

The euro is a framework. Stability is a choice.



Dimitar Radev
Governor of the BNB

The holiday season usually gives us an opportunity to take a more measured look at what has been accomplished during the year. Seven months after the introduction of the euro, we can now make an initial assessment. It is positive. Payments continued without disruption, accounts were converted, sufficient cash was made available, and customers were served. An operation that affected almost every contract, every account and every cash desk in the country was completed without systemic disruption.

We have reason to be satisfied, but not complacent. The public will not judge euro area membership solely by the quality of the technical transition. Its assessment will be shaped by everyday experience—through prices, interest rates, access to credit and the security of savings. The conclusion at this stage is clear: the framework is stronger, and with that comes greater responsibility on our part.

The technical transition is complete. The real work continues.

On 1 January 2026, Bulgaria made an important transition in the organisation of its monetary regime—from stability through constraint to stability through participation. For nearly three decades, the currency board provided a clear nominal anchor—first to the Deutsche Mark and subsequently to the euro—through a fixed exchange rate and the relinquishment of an independent monetary policy. With full participation in the Eurosystem, the BNB now takes part in the common monetary policy, while Bulgarian banks have access, under the common terms and conditions, to its operations and liquidity facilities. Decisions are transmitted directly, and the options for managing temporary liquidity difficulties at solvent banks are considerably broader.

These benefits do not remove national responsibility. Monetary policy is common, but the credit cycle, housing market, incomes, fiscal conditions and banking practices retain their local specificities. Our task is to harness the benefits of monetary union while maintaining a conservative, preventive and transparent macroprudential and supervisory policy.

Seven months is too short a period for definitive conclusions. It is, however, enough to distinguish what we already know from the issues that will require constant attention.

Inflation requires facts and clear explanation

Let us be clear about the issue that understandably concerns most people.

The euro did not create inflation in Bulgaria, and membership in itself will not eliminate it. The inflationary wave began years before the adoption of the single currency. Initially, it was fuelled by rising global energy and food prices, supply-chain disruptions, the post-pandemic economic recovery and the consequences of Russia's war against Ukraine. Subsequently, it was also affected by renewed tensions in energy markets related to the crisis in the Middle East, as well as by domestic factors—rapid wage growth, strong consumption, rising service prices and fiscal decisions.

The data available as of mid-August point to a fluctuating rather than a one-directional picture. Annual average inflation, as measured by the Harmonised Index of Consumer Prices, was 3.5% in 2025. Annual inflation under this index declined to 2.1% in February 2026, then accelerated to 6.3% in May following the crisis in the Middle East, before slowing again—to 5.2% in June and 4.4% in July. These movements do not support the claim that every price increase after January can automatically be attributed to the euro. The causes must be sought in the individual components of the price index and in how they evolve over time.

Preliminary estimates place the one-off price effect of the currency changeover itself within a narrow range: around 0.2 percentage points according to the European Commission, and 0.3–0.4 percentage points according to an analysis by the ECB and the BNB. The difference reflects the methods used, not a difference in the conclusion: the effect is limited, concentrated mainly in parts of the services sector and comparable to what was observed during previous euro changeovers. In its June forecast, the OECD attributes the acceleration in inflation during the spring primarily to higher energy prices.

This does not mean that the effects of the transition can be disregarded. Currency conversion and rounding may have temporarily affected individual prices, particularly those of frequently purchased goods and services. Therefore, even after mandatory dual price display ended on 8 August, attention must remain focused on transparent pricing, competition and consumer protection.

When a household says that its weekly basket costs more, we cannot respond with a lecture on statistical methodology. We must listen to that message. Perceptions of rising prices influence consumption, saving, wage demands and, ultimately, confidence. Taking them seriously also means explaining honestly what the data show and what they do not. Perceptions are real, but causal relationships must be established through evidence. For a central bank, clear explanation is part of policy.

Rapid credit growth calls for greater prudence

The second issue that deserves greater attention is credit. Credit is not synonymous with inflation, but it matters for how inflation develops. When it finances consumption or the purchase of existing assets, demand may grow faster than productive capacity. When directed towards productive investment, it may expand supply over time. The relationship runs in both directions and

operates with a lag: inflation itself increases the nominal value of loans and collateral and may reduce the real cost of credit if interest rates adjust more slowly.

Annual credit growth in the non-government sector accelerated during the first half of the year. The pace of housing loan growth eased slightly but remained high. This does not establish a direct short-term relationship between lending and the overall price index, but it warrants close monitoring of the effects on domestic demand, the property market, indebtedness and underlying inflation.

At the end of June, the share of gross non-performing loans and advances was low, at 2.65%. This is a positive indicator of current conditions, but not sufficient evidence of low future risk. Arrears may remain limited even as larger debts, longer maturities and greater sensitivity to changes in incomes and interest rates accumulate. Banks must therefore assess the entire credit cycle, rather than focusing solely on the latest non-performing loan data.

For loans secured by residential property, the BNB introduced limits on three key indicators at origination or renegotiation: the loan-to-value ratio may not exceed 85%; the ratio of current debt-service payments to the borrower's monthly income may not exceed 50%; and the maximum contractual maturity is 30 years. Deviations are permitted for a volume of up to 5% of newly originated or renegotiated loans, calculated against their gross volume in the previous quarter.

These limits are not targets around which every loan should be structured, nor do they replace banks' judgement. We expect banks to conduct a sound assessment of creditworthiness, make realistic assumptions about living expenses, use well-founded collateral valuations and perform substantive analysis of adverse scenarios. Particular attention is required for variable interest rates, reliance on a single income, the borrower's age at final maturity and liabilities to other institutions. Competition should be based on service, efficiency and the quality of assessment—not on a gradual weakening of credit standards.

Strong buffers, prudent liquidity and responsible governance

The Eurosystem's common monetary policy is aimed at price stability in the euro area. The BNB's national instruments take account of the local financial cycle and the resilience of Bulgarian banks and borrowers. When the general level of interest rates does not fully reflect domestic credit dynamics, capital buffers, borrower-based measures and supervision become even more important.

The BNB's policy remains preventive. Capital must be built up in good times, when doing so is easier and less costly. This enables the banking system to absorb losses and continue financing the economy even under adverse conditions. The current framework includes a capital conservation buffer, a systemic risk buffer, a countercyclical capital buffer and additional requirements for systemically important banks. These instruments differ in scope and address

different risks; they should therefore not be presented simply as a mechanically aggregated percentage.

Euro area membership mitigates some structural risks by providing access to Eurosystem refinancing and liquidity facilities. It does not eliminate the risks arising from rapid domestic credit growth, the property market, concentrations and common exposures. Any future review of capital requirements should follow actual changes in risk, preserve the system's high resilience, and be transparent and predictable.

The transition to the Eurosystem framework released substantial liquidity. In the initial period, much of it remained in the deposit facility or other liquid assets rather than being immediately converted into new lending. This contributed to a smooth transition. At the end of June, the liquidity coverage ratio stood at 261.2%, compared with a regulatory minimum of 100%, while the liquidity buffer amounted to EUR 33.4 billion. Over time, banks will reassess the returns available from different uses of these funds. Access to central bank liquidity, however, must not weaken internal planning, stable funding or prudent asset and liability management. Liquidity provides protection against temporary difficulties at solvent banks, but it is no substitute for capital and sound governance.

Resilience begins with the governance of the banks themselves. Management bodies must understand the risks they approve, and senior management must be accountable for implementing their decisions. Risk management functions must have the necessary authority, independence and access to reliable data. Internal audit should assess outcomes, not merely formal compliance.

For its part, the BNB will maintain predictable communication, consistent application of requirements and early dialogue when risks emerge. Supervision is most effective before a weakness becomes a breach.

The standard for the next stage

Bulgaria entered the euro area with a well-capitalised and liquid banking system, a conservative supervisory tradition and a well-developed macroprudential framework. This is a national asset. It must not be taken for granted or gradually depleted in pursuit of short-term market share.

For the BNB, the next stage means active participation in the Eurosystem, precise and accessible explanations of inflation, close monitoring of the domestic credit cycle, and preservation of the preventive nature of capital policy. We will adjust our instruments when the data warrant it—not when short-term pressure makes change more convenient.

For banks, the standard is prudent lending, strong governance, transparent relations with customers and an adequate capital reserve. Euro area interest-rate scenarios must be incorporated into loan pricing and the planning of interest-rate risk, liquidity and capital. Data and management systems must identify concentrations and related vulnerabilities before they materialise in arrears.

This is not a programme for administratively restricting credit. The Bulgarian economy needs financing for productive investment, innovation, energy transformation, infrastructure and higher prosperity. The objective is higher-quality lending—risk-sensitive, underpinned by sustainable incomes and capable of withstanding adverse conditions.

The measure of success is clear. Inflation must sustainably converge towards a level consistent with price stability. Credit must support productive growth without creating excessive indebtedness. Banks must retain their capacity both to absorb shocks and to finance households and businesses.

The transition was successful. That is a good start, but only a start. From this point on, outcomes will depend on the quality of decisions and the consistency with which we implement them.

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Regional Cooperation for a Stronger Voice of the Banking Sector in Europe



Assoc. Prof. James YOLOVSKI
Secretary General, ABB

On 8 and 9 June 2026, the Association of Banks in Bulgaria hosted in Sofia the Spring Meeting of the banking associations from Central and Eastern Europe. The cooperation format, known as V8, brings together the banking associations of Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. The meeting gathered senior representatives and experts from the national banking associations across the region, as well as representatives of the European Banking Federation, the Bulgarian National Bank, the Bulgarian Stock Exchange and the Fiscal Council of Bulgaria.

ABB hosted the meeting at a particularly important moment for Bulgaria and its banking sector. Only a few months earlier, the country had joined the euro area, bringing to an end a long period of preparation and opening a new chapter in Bulgaria's participation in the European financial architecture. This context was also reflected in the opening of the meeting by **Mr Tamas Hak-Kovacs**, Member of the Management Board of ABB and CEO of DSK Bank, who delivered the welcome address to the participants. He emphasised the importance of banking associations as platforms for exchanging expertise, comparing national approaches and coordinating positions on the common challenges facing the sector. Among the topics highlighted were the increasingly complex regulatory environment, public communication, technological transformation and the resilience of financial infrastructure.

From the first day, the programme focused on the development of capital markets and the Savings and Investments Union. **Assoc. Prof. Manyu Moravenov, PhD**, CEO of the Bulgarian Stock Exchange, presented the opportunities and recent developments in the Bulgarian capital market. The main areas addressed included increasing market activity, the role of institutional investors and initiatives aimed at bringing the Bulgarian market into closer connection with the broader European capital-market infrastructure. The data presented showed that the Bulgarian Stock Exchange recorded its highest turnover in twelve years in 2025, followed by a significant increase in trading activity in the first quarter of 2026.

The discussion continued with **Mr Wim Mijs**, CEO of the European Banking Federation, who presented the latest developments related to the Savings and Investments Union. His presentation focused on the need to mobilise private capital in Europe more effectively in order to finance economic growth, innovation, energy security and other long-term European priorities. According to the estimates presented, Europe needs between EUR 800 billion and EUR 1.2 trillion in additional investment per year until 2030, while a significant share of European households' savings remains in deposits or is channelled towards other economies.

Particular attention in Mr Mijs's presentation was paid to the countries of Central and Eastern Europe. They were identified as some of Europe's dynamic and rapidly developing economies and as important partners in building a genuinely pan-European Savings and Investments Union. This is also one of the areas in which the V8 format can create practical added value through continuous exchange of information and national experience.

Following the presentations by the Bulgarian Stock Exchange and the European Banking Federation, representatives of the eight national banking associations delivered the format's traditional overview of the macroeconomic environment and the state of the banking sector in their respective countries. This enabled national trends and challenges to be considered in a broader regional context and allowed the associations to exchange good practices. Experts from the banks, representing ABB committees and working groups, also took an active part in the discussions, allowing the participants to address concrete practical issues facing the sector alongside the broader strategic topics.

The second day of the meeting began with a welcome address and presentation by **Mr Iliya Lingorski**, Member of the Governing Council of the Bulgarian National Bank. He addressed the role of the central bank in an increasingly digitalised banking system. The BNB's participation naturally continued with a presentation of Bulgaria's practical experience with the introduction of the euro.

Stefan Tsvetkov, Chief Cashier of the Bulgarian National Bank, presented the central bank's experience with the introduction of the single European currency and the key elements in the organisation of the process. His presentation covered the preparation of the legal and operational framework, the frontloading and sub-frontloading of euro banknotes and coins, the withdrawal of the Bulgarian lev from circulation, cash logistics and storage, as well as coordination between the BNB, the banks and the Cash Services Company. The Bulgarian experience gave participants an opportunity to learn more about the most recent example of euro-area accession and the organisation of one of the largest operational processes undertaken by the banking system in recent years.

In the following panel, **Mr Lyubomir Datzov**, Member of the Fiscal Council of Bulgaria, presented the topic of the cost of fiscal indiscipline and the reasons why the banking sector can become the subject of increased public and political pressure during periods of budgetary difficulty. The presentation traced the development of Bulgaria's public finances across different periods since 1989, including the relationship between political instability, budget deficits and economic growth.

A separate discussion was dedicated to the role of social media in the public communication of banking associations. The topic is becoming increasingly relevant given the need for the sector to communicate clearly and promptly on issues that directly affect citizens and businesses and to provide accessible information in an environment characterised by an ever-faster flow of information.

The final thematic part of the meeting was presented by **Dr Piotr Gałązka**, Director of the Brussels Representation Office of the Polish Bank Association, who provided an overview of the latest developments in European legislation. His participation was also closely connected with one of the most important practical outcomes of the meeting.

On 8 June, the Association of Banks in Bulgaria and the Polish Bank Association signed an agreement for closer cooperation and joint representation at European level. The agreement builds on the Polish Bank Association's Brussels Representation Office, which has been operating since 2015, and provides for enhanced exchange of information on EU legislative and consultation processes, mutual expert support and the possibility of developing joint positions on issues of mutual interest.

The banking associations of Romania and Hungary have already joined this model of cooperation. The Brussels representation is therefore developing into a common platform for four banking associations from Central and Eastern Europe, while each organisation retains its institutional independence and the ability to formulate its own positions on specific European initiatives.

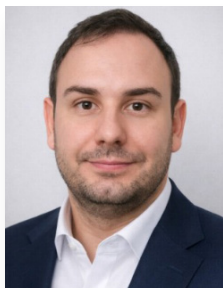
This was one of the most tangible outcomes of ABB's hosting of the meeting. European legislation has an increasingly direct impact on the activities of banks, while timely exchange of information and a better understanding of the processes within the European institutions create opportunities for the positions of national banking sectors to be presented at an early stage in the policy-making process.

The V8 Spring Meeting in Sofia combined strategic European debate with an exchange of concrete national and expert experience. Over the course of two days, representatives of eight banking associations, the European Banking Federation, the Bulgarian National Bank, the Bulgarian Stock Exchange and the Fiscal Council, together with banking experts and representatives of ABB's working structures, discussed issues that will continue to shape the development of the banking sector in the years ahead.

Following Bulgaria's accession to the euro area, ABB's role in the European dialogue naturally becomes even more important. We will therefore continue to strengthen our partnerships with other banking associations, make active use of the opportunities provided by our membership in the European Banking Federation, and develop new mechanisms for more direct and effective representation of the Bulgarian banking sector. Hosting the V8 meeting in Sofia and joining the common representation in Brussels are concrete steps in precisely this direction.



The Atanas Burov Foundation as a Bridge Between Talent, the Financial Sector and the Bulgarian Economy



Miroslav Vichev
CEO of BORICA AD

For more than three decades, the Atanas Burov Foundation has borne the name and preserved the legacy of one of the most important figures in Bulgaria's economic history. Today, that legacy has a particularly contemporary relevance. Atanas Burov understood that sustainable economic progress requires not merely strong banks, developed industry or sound institutions, but a connection between them — capital reaching entrepreneurship, knowledge finding practical application, and young people being given the opportunity to develop their potential. It is on this idea that the Foundation is building the next stage of its development. Our ambition is for it to establish itself as a leading Bulgarian foundation in financial literacy, economic education and the development of young talent, while at the same time serving as a natural bridge between young people, the financial sector, regulators, universities and the real economy.

From Education to Practice

A core principle of our work is that financial literacy should not be limited to teaching concepts. Genuine financial education begins when a young person understands how banks and financial markets operate, how investment decisions are made, how risk is managed, how companies are financed, and how the financial system affects economic development.

In 2026, we significantly expanded the Foundation's practical educational initiatives. Through *The Bank Hour*, school students were given the opportunity to enter a real banking environment and speak with professionals about banking, liquidity management, sustainable finance and banking supervision. We also support national student competitions in accounting and economics, through which we seek to identify and encourage young people with an interest in economics and finance.

The Foundation also participates actively in formats that connect academia with the financial sector, including the *Black Sea Digital Finance Forum*, while remaining open to further partnerships of this kind. At the same time, we are expanding our cooperation with universities, professional organisations and institutions, and are working on financial literacy teaching content for school students built around practical examples and real-life financial decisions.

One of our flagship initiatives this year is the *Investments Summer School*, taking place from 21 to 29 August in Bankya. Following strong interest and a series of individual interviews, participants were selected from leading Bulgarian and European universities. The programme is intensive and practice-oriented. It

combines a broad range of theoretical preparation with case-based work using professional financial information tools.

Most important, however, is the connection with practice. Professionals from the financial sector, investment industry and business participate in the programme, while mentoring sessions and the *HR Hour* give students direct access to employers and an opportunity to learn more about internships, employment and professional development.

From the Financial Sector to the Real Economy

Financial literacy and talent development cannot be sustained by a single organisation acting alone. They require an ecosystem. This is why we are developing cooperation with the banking sector, regulatory authorities, employers' organisations, universities, businesses and the media.

A forthcoming initiative, *The Non-Bank Financial Sector in Bulgaria*, will give young people the opportunity to gain a better understanding of capital markets, insurance, pension provision and the other segments of the financial system.

At the same time, we are updating the Foundation's scholarship programme, with a stronger emphasis on mentoring, practical preparation and maintaining long-term links with scholarship recipients. We are also developing the concept for an *Andrey Pramov Doctoral Scholarship*, aimed at encouraging high-quality research in economics and finance, while digitising the archive of former scholarship recipients in order to gradually build an active alumni community for mentoring, internships and professional networking.

This direction is directly connected to the legacy of Atanas Burov. For him, banking and industry were not two separate worlds. Banks occupy a distinctive place in the economy because they can transform capital into investment, enterprise, employment and productivity. Yet this function reaches its full potential only when the financial sector maintains an active connection with entrepreneurship, production and innovation.

For this reason, the Foundation's long-term vision is not limited to connecting young people with banks. We want to build a bridge between talent, financial institutions, regulators, universities and Bulgarian business. This is also why the Foundation's trustees have historically included both banks and representatives of industry. Our invitation remains open to banks and companies that are not yet trustees of the Atanas Burov Foundation. We believe that broader participation will allow us, together, to reach more young people, expand financial literacy and build a stronger connection between education and the real economy.

The Burov Awards 2026 and the Next Chapter

On 21 October 2026, Grand Hotel Millennium Sofia will host one of the Foundation's most recognisable events — *the Burov Awards*. This year, the Awards enter a new stage in their development. Alongside the traditional distinctions for

banking and industrial management, the format is being expanded to reflect the transformation of the modern economy with digitalisation, innovation, organisational culture, sustainable management and long-term contribution to Bulgarian business and society.

A more structured nomination and evaluation methodology has also been developed, placing emphasis on leadership, demonstrable results, innovation, ethics and social contribution. The idea is straightforward: to give visibility to good examples. For young people, it is important not only to meet professionals, but also to see what leadership looks like in practice — who the people are that build institutions, create businesses, assume responsibility and leave behind sustainable results.

The Foundation faces an ambitious task: to preserve the authority built over more than 30 years, while at the same time transforming “Burov” into an active institution for the future. That is to say, a place where financial literacy meets professional education; where young talent meets employers; where universities meet business; and where banking meets industry.

Bulgaria has talent. It has strong financial institutions. It has companies, universities and professionals of the highest calibre. The challenge is to connect them. *We believe that this can be the contemporary role of the Atanas Burov Foundation.*

