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ADAPTIVE CAPACITY OF UKRAINIAN FINANCIAL MARKET IN THE FACE OF MILITARY CHALLENGES

The article examines the current state of Ukraine's financial and credit system under conditions of profound structural shocks caused by the full-scale war, macroeconomic instability, energy-related risks, and the growing scale of cyber threats. The relevance of the study is determined by the fact that the country's financial system has become a central element of economic resilience, while its ability to function under crisis conditions directly affects the pace of recovery and the financial security of the state. The research hypothesis is based on the assumption that the adaptability of the banking system, the resilience of the insurance market, and the basic recovery of the stock market segment are possible even in an extremely adverse environment, provided that state regulators apply effective instruments of monetary, supervisory, and public debt policy. To test this hypothesis, a set of research methods was employed, including descriptive statistical analysis to assess the dynamics of key indicators, a comparative approach to identify structural changes in financial markets, and a systems analysis to reveal interconnections among individual institutions within the financial and credit system. The research findings indicate that the banking sector has maintained liquidity and profitability, the insurance market has demonstrated adaptability and premium growth, and the stock market, although remaining low-liquid, continues to play a stabilizing role in public financing. At the same time, a number of structural problems have been identified, including banks' dependence on government debt instruments, concentration

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АДАПТИВНІСТЬ ФІНАНСОВОГО РИНКУ УКРАЇНИ ДО ВОЄННИХ ВИКЛИКІВ

Досліджено сучасний стан фінансово-кредитної системи України в умовах глибоких структурних потрясінь, зумовлених повномасштабною війною, макроекономічною нестабільністю, енергетичними ризиками та зростанням кіберзагроз. Актуальність статті визначено тим, що фінансова система країни стала центральним елементом економічної стійкості, а її здатність функціонувати у кризових умовах безпосередньо впливає на темпи відновлення та фінансову безпеку держави. Висунуто гіпотезу, що адаптивність банківської системи, стійкість страхового ринку та базове відновлення фондового сегмента можливі навіть у надзвичайно несприятливому середовищі за умови, якщо державні регулятори застосовують ефективні інструменти монетарної, наглядової та боргової політики. Для перевірки цієї гіпотези використано комплекс методів: описативний статистичний аналіз для оцінювання динаміки ключових показників, порівняльний підхід для визначення змін у структурі фінансових ринків, а також системний аналіз для виявлення взаємозв'язків між окремими інститутами фінансово-кредитної системи. Досліджено, що банківський сектор зберіг ліквідність і прибутковість, страховий ринок продемонстрував адаптивність та приріст премій, а фондовий ринок хоч і залишився малоліквідним, проте відіграє стабілізуючу роль у державному фінансуванні. Водночас виявлено низку структурних проблем: залежність банків від державного боргу, концентрацію страхового ринку, низьку активність



within the insurance market, low activity of the corporate sector, and rising cyber risks. It is concluded that the further resilience of Ukraine's financial and credit system depends on the modernization of regulatory infrastructure, strengthening of institutional capacity, and harmonization with European standards.

Keywords: financial system, financial stability, banking, insurance, stock market.

корпоративного сектору та зростання кіберризиків. Встановлено, що подальша стійкість фінансово-кредитної системи залежить від модернізації регуляторної інфраструктури, посилення інституційної спроможності та гармонізації з європейськими стандартами.

Ключові слова: фінансова система, фінансова стабільність, банківська справа, страхування, фондовий ринок.

JEL Classification: G21, G01, E44, C23, H63.

Introduction

The financial and credit system of Ukraine operates under conditions of high uncertainty caused by war, macroeconomic instability, and escalating cyber risks. Martial law has significantly transformed the functioning of the banking sector: regulatory decisions by the NBU (2022, 24 February), particularly Resolution No. 18 of 24 February 2022 "On the Operation of the Banking System During the Period of the Introduction of Martial Law", ensured operational stability and liquidity support for financial institutions. According to the "Financial Stability Report" of the National Bank of Ukraine for June 2025 (NBU, 2025, June), the financial sector as a whole maintains resilience; however, interest rate, credit, and cyber risks are increasing, alongside the banks' growing dependence on state support. Data from the Ministry of Economy of Ukraine indicate a slowdown in investment activity and a deepening fiscal burden, creating additional pressure on financial institutions.

The issues surrounding the development of the financial and credit system are actively addressed in both domestic and foreign academic literature. The works of Zakharova (2023) analyse the specific features of financial management in times of war, while Prokopenko et al. (2023) examine the transformation of banking stability mechanisms under martial law. International analytical resources, notably Intellinews (2025, December 1), emphasise that the Ukrainian financial system maintains adaptiveness, yet faces an accumulation of systemic risks. Similar conclusions regarding the resilience of financial systems during periods of macroeconomic shock are also presented in international studies conducted by the International Monetary Fund and the World Bank (IMF, 2023; World Bank, 2022).

In the field of insurance, important data were provided by Forinsurer and XPRIMM (Magnaval, 2025, June 11), according to which insurance companies demonstrate stable operations in 2025 while remaining vulnerable to capitalisation reduction and risks associated with military actions. Despite a significant volume of research, existing academic literature lacks a comprehensive analysis of the combined impact of military, macroeconomic, and cyber threats across all segments of the financial and credit system as an interconnected structure.

The aim of the article is a comprehensive assessment of the state of the financial and credit system of Ukraine and the identification of the main challenges to its functioning under conditions of war and economic instability. To achieve this aim, the following tasks were set and addressed: to analyse the dynamics of the banking sector, the insurance market, and the capital market; to evaluate the role of state financial institutions and regulators; and to identify key risks and potential pathways for strengthening the resilience of the financial system.

In the course of the research, a hypothesis was formulated that the financial and credit system of Ukraine can maintain stability provided there is enhanced regulatory coordination, modernisation of institutional infrastructure, and adaptation of financial institutions to wartime challenges.

The methodological basis of the research is a combination of system and structural-logical analysis, a comparative approach, and statistical data processing of the NBU (2025, May 29), the Ministry of Economy, as well as banking and insurance reporting.

The main body of the article is structured into five sections based on challenges and key segments of the financial and credit system: the banking sector, insurance companies, the capital market, and state regulators, allowing for a comprehensive assessment of their resilience and role in the context of contemporary challenges.

1. Challenges facing the financial and credit system of Ukraine

Contemporary global challenges, particularly military threats, significantly impact financial management strategies in Ukraine. The armed aggression of the Russian Federation, economic instability, and security issues force enterprises to adapt their approaches to ensure financial resilience. War constitutes the most severe and dangerous trial for Ukraine's financial sector and its elements, as, according to Zakharova (2023), the formulation of a development strategy during martial law should be viewed precisely through the lens of crisis management.

The main challenges facing the financial and credit system of Ukraine in 2026 include: the threat of a systemic collapse, an increased fiscal burden, devaluation of the national currency, reduction in investment and capital volumes, a labour market crisis, as well as a low level of public trust in financial institutions and the financial system as a whole. The latter is evidenced by the fact that a significant share of household savings is held outside the banking system in cash or foreign currency, reflecting a cautious attitude of households toward financial institutions. Furthermore, there is a marked escalation in cyber threats, the vast majority of which originate from Russia.

Military risks, especially in the context of such a large-scale war of attrition, generate immense uncertainty for the financial and credit system.

They severely complicate the adoption of long-term financial strategies, shortening planning horizons to a single year. Four primary factors drive this high level of uncertainty:

- liquidity and solvency risk: due to military operations, economic entities face difficulties in maintaining liquidity and fulfilling their financial obligations;
- restricted access to financing: credit terms become tighter and at times unaffordable, thereby reducing investment activity to a minimum, as countries at war receive the lowest possible investment ratings;
- financial losses of enterprises: the majority of large companies in Ukraine have suffered losses due to infrastructure destruction and asset loss, and continue to incur them as a result of shelling and targeted attacks on the energy sector;
- changes in foreign economic activity: military actions have significantly complicated export-import operations; the blockade of the Black Sea by the Russian fleet and subsequent attacks on port infrastructure have particularly impacted the agricultural sector and large industrial enterprises reliant on maritime transport.

These factors create substantial obstacles to formulating an effective development strategy for the financial and credit system. Continuous fluctuations in energy costs, exchange rate volatility, and other external macroeconomic impacts induce market instability. Heightened inflationary pressure leads to a rapid increase in the prices of goods and services, which correspondingly drives down demand for non-priority product categories. Rising state expenditure on defense and infrastructure reconstruction, coupled with fiscal policy adjustments, increases the tax burden on businesses and the population. Under such conditions, maintaining the resilience of the financial and credit system and economic entities requires the establishment of adequate reserves and financial security mechanisms.

2. Banking sector

The banking industry in Ukraine has proven to be one of the most resilient sectors facing the challenges of full-scale war. The financial stability of banks is of pivotal importance for maintaining customer trust, ensuring economic stability, and complying with regulatory standards. In the context of the war with Russia, banks continue to operate under restrictions established by Resolution No. 18 of the Board of the NBU dated 24 February 2022, "On the Operation of the Banking System During the Period of the Introduction of Martial Law" (NBU Board, 2022, February).

Under severe circumstances, the banking system of Ukraine managed to adapt while maintaining stability, and threats of large-scale bank insolvencies have not been observed. An important role in this was played by the experience of 2014–2017, when, following the onset of Russian aggression, the banking system experienced a major crisis. However, that

period became a time of rehabilitation and cleansing from insolvent and distressed financial institutions. As a result, over 90 banks were withdrawn from the market by 2018 (*Figure 1*).

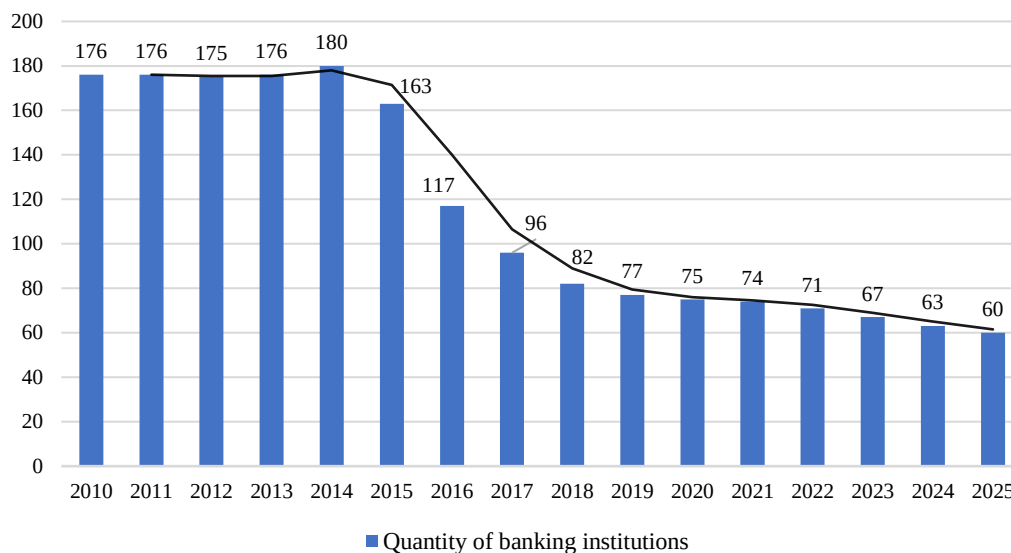


Figure 1. Quantity of banking institution in Ukraine for years 2010–2025.

Source: compiled by the author based on National Bank of Ukraine (n. d.).

According to NBU estimates in 2025 the banking system of Ukraine was characterized by stability and an adequate level of liquidity. Sector profitability remained high: net profit of banks reached approximately UAH 150 billion, which is roughly UAH 7–8 billion (around 5%) higher than in 2024. In spring, total client deposits in hryvnia across Ukrainian banking institutions reached a record figure of UAH 1.9 trillion. Consequently, the financial and credit system of Ukraine possessed a substantial and reliable foundation for expanding investment activity and lending to the economy.

Lending activity served as one of the key drivers of growth: a noticeable increase in lending volumes to both businesses and households was observed in 2025. According to NBU data, national currency business loans have been growing for more than a year and a half continuously, with their volume increasing significantly in 2025. Credit portfolio quality is gradually improving: the share of non-performing loans (NPLs) decreased by the end of 2025 to approximately 30.3%, which is 7.1 percentage points lower than at the beginning of 2024.

Additionally, an increasing share of government securities and liquid instruments in bank assets is observed – partly as a strategy to maintain yield and diversify risks under conditions of heightened uncertainty.

According to a survey of financial institution executives in May 2025 (NBU, 2025, May 29), the proportion of respondents expecting a deterioration in the sector's condition over the next six months dropped from 27% in November 2024 to 15% in May 2025. While the majority of experts

anticipated that the situation would remain stable, sentiments were becoming increasingly cautious.

The attractiveness of traditional deposits is partially diminishing due to inflationary processes and interest rate adjustments, prompting banks and clients to seek new financial models and instruments. In these circumstances, systemically important banks play a vital role in sustaining the stability of the banking system. In particular, PrivatBank remains one of the pivotal players in Ukraine's banking sector both by asset size and financial results. As of 2025, the bank's assets exceed UAH 1 trillion, accounting for approximately a quarter of total assets in the entire banking system. Strong financial performance among the largest banks, including PrivatBank, demonstrates the overall resilience of the banking sector and its capacity to function even amidst economic and security uncertainties.

These indicators demonstrate that despite external shocks (specifically war and economic instability), PrivatBank managed not only to maintain but to solidify its position. Lending activity played a crucial role in this process: the bank's loan portfolio grew by ~UAH 30 billion (+27%) during 2025, reaching UAH 143 billion by the end of September. Furthermore, PrivatBank's market share in loan issuance remains among the highest – almost 15% of the market – while its share in personal retail lending reaches approximately 35%. This indicates that the bank has not merely consolidated its standing, but currently serves as a key "provider" of credit resources to the economy and population – entailing corresponding risks, but also significant responsibility.

Substantially, PrivatBank also impacts the stability of the financial and credit system through the concentration of deposit resources: client funds in retail accounts grew to approximately UAH 505 billion, constituting over 22.9% of the total retail and corporate deposit market. This forms a solid "financial foundation" for active operations and, for the system as a whole, elevates PrivatBank's significance as a stabilizing element against the backdrop of wartime instability and economic shocks.

At the same time, a heavy concentration of assets, loans, and deposits within a single player presents a serious challenge to the financial system. Any crisis scenario associated with PrivatBank – whether market, operational, or cyber-related – could have systemic consequences. In this sense, the bank acts as a "point of systemic risk," a factor that regulatory bodies must account for when formulating financial stability and supervision policies.

Thus, in 2025 PrivatBank remained not just one of the main banks, but a foundational component of Ukraine's financial and credit system: a driver of lending, credit and deposit resources, and a source of a significant portion of system earnings. Its success or difficulties directly impact the resilience of the country's entire financial system. Therefore, considering wartime challenges, economic uncertainty, and post-war reconstruction needs, the role of PrivatBank can hardly be overstated.

In the current operational context of Ukraine's banking sector, characterized by the impact of military risks and macroeconomic instability, formulating recommendations aimed at enhancing its resilience and financial intermediation efficiency becomes particularly relevant. Based on the analysis of the state of the banking sector under martial law, the following recommendations are formulated to enhance its resilience and performance:

- further NPL reduction: a critical task remains the further reduction of non-performing loans by enhancing credit risk management mechanisms, debt restructuring, and developing the secondary NPL market, particularly for enterprises with recovery potential;
- asset diversification: to reduce bank reliance on state fiscal policy, it is advisable to incentivize asset structure diversification, limiting excessive concentration in government securities while creating conditions for expanding lending to the real economy;
- involvement in economic recovery: the banking sector should be more actively engaged in financing economic recovery processes, particularly through participation in state and international support programs for businesses and infrastructure projects;
- strengthening macro prudential supervision: given the systemic role of the largest, particularly state-owned, banks, macro prudential supervision must be reinforced through regular stress testing and higher capital, liquidity, and risk management requirements;
- enhancing cyber resilience: amidst growing cyber threats, bolstering the cyber resilience of the banking system is of paramount importance through the unification of security standards and harmonization of national requirements with European norms, particularly the DORA regulation (Official Journal of the European Union, 2022);
- financial literacy and public trust: long-term strengthening of the banking sector requires raising public financial literacy and trust in banking institutions, which will contribute to expanding the deposit base and securing resource stability.

The implementation of these measures will ensure the short-term stability of the banking sector and establish conditions for its effective participation in the post-war economic recovery of Ukraine.

3. Insurance sector

The insurance market, in turn, as one of the key elements of the financial and credit system, functions as a kind of "safety valve" for financial stability, providing both the mitigation of risk threats and the prompt compensation for their consequences.

Insurance companies accumulate substantial monetary resources in the form of insurance premiums and direct them toward investments in various assets – government bonds, corporate securities, shares, and other financial instruments. This facilitates the inflow of investments into the economy and supports the development of the financial market.

Consequently, economic entities can maintain the stability of their operations without incurring significant financial losses.

According to Ruda (2020), the insurance market represents a system of stable economic relations between policyholders, intermediaries, insurers, insurance sellers, and regulators. These interactions encompass the formation of supply and demand, pricing mechanisms for insurance and reinsurance products that operate within the framework of insurance, reinsurance, and related services at national and international levels, under state supervision.

In the first months of the war, insurance companies faced a series of significant challenges. The most tangible issues were related to employee relocation, the organisation of remote work, contract terminations, and delays in insurance pay-outs. The overall situation in the insurance market was exacerbated by a reduction in premium income, infrastructure destruction, and difficulties in conducting inspections of claim locations, particularly in regions of active hostilities.

At the same time, the experience accumulated during the COVID-19 pandemic enabled insurance companies to transition to remote working relatively quickly. Recommendations from the National Bank of Ukraine (Forinsurer) regarding the simplification of claim settlement procedures substantially facilitated adaptation to new circumstances and allowed for the preservation of operational continuity even under conditions of extraordinarily high uncertainty.

The insurance market of Ukraine today operates in two main segments: life insurance and risk insurance (non-life). The former segment comprises insurance companies that provide life insurance, whereas the latter includes companies offering services in property, medical, transport, and other types of risk insurance. Moreover, the insurance market remains profitable even under difficult conditions – growth in premiums and relatively stable claims payments indicate that insurance companies have successfully adapted to current realities.

According to industry reviews of the insurance market, in 2025 the insurance sector of Ukraine demonstrated a gradual recovery. Specifically, over the first 9 months of 2025, gross written premiums reached approximately UAH 52.7 billion, which is 37.5% higher than in the corresponding period of 2024. The primary share of the market is formed by non-life risk insurance – around UAH 48.4 billion, while life insurance accounts for approximately UAH 4.3 billion. The highest demand persists for auto insurance, health insurance, and property insurance products, reflecting the growing role of insurance as an instrument of financial protection for the population and business amidst military risks and economic uncertainty.

Simultaneously, the insurance market of Ukraine is characterized by a gradual increase in concentration. A significant portion of insurance premiums is accumulated by a relatively small number of the largest insurers: in particular, the top 10 insurance companies in the non-life segment account for over 70% of total insurance premiums (*Figure 2*). This trend is explained by tighter regulatory requirements concerning the financial stability of

insurers, increased capital requirements, and the gradual exit of less financially sound companies from the market.

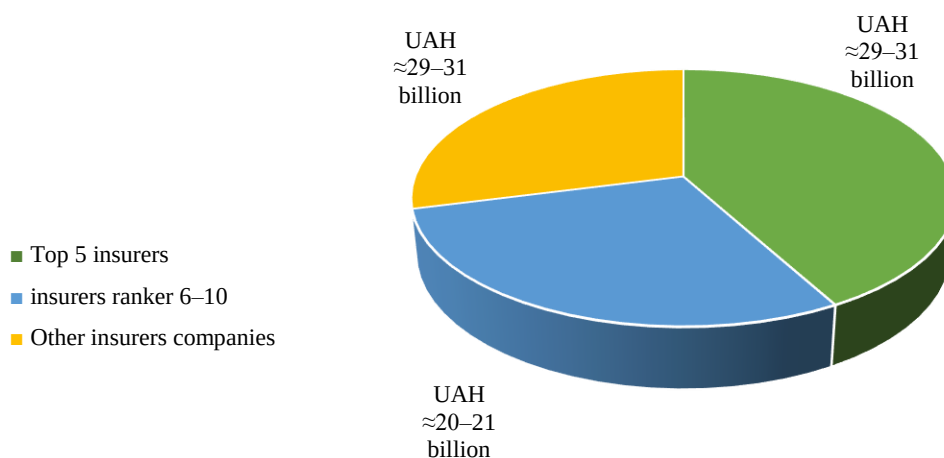


Figure 2. Concentration of the insurance market of Ukraine by groups of insurers in 2025, %

Source: compiled by the author based on data from the National Association of Insurers of Ukraine (2025).

In 2025, the insurance industry of Ukraine continued to be shaped by several large companies (National Association of Insurers of Ukraine, 2025) that concentrate the lion's share of the insurance market. Among the leaders are TAS, ARX Insurance Company, INGO, VUSO Insurance Company, and UNIQA Insurance Company. According to the international insurance analytical resource XPRIMM (MagnaVal, 2025, June 11), over the three quarters of 2025, these companies collected the highest insurance premiums: TAS – UAH 5.717 billion, ARX – UAH 4.238 billion, INGO – UAH 3.830 billion, VUSO – UAH 3.728 billion, and UNIQA – UAH 3.572 billion.

However, beyond doubt, the scope of the insurance sector has been steadily shrinking over many years (MagnaVal, 2025, June 11). Regarding insurance types, demand is growing primarily for risk insurance products – motor insurance (both mandatory and voluntary), health insurance, and property insurance. This indicates that insurance remains a vital element of financial protection for citizens and businesses amidst uncertainty.

Nonetheless, several serious challenges are observed. The reduction in the number of insurance companies signals that weaker players are exiting the market, partly due to heightened competition and partly due to difficult economic conditions (Figure 3). This increases concentration risk, which may weaken competition or limit consumer choice (see Figure 2). In the event of problems within one of the leading market players – caused, for instance, by mass insurance claims, large pay-outs, investment losses, or cyber incidents, which tend to increase in frequency – the consequences could become systemic. Therefore, for the resilience of the financial and

credit system, it is essential to maintain competition, market transparency, and adequate capitalisation of insurers, as well as to develop reinsurance mechanisms, diversification, and regulatory oversight.

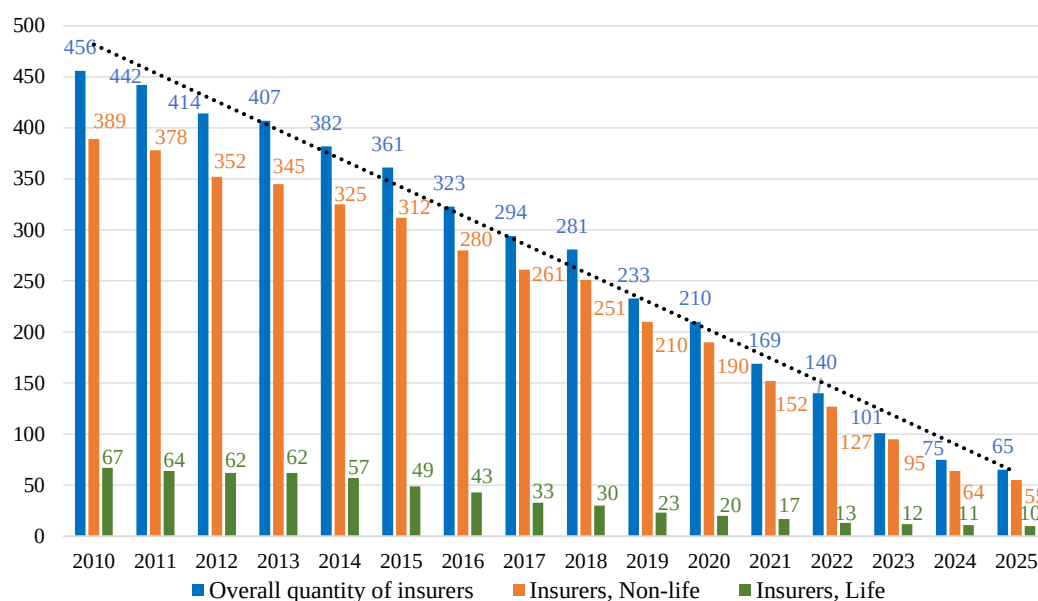


Figure 3. Dynamics of the number of insurance companies in Ukraine, 2010–2025

Source: compiled by the author based on National Bank of Ukraine (n. d.).

The analysis demonstrates that certain insurance segments (e. g., life insurance) are developing at a slower pace or even showing a decline in demand, which may reduce market diversification and leave it more vulnerable to fluctuations in individual sectors. High reliance on motor insurance and other non-life products is observed, which, amidst war and economic instability, increases the risk of reserve deficits or heightened volatility of losses. This, in turn, could undermine the stability of certain insurance companies. Furthermore, it should be noted that although citizens and businesses have lost a significant portion of insurable assets and continue to lose them as a result of Russian missile and drone attacks, even after the war ends, insurance expenditure will remain an unaffordable "luxury" for the majority of the population.

Based on the analysis of the state of the insurance market of Ukraine under martial law, it is advisable to define the following directions for its reinforcement:

- capitalisation and solvency: it is necessary to ensure an adequate level of capitalisation and solvency of insurers, particularly systemically important companies, in order to mitigate risks of financial instability;
- product diversification: expanding and diversifying insurance products is highly relevant, specifically through the development of life insurance and voluntary health insurance, which will contribute to forming long-term resources and reducing market concentration;

- reinsurance mechanisms: amidst escalating military risks, it is advisable to strengthen reinsurance mechanisms, including with the participation of international partners, to enhance the resilience of the insurance sector against mass claim pay-outs;

- transparency and consumer trust: enhancing operational transparency among insurance companies and elevating consumer trust remain essential, requiring stricter requirements for information disclosure and the protection of policyholders' rights;

- cyber resilience and digitalisation: given the digitalisation of financial services, bolstering the operational and cyber resilience of insurance companies is imperative, particularly through the harmonisation of national requirements with European standards.

The implementation of these measures will enhance the resilience of the insurance sector and reinforce its role within the financial and credit system of Ukraine.

4. Stock market

When analysing the situation on the stock market of Ukraine under wartime conditions, it is first appropriate to examine the number of active stock exchanges, as they serve as key platforms for securities trading. As of early 2021, Shyshkov (2021) notes that four stock exchanges operated fully in Ukraine: PJSC "Stock Exchange "Perspectiva"", JSC "PFTS Stock Exchange", JSC "Ukrainian Exchange", and PJSC "Ukrainian Interbank Currency Exchange".

According to the latest data from the NSSMC (2026), three stock exchanges officially functioned in Ukraine as of 2025: Ukrainian Exchange (UX), PFTS Stock Exchange (PFTS), and Perspectiva Stock Exchange. In 2025, the creation of a new stock exchange was initiated with state support and international partners, notably the European Bank for Reconstruction and Development (EBRD).

As a component of the financial and credit system, the stock market in 2025 primarily performed the role of a government borrowing market and a vehicle for stable investments. Through the issuance of government bonds and other debt instruments, the state and businesses raise financing to cover fiscal and infrastructure needs.

Securities and trading instrument markets in Ukraine demonstrate a gradual recovery in activity. Specifically, according to PFTS data, trading volume in January–September 2025 nearly doubled compared to the level of 2024 (*Table*). Institutional infrastructure is stabilizing: the regulatory framework is being updated, new rules for securities circulation are being introduced, and information disclosure procedures are being enhanced, contributing to increased market transparency. Trading in government bonds, Domestic Government Loan Bonds (OVDPs), and other fixed-income

instruments remains dominant in the market. According to PFTS data, government bonds account for a significant share of the trading structure.

However, the stock market is not yet fully capable of fulfilling its function as an effective mechanism for corporate financing and business development through equity capital raising due to low liquidity, weak demand for equity securities, and high uncertainty. This limits opportunities for investing in the real sector through the capital market.

Table

Dynamics of key indicators of the Ukrainian stock market for 2024–2025.

Indicator	2024	2025 (as of September)	Change
PFTS trading volume	≈ UAH 40–45 billion over 9 months	≈ UAH 77 billion over 9 months	+70–90% growth
Primary trading instrument	Domestic Government Loan Bonds (>95%)	Domestic Government Loan Bonds (>85%)	Unchanged: market remains dependent on debt securities
Equity traders' activity	Very low, isolated transactions	Very low, isolated transactions	Sector remains underdeveloped
Infrastructure changes	Regulatory changes were initiated	Ongoing updates to rules, transparency, and oversight	Gradual and slow improvement
Interest in new issuances	Absent due to War	Revival of interest, but no IPOs are conducted	Minimal potential for the future
Institutional investors	Very low activity	Still low, primarily state-owned banks and public financial institutions	High risks hinder the inflow of foreign capital

Source: compiled by the author based on (Holiuk et al., 2024; NSSMC, 2024).

Thus, the Ukrainian stock market currently serves more to support state financial flows and provide a "safe haven" for low-risk capital (Domestic Government Loan Bonds) than to stimulate active restructuring, private business growth, or long-term investment. Despite the war, attempts are observed to revive interest in equity and capital instruments: some companies are exploring avenues for initial public offerings (IPOs), and new opportunities – albeit carrying heightened risk – are emerging for investors. For the stock market to become a fully-fledged mechanism supporting economic growth and private enterprise, it is necessary to:

- enhance liquidity through attractive corporate issuances;
- attract investors, including international ones, and mitigate risks by improving the legal environment and investor protection;
- develop new financial instruments (investment funds, ETFs, corporate bonds);
- increase the transparency and efficiency of the exchange infrastructure.

If these steps are implemented, the stock market will transform into a crucial driving force for economic recovery and development, whereas

currently it primarily performs the functions of state financing and capital preservation. Similar conclusions regarding the role of capital markets in financing economic development are also present in modern international studies. Specifically, OECD analytical materials note that developed capital markets ensure enterprise access to long-term financing, promote the diversification of investment sources, and enhance economic resilience to crisis shocks.

5. State regulators

Under contemporary conditions, state financial institutions and regulatory bodies play a key role in ensuring the resilience of Ukraine's financial and credit system. The National Bank of Ukraine, the Ministry of Finance, the National Securities and Stock Market Commission, and the Deposit Guarantee Fund perform not only supervisory and control functions but also actively shape policies to adapt financial markets to the context of war and uncertainty.

Meanwhile, the Ministry of Finance of Ukraine remains a pivotal participant in the financial system, as a significant portion of budget financing is secured through Domestic Government Loan Bonds (OVDPs). Currently, the OVDP market primarily fulfils a stabilizing function, accumulating resources from banks and the public to support defence, social, and infrastructure spending. The state's heavy reliance on debt financing yields advantages in the form of predictable and liquid instruments; however, it also generates risks associated with the level of public debt, refinancing needs, and potential shifts in the structure of demand for debt obligations.

In the capital market, the NSSMC (2025) continues to implement policy aligning the regulatory environment with European standards. Nevertheless, despite reforms to disclosure requirements, supervisory mechanisms, and infrastructure standards, the stock market remains illiquid, dominated by government securities, with minimal activity in equity and corporate bond markets. This severely restricts opportunities for attracting private capital and complicates economic recovery through market mechanisms. At the same time, new regulatory initiatives (NSSMC, 2025) – including the development of the derivatives market, a modernized depository system, and harmonization with MiFID II and MiFIR – lay the groundwork for a potential revival of the capital market once the situation in the country stabilizes.

A formidable challenge for all regulators remains the rapid escalation of cyber risks and threats to the financial sector's information infrastructure. Cyber defence units, CERT-UA, and financial regulators report a significant expansion in the scale and sophistication of attacks. This forces state institutions to tighten security requirements for financial institutions, implement new security standards, conduct operational resilience stress testing, and coordinate efforts with international partners. Of particular relevance is the alignment of cyber resilience requirements with the

European DORA regulation (State Service of Special Communications and Information Protection of Ukraine, 2025, May) and the adaptation of sector infrastructure to a heightened threat environment.

Overall, state financial institutions and regulators remain foundational elements of Ukraine's financial and credit system, sustaining its stability and operation amidst severe turbulence. However, they also bear a substantial portion of strategic challenges: managing debt risks, modernizing capital market infrastructure, enhancing transparency, adapting to European norms, and countering cyber threats. The ability of the financial system not only to withstand current shocks but also to serve as a driving force for economic recovery and Ukraine's integration into the European financial space will depend on the efficacy of these processes.

Conclusions

The conducted study provided an assessment of the current state of Ukraine's financial sector under wartime challenges, identifying key risks and avenues for its further development. The analysis of the functioning of the banking sector, insurance market, and capital market demonstrated that Ukraine's financial system maintains institutional capacity for stable operation even under high macroeconomic uncertainty.

The most resilient element of the financial sector remains the banking system, supported by effective regulatory policy, adequate liquidity levels, and the active adoption of digital financial technologies. The insurance sector and the stock market exhibit a slower recovery due to reduced investment activity, elevated risks, and limited financial resources.

The study established that primary risks to the development of Ukraine's financial sector include credit risks, cyber threats, reduced solvency of economic entities, investment environment instability, and risks related to attacks on energy infrastructure and electricity deficits, which can impact the operational continuity of financial institutions, payment systems, and digital services.

Simultaneously, prospects for the development of the financial sector are linked to the digitalisation of financial services, the refinement of state regulation, the enhancement of institutional financial resilience, and integration into the European financial space.

Thus, the research hypothesis regarding the capacity of Ukraine's financial sector to maintain relative stability amidst military risks – provided there is effective regulation and institutional adaptation – is confirmed by the analytical findings.

To enhance the sector's financial resilience, it is advisable to:

- reinforce operational continuity requirements for financial institutions, specifically through the installation of backup power sources, data centre redundancy, and the development of cloud infrastructure;

• enhance risk management and cyber resilience systems within financial institutions, including the expansion of regulatory information security standards and the coordination of actions between state authorities and financial institutions.

The results obtained can serve as a basis for future research on financial resilience and the development of the financial sector during times of crisis.

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