

## **Jorgovanka Tabakovi: Serbian banks well-capitalised and profitable, maintaining high liquidity buffers**

Speech by Dr Jorgovanka Tabakovi, Governor of the National Bank of Serbia, at the Annual Assembly of the Association of Serbian Banks, Belgrade, 19 June 2026.

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Dear ladies and gentlemen, my closest associates – you are all my closest associates, as I am yours.

I would especially like to greet Marina. She knows me too, and those who know me more closely also know that I am very direct and open. This time as well, she asked me a surprising question: "Mrs. Tabakovi, could you come to our Annual Assembly?" I replied: "Of course I will come, because that is the most important event for me – who is more important to me when it comes to cooperation than banks and the banking system, that is, the Association of Serbian Banks, where you are all gathered and where we are all on the same mission?"

I would particularly like to greet Mrs. Ljubica Panteli from the Deposit Insurance Agency and Mr. Lazo Ostoji, CEO of the Belgrade Stock Exchange. I am not acquainted with Mr. Ostoji, which means he will have an opportunity to see for himself that I am not a stereotypical governor and that, in fact, I live with all these people for the Serbian banking sector and the Serbian financial sector in general. And to Ljubica, I would like to give credit for her courage, expertise and perseverance in the fight to maintain the stability of that financial sector, and the struggle she wages together with us and colleagues from the Ministry of Finance. Namely, we must not allow those who would continue to use the assets of closed-down banks – and I hope that will not happen to any bank that has had its license revoked, because that would be my and your responsibility – the right to be forgotten, as Marina called it when speaking about the history of the Credit Bureau. Rather, we should put those assets to use, not only for the banking sector, but for the budget of the Republic of Serbia, by finally concluding those decades-long bankruptcy proceedings. And I would like everyone to show her support on both a personal and professional level, at least as much as the NBS does – and she deserves it. Being a woman – and may my dear colleagues forgive me for saying this – and being so brave: we have examples in Ljubica, Marina, and many other female colleagues who carry banks on their shoulders and on their courage.

I have brought you the most beautiful, the best, and the most valuable from the NBS – they are the Vice-Governors Željko Jovi, Ana Ivkovi, Dragana Stani, and Nikola Dragaševi, and two gentlemen you often work with: the General Manager of the Bank Supervision Department, Darko Stamenkovi, and the General Manager of the Department for Financial Consumer Protection, Bojan Terzi. They will do their best to present the new decisions to you, and I will sum them up with one sentence: regarding the novelties anticipated for the fast-track EU accession, they can promise us whatever they want, but I will strive with all my strength, wisdom, and experience – even if I am the only one – to preserve this bank-centric system of the Republic of Serbia, which has proven its value. And I will repeat that everywhere I go, not only today, here where we sit, we who are reliant on each other, but in every other place as well, because all

others are reliant on us. And I will not allow – as much as I can, and I think that together we can do a lot – for people to think that profits, reputation, and earnings fall from the sky, while the knowledge, experience, and difficulties that this job entails remain behind the curtain, unseen by anyone.

I will, in an unusual way – though for those who know me, a usual one, through what is called my work running parallel to this banking one – begin my address with a few verses, though it will, of course, also have its formal part. But while I am delivering that formal part, you will probably be thinking about what I started with, and that is precisely my goal – because if we didn't have the philosophy that underpins how we create and make decisions and treat our clients, we wouldn't even be able to boast about a successful banking sector.

*This is how we ended our previous meeting:*

*These days*

*we owe a debt to future days*

*and souls unborn*

*Even if it means a sacrifice*

*that won't be recognised,*

*acknowledged or cared for.*

*For it is only when good times pass*

*heavy days come*

*and people have none to blame*

*that they will remember that someone*

*once knew how to create much from little*

*because he respected even those*

*who tripped him up*

*and those who envied him.*

*They will recall the one who dared to stand*

*to guard his roots and take the future in his hands*

*For he believed in humankind.*

*The rage will pass, the children will grow*

*The immature will learn what wise men know*

*Some will always blame others*

*for being somebody's pawns*

*for not realising in time*

*that they lost much and gained little*

*and that time – once gone – can't be reclaimed.*

Sadly, we measure that irretrievable time by reduced foreign investments, and I will say a word about that as well. But I also have something new as an addition, and I want you to think about that not only today, but at all times while you are doing your job. My wish is grounded in my experience and my years, and in our joint results. It bears the title "Gifts and Chains." It is not long:

*I recognise the Danaan gifts,*

*poets wrote about them,*

*and books remain as signposts.*

*I can tell apart gifts that are amulets*

*from gifts that are poison.*

*In them, false gratitude  
and hidden snares lie.  
There are gifts by which  
guilt is ransomed,  
people are bought,  
and fate is tailored,  
the fate of many,  
the unskilled and the innocent –  
not only of the one who receives the gift.  
I easily recognise those  
who have not read  
books, people, myths or legends –  
those who believe not even in the holiest.  
I recognise the messages of Danaan gifts –  
offer them not to me,  
for I know how Troy fell.  
I am the owner of my own steps,  
I am the possession of the One God.*

And I advise you to be the owners of your own decisions, and not to let anyone offer you crumbs while taking away your right to decide. Always consider that you have friends who will gift you something that is an amulet, rather than a purchase of you and the imposition of shackles. I am indeed speaking very openly about something called EU accession. When you enter the Union – everything will be possible, and then all it takes is one short decision, followed by some regional framework, and everything that has made us strong and created this state could come into danger, because our belief in good intentions might cost us dearly. Nothing must fall into oblivion; we must not hand over, let slip away, or turn the stability we have built over the years into something that is neither financial nor political stability. That is what happens when you wrap seriousness in verses. To be honest with you, that God-given gift I have – to put things into words – has the ability to heal and to self-heal me, and enables me to do this important work with all my heart, almost around the clock. And for me, you are all equal, from the largest to the smallest bank, and we look forward to the new member. And I want all of you to grow in that way. There is a story that goes like this: when a monk told me, "When you climb to the summit, do not rush too much to reach the peak; go up the stairs slowly," I experienced it as a curse, not understanding that it was a blessing. Because when you climb to the top too quickly, the only way to go from there is down. Slowly, steadily, surely – so that we can all grow together.

I will now turn to this formal part. I will begin with the latest assessment of Serbia's economic programme by the IMF Executive Board. Let me quote the key sentence: "A broadly aligned external position, moderate public debt, high international reserves, and a well-capitalised banking system are Serbia's strong economic fundamentals."

While this assessment recognises the collective efforts of us all, the public tends to reduce the role of banks to lending and interest rates, and that of the NBS – to maintaining the stability of the dinar exchange rate. Our real roles in the economic life, however, are both broader and deeper than that, and today I will speak about duration and the preconditions for such duration.

I have never been the one to accept the oversimplified view where banking sector stability is measured by banks' balance-sheet indicators alone, because the financial and the real sector are not two separate worlds. Capital, liquidity, asset quality and risk management are indeed the foundations of sound banking. The banking sector, however, does not operate in a vacuum. It operates in a country, in an economy, among people and businesses.

Banking sector stability also depends on price stability, exchange rate stability, FX reserves, fiscal position, investor confidence, income growth, and on whether borrowers are able to repay their loans not because they have to but because they have the means to do so. Once again, real sector growth would be much slower without a sound financial system. This is the communicating vessels system that I often refer to.

Therefore, let me briefly touch upon:

- the macroeconomic environment in which the financial system operates;
- indicators of the system's soundness and the effects of our measures;
- inclusion in the SEPA Credit Transfer scheme;
- consumer and system protection through regulatory enhancements; and
- risks associated with modern-day business operations.

When we speak about the macroeconomic environment, it is a fact that crises have ceased to be an exception. We may even say that they have become the new normal. In such circumstances, seven days ago the ECB downgraded its euro area growth projections for 2026 and 2027 and upgraded its inflation projections. Where do we stand?

- In Serbia, inflation is within the NBS target band.
- We have preserved the relative stability of the dinar exchange rate against the euro, which provides protection for borrowers, supports price stability, and is one of the reasons why business decisions can be made with a much higher degree of predictability. Its importance is also reflected in the fact that the official middle exchange rate of the dinar against the euro is mandatory information in all print and electronic media.
- We have also secured record-high FX reserves of EUR 29.9 bn at the end of May this year, covering seven months' worth of imports of goods and services. At that level, they provide a guarantee to citizens, businesses and investors alike that Serbia has the capacity to withstand external shocks.
- With projected real GDP growth of 3.0% this year and an expected acceleration to 4.5% in 2027, Serbia will rank among the fastest-growing economies in Europe.
- Over the past two and a half years, wages have recorded strong real growth of around 8.5% on average, with pensions rising at an even faster pace.

For economic policymakers, these are not merely statistics. They are the very core of our policies. These cannot be treated as mere statistics by the banking sector either. As I have said, they reflect the ability of households to save, to use credit products, to service their obligations, to plan consumption, and to make long-term decisions. There can be no sound credit growth without growth in the real economy, just as profitability

cannot be sustainable unless businesses and households are able to meet their obligations in a timely manner. And in such a synergy, Serbian banks are well-capitalised and profitable, maintaining high liquidity buffers:

- The system-level capital adequacy ratio is close to 20%, ensuring the coverage of all material risks;
- At close to 160%, the liquidity coverage ratio (LCR) is significantly above the regulatory minimum of 100%;
- Compared with the EU average, Serbia's banking sector also has a significantly higher net stable funding ratio: 164% versus 127%. This level of coverage is ensured both at the aggregate level and by individual currencies;
- The level and growth of deposits also confirm confidence in the system:
  - Dinar savings, measuring RSD 225 bn, gained over 10% so far this year. FX savings equalled EUR 16.9 bn, having increased by 4.5%;
- The fact that NPLs account for only 1% of housing loans indicates that, even in the period of marked credit growth and more favourable interest rates, housing loan users demonstrated an exceptionally high degree of responsibility and financial discipline;
- We have also provided the regulatory preconditions for smooth implementation of the government-supported programme of more favourable housing loans for young people. Since the start of its implementation until end-April, close to 6,700 housing loans worth over EUR 500 mn were approved, confirming that the government has offered an excellent programme which you have supported;
- Consistent with supervisory expectations regarding more favourable financing terms for lower-income households, more than 395 thousand loans worth over RSD 320 bn in total were approved until end-May 2026. The bulk of this – around three-quarters – refers to dinar refinancing loans which do not increase the level of household indebtedness;
- We also expect your further engagement in facilitating financing for the purchase of real estate registered under the "Your Own Place" programme. On behalf of the NBS, I can say that from the perspective of our regulatory and supervisory functions, we see no formal or legal impediments to the provision of housing loans or to the purchase of such real estate.

I stated last year that these results are a joint achievement, because we could not have accomplished them without the commercial banks, just as banks would not be able to operate sustainably without a sound regulatory and macroeconomic framework. And here I will make a brief digression. Emphasizing our cooperation does not mean that we are protecting banks, as some who engage in the economisation of the media space for the sake of short-term gains would like to portray.

We are protecting the system and all its participants, and that is the only framework in which we operate. No one is above the system.

And when I speak about the system, one of the outcomes that is not always perceived in public as a reform, yet brings significant benefits, is our operational integration into the SEPA Credit Transfer system.

- For exporters, this means simpler business transactions with partners in the EU. For citizens, it means easier money transfers from and to abroad. For us, SEPA is

further proof that Serbia can meet strict technical, regulatory and operational requirements and be part of the European financial infrastructure.

- We entered the SEPA project implementation process with an already established, modern and stable domestic payment system, which enabled efficient integration into the European payment area within a relatively short timeframe.
- In this process, the NBS ensured the regulatory preconditions, supported technical and operational preparations, and has been actively monitoring the functioning of the system since the start of its implementation. However, I would like to reiterate that this success would not have been possible without the active participation of the banks.
- In this process, the Association of Serbian Banks acted as the National Adherence Support Organisation for SEPA payment schemes. As a bridge for effective communication between the banking sector and the European Payments Council, and as operational support to banks in the implementation of SEPA standards, you have been a significant part of this success.

To illustrate our current position, I will share just two data points.

- In May – the first month of processing transactions through the SEPA payment scheme, approximately 40% of all relevant cross-border euro transactions were executed through SEPA channels. This represents more than 350,000 cross-border euro transactions.
- Alongside the NBS, which provides payment services for budget users, 18 of the 19 banks operating in the Republic of Serbia have joined the SEPA Credit Transfer scheme. This means that, measured by the market share of payment service providers actively participating in the scheme, the coverage and accessibility of this service in our market are among the highest in the region.

And that is my first message: I would like to see the spirit of collaboration we have built together reflected in every part of our ecosystem.

I have singled out system and consumer protection through regulatory enhancements as a separate topic, because the protection of financial service consumers is one of the functions of the NBS that is the most visible to the public. Complaint statistics clearly indicate the direction for further improvements: more efficient complaint handling, clearer and more transparent communication with customers, and increased focus on digital channels.

Nevertheless, no one can dispute that financial and payment service consumers today enjoy a high level of protection of their rights.

The new Law on the Protection of Financial Service Consumers adopted last year has introduced a higher level of consumer protection and greater transparency of financial services, but its most notable innovation is the introduction of interest rate caps.

- Our objective was not to undermine market principles or market forces. On the contrary. The goal was to prevent situations in which borrowers bear the burden of sudden and excessive changes without having a realistic opportunity to protect themselves.

- As I mentioned earlier, the ECB raised its interest rates by 25 basis points seven days ago. While interest rate adjustments on the scale witnessed in 2022 and 2023 are not anticipated going forward, it is precisely in this type of environment that the benefits of interest rate caps become most apparent, particularly by moderating the pass-through of higher rates to variable-rate housing loans.
- We are not pleased to see that, in April, the share of newly approved housing loans with variable and combined interest rates increased from 66% to 69%. Nevertheless, this is still a significantly better situation than before our initial measures introduced in 2023, when the share of variable-rate loans stood at as much as 80%.

In terms of safeguarding the system, amendments to the Law on Banks have further improved supervisory mechanisms and the bank resolution framework.

- Needless to say, our objective is for the resolution function to remain primarily a matter of sound preparation for risk management. The first contributions to the Resolution Fund were received already in early June, and these assets will be managed in accordance with the principles of safety and liquidity.

We have also enhanced the secondary regulatory framework in the areas of liquidity risk, interest rate risk, capital adequacy, asset classification, disclosure requirements, governance functions, and the system of internal controls.

During the remainder of the year, we will continue the process of alignment with the EU through a number of laws, which Darko and Bojan will discuss in more detail. I will simply note that the public has already had the opportunity to review and familiarise itself with all the relevant drafts.

When it comes to the risks of modern business operations, I will not speak about tighter financial conditions or other sources of systemic risk. Instead, I would like to highlight two areas that have a significant impact on the financial system as well: artificial intelligence and social media.

The headlines that followed the recent remarks by Kristalina Georgieva – that advanced artificial intelligence models could significantly disrupt the financial system – provide a good example of how a quantum leap in technological development, if not used properly, can become a weapon in the wrong hands. What was often overlooked in the reporting is that the International Monetary Fund considers the likelihood of such a scenario to be extremely low. However, if this risk were ever to become a reality – or, to use the technical term, if it were to materialize – its consequences could be impossible to foresee.

And that is my second message. Technological progress is neither a risk nor a guarantee of progress in itself. Risk arises when the pace of development is not matched by appropriate governance, controls, and accountability. That is why it is important to approach new technologies with openness, but also with caution. We do not reject them, because their application can significantly improve the efficiency of business processes, enhance services, and reduce costs. But neither should we

embrace them without a clear understanding of the risks they entail – from cybersecurity and data protection to operational resilience and the potential for disruptions to spread more rapidly than in the past.

One risk that we often talk about, yet too often underestimate, is the power of words – and their capacity to fuel panic. We do not have the luxury of using language designed to attract readers, such as headlines suggesting that "inflation is lurking just around the corner" in the euro area. And that is not because we lack creativity – quite the contrary. But in a time when information spreads instantaneously, responsibility in communication becomes an integral part of the responsibility for maintaining stability.

And that is my third message. As representatives of our institutions, we have a duty not to give in to the modern temptation of pursuing popularity or scoring short-term points. I believe we have remained true to that responsibility. Lasting value is created through accountability, sound judgment, and tangible results. I would like to see that same balance of transparency, coupled with a full awareness of responsibility, reflected throughout every part of our ecosystem.

Let me conclude.

Serbia has a stable macroeconomic framework, a preserved relative stability of the exchange rate, high foreign exchange reserves, inflation within the target range, a banking sector that is well-capitalised, liquid, and profitable, and a clear regulatory agenda. SEPA has also demonstrated that we are capable of meeting high standards and being part of the European financial infrastructure.

Yet these achievements are no cause for complacency. Their sustainability is influenced by every lending decision, every risk-management decision, every conversation with a client, every regulation, every supervisory assessment. Every technological innovation we choose to embrace, and every word we utter in the public sphere.

Therefore, my message today is that growth is necessary, but growth without stability is not sustainable. Profit must be the result of quality service, efficiency, and trust – not the vulnerabilities or limited financial literacy of service consumers. Innovation is indispensable, but innovation without security is not true progress.

If I were to identify one shared task for the period ahead, it would be to reaffirm what unites us: stability as our foundation, trust as the measure of our success, and development as the result of responsible work.

For its part, the NBS will continue to provide a sound regulatory framework and support a stable business environment, because only through high quality synergy between the financial and real sectors can both continue to grow and prosper.

I wish you a successful Annual General Assembly and the continued success of our cooperation. Thank you for everything we have accomplished together.