid in 2026. The exceptions are Serbia, which is accelerating on strong base effects, and Romania, where aggressive fiscal consolidation is projected to induce a mild recession. Convergence towards potential growth is expected by late-2027
- The recent rise in inflation warrants continued monetary vigilance. The ECB has raised its key rate by 25 bps, with markets pricing in one additional rate hike amid concerns over second-round risks. The Central Bank of North Macedonia has closely mirrored the ECB's moves. Elsewhere monetary policy remains relatively restrictive, with gradual normalization toward neutral rates beginning only in H2:27
- The fiscal outlook is affected by targeted government relief measures, although the impact on fiscal balances is expected to be smaller than in 2022–23
- Risks remain tilted to the downside. A more protracted conflict could entrench supply-side inflationary pressures, compounded by higher risk aversion and tighter financing conditions. However, the recent decline in the ECB's Composite Indicator of Systemic Stress to subdued levels points to limited near-term risks to financial stability

The macroeconomic impact of the Middle East conflict is projected to remain manageable in 2026, with normalization expected in 2027



- Following a strong start to the year, credit expansion is projected to moderate in the near term, particularly in the household segment. In the corporate sector, weaker demand for investment loans is likely to be partly offset by higher working-capital needs amid elevated energy and supply-side cost pressures
- Recent bank lending surveys broadly support this assessment, pointing to tighter lending standards and a cautious risk appetite among regional lenders
- The moderation is also expected to be reinforced by country-specific borrower-based macroprudential measures, including limits on loan-to-value (LTV) and debt service-to-income (DSTI) ratios (see also p. 12 for capital-based measures)
- In Bulgaria, the authorities have proactively strengthened the macroprudential framework to mitigate risks of excessive credit expansion fueled by the liquidity influx stemming from the harmonization of reserve requirements upon euro adoption. Measures include lower LTV and DSTI limits on mortgage lending
- In North Macedonia, macroprudential policies were tightened at end-2025 through the introduction of LTV and DSTI limits on mortgage lending, with more stringent DSTI requirements for FX loans
- In Albania, in mid-2025, the Central Bank introduced limits on LTV and DSTI ratios for new real estate lending -- with only c. 20% of outstanding volumes estimated to exceed the new standards
- In Romania, the increase in the VAT rate on real estate transactions is expected to weigh on demand for mortgage lending, while the higher turnover tax should continue to dampen banks' incentives to expand lending

Credit expansion is projected to moderate, reflecting tighter lending standards and macroprudential measures



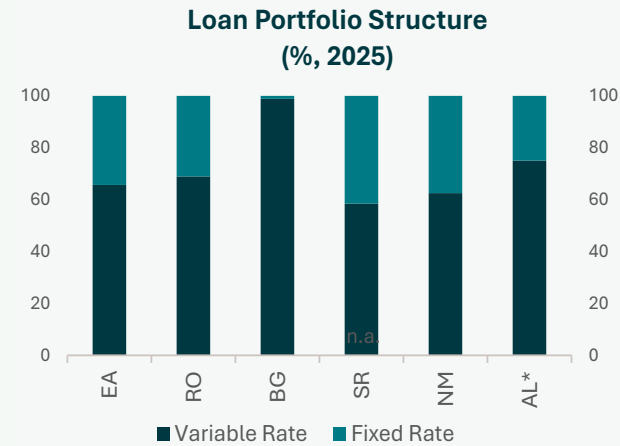
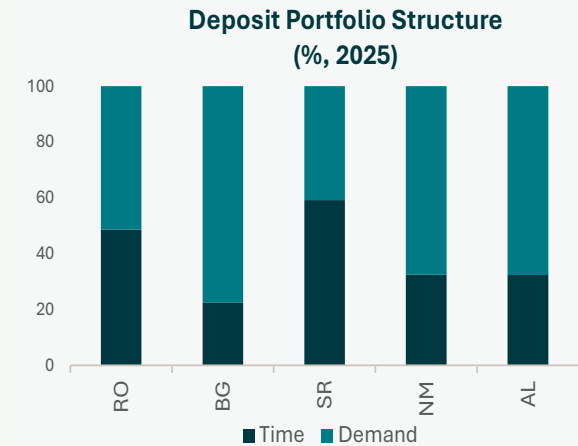
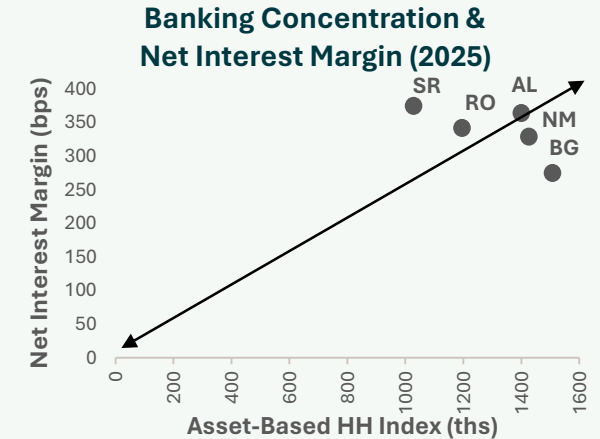
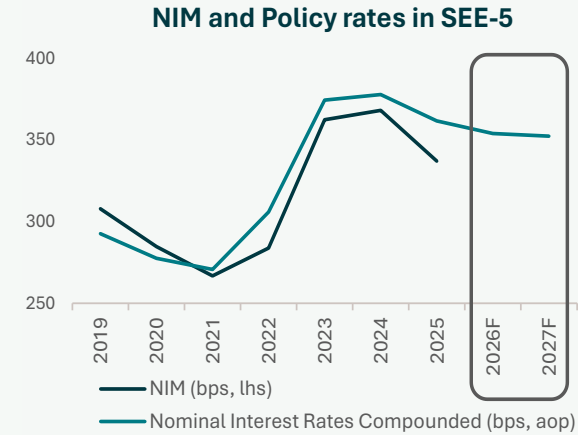
Borrower-based measures (BBMs) for real estate (RRE) lending		
	Loan-to-Value ratio (LTV, %)	Debt Service-to-Income ratio (DSTI, %)
Romania	85 / 75 (LC / FC) for 1 st - time buyer 75 / 65 (LC / FC)	45 / 25 (LC / FC) 1 st - time buyer 40 / 20 (LC / FC)
Bulgaria	95 for 1 st - time buyer 85	50
Serbia	90 for 1 st - time buyer 80	additional capital requirements if >60
North Macedonia	90 for 1 st - time buyer 75	55 for 1 st - time buyer 50 / 45 (LC / FC)
Albania	85 / 75 (LC / FC) for 1 st - time buyer 80 / 70 (LC / FC)	40 / 35 (LC / FC) for 1 st - time buyer 35 / 30 (LC / FC)

Sources: EBA, National Central Banks & NBG estimates

Banking Sector Profitability Outlook - NIM

- Overall, the pace of credit expansion across SEE economies is projected to remain resilient over the forecast horizon, moderating from current rates but staying broadly at or above historical averages
- In Serbia, however, the moderation in credit growth may be more gradual, reflecting elevated financing needs associated with the investment cycle related to preparations for Expo 2027
- Given the outlook for higher-for-longer policy rates, NIMs are expected to stabilize at current elevated levels in the near term, partially mitigating the adverse impact of slower credit growth on NII
- This resilience of NIMs reflects an asymmetric interest rate pass-through, underpinned by structurally low deposit rate betas. This, in turn, stems from the persistent and sizeable liquidity surpluses across SEE-5 banking systems (see also p. 12, 13), which largely shield banks from funding pressures. Importantly, funding structures remain dominated by sight deposits, characterized by low interest rate sensitivity and stable volumes
- The relatively high concentration of banking systems across the region has been also supporting banks' pricing power, contributing to the preservation of elevated net interest margins
- Over the medium term, as policy rates converge towards their neutral level, NIMs are projected to settle at rates below their pre-pandemic average, reflecting, *inter alia*, intensifying competition among banks alongside and a gradual shift towards term deposits and higher-yielding financial products
- Higher-for-longer interest rates imply elevated wholesale funding costs associated with compliance with Minimum Requirements for Own Funds and Eligible Liabilities (MREL), exerting downward pressure on NIMs despite structurally low deposit costs. The small scale of non-internationally affiliated domestic banks continues to limit access to funding

Higher-for-longer interest rates should keep NIMs at elevated levels, building on already structurally high margins

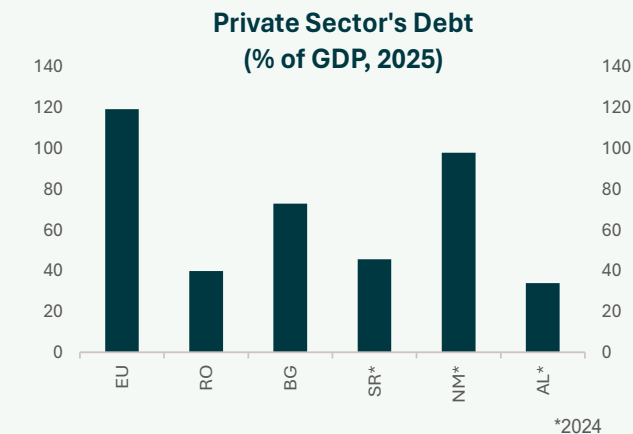
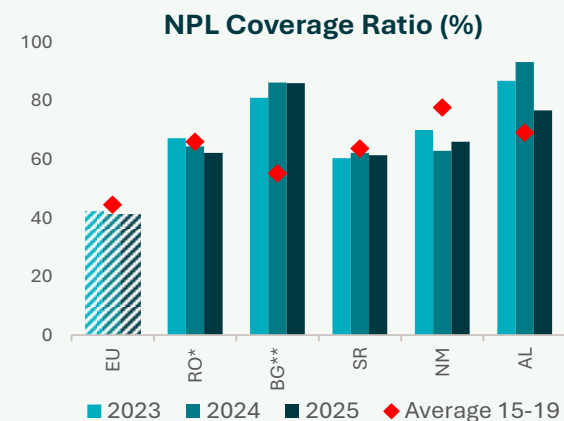
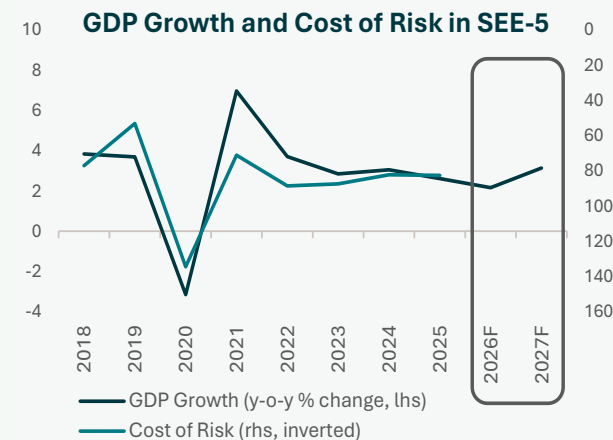


Sources: EBA, National Central Banks & NBG estimates

Banking Sector Profitability Outlook - Provisioning

- Although SEE-5 banks have limited direct exposure to the Middle East, spillovers from the ongoing crisis are likely to be more significant. While markets largely view the recent surge in energy prices as transitory, heightened uncertainty is expected to weigh on risk sentiment, prompting tighter lending standards and higher NPL provisioning. Under the baseline, which assumes, *inter alia*, higher-for-longer interest rates, asset quality is expected to come under moderate pressure, but remain broadly manageable
- Regarding households, high savings buffers and resilient labour markets should cushion the impact of higher inflation on real incomes, although remittance support could weaken should the slowdown in the EU deepen
- In the corporate sector, the outlook is most challenging for industries exposed to input-cost volatility and tighter financing conditions, notably manufacturing, construction and retail. Manufacturing faces additional structural headwinds from persistent energy cost differentials, intensifying competition from Asia and real FX rate appreciation
- Private sector debt vulnerabilities remain contained, with indebtedness generally below the EU average (of c. 120% of GDP). Debt levels range from 34% of GDP in Albania to nearly 100% in North Macedonia, while continuing to decline in Romania. In the corporate sector, repayment capacity is stronger than leverage ratios suggest, as a sizeable share of liabilities reflects lower-risk intercompany lending
- SEE-5 banks' solid NPL coverage ratios -- ranging from 62% in Serbia to over 85% in Romania, well above the EU average of 42% -- provide a credible buffer against a potential deterioration in asset quality
- Amid increased uncertainty and slower credit growth, NNII is expected to provide an additional earnings buffer against asset quality deterioration and idiosyncratic risks
- Operating costs are projected to remain elevated in the short term, in line with higher inflation. Digital transformation will also add to cost pressures. Over time, branch rationalization and workforce restructuring should improve cost efficiency
- Overall, SEE-5 banks' profitability (ROAE) is expected to moderate over the forecast horizon while remaining above historical average levels

Profitability to moderate amid higher provisioning, but remain above historical averages



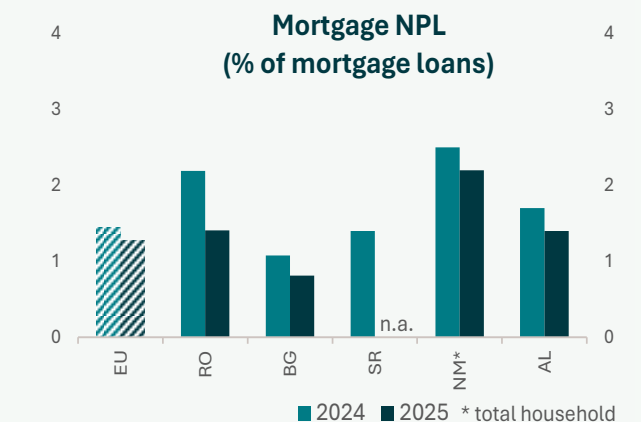
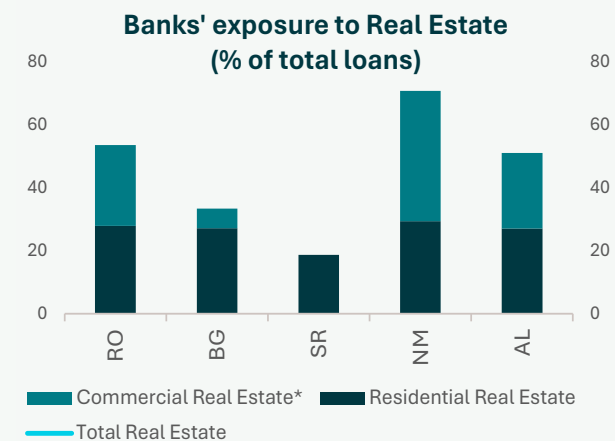
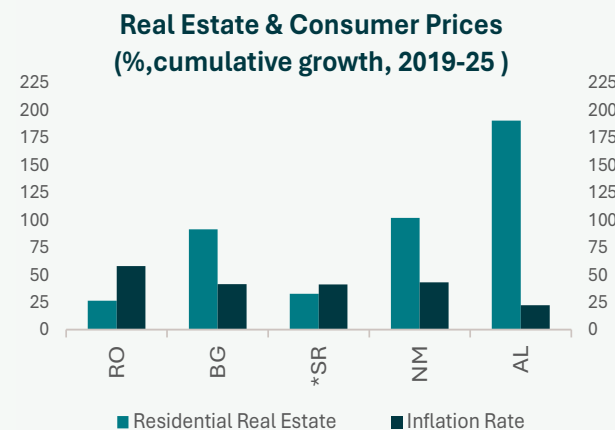
*4 largest banks, together accounting for c. 54% of the banking system's assets

Sources: EBA, National Central Banks & NBG estimates

Banking Sector Profitability Outlook – Collateral Valuation & Other Risks

- Provisioning needs could rise significantly in the event of a disorderly correction in property prices. Vulnerabilities appear most pronounced in the residential real estate (RRE) segment in North Macedonia, Bulgaria and Albania, where prices have increased sharply since end-2019 (see chart) and remained resilient despite the 2022-23 monetary policy tightening cycle, pointing to persistent valuation pressures
- Housing demand has been supported by rising incomes and a substantial positive spread between real rental yields and (low) real deposit rates amid limited investment alternatives (as reflected, *inter alia*, in the very high home ownership rates of c. 90% in SEE-5, compared with 65% in the euro area). Mortgage lending has accelerated in response. On the supply side, structural constraints, including labour shortages in construction and an ageing, geographically misaligned housing stock, have contributed to persistent shortages
- Data on commercial real estate (CRE) remain limited, but available estimates suggest a similar price trajectory, although signs of overvaluation appear less pronounced
- Sustained property price increases and rapid credit growth point to a build-up of cyclical risks. Banks' sizeable exposures to RRE and CRE, both directly through lending to construction and real estate developers and indirectly through collateralized lending, leave them vulnerable to a property market correction. Exposures are particularly high in North Macedonia, where real-estate-related loans account for c. 70% of total loans. Concentrated corporate loan portfolios further amplify these vulnerabilities
- Credit risk and provisioning requirements could also rise in the event of abrupt FX movements. Albanian banks are particularly exposed, as c. 22% of FX loans (o/w 2/3^{rds} are concentrated in the real estate sector) are extended to unhedged borrowers
- While sovereign exposures benefit from preferential regulatory treatment, they remain a latent source of credit and market risk. With public debt remaining largely in check, sovereign credit risk appears limited. Market risk is also mitigated, as most debt securities held by banks are measured at amortized cost, reducing sensitivity to shifts in market sentiment

Signs of overvaluation in real estate market warrant caution



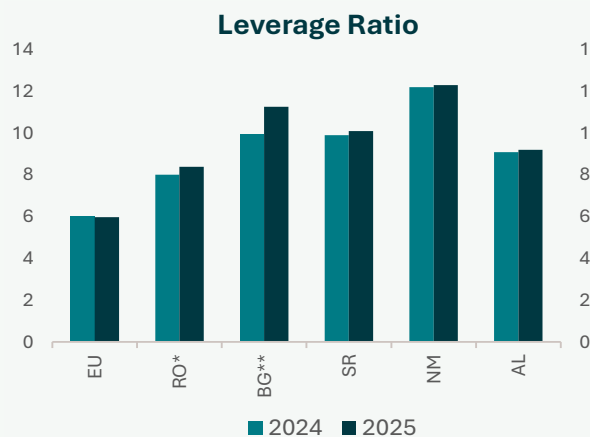
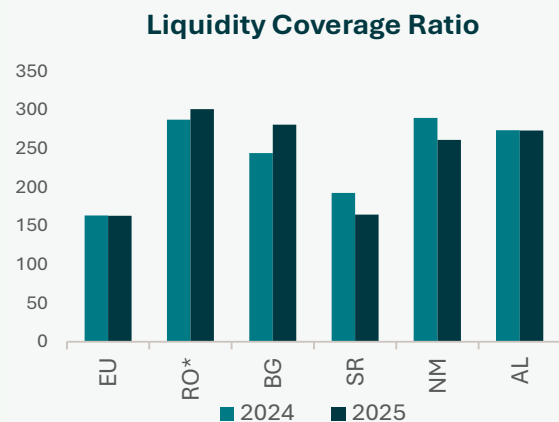
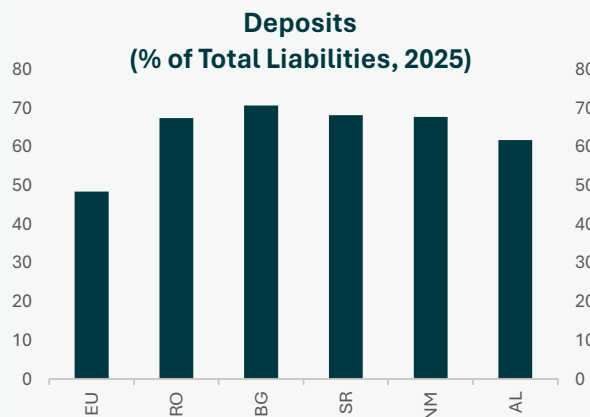
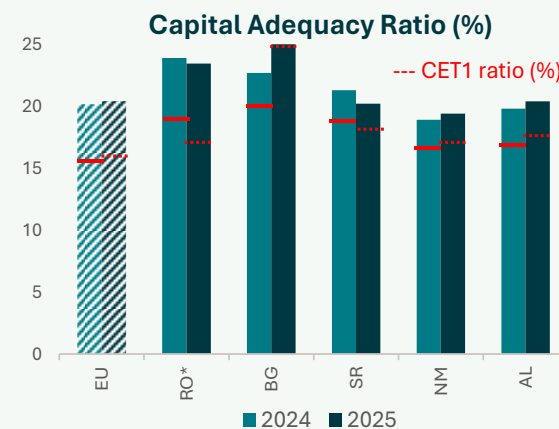
* includes direct exposure through loans to construction/real estate companies as well as indirect exposure through loans to NFCs collateralised with CRE

Sources: EBA, National Central Banks & NBG estimates

Banking Sector Profitability Outlook - Capital, Liquidity & Leverage Positions

- SEE-5 banks appear to be better positioned than their EU peers to navigate current uncertainties and absorb potential stress events
- Banking systems remain well-capitalized, with Common Equity Tier 1 (CET1) capital accounting for c. 90% of total regulatory capital (%80 in Romania), indicating strong loss-absorption capacity. Robust profitability is expected to continue supporting capital accumulation building, notwithstanding higher dividend payout ratios. Capital resilience is further reinforced by recent tightening of macroprudential frameworks, including higher capital buffer requirements for other systemically important financial institutions (O-SIIs) and counter-cyclical buffers (CCyB)
- In Bulgaria, the CCyB rate remains elevated at 2.0% with a planned increase to 2.25% in Q2:27. In Serbia, O-SII capital requirements will be increased from Q3:26, with buffer rates ranging from 1.0% to 2.0%. In North Macedonia, the CCyB rate was raised by 25 bps to 2.0%, effective from Q2:25. In Albania, the BoA raised the CCyB rate to 0.25% in June 2025 and further to 0.5% in December 2025. while also introducing differentiated capital surcharges of up to 3.0%, to be phased in from 2027. In Romania, macroprudential settings are expected to remain unchanged to avoid tightening credit conditions amid persistent idiosyncratic economic headwinds
- Liquidity positions remain strong, underpinned by ample cash buffers and sovereign debt holdings. Liquidity coverage ratios (LCRs) remain well above EU standards, strengthening banks' capacity to withstand periods of severe funding stress without resorting to disorderly asset liquidations
- The large deposit base limits wholesale funding risks. Albeit resilient, deposits remain skewed towards short-term maturities, implying a structural asset-liability mismatch against longer-duration loan portfolios. Crucially, the vast majority of retail deposits remain below insurance thresholds, mitigating the risk of confidence-driven outflows
- Looking ahead, climate-related risks and accelerating digitalization, including intensifying competition from financial technology (fintech) firms -- are expected to become key supervisory and risk management priorities

Strong fundamentals underpin banking sector resilience



*4 largest banks, together accounting for c. 54% of the banking system's assets

Sources: EBA, National Central Banks & NBG estimates

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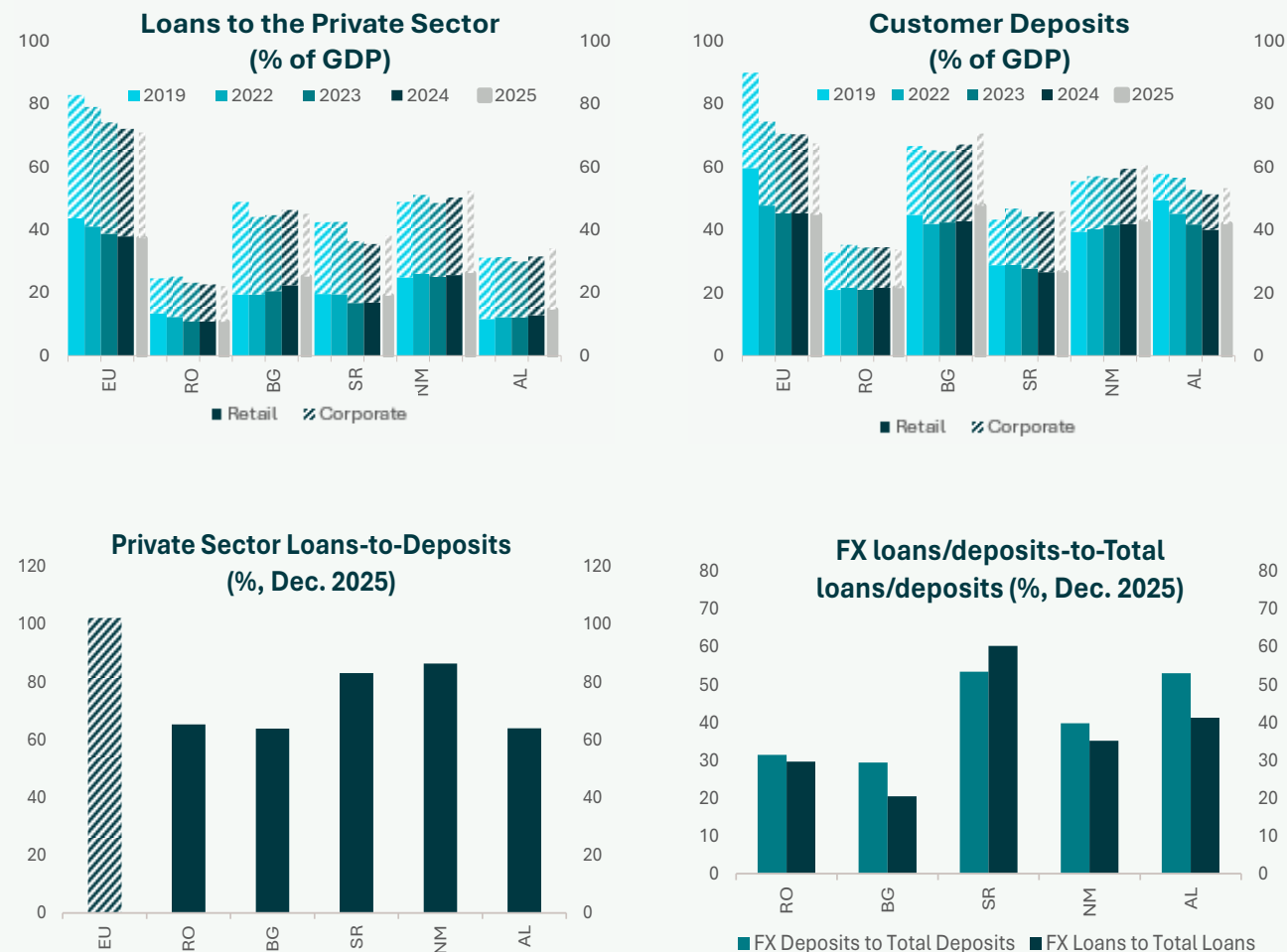
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16 Banking Sector Indicators (2025)

Banking (Under)Penetration in SEE-5 - Overview

- The outstanding stock of bank lending to the private sector remains relatively low in SEE-5, particularly in Albania and Romania, where it is the lowest in the EU. Following the 2022 energy shock, lending penetration has broadly returned to pre-pandemic levels in Bulgaria, North Macedonia, and Albania. In contrast, lending penetration in Serbia has been recovering gradually but remains below pre-pandemic levels, while Romania it has continued to decline amid macroeconomic headwinds
- Retail lending remains the most underpenetrated segment. Corporate lending penetration is likely understated as data exclude a substantial volume of cross-border financing provided by foreign banks and parent companies
- Deposit-to-GDP ratios remain below EU benchmarks, reflecting lower income levels and savings rates. In Romania, Bulgaria, Serbia and North Macedonia, a recovery in household savings has supported a return of deposit ratios towards pre-2022 levels. In Albania, the deposit base has been affected by valuation effects from Lek appreciation
- Given shallow domestic capital markets and limited alternative savings instruments, banks continue to intermediate most private sector savings. Albania is a notable exception, as T-bills traditionally absorb a non-negligible share of household savings (c. 8% n.a.) and, to a lesser extent, corporate savings
- Financial intermediation (measured by loans and deposits as a share of GDP) remains highest in Bulgaria (119%, below the EU average of 140%), followed closely by North Macedonia (113%), while Romania records the lowest level in the region (56%)
- Euroization remains elevated across SEE-5, reflecting strong regional integration with the euro area (via trade, migration and financial linkages). However, it is significantly higher in EU candidate countries -- particularly Serbia and, to a lesser extent, Albania and North Macedonia -- than in EU member states (Romania, Bulgaria), partly reflecting lower confidence in domestic currencies
- SEE-5 banks remain liquid, with their loan-to-deposit ratios standing below the critical 100% threshold, particularly in Albania (64%)

Financial intermediation remains low in SEE-5,

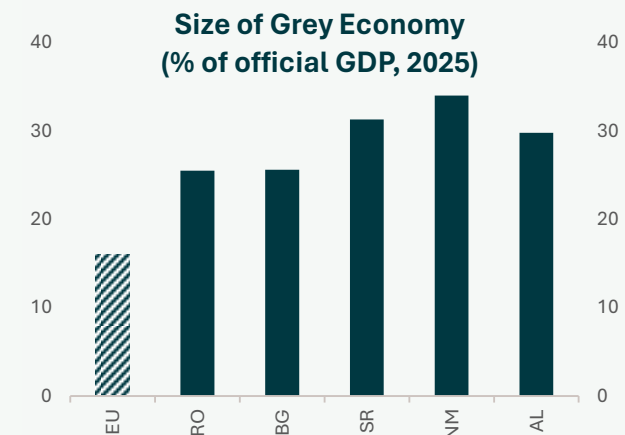
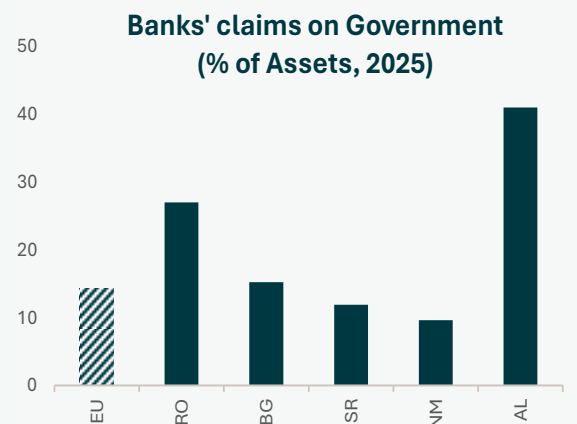
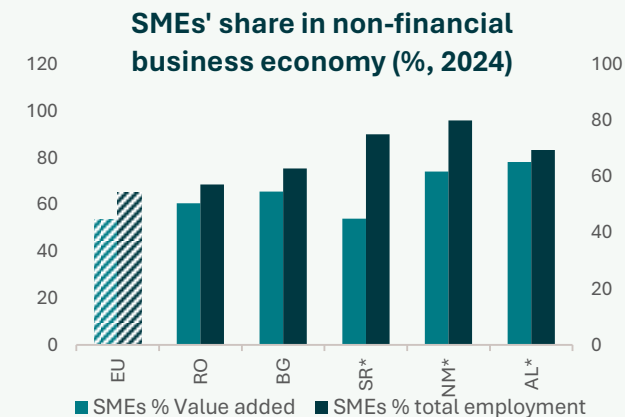
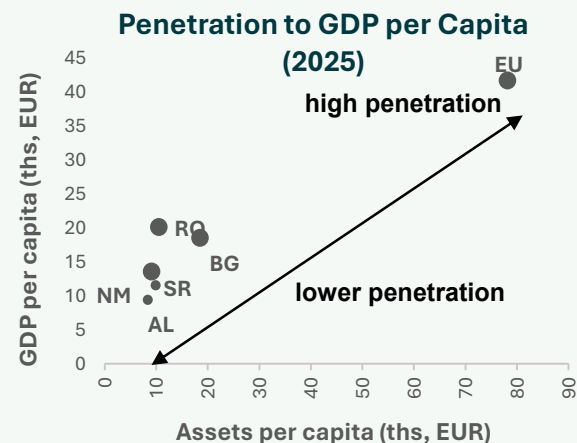


Sources: EBA, National Central Banks & NBG estimates

Banking (Under)Penetration in SEE-5 - Causes

- o Several structural factors help explain the positive relationship between financial intermediation and income levels across SEE-5, reflecting constraints that keep financial deepening broadly in line with the region's lower income profile. These include:
 - i. **Elevated bank exposure to sovereign assets, which may crowd out private sector lending.** In Romania and Albania, loans to the public sector and sovereign debt holdings account for a disproportionately large share of total banking assets;
 - ii. **High prevalence of non-bankable micro-businesses & SMEs, due to weak financial fundamentals** (the share of firms with negative capital is estimated to range between 25% in Bulgaria to up to 40% in Albania) **and limited credit histories;**
 - iii. **Conservative lending practices,** including stringent collateral requirement (favouring land over receivables), constraining access to finance for young and asset-light firms
 - iv. **A large informal economy** (ranging between c. 25% of official GDP in Romania to 35% in North Macedonia, well above the EU average of below 20%), which keeps market liquidity out of banks;
 - v. **Relatively high banking concentration,** which may restrain aggregate credit supply while sustaining elevated profitability through high spreads;
 - vi. **Residual legacy NPLs,** although substantially reduced, which continue to weigh on risk appetite;
 - vii. **Weaknesses in legal & regulatory frameworks,** including bankruptcy and insolvency regimes
 - viii. **Low trust in banking system & low financial literacy rates,** particularly in countries that suffered in the past by banking crises and Ponzi schemes (e.g. Albania)
- o Finally, the per-capita asset gap between SEE-5 and EU banks is further amplified by the formers' structurally limited non-lending operations, which remain largely confined to cash holdings and sovereign securities

... in line with the income levels



Sources: EBA, EBRD National Central Banks, World Economics & NBG estimates

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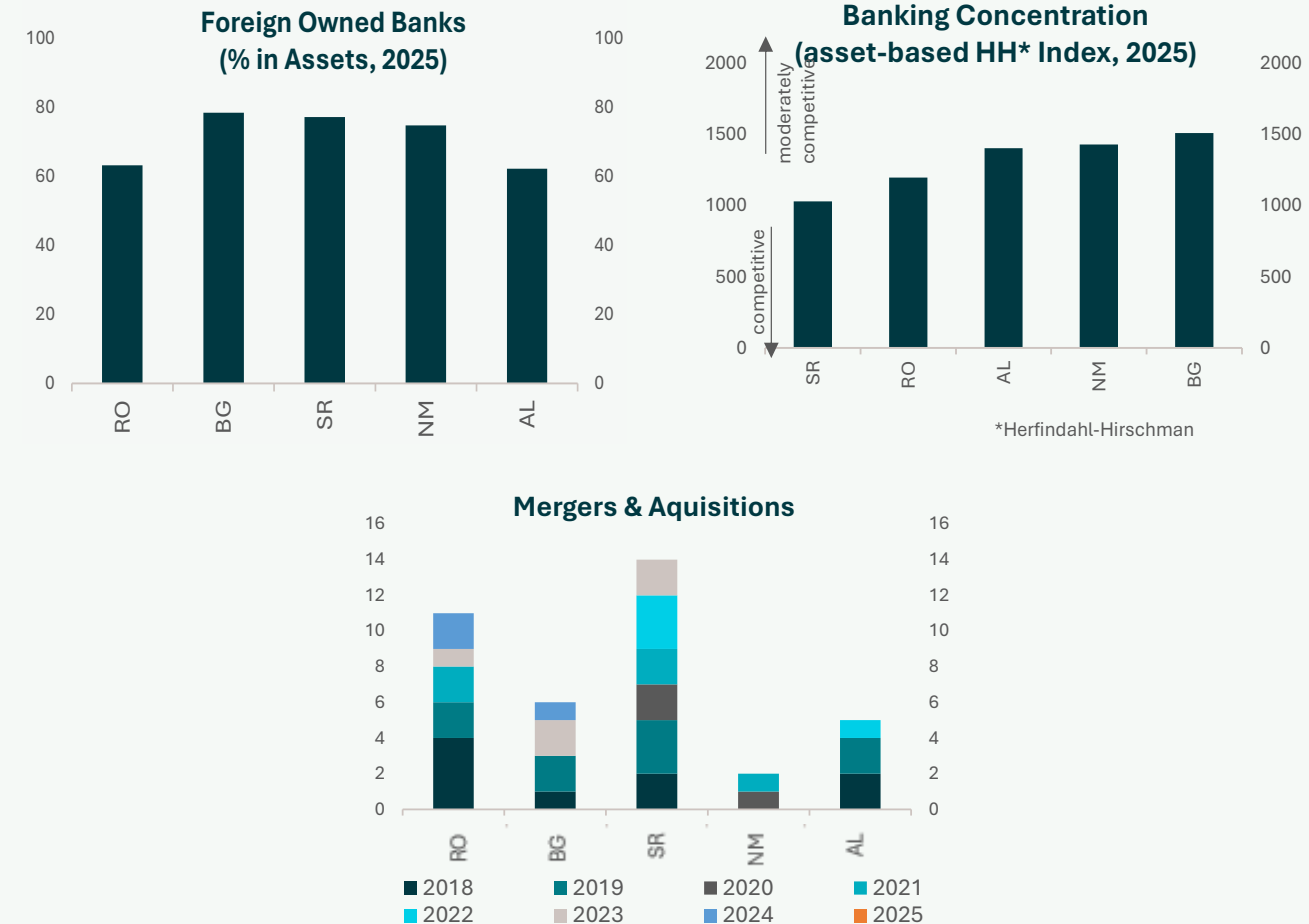
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16 Banking Sector Indicators (2025)

Banking Concentration, Consolidation Trends & Other Developments - Overview

- The presence of foreign (mainly EU-headquartered) banks in SEE-5 has remained broadly stable since the mid-2010s, following post-GFC deleveraging and restructuring. Albania is the sole exception, with foreign-ownership having been declined in favour of smaller domestic banks. Importantly, a strong foreign presence continues to enhance access to credit and the diffusion of modern banking practices
- Regional banking systems -- particularly in Serbia and Romania -- exhibit low-to-moderate concentration, suggesting scope for further consolidation as smaller, less-efficient banks face increasing regulatory pressures
- In Albania, the sector is becoming more structurally diversified, supported by the entry of a digital-only bank and a specialised foreign branch serving agribusiness
- Merger and acquisition (M&A) activity slowed in 2025. In contrast, portfolio carve-outs increased across SEE-5, supporting market consolidation. This highlights a broader asymmetry in the regional banking landscape, with large foreign banking groups using these transactions to increase scale and efficiency, while smaller domestic institutions rely on divestments to contain compliance costs and preserve operational viability
- At the same time, regional banks are showing increasing interest in the acquisition of non-bank financial service providers, including insurance and leasing companies
- Financial integration with the euro area advanced in 2025, following inclusion of Serbia, North Macedonia and Albania in the Single Euro Payments Area (SEPA)
- Bulgaria's participation in the bloc's Banking Union and its key mechanisms (SSM, SRM) and its accession in the euro area are credit-positive factors. Beyond granting a seat on the ECB's Governing Council, euro area membership is expected to eliminate FX risk, lower borrowing and transactions costs, and bolster financial stability through direct access to ECB monetary policy tools and the European Stability Mechanism (ESM)

Despite slowing M&A activity, market consolidation continued, supported by increased portfolio carve-outs



a: excluding cooperative banks (40), b: 2020, c: 4 largest banks, together accounting for c. 54% of the banking system's assets
Sources: EBA, National Central Banks & NBG estimates

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Banking Sector Indicators (2025)

Macro & Banking Sector Indicators (2025)					
	Romania 	Bulgaria 	Serbia 	North Macedonia 	Albania 
Macro Indicators					
Population (2025, mn)	18.8	6.3	6.5	1.8	2.4
GDP (2025, EUR, bn)	379.1	116.1	88.7	17.0	27.2
GDP per Capita (2025, EUR)	20,131	18,533	13,565	9,382	11,526
S&P / Moody's / Fitch	BBB- / Baa3 / BBB-	BBB / Baa1 / BBB	BBB- / Ba2 / BB+	BB- / NR / BB+	BB/ Ba3 / NR
Ownership: Number of Banks					
Number of Banks	29 ^a	23	19*	13	11
Foreign Owned	22	15	14*	10	6
State Owned	2	1	2	1	0
Ownership: Share in Assets (%)					
Foreign Owned	63.2%	78.40	78.1%	74.7%	62.2%
State Owned	14.3%	3.0%	9.5%	3.3%	0.0%

a: excluding cooperative banks (32), b: 4 largest banks, together accounting for c. 54% of the banking system's assets,* excludes foreign banks' branches
Sources: EBA, National Central Banks & NBG estimates

Banking Sector Indicators (2025)

Banking Sector Indicators (2025)					
	Romania	Bulgaria	Serbia	North Macedonia	Albania
Concentration: 5 Largest Banks' Market Share (%)					
Assets	68.0%	76.3%	62.0%	81.4%	73.0%
Branch Network & Number of Employees					
Branches	3,288	4,542	1,288	369	449
Number of Employees	48,268	25,181	21,816	6,096	7,849
Intermediation (% of GDP)					
Assets	50.1	100.1	67.4	89.5	86.3
o/w Credit to Private Sector	22.1	45.1	38.2	52.3	34.1
Deposits	33.8	70.7	45.9	60.6	53.3
Liquidity					
Liquidity Coverage Ratio (%)	301 ^b	280.6	164.3	260.9	273.3

a: excluding cooperative banks (32), b: 4 largest banks, together accounting for c. 54% of the banking system's assets

Sources: EBA, National Central Banks & NBG estimates

Banking Sector Indicators (2025)

Banking Sector Indicators (2025)					
	Romania	Bulgaria	Serbia	North Macedonia	Albania
Asset Quality					
NPLs (%)	2.7	2.7	2.1	2.0	3.8
NPL Coverage (%)	62.3 ^b	86.1	61.5	66.1	76.8
Efficiency					
Cost / Income (%)	45.6 ^b	39.4	46.6	48.4	55.4
Leverage & Capital Adequacy					
Leverage Ratio (Tier 1)	8.4 ^b	11.3	10.1	12.3	9.2
Tier 1 Capital Ratio (%)	21.0 ^b	24.9	18.6	18.4	18.5
CAD (%)	23.5 ^b	26.6	20.2	19.4	20.4
Profitability					
NIM (bps)	342 ^b	275	375	329	364
ROAE (%)	19.5 ^b	13.7	20.1	17.0	15.9
ROAA (%)	1.9 ^b	1.6	2.8	2.1	1.9

a: excluding cooperative banks (32), b: 4 largest banks, together accounting for c. 54% of the banking system's assets
Sources: EBA, National Central Banks & NBG estimates

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