Sergiy Nikolaychuk: Ukraine's economic and financial sector resilience

Speech by Mr Sergiy Nikolaychuk, First Deputy Governor of the National Bank of Ukraine, at the94th East Jour Fixe of the Oesterreichische Nationalbank, the Austrian central bank, Kyiv, 21 April 2026.

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Dear participants of the 94th East Jour Fixe,

colleagues, partners, and friends of Ukraine,

Thank you for your invitation to this event, and for the opportunity to contribute to this important discussion.

Introduction: Ukraine is the Eastern Outpost of the Western World

Ukraine is now enduring a fifth year under conditions of full-scale war – facing sustained air attacks and frontline hostilities. We continue to defend our country while remaining true to our values, principles, and sovereign choice. At the same time, we fully understand that strong synergy with our partners is now more critical than ever.

Today, the world is changing before our very eyes. Globalization is increasingly being replaced by fragmentation. New alliances are forming, new axes of cooperation are emerging, and strategic priorities are being redefined and often replaced by transactional motives.

As IMF Managing Director Kristalina Georgieva has repeatedly emphasized, uncertainty is the new normal – and last week's IMF and World Bank Spring Meetings once again reinforced this message, underscoring that the resilience of the global economy is being tested by more frequent, overlapping and extreme shocks. However, that has been the reality faced by Ukraine over the last 1,518 days.

Despite some recent refocusing to the war in the Middle East, Ukraine remains at the very epicenter of these changes. We are living through both powerful shocks and profound transformations at the same time. We are holding this tectonic plate in place – yet we are also the ones who feel its pressure most intensively.

In this world of unprecedented shocks and uncertainty, Ukraine's resilience is based on a system of interconnected elements or pillars, each of which is critically important.

- The first one is the pillar of defense: the Armed Forces of Ukraine, who every day repel large-scale aggression.
- The second pillar is our society: Ukrainians are, without exaggeration, champions of resilience. This resilience is embedded in our collective DNA, which was shaped over centuries.
- The third is the economy and the financial sector, which – despite unprecedented shocks – not only continue to function, but are also adapting, transforming, and

providing the foundation for recovery. This will be the main focus of my speech today.
- Finally, a crucial element is international support.

This system works only because all of its elements are interconnected. It is built on mutual reinforcement. Without this balance, it simply would not withstand all the pressures.

Shocks and Ukraine's Losses over Recent Decades

Let me start with a description of the magnitude of the shocks that have hit Ukraine's economy and financial sector.

In 2014-2015, we faced an exceptionally difficult period – marked by the annexation of Crimea and the onset of the war in Donbas – which triggered what is often referred to as a "triple crisis" in the macroeconomic, banking, and currency spheres. At the time, this was an unprecedented shock, accompanied by severe human suffering, territorial loss, and significant capital outflow.

According to United Nations estimates, total conflict-related casualties between 2014 and 2021 amounted to approximately 42,200 to 44,500 soldiers and civilians. Besides, the annexation of Crimea and the occupation of parts of eastern Ukraine also resulted in a significant demographic loss. As of 2021, approximately 5-5.5 million people – or around 12-13% of the pre-war population – were residing in temporarily occupied territories.

Estimates for 2014-2020 showed that the economic cost of the conflict was equally substantial, amounting to nearly 20% of pre-war GDP.

Russia's full-scale invasion, starting in 2022, has been far larger in scale. At the peak of the initial offensive in March 2022, russia occupied more than 26% of Ukraine's territory, including the 7% seized in 2014. Ukraine has since liberated some of this territory, and the share of occupied land has fallen to 19%.

However, human and capital losses have been far more substantial. Since 2022, they have included:

- more than 15,000 verified civilian deaths;
- over 41,000 civilian injuries;
- an estimated 55,000 Ukrainian soldiers killed on the battlefield;
- more than 90,000 people officially registered as missing under special circumstances – including both military personnel and civilians.

Moreover, the war has forced millions to flee: 5.9 million refugees from Ukraine have been recorded globally, and 3.7 million people are currently internally displaced within Ukraine.

Besides, the estimates of damage and losses are massive:

- direct damage to the end of 2025 exceeds USD 195 billion;

- total economic losses amount to USD 667 billion;
- and recovery and reconstruction needs for the coming decade are estimated at nearly USD 588 billion
  – moreover, this figure continues to grow.

Throughout 2025 and early 2026, large-scale russian attacks using long-range weapons intensified.

During the winter period, almost 15,000 guided aerial bombs, 738 missiles, and nearly 19,000 attack drones were launched. March brought new records - russia dropped almost 8,000 guided aerial bombs, launched 138 missiles, and used 6,462 drones against Ukraine.

As a result of ongoing attacks, Ukraine's energy infrastructure has suffered substantial damage. As noted by Ukrainian President Volodymyr Zelenskyy at the Munich Security Conference, not a single power plant in Ukraine has escaped being damaged.

We have also observed a shift in targeting patterns: alongside energy infrastructure, transport infrastructure – particularly railways and ports – are being targeted increasingly frequently.

In 2025, russia conducted 1,195 attacks on Ukraine's railway infrastructure - more than in 2023 and 2024 combined. Currently, railway infrastructure is targeted in around ten attacks per night.

In 2026, attacks on port infrastructure in Odesa region have also intensified. Since the start of the year, the number of strikes has already outstripped 2025 levels - increasing to over 180.

These figures not only testify to destruction – they reflect the scale of the challenge we face every day.

Two Crises, Two Outcomes: 2014 vs 2022

In Ukraine, resilience is not an abstract concept. It is daily practice – tested by war, sustained by institutions, and reinforced by international partnerships.

Let's now have a look at how Ukraine withstood these challenges in terms of its macroeconomic and financial sector performance.

- **Economic activity**

Ukraine's economic growth trajectory has never been linear – it has always been shaped by shocks, crises, and subsequent recoveries.

Following the sharp contraction caused by the global financial crisis, Ukraine's economy demonstrated a relatively strong recovery: real GDP grew by 4.1% and 5.5% in 2010 and 2011, respectively. However, by 2013, economic activity had stalled under the impact of trade restrictions imposed by russia, and by policy errors.

Subsequent developments marked a turning point. The annexation of Crimea and military aggression in Donbas led to a severe economic downturn: GDP declined by 6.6% in 2014 and by a further 9.8% in 2015.

Despite these challenges, the economy gradually recovered in 2016–19, albeit at a moderate pace, before being hit by a new shock in the form of the COVID-19 pandemic.

Then the full-scale invasion once again fundamentally changed the trajectory of development. In 2022, the economy contracted by 28.8%. Yet even in 2023 we saw a recovery of 5.5%, followed by growth of 2.9% in 2024. At the same time, the pace of recovery has been gradually slowing, with growth at 1.8% in 2025.

According to the NBU's January forecast, the economy is also expected to grow by around 1.8% in 2026, with growth subsequently accelerating to 3-4% in 2027-2028. However, this forecast is likely to be revised downwards. This reflects both a weaker energy situation, due to continued russian attacks and a colder winter, and external factors, including the ongoing conflict in the Middle East.

At the same time, the expected easing of security risks from next year, as a key assumption underpinning the forecast, remains uncertain, with no visible progress so far. With no clear signals from russia on a potential peace agreement, and amid rising energy prices and possible sanctions easing, the downside risks to the outlook remain significant.

Looking back, one conclusion stands out. Despite unprecedented shocks, Ukraine's economy has demonstrated remarkable resilience. This resilience largely reflects the pillars I mentioned at the beginning, augmented and strengthened by implemented reforms and prudent economic and financial policies. I will return to this point shortly.

- **Inflation**

Let me now turn to another key indicator of the country's macroeconomic performance and central bank success –inflation.

In 2015, the information space was filled with headlines stating that inflation had reached its highest level in 20 years – 61% in April. However, it is more significant that this peak marked the beginning of a sustained disinflation trend.

A key factor behind this was the introduction of the inflation targeting regime, which was announced in August 2015. This was an institutional transformation of monetary policy that helped anchor expectations and restore control over inflation.

Ukraine entered the full-scale war with inflation at around 10% yoy. The shock of the invasion led to a surge in inflation, which peaked at 27% at the end of 2022.

Despite these conditions, a consistent and well-calibrated policy response was implemented. A combination of measures – maintaining FX market sustainability, increasing the attractiveness of hryvnia instruments, coordinated support from

international partners, and favorable food supply conditions – made it possible to reverse the trend relatively quickly. By the end of 2023, inflation had slowed to 5.1% – effectively returning to the 5% target.

This was not only a macroeconomic outcome. It also sent an important signal of confidence – a signal that even under wartime conditions, monetary policy can be effective. That paved the trough way to a transition to managed flexibility of the exchange rate and flexible inflation targeting in 2023-2024.

As of March 2026, inflation remains in single digits – 7.9% yoy, while core inflation stood at around 7%.

Although inflation control has become more challenging due to shocks stemming from the conflict in the Middle East, the NBU remains committed to bringing inflation back to its 5% target within the three-year policy horizon. Crucially, this commitment is underpinned by well-anchored expectations, as well as improved public trust in the NBU and the effectiveness of its policy.

- **International reserves**

Another critically important element of macrofinancial resilience is international reserves. In times of crisis, they serve as a "safety buffer", helping to absorb external shocks and maintain FX market sustainability.

In 2014, the situation was very different from today. Elevated uncertainty and strong demand for FX, combined with declining exports, resulted in a sharp depreciation of the hryvnia and a rapid drawdown of reserves. International reserves declined by more than 60% that year and reached a trough of almost USD 5 billion in February 2015. However, onwards, a gradual recovery began.

International reserves, amounting to USD 29.3 billion at the beginning of 2022, were instrumental in supporting adjustments during the initial stage of the full-scale invasion. Since July 2022, the NBU has been replenishing reserves, bringing them to the highest level in its history – USD 57 billion as of 1 January 2026.

This outcome reflects a combination of three key factors:

- first, strong and predictable international support;
- second, the stable functioning of the domestic debt market;
- third, consistent NBU policies, combining interest rate instruments with flexible exchange rate management.

Together, these factors form the foundation of macrofinancial resilience in the area of external sustainability.

- **Ukraine's Financial Sector**

As I mentioned earlier, in 2014-2015, Ukraine faced a so-called triple shock – with a banking crisis being one of its key components.

During that period, we observed the classic symptoms of systemic instability: a large-scale deposit run, a sharp increase in interest rates, a contraction in lending, an accumulation of non-performing loans, capital shortages, and weak corporate governance.

In 2014–2016, 97 banks exited the market, representing around 30% of total sector assets at the time. The largest systemically important bank was nationalized, with significant fiscal costs. The share of non-performing loans reached nearly 60%, while the direct fiscal costs of resolving the crisis amounted to around 16% of annual GDP.

However, if we compare the current situation with that period, the contrast is striking. This time, the banking sector has not been amplifying the shock; it has been absorbing it.

Only 12 banks exited the market, accounting for approximately 4% of pre-war net assets, while one systemic bank was nationalized due to sanctions on its owners. Overall, the bank exits were mainly driven by sanctions policies, the broader clean-up of the sector from non-transparent ownership structures or shareholders linked to russia, and by AML/CFT considerations. The share of NPLs increased, but its peak level remained significantly lower than during the previous crisis.

Lending behavior is equally illustrative. In 2014–2016, the corporate loan portfolio declined by nearly 70% in FX and by 50% in hryvnia. Importantly, even five years after the onset of the crisis, it had not returned to its pre-crisis level. Retail lending followed a similar path, with recovery taking nearly five years.

Since 2022, we have seen fundamentally different dynamics. The corporate loan portfolio in hryvnia declined by only around 10% at its lowest point, and within just over two years it returned to its pre-war level – moreover, it continues to grow. The portfolio in FX has not yet fully recovered, but a clear upward trend is already evident. Retail lending in hryvnias has also recovered significantly faster, surpassing its pre-war level in less than three years.

Ukraine's financial sector has shown that true resilience is not only about staying alive, but about remaining functional, credible, and supportive of the economy – even under the extreme conditions of full-scale war.

Policy Response: A Decade of Reforms, Preparedness, Initial Anti-Crisis Package, and Policy Calibration amid Full-Scale War

This naturally leads to a key question: what exactly enabled Ukraine not only to withstand the most challenging moments, but also to gradually strengthen its economic resilience?

For the NBU, the building of resilience began long before the crisis – with reforms, strengthening institutional capacity, the proper preparation to potential challenges, and a readiness to act before uncertainty turns into instability.

Let me go back to 2015, when the NBU made a commitment to adopt an inflation targeting, (IT) regime. Today, this step is widely recognized – both domestically and

internationally – as one of the most successful and systemically important reforms following the Revolution of Dignity.

This transition was driven by two key factors: on the one hand, the acute need to respond to the domestic crisis; on the other, the strategic objective of aligning monetary policy with modern international standards.

For instance, in 2015, amendments to the Law On the NBU strengthened the central bank's independence, protecting it from short-term political pressures and anchoring its primary mandate to ensure price stability. From that point on, inflation became the main benchmark for monetary policy decisions.

At the same time, the key policy rate was reinforced as the main policy instrument, and the Monetary Policy Committee was established to support collegial decision-making. Analytical capacity was also strengthened, including with forecasting tools and research capabilities.

Transparency and communication improved markedly through giving regular reports and press briefings, and by introducing the quarterly Inflation Report – efforts that were internationally recognized when the NBU won the Central Banking Transparency Award in 2019.

This combination of institutional credibility, strong analytics, and growing public trust ultimately laid the foundation for monetary policy resilience in the years that followed.

At the same time, a deep transformation of the banking sector was underway. Starting in 2015, the NBU implemented a comprehensive reform that effectively "rebooted" the country's banking system.

Financial stability was established as part of the NBU's mandate, and an appropriate institutional framework was put in place, including interagency coordination – including through the Financial Stability Council.

Modern analytical tools were developed, and regular publications were launched – primarily the Financial Stability Report. The NBU began publishing its Macroprudential Policy Strategy, and has continued to build its macroprudential toolkit.

Supervision transitioned to a risk-based approach. Transparency and disclosure requirements were strengthened, reporting was modernized, and new NPL resolution mechanisms were introduced. Corporate governance improved, IFRS were adopted, and regular asset quality reviews and stress testing became standard practice. At the same time, the gradual implementation of Basel and EU standards progressed, particularly in the areas of capital and liquidity.

These reforms – systemic, consistent, and deep – laid foundations that enabled the financial system not only to withstand the shocks of 2020 and 2022, but also to act as a stabilizing force for the economy.

The full-scale invasion was undoubtedly a major shock. But it is important to emphasize that it was not a shock we faced unprepared.

As the Governor of the NBU, Andriy Pyshnyy, has aptly noted: "In times of crisis, we do not rise to the level of our expectations – we fall to the level of our training." This phrase has become more than a military metaphor – it has evolved into a guiding principle for the central bank during wartime.

The first hours of 24 February 2022 clearly demonstrated this. By around 10 a.m., just after the start of the working day, the NBU had already announced a comprehensive package of measures aimed at maintaining monetary and financial stability. The NBU acted swiftly, fixing the exchange rate, introducing tough capital controls, and offering the banks a massive amount of liquidity support.

This package was then supported by a broad set of targeted measures across several key areas of the financial sector. Besides, the NBU lifted operational pressures through easing some reporting requirements, adjusted supervisory procedures, and temporarily suspended asset quality assessments and stress testing. Additional flexibility was also temporarily introduced, including the use of cloud services and a more accommodative treatment of restructured loans, alongside safeguards to preserve financial discipline, such as restrictions on related-party transactions.

As conditions evolved, many of these measures have been gradually relaxed or phased out, with the regulatory framework increasingly returning to its previous roadmap.

But this necessary "180-degree shift" helped preserve international reserves, stabilize the financial system, and contain inflationary pressures under the extraordinary conditions of wartime.

I would also like to highlight an initiative that was highly appreciated by our international partners – the Power Banking network. Even prior to the full-scale invasion, the NBU had established a comprehensive framework for business continuity in the banking sector. Banks were required to maintain robust business continuity policies, conduct risk assessments, and regularly update their contingency plans.

Since autumn 2022, when russia began its targeted attacks on energy infrastructure, these requirements were further strengthened and translated into practical solutions. Initially, the objective was to ensure that at least 35% of bank branches in each region remained operational during blackouts. Today, this capacity has expanded significantly, with over 50% of branches able to function under such conditions.

As macroeconomic conditions gradually stabilized, the policy stance evolved. The effectiveness of the key policy rate as the main monetary instrument was strengthened, inflation reinforced its role as the nominal anchor for expectations, certain FX restrictions were cautiously eased, and a regime of managed exchange rate flexibility was introduced in October 2023.

In 2024, the NBU transitioned to an interim monetary regime – flexible inflation targeting. Under this framework, monetary policy – as prior to the full-scale invasion – remains focused on achieving and maintaining price stability, bringing inflation back to the 5% target over the medium term. Simultaneously, the specific features of the new

regime enable the NBU to respond more flexibly to shocks, tolerating moderate, temporary inflationary deviations from the target to facilitate economic adaptation to changing domestic and external conditions.

The shift to flexible IT enhanced the NBU's ability to maintain an optimal balance between ensuring price stability and supporting economic recovery during wartime, using a comprehensive mix of interest rate policy, exchange rate policy, FX restrictions, and, if required, other monetary tools.

This policy mix is continuously calibrated. The NBU conducts ongoing monitoring of economic developments, assesses risks, and adjusts its policy stance in line with evolving conditions.

At the same time, we recognize the importance of gradually restoring normal economic conditions. As appropriate preconditions are met, the NBU gradually eases FX restrictions in order to reduce distortions in the FX market, improve the business environment, support the expansion of Ukrainian companies into new markets, and encourage investment.

Ukraine's financial sector is already moving decisively toward deeper integration with the European Union. During the full-scale war, the level of alignment of its banking regulations with EU standards has increased significantly – from 50% to 78%.This progress has been driven by a comprehensive set of reforms.

At the same time, further progress is already underway. By the end of 2025, all planned measures had been implemented, including the updating of requirements for managing credit risk concentration (LEX), the revision of capital requirements for operational risk, the integration of ESG factors into corporate governance recommendations, and the implementation of disclosure requirements under Pillar III.

Looking ahead, we are planning further steps, including the introduction of capital conservation and systemic importance buffers, the enhancement of Pillar II and Pillar III frameworks, new requirements for ESG risk management, the regulation of securitization instruments, and compliance with enhanced leverage ratios. Following the end of martial law or upon EU accession, significant efforts will be directed toward the implementation of the Bank Recovery and Resolution Directive (BRRD), as well as to laying down more complex methods for measuring capital requirements.

Our goal is clear: full alignment by 2027. To achieve this, we are moving into an adaptation "turbo mode". For this purpose, the NBU has already developed a comprehensive roadmap – a new internal Action Plan for the implementation of EU integration measures.

Besides, we are advancing de-shadowing initiatives, implementing insurance market reforms, and developing capital market infrastructure.

Taken together, these steps ensure not only regulatory convergence with the EU, but also the transformation of Ukraine's financial sector into a modern, resilient, and fully integrated part of the European financial system.

Macrofinancial Assistance and Support from International Partners

Ukraine's path proves a simple truth: resilience is strongest when national effort is reinforced by trusted international partnerships. Maintaining macrofinancial stability, keeping inflation under control, strengthening the resilience of the banking sector, and advancing toward EU membership are achievements the NBU has made possible with the strong support of its international partners.

External support remains a key pillar of Ukraine's macrofinancial resilience. It enables the financing of budget deficits and supports a high level of international reserves.

Ukraine has already received approximately USD 175 billion in grants and loans since the beginning of the full-scale invasion. Support under the G7 ERA Loans mechanism is continuing, while a new IMF program amounting to USD 8.1 billion was recently approved.

At the end of 2025, the EU also took an important step by approving EUR 90 billion in financial assistance for 2026-2027 under the Ukraine Support Loan instrument – once again confirming its role as a reliable strategic partner. However, the implementation of this mechanism has faced delays, reflecting the complexity of the political decision-making process. This creates risks to the timing and predictability of financial assistance.

Looking ahead, international support is expected to remain substantial – exceeding USD 51 billion in 2026, reaching around USD 43 billion in 2027, and USD 22 billion in 2028. At the same time, access to part of this financing is directly linked to the implementation of reforms in the context of EU integration and continued effective cooperation with the IMF. The Ukrainian authorities remain committed to delivering these reforms.

Ultimately, this financial assistance represents more than solidarity – it is a direct investment in Europe's collective security and stability.

Conclusion: Vision for the Future and Ukraine's Path Forward

Let me conclude by sharing our vision of the future.

Ukraine has repeatedly proven that even in the darkest times, we are able to find light. This is to do with having a clear sense of direction.

Today, we are the eastern outpost of Europe, gaining unprecedented experience in resisting russian aggression – although we are paying a very high price for this.

Tomorrow, we will be a future full member of the European Union, with a competitive economy and significant growth potential.

We have much to offer – from agriculture and metallurgy, to defense capabilities and innovation.

In this context, the financial sector plays a pivotal role. It remains resilient in supporting the economy, enabling business financing, facilitating recovery projects, and investing in domestic government securities. It also provides opportunities for foreign investors.

Thus, economic and financial resilience is not just about withstanding pressure. It is about preserving trust, reforming, and adapting policies without losing strategic direction.

To achieve our priorities and support the resilience to pave the way for victory, the NBU is focusing on:

- Maintaining monetary and financial stability
- Maximizing the financial sector's contribution to the economic recovery
- Ensuring the full alignment with EU regulatory standards

Finally, resilience is not only about prudent macroeconomic and financial management, and even ensuring business continuity is a necessary but not sufficient condition. Institutional resilience is the foundation upon which everything else is built.

Every day, the NBU team works to strengthen this foundation – through professionalism, responsibility, openness, and institutional independence. We are building a central bank that not only responds to today's challenges, but also helps shape the future – as an integral part of Europe's financial architecture. International cooperation is vital to this path.

Thank you for your attention and ongoing support.