

Dimitar Radev: The euro and the banking sector - readiness to participate and shared responsibility

Publication by Mr Dimitar Radev, Governor of the Bulgarian National Bank, in the Bulletin of the Association of Banks in Bulgaria, issue 83, 12 February 2026.

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The introduction of the euro in Bulgaria marks an important moment for the economy and society as a whole. For those of us in the banking sector, it is above all an occasion for professional reflection not – so much on the formal act of adoption itself, but on the path the banking system has taken and on how it will operate from now on as part of the euro area.

The banking sector entered the euro area well prepared – not by inertia

In retrospect, the successful changeover to the euro was not the result of last-minute decisions. It was grounded in a multi-year process of strengthening balance sheets, enhancing transparency, and upgrading risk management practices. Bulgarian banks underwent rigorous asset quality reviews and stress tests, bringing the system to standards comparable with those prevailing across the euro area.

Close cooperation with the European Central Bank and integration into the banking union were not pursued as purely formal objectives. They entailed a fundamental change in the way management decisions are taken across the sector. Behind this transformation lies the sustained and disciplined work of banking teams – often unnoticed by the public, yet essential to the system's stability and credibility.

A smooth transition built on accumulated resilience

Today, the clearest indicator of the transition's success is its very normality. Payment infrastructure is operating without disruption, liquidity conditions are adequate, and the behavior of customers – both households and firms – remains predictable and rational.

There are no signs of credit risk shocks or deterioration in banks' portfolio quality attributable to the introduction of the euro. Initial price adjustments are limited and broadly in line with the experience of other countries. This allows the discussion of the euro's effects to rest on data and observation, rather than on expectations or fears.

The euro does not eliminate risks – it changes how they are managed

The external environment remains complex. Geopolitical tensions, volatility in international markets, and global economic cycles do not disappear with a change of currency. What changes is the framework within which these risks are addressed.

Today, such risks are managed within a common European monetary and supervisory architecture. The Bulgarian National Bank and commercial banks now participate fully in the euro area's shared supervisory cycle – from risk assessment to follow-up actions.

This entails higher requirements, but also stronger coordination, greater comparability, and clearer predictability.

Full participation means higher expectations, not lower standards

Looking ahead, the focus is shifting from preparation to sustainable participation. The sector is fully aware of the expectations it faces: sound and sustainable business models, robust risk management, high data quality, secure and resilient technological systems, and the capacity to operate effectively under adverse conditions.

These are not externally imposed constraints. They define the framework within which trust, funding costs, and competitiveness will be determined over the long term. For Bulgarian banks, euro area membership means participating on equal terms – not catching up.

Stability is not a one-off achievement, but a daily commitment

The euro itself is not a guarantee of stability. It is a framework that makes both strengths and weaknesses more visible. The first months show that Bulgaria's banking sector has entered this framework well prepared.

From here on, stability will depend on daily effort – on the quality of management, effective supervision, and the professional responsibility of all participants. While this is a discussion taking place within the banking sector, its implications extend well beyond it and are directly relevant to society as a whole.

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