Financial Stability Council Report on Activities

(August 2024– August 2025)

Kyiv, 2025

Preface

In March 2025, 10 years passed since the day the Financial Stability Council (hereinafter referred to as the "Council") was established. Over this time, the Council's agenda included the most significant issues for financial stability. During the first five years of its activity, the Council focused on taking anti-crisis measures, eliminating systemic risks in the banking sector, taking measures to improve health of the banking sector, and increasing the financial resilience of the Deposit Guarantee Fund (DGF). Over the past five years, the Council has actively countered the challenges and threats caused first by the coronavirus pandemic and later by russia's full-scale aggression against Ukraine. The protracted full-scale war remains the dominant risk to the financial sector, while also significantly complicating the dynamics of economic recovery and posing significant challenges for public finances.

From August 2024 to August 2025, the Council held four meetings. During those it examined in detail the current systemic risks and their potential impact on the financial sector and the economy as a whole, discussed issues of interaction with international partners and the implementation of Ukraine's tasks and commitments outlined in the Memorandum of Economic and Financial Policies signed with the International Monetary Fund (the IMF Memorandum).

In June 2025, the Council approved the Mortgage Lending Development Strategy and the updated Strategy of Ukrainian Financial Sector Development, which were published in July and August, respectively.

The action plan approved by the Council for the practical implementation of the target model of Ukraine's capital market infrastructure gave a start to a number of measures aimed at increasing the efficiency and reliability of the infrastructure chain and accelerating the integration of domestic infrastructure into international financial markets.

At the August meeting, Council members heard information from the National Bank of Ukraine (NBU) and the Ministry of Finance of Ukraine (MoF) on the risks in the activities of state-owned banks and supported the reduction of the state's share in the banking sector through a balanced approach to the sale of state-owned banks aimed at increasing the value of the banks' stocks. Council members agreed that selling the stakes in Sense Bank and Ukrgasbank would not have a negative impact on the financial condition and stability of the banking system.

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Composition of the Financial Stability Council[1]

Co-chairs of the Council:

Serhii MARCHENKO	– Minister of Finance of Ukraine
Andriy PYSHNYY	– Governor of the National Bank of Ukraine

Members of the Council:

Olga BILAI	– Managing Director of the Deposit Guarantee Fund
Yuriy DRAGANCHUK	– Deputy Minister of Finance for European Integration
Ruslan MAHOMEDOV	– Head of the National Securities and Stock Market Commission
Iryna MUDRA	– Deputy Head of the Office of the President of Ukraine (since 27 March 2025)
Dmytro OLIINYK	– Deputy Governor of the National Bank of Ukraine
Kateryna ROZHKOVA	– First Deputy Governor of the National Bank of Ukraine (up to 15 August 2025)
Yuliia SVYRYDENKO	– First Deputy Prime Minister – Minister of Economy of Ukraine (up to 17 July 2025)
Oleksii SOBOLEV	– Minister of Economy, Environment and Agriculture of Ukraine (from 8 August 2025)

[1] During the reporting period.

Key Issues Considered by the Council

1. Overview of Systemic Risks and Macroeconomic Forecast

Each meeting of the Council traditionally began with an overview of systemic risks to the financial sector (Table 1). The protracted full-scale war and russia continuing its terrorist attacks on Ukrainian civilian infrastructure remained the dominant source of risks to Ukraine's financial system. Combined, these factors worsened the economic recovery dynamics and presented challenges to public finances. However, businesses continued to adapt to operating in extreme conditions, and the financial sector kept developing.

Table 1. Evolution of systemic risks

	Risk change				Risk level as of		
	2024		2025				
	Q3	Q4	Q1	Q2	22 Aug 24	27 Mar 25	26 Jun 25
Global economy	→	→	↗	↗	yellow	red	red
External environment	→	→	→	→	yellow	yellow	yellow
Economic conditions	→	→	→	→	yellow	yellow	red
Public finances	↗	→	→	→	red	yellow	yellow
FX market	→	↗	→	→	yellow	yellow	yellow
Geopolitics	→	↘	↗	↗	red	red	red

Assessment of change in risks. The arrows pointing up mean an increase in the risk, and arrows pointing down mean a decrease in the risk.

The level of risk refers to its intensity: *green = low, yellow = medium, red = high.*

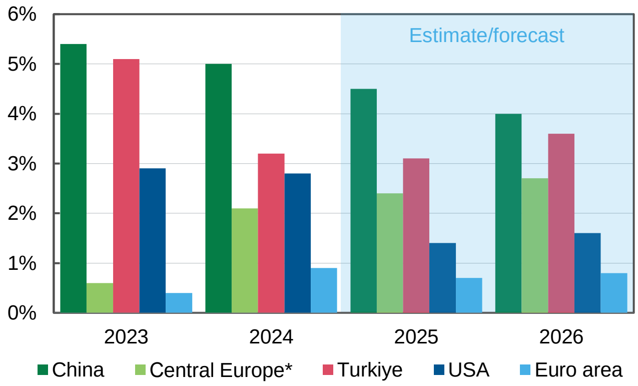
Global economy. In 2024, the economies of partner countries grew at a moderate but stable pace. At the start of this year, the customs tariff policy of the new U.S. president's administration led to an intensification of the international trade confrontation between global political and economic blocs, which began last year. In addition, the introduction of higher tariffs by the United States also affected its traditional partner countries, complicating economic relations with them. This slowed down the global economy and raised the risks to its development. According to the NBU's baseline forecast, there will be no significant acceleration in the growth of most partner countries' economies this year. Inflation in advanced economies declined but remained mostly above the set inflation targets, creating an environment of relatively high interest rates. Inflation in partner countries is expected to steadily approach their central banks' targets at the end of 2026.

The above-mentioned trade confrontation is also significantly increasing the risks to global economic growth and international trade in the medium term. According to the World Trade Organization's forecast, global trade in goods will decline slightly this year, as opposed to the previously expected growth of almost 3%. The level of uncertainty in global trade reached record highs in the spring of this year. However, thanks to the later agreements between the United States and other countries in the field of trade, the level of uncertainty has decreased somewhat.

External environment. The dynamics of global commodity prices was mixed. Energy prices gradually declined from their peak levels in 2022, but geopolitical shocks – particularly episodes of escalation in the Middle East – and (especially for natural gas) seasonal weather phenomena caused temporary price spikes. Overall, energy prices are expected to be volatile but gradually decline. Global prices for Ukrainian exports have stabilized at relatively high levels. These prices are expected to remain close to current levels further on.

The key logistical challenges for Ukrainian exports were overcome back in 2024. The sea corridor is operating smoothly. At the same time, a new challenge for Ukrainian exports was the expiration in June 2025 of the autonomous trade measures for Ukraine, the so-called "visa-free trade," which the EU introduced in 2022. In the spring, the United States also introduced increased customs tariffs on imports from partner countries, including Ukrainian products. However, the direct impact of international trade confrontations on Ukrainian exports, as well as the impact of restoration of EU customs quotas, is expected to be limited. This is facilitated, in particular, by the insignificant share of the United States in the volume of Ukrainian foreign trade, as well as the partial reorientation of exports to other markets.

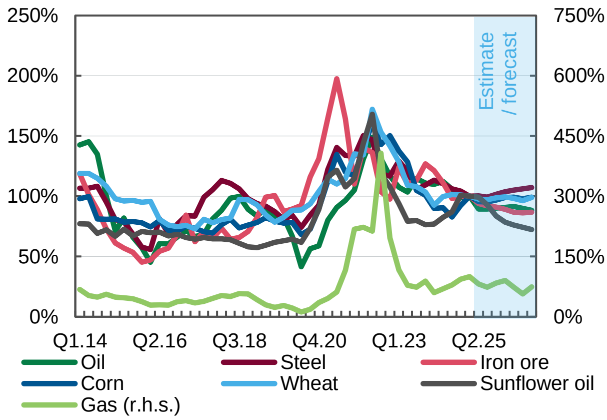
Figure 1. Change in GDP of Ukraine's main trading partners



** Central Europe: Bulgaria, Poland, Romania, and Hungary.*

Source: World Bank, Global Economic Prospects, June 2025.

Figure 2. Global prices for some goods*, Q1 2025 = 100%



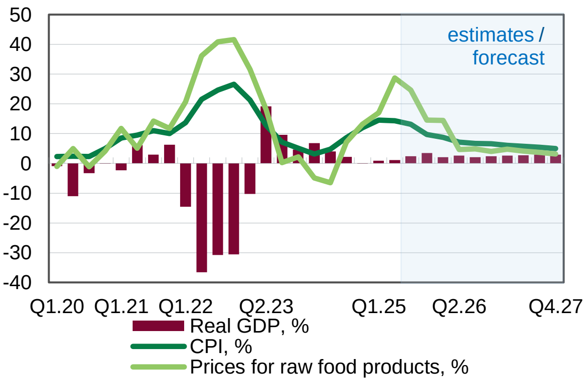
** Brent crude oil; natural gas on the Dutch TTF market; steel square billets (FOB Ukraine); iron ore 62% FE concentrate, China; wheat – quarterly average prices in Europe; sunflower oil and corn – quarterly global average.*

Source: NBU, Inflation Report, July 2025.

Economic conditions. Ukraine's economy continues to recover, supported by private consumption sustained by real wage growth, government spending, including on defense, and well-functioning exports. At the same time, growth is being held back by war-driven uncertainty and destruction, as well as, to some extent, by weather conditions. Another factor limiting growth is the increasing shortage of skilled labor. The NBU forecasts that the economic recovery will be slower than last year, with real GDP growing by 2.1% in 2025. The pace of recovery will depend on the course of the war.

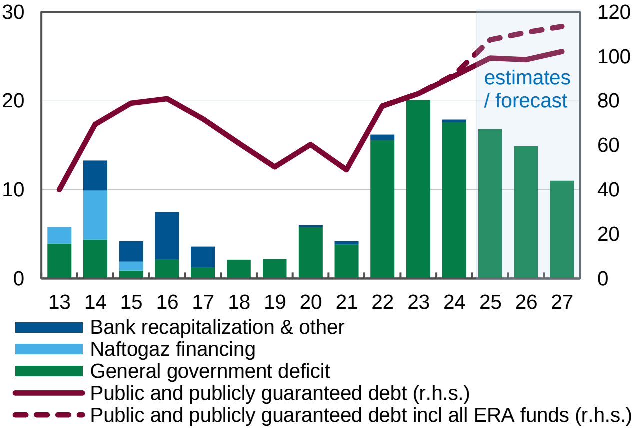
In H2 2024, consumer inflation accelerated primarily due to a rise in food prices caused by the summer drought and poor harvests. At the same time, as expected, this indicator peaked in May 2025 and began to decline in June. The NBU expects inflation to fall to single digits by the end of the year and return to the 5% target in 2027.

Figure 3. Change in GDP, consumer price index (CPI), and raw food prices, % yoy



Source: NBU, Inflation Report, July 2025.

Figure 4. General government deficit and public and publicly guaranteed debt, % of GDP



Source: NBU, Inflation Report, July 2025.

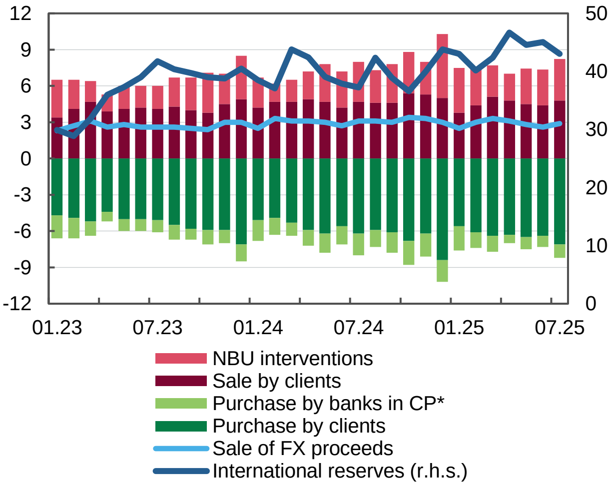
Public finances. The state budget deficit, excluding grants in revenues, has been declining relative to GDP since 2023. However, due to high defense needs, the decline is slower this year, with the budget deficit expected to exceed the planned figures. The government will partially raise additional resources to finance the deficit on the domestic debt market. The potential for growth in borrowing through the placement of domestic government debt securities remains high. This is facilitated by both the significant liquidity of the banking system and attractive market conditions for borrowing.

Faster receipt of assistance from international partners will enable the government to accumulate a substantial reserve of funds at the end of the year to finance expenditures in 2026. Next year's budget needs are currently difficult to assess due to protracted hostilities, persistently high security risks, and the need to finance the defense forces. This may make it harder to achieve the previously planned targets for reducing the state budget deficit. Therefore, Ukraine will need additional resources from donors.

FX market. The FX market situation remains under control, despite a gradual increase in demand. At certain times, the NBU's role increases significantly, as was the case at the end of 2024, when large budget expenditures in December coincided with a decrease in foreign currency sales by bank clients. International aid inflows make it possible to maintain international reserves at a sufficient level, despite higher demand for foreign currency.

Overall, in 2025 and 2026, demand for foreign currency will remain high due to substantial government spending. The need to support the defense sector and restore infrastructure and production facilities will lead to an increase in imports of goods. However, the supply of foreign currency from the private sector will remain insufficient to self-balance the FX market. At the same time, the accumulated volume of international reserves will make it possible to cover the needs of the FX market and ensure its sustainability.

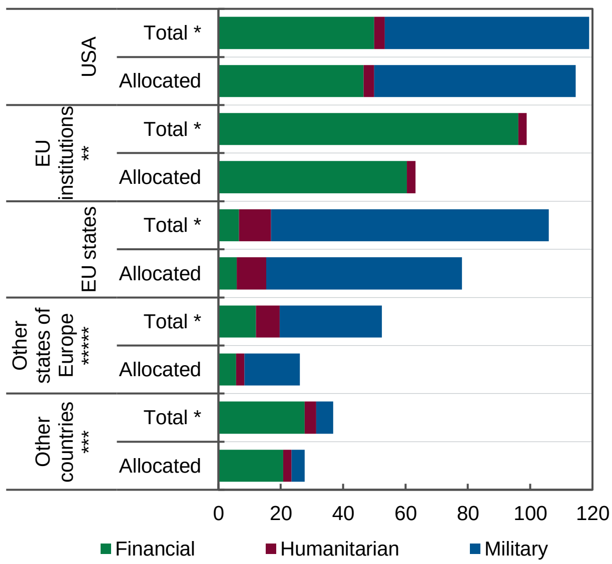
Figure 5. Supply and demand for cashless foreign currency, USD billions equiv.



** Purchases in the currency position.*

Source: NBU.

Figure 6. Committed official assistance for Ukraine from January 2022 through June 2025, EUR billions



** All commitments, including disbursed ones. ** European Commission, the EU Council, and the European Investment Bank. *** Australia, Canada, New Zealand, South Korea, Taiwan, Türkiye, and Japan. **** United Kingdom, Iceland, Norway, and Switzerland.*

Source: Kiel Institute for the World Economy (Germany).

Geopolitics. The war is grinding on, and the enemy continues its campaign of aerial terror. International efforts to establish peace intensified during the reporting period. Attempts at peace talks have resumed, but they have not yet yielded the desired results for Ukraine, primarily due to the enemy's unwillingness to end the war.

Last year, Ukraine received sufficient financial support from international partners, and significant amounts of assistance are planned for this year as well. At the same time, the role of European aid has grown. This is facilitated by Ukraine's active progress on the path to European integration. Since the end of 2024, funds have been coming in through the ERA (Extraordinary Revenue Acceleration) mechanism, which is financed by proceeds from immobilized russian assets. At the same time, the protracted war means Ukraine will still need a lot of financial support, which will require finding additional sources of funding in the future.

Meanwhile, global geopolitical tensions and the uncertainty they provoke are growing. Since the start of 2025, economic and, in some cases, military confrontation between traditional rivals has intensified. Trade wars have created new lines of economic division between states and groups of states that have been allies for many years. This disrupts the system of international arrangements and may divert partners' resources away from helping Ukraine.

The Council's position. The Council has taken into consideration the information from the overview of the macroeconomic forecast and agrees with the systemic risk assessment presented by the NBU.

Box. Risks and Key Recommendations of International and Foreign Financial Stability Councils and Committees

The Secretariat to the Council monitors the conclusions of leading international and foreign financial stability councils and committees (hereinafter referred to as "councils and committees") on the nature of systemic risks and recommendations on neutralizing them. An overview of the recommendations for several past years is given below.

Chart 1. Main risks identified by financial stability councils and committees

Risk / vulnerability	2020	2021	2022	2023	2024	6M 2025
Geopolitical risks/uncertainty, primarily russia's invasion of Ukraine		+	+ + + + + + + +	+ + + +	+ + + + + +	+ + + + + + +
including geo-economic fragmentation in the world					+ + +	+
Bankruptcy of systemically important banks in the U.S. and Europe				+ + +		
COVID-19 pandemic and its financial impact	+ + + + + + +	+ + + + + +	+ +			
Consequences of Brexit	+ + +					
Fluctuations in interest rates / high interest rates and their impact on borrowers			+ + + +	+ + + +	+ + +	+
Risk of a sharp correction in prices of financial assets		+ +	+ +	+	+ + +	
Price volatility on commodity markets			+ + + + +			
Volatility on financial markets			+ + +	+		+ +
Deterioration of macroeconomic prospects	+	+	+ + + +	+ + + + +	+ +	+ +
Problems in the real estate sector, including commercial real estate, and their impact on the financial sector	+	+ + + +	+ +	+ +	+ + + + +	
Cyber risks	+	+ + + +	+ + + + +	+ + +	+ + + +	+ +
Technological innovations and crypto assets		+ +	+ + + +			+ + +
Climate risks	+	+ + +				
High debt burden on corporations and/or households		+ + +	+ + +	+ + +	+ +	
Private credit risks[2]					+ +	
Problems of the securities market, in particular government securities	+ +	+ +				+
High leverage and risks in the non-bank financial sector	+	+ + +	+	+ + +	+	+ +

** FSB – G20 Financial Stability Board; ESRB – European Systemic Risk Board; FSOC – Financial Stability Oversight Council (USA); FPC – Financial Policy Committee of the Bank of England; HCSF – High Council for Financial Stability (France); KSF – Financial Stability Committee (Poland), FSC – Financial Stability Committee (Netherlands), FSR – Financial Stability Council (Sweden).*

Since the start of 2020, the risk landscape has undergone major changes. At the beginning of this period, the consequences of the UK's exit from the EU were still relevant for Europe, and in 2020–early 2022, the impact of the coronavirus crisis became the dominant risk. From the end of 2021 to the present, geopolitical risks remain at the top of the list of the most pressing challenges to financial stability. The main factor behind this, especially in Europe, has been russia's full-scale war against Ukraine. One of the consequences of the russian invasion has been sharp fluctuations in commodity prices. At the same time,

[2]This refers to the system of non-bank non-state lending to companies, mainly those that cannot borrow from banks due to high risks or lack access to financial markets.

other factors have periodically added to the mix, including the escalation of conflicts in the Middle East, between India and Pakistan, threats to Taiwan, and the deepening of the United States' trade confrontation with both China and its partner countries. The impact on financial stability of the collapse of several large banks in the United States and Switzerland was noticeable but relatively moderate.

Noteworthy are the developments around risks to financial stability that have been identified at the international level relatively recently, such as climate risks and cryptocurrency risks. These challenges were actively identified at the start of the period. Since then, work has shifted to developing measures to minimize such risks.

Many risks were derived from a complex of others – for example, increased credit risks or deterioration in the quality of credit institutions' assets due to higher interest rates or worsening macroeconomic expectations.

At the same time, some risks are specific to certain jurisdictions. For example, Poland continues to face the issue of legacy FX retail loans that had been disbursed before the global financial crisis.

During the reporting period, especially in H1 2025, councils/committees continued to note the intensification of geo-economic fragmentation in global trade. On the other hand, problems in the real estate sector, including commercial real estate, were mentioned less frequently, in part thanks to the macroprudential measures taken by regulators. A new challenge was the rapid growth of private lending in a number of advanced economies.

2. Updated Strategy of Ukrainian Financial Sector Development

The Council reviewed the updated *Strategy of Ukrainian Financial Sector Development* (the SFSD) during its meetings in May and June 2025. The SFSD was developed by a special Working Group (the Committee) on Financial Development (the CFD), which was created by the Council.

The updated SFSD includes a current assessment of Ukraine's financial sector, a description of the future financial sector, and a list of key indicators for the Strategy's implementation. The scope of Objective **III** *Financial System is Working Towards the Country's Recovery and Integrating with the EU*, has also been expanded to include a new European integration component. Over 30 changes were made to the SFSD's strategic measures during this update. These changes include clarifying and adjusting existing measures and adding new ones. Specifically, a number of measures were clarified, such as updating the strategy for Ukrfinzhytlo; developing a system for guaranteeing deposits of credit union members and life insurance policy premiums, and aligning the model for guaranteeing pension scheme participants' contributions; expanding cooperation between Ukrainian and foreign depositories; and working with the Ministry of Justice of Ukraine on a mechanism for market participants to use the register of damages caused by russia, which will be the basis for determining the amount of compensation. Measures for developing capital markets infrastructure have been updated to enable market reform and maximize the opportunities for attracting private investment. The SFSD has also been supplemented with measures for the legislative regulation of the Entrepreneurship Development Fund's operations and the development of its internal control system, the creation of a strategy for developing mortgage lending, improving the resilience of critical infrastructure, increasing the financial sector's digital operational resilience, and reforming the state social security system.

The update to the SFSD incorporated suggestions from international partners: the European Bank for Reconstruction and Development, the International Monetary Fund, and the International Finance Corporation. These were reflected in a conceptual note that accompanied the SFSD.

The updated SFSD was published on the websites of the signatory institutions on 11 August 2025.

Council members also received a report on the SFSD's implementation. As of the end of 2024, approximately 90% of its measures had been fully implemented or were on schedule. Specifically, measures that have been completed include expanding the range of government bonds, approving the national income strategy for 2024–2030, improving corporate governance in the financial sector, and enhancing the system for issuer disclosure. The report was published on the websites of the SFSD signatory institutions on 4 June 2025.

In accordance with the updated SFSD, the CFD will prepare and submit updated roadmaps to the Council for review. These roadmaps will contain a detailed list of measures with clear deadlines and designated executors.

The Council's Position

1. Approve the updated *Strategy of Ukrainian Financial Sector Development* and publish it on the websites of the signatory institutions after it has been approved by their internal regulations.

2. Instruct the CFD to prepare and approve the updated roadmaps.

3. Approve the conceptual note in fulfillment of paragraph 59 of the seventh review of the IMF Memorandum (paragraph 62 of the eighth review). The National Bank of Ukraine should send it to the International Monetary Fund.

3. Approval of the Mortgage Lending Development Strategy

In May 2025, the Council considered the concept for a mortgage development strategy proposed by the National Bank of Ukraine. In June, the Council approved the resulting *Mortgage Lending Development Strategy* (the Strategy), which is designed to enhance market mechanisms in this sector to make housing more affordable. The Strategy's concept had been previously coordinated with experts from the International Monetary Fund and the World Bank, and was discussed with banking community representatives.

Council members supported the NBU's proposals and agreed that meeting the current demand for housing is not possible without restoring market-based mortgage products, given the state's limited capacity to subsidize mortgages under the existing government-supported model. Therefore, the Strategy aims to introduce legislative reforms to develop and improve mortgage infrastructure.

The Strategy's key objectives include reducing risks, particularly by introducing a widely available war risk insurance product, ensuring clear and accessible lending, and protecting the rights of creditors. The implementation of European property valuation standards and improved information exchange, including the creation of an open database of real estate prices, will also contribute to greater transparency and reliability in mortgage lending.

The main measures included in the Strategy are:

- Updating the strategy for Ukrfinzhytlo and improving the conditions for state mortgage lending support
- Implementing the European Directive 2014/17/EU on mortgages, which aims to balance the interests of creditors and depositors
- Improving legislation and bylaws to better regulate construction processes to reduce the risk of construction going unfinished, and boost the transparency of sales of unfinished real estate, and
- Defining the terms for issuing covered bonds and securitization to scale up mortgage products.

The implementation of the Strategy's measures will be carried out by the National Bank of Ukraine, the government, and the National Securities and Stock Market Commission (the NSSMC). The Ukrainian parliament also has a crucial role to play in ensuring the necessary legislative changes.

Most of the measures will be implemented simultaneously, although some will require more time and a wider range of participants, including institutions that are not part of the Council. To detail the specific steps of the measures, the CFD has developed and approved a roadmap. The Strategy is intended to become part of a broader State Housing Policy Strategy in the future.

The approval of the Strategy aligns with the tasks outlined in the IMF Memorandum and meets the expectations of the financial market regarding key actions and steps for developing the mortgage market.

The text of the Strategy was published on the official website of the National Bank of Ukraine on 18 July 2025.

The Council's Position

1. Approve the *Mortgage Lending Development Strategy*.

2. Instruct the CFD to develop and approve a roadmap in accordance with the measures of the *Mortgage Lending Development Strategy* and submit it for the Council's review by September 2025.

4. Target Model for Ukraine's Capital Market Infrastructure

At its June 2025 meeting, the Council reviewed and approved an action plan for implementing the target model for Ukraine's capital market infrastructure. The plan had been prepared in accordance with the IMF Memorandum by the NBU, in collaboration with the NSSMC, the Ministry of Finance, and international experts.

The Council members reviewed the proposed target model for capital market infrastructure and the practical experience of other countries, notably Germany and Poland. The foundation of the target model is one developed with the European Bank for Reconstruction and Development (EBRD). It calls for the creation of a vertically integrated holding company that will ensure the efficiency and reliability of the entire infrastructure chain: a stock exchange, a central counterparty, and a central securities depository. International partners and a strategic foreign investor will be shareholders in the holding company, alongside Ukraine.

The first steps in the approved action plan include optimizing the ownership structure of the National Depository of Ukraine (NDU) by transferring the state's share in its capital under the management of the NBU. Other steps include the development and subsequent adoption of a draft law that will enable the implementation of the target model for capital market infrastructure in Ukraine, as well as the signing of a Memorandum of Understanding with the EBRD on cooperation to support integrated capital market infrastructure in Ukraine. This Memorandum was officially signed in Rome in July 2025 by top government officials, the NBU Governor and the President of the EBRD.

The implementation of the action plan approved by the Council intends to make Ukraine's capital markets more attractive to investors, simplify businesses' access to financing, and accelerate the integration of domestic infrastructure into the international financial markets.

The Council's Position

Approve the developed high-level action plan for the practical implementation of the target model for Ukraine's capital market infrastructure, which includes a roadmap for transferring the state's share in the NDU's authorized capital under the management of the National Bank of Ukraine.

5. Risks in the Financial Sector

In addition to their regular review and discussion of systemic risks to the financial sector, the Council focused on several specific threats during the reporting period. At its March meeting, the agenda included a discussion of financial stability challenges posed by the proliferation of virtual assets and the development of approaches to regulate this market.

The NSSMC outlined the key elements for regulating the virtual assets market. These include licensing and oversight of virtual asset service providers and establishing requirements for transparency, disclosure, and risk management for these providers. The regulatory framework will also work to prevent market manipulation, insider trading, and other abuses in the virtual asset markets. Furthermore, it will regulate the issuance and circulation of stablecoins to ensure financial market stability and identify and manage risks associated with virtual assets while combating money laundering and terrorism financing.

The Council members discussed the distribution of mandates proposed by the NSSMC and future cooperation among financial market regulators. The Council agreed that the issue requires further in-depth consideration, taking into account the positions of all stakeholders and international partners.

At its August meeting, the Council also reviewed and discussed the risks posed by state-owned banks. These banks currently hold over half of the banking market across all key metrics and demonstrate the strongest financial performance, accounting for 61% of the banking system's total profit. While state-owned banks generally show higher profitability and operational efficiency than the system average, their performance indicators vary. The operational models of most state-owned banks still need to be made more efficient, especially to make the banks more attractive to investors. The further privatization of some state-owned banks could help boost competition in the sector and enhance its overall efficiency.

The Council heard information from the Ministry of Finance about the beginning of preparations to sell shares in Sense Bank and Ukrgasbank. The Council generally agreed that selling shares in these banks would not negatively impact the financial health and stability of the banking system. However, this assessment may need to be revised if there are significant market changes or if the privatization process deviates substantially from the planned timeline.

After the government decides to prepare the shares of the aforementioned banks for sale taking the Council's conclusion into account, a globally recognized financial advisor will select buyers. The NBU's requirements will be strictly adhered to, particularly concerning the sufficiency of officially confirmed funds for the purchase and the investor's impeccable business reputation. Furthermore, the NBU will only grant permission for the purchase after a thorough analysis confirms that the winning bidders have met these requirements.

The Council's Position

1. Note the information provided by the NSSMC and revisit the issue of distributing mandates after further in-depth consideration.

2. Note the information on the risks of state-owned banks and agree that the sale of shares in Sense Bank and Ukrgasbank will not negatively impact the financial health and stability of the banking system.

Box. Key Outcomes of the Working Groups Established by the Council

Throughout its existence, the Council has established a number of working groups to address specific issues. Some of these groups have completed their tasks and have since been disbanded. For example, a working group comprising representatives from the NBU, the Ministry of Economy of Ukraine (the Ministry of Economy), and the Ministry of Finance was active throughout 2024 to establish a fully functional war risk insurance system in Ukraine. This group worked closely with World Bank experts and involved representatives from the business community and the insurance market. The group held three meetings, which resulted in a roadmap for creating and implementing a war risk insurance system, a financial model for a specially created State Agency for War Risk Insurance, and a concept for a fully functional war risk insurance system in Ukraine. The legislative proposals drafted by the working group formed the basis for the text of the draft law on the war risk insurance system (registered in the Ukrainian parliament on 30 December 2024, No. 12372).

The following working groups remain active and are fulfilling their mandates:

1. **The Working Group (Committee) for the Resolution of Nonperforming Loans at State-Owned Banks**, which has been operating since July 2018. Its primary task is to produce and provide recommendations to the management bodies of state-owned banks regarding strategies, policies, methods, and procedures for resolving non-performing loans (NPLs). This includes providing recommendations on potential restructuring terms and how banks can use methods to reduce credit risk, as well as on procedures for resolving NPLs and financial restructuring. The group includes representatives from the NBU, the MoF, the Ministry of Economy, the DGF, the Office of the President of Ukraine, and certain law enforcement agencies.

Since its formation, this working group has held 26 meetings. During these meetings, it developed and sent recommendations to state-owned banks on how to resolve NPLs. It also reviewed more than 20 specific restructuring cases submitted by Oschadbank, Ukreximbank, PrivatBank, Ukrgasbank, and Sense Bank. Based on these reviews, the group provided recommendations for the banks.

2. The Working Group (Committee) on Financial Development, which has been operating since December 2019. It was established in accordance with the signed Memorandum of Understanding and Cooperation between the key implementers of the financial sector reform. Its members include representatives from the NBU, the MoF, the Ministry of Economy, the DGF, and the NSSMC. A communication platform with market representatives and relevant experts was also established within the working group. The meetings of the group and the sessions of the communication platform are held as needed.

When it was first formed, the working group was responsible for monitoring and overseeing the implementation of the *Strategy of Ukrainian Financial Sector Development* until 2025. Subsequently, the group developed a new SFSD, which was published in August 2023 and is aimed at resisting russian aggression and rebuilding the country.

The CFD has held eight meetings. Its key current tasks are to identify areas and priorities for implementing the SFSD, facilitate the coordinated implementation of the SFSD's measures, monitor how effectively these measures are being implemented, consider proposals for planning financial sector development measures, and prepare and approve roadmaps for the SFSD's implementation.

In 2025, the CFD prepared and published a report on the implementation of the Strategy for the Development of Ukraine's Financial Sector until 2025 by end-2024. It also prepared the updated SFSD, which was published in August 2025. In addition to its work on the SFSD, the CFD served as a supporting platform for the drawing up of two highly focused strategic documents: the *Lending Development Strategy* and the *Mortgage Lending Development Strategy*, which were published on the NBU's official website in June 2024 and July 2025 respectively. The development of these documents was mandated by the IMF Memorandum. As part of its efforts to implement the IMF Memorandum, the CFD also drew up a Conceptual Note on prioritizing financial market infrastructure reforms aimed at maximizing the opportunities for attracting private investment. Work is currently underway to develop roadmaps for the implementation of the SFSD and the *Mortgage Lending Development Strategy*.

3. Working Group (Committee) for Preparing Proposals to Set the DGF Target's Value and a Deadline for its Achievement, which has been operating since February 2023 and consists of DGF, NBU, and MoF representatives.

The Working Group's main task is to prepare proposals for the Council on how to set a value for the DGF target and a deadline by which to achieve it.

The Working Group held a total of six meetings, developing: a methodology for calculating the target's values and their deadlines; assumptions for estimating the target and its impact on Ukraine's banking system; and a methodology for how to determine the probability of the banks' default and prepare strategies to attain the target.

As a result of these efforts, the Council in a June 2024 meeting considered the working group's proposals to set the DGF target's values and their deadlines. The Council recommended that the DGF set the target's values and deadlines as proposed by the Working Group.

Based on the Council's recommendations, the DGF Administrative Board, by Decision dated 27 June 2024 (Minutes No. 6), approved the DGF Executive Directorate's Decision No. 690 *On Establishing the Values of the Deposit Guarantee Fund's Target and Deadlines for their Achievement* dated 21 June 2024.

Approval of the DGF target's values and their deadlines allows the DGF to reach a level of adjusted capital that is necessary for the DGF to perform its functions and exercise its powers and sufficient to cover its anticipated expenses, taking into account the possibility of crisis episodes going forward, and to make settlements with the state budget.

4. Working Group (Committee) for Making Proposals to Amend Ukrainian Laws to Improve the Governance of the Deposit Guarantee Fund, which was created in August 2024 under an IMF Memorandum with involvement of DGF, NBU, and MoF representatives.

The Working Group should prepare legislative proposals by the end of September 2025 to close gaps in Ukrainian legislation in order to align with best practices how the work of DGF management bodies is organized. New procedures for appointing the DGF's managing director should include hiring an independent recruitment firm that can put together a nomination committee consisting of voting representatives and non-voting observers from international financial institutions.

The Working Group held five meetings. World Bank and IMF staff participated in the discussions.

These efforts will result in the Working Group putting forward a draft of amendments to the Law of Ukraine *On Households Deposit Guarantee System* to improve the structure and operation of the DGF's management bodies, internal control, and procedures for appointing the managing director.

Annex

The Council's Key Results/Achievements over the Past Five Years

Outcomes (decisions/agreements) achieved through meetings	Progress
1	2
Approve the DGF's Debt-Restructuring Plan *(2 September 2020 Council meeting).* Draft and approve the DGF's updated debt-restructuring plan *(18 February 2021 Council meeting)*	A mechanism to restructure the DGF's debt on government loans made to overcome the consequences of the 2014–2017 systemic banking crisis was approved by the Council in September 2020. In 2021, the restructuring plan was updated. These arrangements informed the Law of Ukraine No. 2180–IX *On Amendments to Certain Laws of Ukraine to Ensure the Stability of the Deposit Guarantee System* dated 1 April 2022. To implement this law, the DGF and the MoF signed an agreement in April 2022
Support the concept of the draft Law of Ukraine *On the Resolution/Restructuring of an Insolvent Bank's Debt*, taking into account caveats about establishing the scope of liability carried by failed banks' former owners. The DGF should prepare and present at the Council's next meeting international best practices in launching mechanisms to collect debt from insolvent banks' former owners, as well as calculations of liability borne by such parties under the concept of resolving/restructuring an insolvent bank's debt. *(18 February 2021 Council meeting)*	In February 2021, the Council supported the concept of legislating a mechanism to resolve disputes between former owners and the DGF. The Law of Ukraine No. 1588–IX *On Amendments to Certain Laws of Ukraine on Improving Mechanisms for the Resolving of Banks and Meeting the Claims of Creditors of Such Banks*, passed in June 2021, strengthened the DGF's rights in this process. Specifically, this law introduced a mechanism to compensate for damage (losses) caused to a bank by persons that are legally liable for damage (losses) incurred by the bank and its creditors. The DGF informed the Council twice – in 2021 and 2022 – about progress made in recovering insolvent banks' assets
Greenlight the concept of the approach that establishes a DGF-based system to guarantee deposits of credit-union members and insurance payouts under life insurance agreements. *(18 February 2021 Council meeting)*	In 2021, the Council gave a go-ahead for the concept of introducing a DGF-based system to guarantee deposits of credit-union members and insurance payouts under life insurance agreements. Before the guarantee system can be expanded to cover such deposits, certain prerequisites must be met. Those primarily include measures to tighten the regulation and enhance the transparency of the non-bank financial services market. Further plans to introduce guarantees for credit-union depositors are enshrined in Ukraine's commitments to the IMF. According to the IMF Memorandum dated March 2025, an appropriate deposit guarantee system will be developed by the NBU jointly with the DGF after martial law terminates and necessary by-laws take full effect.
Set up a working group comprising representatives of interested bodies in order to develop an action plan in case a systemically important bank is removed from the market *(12 April 2022 Council meeting).*	The Working Group, made up of NBU, DGF, and MoF representatives, was set up in April 2022. The Working Group developed a concept action plan in case a systemically important bank is removed from the

1	2
Agree on a general action plan that will be applied if a systemically important bank is removed from the market while under martial law. Within a month, participating institutions must draft internal documents envisaged by such an action plan. The Working Group should finalize the draft law by taking into account suggested clarifications, and prepare proposals to set a limit on bank refinancing. *(1 June 2022 Council meeting)*	market, as well as proposals for a relevant draft law, which were approved by the Council. The relevant draft law was agreed upon by participating organizations in the course of business and submitted to the Verkhovna Rada of Ukraine. The Law of Ukraine No. 2643–IX *On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine with Regard to the Specifics of Resolving a Systemically Important Bank under Martial Law* was passed on 6 October 2022.
Agree on key areas of action to narrow the state budget deficit and reduce the volume of its monetary financing. All of the steps noted above must not contradict the principles of Ukraine's cooperation with international donors and EU integration efforts. *(23 June 2022 Council meeting)* Agree with the need to continue to estimate market demand and, if necessary, adjust yields and maturities of government securities offered in the primary market so that they meet market demand as a necessary condition for activating the domestic debt market and ensuring full refinancing of the redemption of domestic government debt securities in 2023. *(8 December 2022 Council meeting)*	At the outbreak of russia's full-scale invasion of Ukraine in 2022, the NBU became a primary source of support for the government. The central bank was forced to urgently finance the state budget deficit, but this is a risky practice that comes with adverse consequences for macroeconomic stability. Council members in June 2022 agreed on key areas of action to narrow the state budget deficit and reduce the volume of its monetary financing while under martial law. That included action to: optimize public expenditures by limiting non-priority and inefficient spending increase budget revenues, primarily from higher taxes on imports, excise taxes (including those on fuel), and rent payments intensify borrowing from the domestic market to finance the budget deficit jump-start efforts to build up the volume and predictability of international aid. Joint work was subsequently carried out to avoid practices such as monetary financing going forward. Council members concurred that the revival of domestic borrowing should significantly reduce the risks of monetary financing, and pledged to agree the criteria for benchmark domestic government debt securities by 11 January 2023.
Support the Power Banking project, given its critical importance for the smooth operation of the banking system and financial stability in general. *(8 December 2022 Council meeting)*	The smooth functioning of the banking sector has become vital in wartime. To meet the challenge, the NBU initiated the Power Banking project to ensure the operational stability of banks. In December 2022, the Council endorsed the Power Banking initiative and agreed to cooperate with other authorities to ensure banks' business continuity in an effort that bolsters the financial sector's resilience.

1	2
Support the NBU's proposals to optimize the *Affordable Loans 5–7–9%* program. *(8 December 2022 Council meeting)*	Amid high wartime risks, the key to lending was to maintain access to state support programs, while the emergence of new challenges led to the need to review the terms and conditions of such support. The Council confirmed the feasibility of improving the terms of *Affordable Loans 5–7–9%* through joint efforts by the MoF, other relevant ministries, and the NBU. Specifically, the program should focus on lending to those companies and regions that need support the most, and on reducing their debt to banks on interest payments on loans. Changes to the *Affordable Loans 5–7–9%* program were approved by the government in March 2023, and then another nine times in 2024 and three times in 2025
Establish a working group on the development of the domestic debt market. *(5 April 2023 Council meeting)*	A working group of NBU and MoF representatives was put together in April 2023 to implement the IMF Memorandum under which Ukraine committed to avoid monetary financing of the state budget and to develop the domestic debt market by expanding and diversifying the circle of investors in government securities. The working group prepared and implemented a plan of necessary steps and has been regularly assessing the domestic debt market.
Create a working group to prepare proposals to set the value of the DGF target and the deadline to achieve it. *(3 February 2023 Council meeting)* Recognize as justified the value of the DGF target calculated by the DGF to cover the projected volume of risks in the banking system in the event of future crisis episodes, and recommend that the DGF re-raise with the Council the issue of obtaining Council recommendations on setting the value of the DGF target and the deadline for its attainment. *(14 December 2023 Council meeting)* Support the DGF's and the working group's proposals on setting the DGF target's value and the deadline for its achievement. *(6 June 2024 Council meeting)*	As part of the overall effort to strengthen the DGF's resilience, amendments were made to Ukrainian legislation in terms of determining the DGF's target to cover the projected volume of risks in the banking system in the event of crises. To estimate the value of such an indicator, a working group was put together in February 2023 from representatives of the DGF, the NBU, and the MoF. The Council approved the proposals developed by the working group in June 2024. The Council recommended that the DGF set the target at 3.5% and reach it by 1 January 2028. The DGF Board approved DGF Executive Directorate Decision No. 690 *On Setting the Values of the DGF Target and the Deadlines for Their Achievement* dated 21 June 2024.
Set up a working group to prepare proposals to amend Ukrainian laws to improve DGF governance mechanisms. *(22 August 2024 Council meeting)*	The working group was created with involvement of the NBU, the MoF, and the DGF, and continues to prepare amendments to Ukrainian legislation to improve DGF governance mechanisms.
Concur on the methodological principles of the update, the general structure of the SFSD, and the timing of its development *(4 May 2023 Council meeting).* Approve the updated SFSD. *(19 July 2023 Council meeting).*	The concept of a new SFSD was agreed upon. The development of the concept had been stipulated in the IMF Memorandum. The concept envisages measures that are focused on two areas, depending on the length of the planning horizon: quick actions to stabilize and minimize the adverse effect of the war; and development steps that will change the financial sector to lay the groundwork

1	2
Approve amendments to the SFSD and a progress report on its implementation as of end-2024. *(13 May 2025 Council meeting).* Approve the updated SFSD and have it published on websites of the signatory institutions after they have issued internal regulations endorsing it. *(26 June 2025 Council meeting)*	for post-war recovery and efforts to build a new economy. The SFSD was released 29 August 2023. In 2025, the SFSD was updated for the second time and an implementation progress report was issued. The updated SFSD was posted to the signatory institutions' websites 11 August 2025.
Agree on a conceptual note outlining how to build a fully functional war-risk insurance system. Put together a working group to build a fully functional system of war-risk insurance. *(5 February 2024 Council meeting).* Support in principle the draft law on the war-risk insurance system. *(22 August 2024 Council meeting)*	The working group, made up of NBU, MoF, and Ministry of Economy representatives, was set up in February 2024. With World Bank support, the working group hammered out proposals to develop legislation governing the establishment and implementation of a full-fledged war-risk insurance system. The proposals were agreed with Ukrainian insurance market participants. The draft law to build a war-risk insurance system was endorsed by the Council and submitted to the Verkhovna Rada of Ukraine.
The Council approved the *Lending Development Strategy*. *(6 June 2024 Council meeting).* Approve changes to the *Lending Development Strategy.* *(13 May 2025 Council meeting)*	The *Lending Development Strategy* was approved and posted to the NBU website 24 June 2024. In May 2025, amendments to the *Lending Development Strategy* were approved to align it with the legislative roadmap under the *Ukraine Facility* program, particularly in the area of development and functioning of the NPL market and attracting foreign investment to this market.
Approve the developed high-level action plan for the practical implementation of the target model for Ukraine's capital market infrastructure, which includes a roadmap to transfer the state's stake in the National Depository of Ukraine's authorized capital to the NBU to manage. *(26 June 2025 Council meeting)*	The Council approved the action plan in June 2025. In July 2025, the government, the NBU, and the EBRD President signed a Memorandum of Understanding on Cooperation in Supporting Integrated Capital Market Infrastructure in Ukraine.
Approve the *Mortgage Lending Development Strategy.* Instruct the CFD to develop and approve a roadmap in accordance with the measures of the *Mortgage Lending Development Strategy* and submit it for the Council's review by September 2025. *(26 June 2025 Council meeting)*	The *Mortgage Lending Development Strategy* was approved by the Council in June and uploaded to the NBU's official website 18 July 2025. To detail the specific steps of the measures, the CFD developed and approved a roadmap in August 2025.
Agree that selling the stakes in Sense Bank and Ukrgasbank would not have a negative impact on the financial standing and stability of the banking system. However, this assessment may need to be revised if there are significant market changes or if the privatization process deviates substantially from the planned timeline. *(14 August 2025 Council meeting)*	Council members agreed that the sale of shares in Sense Bank and Ukrgasbank will not have an adverse impact on the financial standing and stability of the banking system. The Council upheld the reduction of the state's stake in the banking sector through privatization of state-owned banks, provided that it is carefully assessed and aimed at increasing the value of the banks' stocks.