

Sergiy Nikolaychuk: Integrating Ukraine's financial sector into the European framework in wartime - challenges and strategic gains

Keynote speech by Mr Sergiy Nikolaychuk, First Deputy Governor of the National Bank of Ukraine, at the dinner of the AFME (Association for Financial Markets in Europe) European Financial Integration Conference 2026, Frankfurt am Main, 19 May 2026.

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Distinguished guests, dear colleagues,

It is a great honor to join you this evening.

I am grateful for the invitation and for the opportunity to speak before such a distinguished community of policymakers, supervisors, central bankers, and financial-sector leaders.

This conference is devoted to European financial integration. This topic has always been important for Europe's prosperity. But today, it has acquired an even broader meaning. In an environment of geopolitical fragmentation, security threats, technological transformation, and intense global competition, financial integration is no longer only about market efficiency. It is also about resilience, strategic capacity, and Europe's ability to act at scale.

For Ukraine, this is not an abstract discussion.

For many countries, European integration is a long-term modernization project. For Ukraine, it has become something even more immediate: a mechanism of institutional resilience, economic survival, and strategic anchoring during war.

My main message this evening is simple: Ukraine's integration into the European financial framework is not being postponed until peace. It is taking place now – and it is already strengthening the resilience of our financial system.

I would like to make three points.

First, Ukraine's financial sector has remained resilient during the full-scale war not by accident, but because of reforms implemented over many years, many of them inspired by European standards.

Second, EU integration during wartime is difficult and costly, but it is not a distraction from resilience and development. Properly designed, it is one of its sources.

And third, Ukraine is not only adapting to the European financial framework. In some areas, Ukraine's wartime experience may also offer practical lessons for Europe.

Let me move on to details.

Over the past decade, Ukraine has gone through the key stages of its European path, from the Association Agreement to candidate status in 2022.

The year 2025 became another milestone. Ukraine completed the screening process in record time and received one of the strongest assessments of progress in the EU Enlargement Package.

While negotiation clusters have not yet been formally opened, practical work continues actively. This April, the Government approved the National Programme for the Adoption of the EU Acquis, a comprehensive roadmap for the legislative changes required for Ukraine's EU accession.

Some may ask whether a country at war can really afford such an ambitious reform agenda.

This is a legitimate question.

Russia's full-scale war has now lasted for more than four years. Ukrainians live and work under daily security threats. In Kyiv alone, the accumulated duration of air raid alerts has reached more than three months. During this winter, Russia launched thousands of drones and missiles against Ukraine. Every major power generation facility in the country has been targeted.

This is the operational environment in which Ukrainian institutions, businesses, banks, and households continue to function.

And yet, our conclusion at the National Bank of Ukraine is clear: European integration cannot be postponed until more comfortable times. It is precisely during such difficult periods that integration becomes strategically important.

It provides direction. It anchors expectations. It strengthens institutions. And it helps preserve confidence.

Let me continue with the banking sector.

The resilience of Ukraine's banking system today is not accidental. It is the result of reforms implemented after the financial crisis of 2014–2015.

Those reforms were not easy. But they led to stronger supervision, improved governance, asset quality reviews and stress testing, recovery planning, business continuity requirements, and a much stronger institutional capacity of the National Bank of Ukraine.

Many of these steps reflected European regulatory and supervisory practices.

When the full-scale invasion began in February 2022, these reforms became a shock absorber. The banking system remained operational. Payments continued. Depositors retained access to their funds. Banks did not become an amplifier of the crisis. They became part of Ukraine's resilience infrastructure.

This is one of the most important lessons of Ukraine's experience: good regulation and strong supervision may look costly in normal times, but in a crisis they become invaluable.

At the same time, the NBU has continued to reform the sector with a clear objective: to implement European standards before Ukraine becomes a member of the European Union. This progress is measurable. Between 2022 and 2025, the level of Ukrainian banks' regulatory equivalence with EU standards increased significantly, from 50% to 78%.

The same applies to non-bank financial institutions.

Six years ago, Ukraine completed the so-called SPLIT reform. As a result, the NBU became responsible for regulating and supervising most of the non-bank financial sector, including insurance companies, financial companies, leasing companies, credit unions, and other market participants.

This reform required a major transformation of both the regulator and the market. But it delivered results: better transparency, stronger financial soundness, a cleaner market structure, and a more predictable regulatory environment.

The insurance sector is a good example. Despite the full-scale war, the market remains solvent. Almost all insurers comply with the established solvency requirements, and after the clean-up and reform process, the sector continues to develop.

So when we speak about European integration, we are not only talking about future alignment. We are speaking about reforms that have already helped Ukraine withstand the largest military shock in Europe since the Second World War.

Our objective now is to achieve broad alignment of Ukraine's financial regulatory framework with the EU acquis by the end of 2027.

In banking, this means further convergence with CRR and CRD standards, stronger Pillar II and Pillar III frameworks, capital buffers, ESG risk management, securitization regulation, and when conditions allow, implementation of the Bank Recovery and Resolution Directive.

In insurance, it means alignment with Solvency II, the Insurance Distribution Directive, and the Motor Insurance Directive.

Across the broader financial sector, it means progress on DORA, SEPA, payment services, market infrastructure, investor protection, and capital market development.

This is an ambitious agenda. But it is achievable.

To support it, the NBU has approved its own internal European integration plan. It includes around 100 objectives and nearly 200 concrete tasks. More than half of them relate to the Financial Services negotiation chapter.

The next two years will require legislative and regulatory work in a true "turbo mode."

But let me emphasize one important point. Our approach is not about mechanically copying European rules.

We are building a modern regulatory architecture that reflects EU standards and Ukraine's own financial structure, risks, and development needs.

This is what we call smart regulation.

For us, smart regulation means regulation that is strong enough to safeguard financial stability, but also proportionate and predictable enough to allow the sector to lend, innovate, and support economic recovery.

This balance is especially important during war.

Ukraine needs strong banks. But Ukraine also needs banks that continue to finance the economy. We therefore carefully calibrate regulatory changes to avoid unnecessarily constraining lending capacity.

The results are visible. For almost two years, net hryvnia loans to businesses have been growing by more than one-third in year-on-year terms. Asset quality has remained robust, and the NPL ratio has declined to around 13%, the lowest level in a decade.

So the message is clear: regulatory alignment and financial development are not contradictory objectives. If properly sequenced, they can reinforce each other.

At the same time, we should be honest: integration is demanding.

It requires scarce institutional capacity. It creates compliance costs. It increases pressure on market participants. It requires coordination between the central bank, government, parliament, supervisors, and the private sector.

And for candidate countries, the European rulebook is also a moving target. The EU framework itself continues to evolve, in banking, insurance, payments, digital finance, operational resilience, capital markets, and sustainability.

That is why we follow very closely the EU debate on simplification, competitiveness, and proportionality. This perspective is also reflected in the recommendations of former ECB President Mario Draghi, who has stressed the need for Europe to find a "third way," avoiding both excessive regulatory complexity and the risks of deregulation. In our view, this is exactly the balance Europe now needs: regulation that preserves resilience, but is also clear, proportionate, predictable, and conducive to innovation, investment, and competitiveness.

This is particularly relevant in the context of the Savings and Investments Union, capital market development, and the broader challenge of financing Europe's strategic priorities.

Ukraine's accession should be seen through this lens as well.

A future EU that includes Ukraine will not only be larger geographically. It will also have a major reconstruction and investment frontier, a highly digital financial sector, a resilient banking system, and a market with significant growth potential.

For European financial institutions, Ukraine is not only a country of risk. It is also a country of opportunity.

We are already seeing growing interest from European banks, fintechs, insurers, and financial infrastructure providers. Investors are interested not only in bringing their technologies to Ukraine, but also in accessing the technologies and expertise already developed in Ukraine.

Ukraine has one of the most advanced digital public and financial ecosystems in Europe. War has accelerated demand for digital services, instant payments, remote identification, cybersecurity solutions, and operational continuity. These are areas where Ukraine has had to innovate very quickly, not as a matter of convenience, but as a matter of survival.

This brings me to my third point: Ukraine is not only importing European standards. In some areas, Ukraine may also contribute to Europe's own thinking on resilience.

Let me give one example.

In 2022 and 2023, Russian attacks on Ukraine's energy infrastructure created a direct threat to the continuity of banking services.

In response, the NBU initiated the creation of a joint banking network, Power Banking.

The idea was simple but powerful: to ensure that critical banking services remain available even during prolonged blackouts.

Today, nearly every second bank branch in Ukraine operates with backup power, alternative connectivity, and enhanced continuity arrangements.

This initiative was developed under wartime pressure, but its relevance goes far beyond Ukraine. It shows how the financial sector can organize collective resilience when critical infrastructure is under threat.

At the same time, this experience revealed another important vulnerability: banks' dependence on third-party service providers.

Energy, telecommunications, cloud services, IT infrastructure, software vendors, payment processors, all of these are essential for the continuity of financial services. But they also create concentration, dependency, cyber, and geopolitical risks.

That is why the NBU is now advancing its third-party risk management framework. We have prepared draft regulations based on international standards and Basel recommendations. We are consulting with the market and plan to adopt the relevant framework shortly.

This agenda is fully consistent with the direction of travel in Europe, including DORA. But Ukraine's experience has been shaped in an environment where operational resilience is tested not only through simulations, but by real attacks on physical and digital infrastructure.

In other words, Ukraine has stress-tested operational resilience under conditions that no regulator would ever design as a scenario, but which, unfortunately, the modern world can no longer treat as impossible.

This is why we believe our experience can be useful for European partners.

Of course, Ukraine still has much to learn from Europe. But partnership should not be one-directional. Ukraine's wartime financial system has accumulated practical knowledge that may be relevant for other jurisdictions facing cyber risks, infrastructure disruption, geopolitical shocks, and hybrid threats.

In this sense, Ukraine's integration into the European financial framework is not only about convergence. It is also about mutual strengthening.

Let me also emphasize the role of collaboration.

At the NBU, we understand that regulation cannot be effective if it is developed in isolation from the market. This is even more important during war, when institutions operate under severe operational and financial constraints.

Therefore, our approach rests on two pillars.

The first is institutional capacity built through cooperation with the European Commission, the ECB, the European supervisory authorities, national central banks, international financial institutions, and technical assistance partners. One example is the joint NBU-STEP IN 2 EU Roundtable Dialogue on EU accession issues, as well as our meeting with EIOPA management, both took place in Frankfurt this days.

The second is continuous dialogue with the market.

We consult banks, insurers, non-bank institutions, associations, investors, and infrastructure providers. We explain the purpose of reforms. We listen to implementation concerns. And where possible, we adjust sequencing and transitional arrangements.

This does not mean lowering ambition. It means making reform credible and implementable.

Because for Ukraine, EU integration must not remain a legal exercise on paper. It must change institutions, market behavior, supervisory practices, and investor confidence.

Let me conclude with one final message.

Ukraine's experience shows that European integration is not a luxury reserved for stable times.

It can take place under the most difficult conditions. And in such conditions, it becomes even more important.

It strengthens institutional discipline. It anchors expectations. It protects reform momentum. It signals irreversibility to citizens, businesses, investors, and international partners.

Public support for EU accession in Ukraine remains exceptionally high. This is not accidental. Ukrainians understand that EU integration is about much more than regulation. As Hubertus Vaeth correctly highlighted, first of all it is about believing in European ideas and values. It is also about security, prosperity, rule of law, and belonging to the European political and economic community.

As ECB President Christine Lagarde noted last year at the NBU Conference in Kyiv, Ukraine's integration into the European Union is a path to recovery, modernization, and long-term prosperity.

At the National Bank of Ukraine, we are doing our part.

We are aligning regulation. We are strengthening supervision. We are preserving financial stability. We are supporting lending. We are developing operational resilience. And we are preparing Ukraine's financial sector to operate within the European single market.

But the broader message is this: Ukraine's integration into the European financial framework is not only in Ukraine's interest.

It is also in Europe's interest.

Because a stronger, more resilient, and more integrated Ukraine will strengthen Europe's financial architecture, expand Europe's economic potential, and contribute to Europe's strategic resilience.

Thank you for your attention.

I would like to thank Andrii Danylenko, Liudmyla Labur, Iryna Lykhodovska, Tetiana Nesina, Sofiia Petsiurkivska, Serhiy Savchuk, Yaroslav Shumeiko for their contribution to these remarks.