

FINANCIAL
FORTRESS UKRAINE

STRATEGY



National Bank
of Ukraine

Main Functions of the National Bank of Ukraine. Who We Are, What We Do, and How We Do It

The National Bank of Ukraine (NBU) issues the hryvnia, conducts unified state policy in the area of cash circulation, and regulates and supervises banks and non-bank financial institutions in Ukraine. The NBU is a special central government body. Its legal status, tasks, functions, powers, and organizational principles are laid down in the Constitution of Ukraine, the Law of Ukraine On the National Bank of Ukraine, and other Ukrainian laws.

The NBU's main objectives:

- ensuring price stability
- promoting financial stability
- facilitating sustainable economic growth.

Acting under its mandate, the NBU is performing the role of the financial ecosystem's architect and is oriented toward supporting the economy as much as possible.

The NBU is reaching the above objectives by conducting its monetary policy, regulating operations of financial institutions, arranging cash circulation, regulating the payment market and protecting the rights of financial services consumers. Moreover, the NBU is a key participant in the national financial system and cooperates with international financial institutions in order to develop the country's financial infrastructure and attract foreign investment. Fulfillment of these tasks is an important factor in ensuring the sustainable development of the Ukrainian economy and its integration into the global economic system.

Setting Strategic Goals: External Context (1)

In its analysis of the external environment, the NBU focused on relevant political, economic, social, and technological trends that will play a decisive role in the development of Ukraine's economy and financial system in the coming years. In updating the Strategy, the NBU identified and took into account the following factors:

Key factors of the political context:

- Russia's full-scale invasion of Ukraine has been dragging on for more than 1,000 days, and the NBU has been implementing its mandate successfully in these difficult conditions. The extreme uncertainty requires flexible planning.
- Continued diplomatic, military, and political support from NATO countries is an important element for victory.
- Financing inflows under international cooperation projects depend on Ukraine's implementation of reforms and on changes in the political landscape in ally countries.
- Ukraine is holding EU accession negotiations and harmonizing its laws with EU acquis. A number of reforms not completed by Ukraine is the obstacle to a more active integration into the European community and attracting large-scale investment. In terms of domestic policy, Ukraine should continue implementing structural reforms, promoting institutional development, and harmonizing its laws with European ones.

Key factors of the economic context:

- Ukraine's economic future depends on the situation at the frontline, international cooperation, and further economic reforms.
- There are risks of lower volumes or irregularity of international assistance and domestic financing of budget expenditures.
- There is a high level of shadow economy served by the financial sector and companies outside the NBU's regulation (unlicensed activities, virtual assets, etc.).
- The problems impeding economic recovery include weak domestic demand, decreased supply of goods and services, and significant limitations of export logistics.
- There is a need to develop unsubsidized market lending in competition with state programs.

Setting Strategic Goals: External Context (2)

Key factors of the social context:

- The number of people in need of social protection and support, psychological rehabilitation, and special conditions for using financial services is growing.
- Given the impact of Russia's large-scale military aggression against Ukraine, the number of people with disabilities, both veterans and civilians, is constantly rising.
- The shortage of qualified personnel in Ukraine is increasing due to mobilization, migration, and other factors, which will also have a negative impact on post-war recovery.
- A deterioration in the quality of education in the years of quarantine restrictions during the pandemic and due to the outbreak of the full-scale war is causing an urgent need for improving educational programs for future economically active population.
- Social and economic structure of some regions has changed due to the massive internal migration of Ukrainians.
- The problem of financial inclusion is becoming more acute, which is partially compensated for by cashless payments and remote financial services, but must also be met by ensuring the physical accessibility of financial services.

Key factors of the technological context:

- The destruction of energy infrastructure has resulted in power shortages.
- Communication and logistics are limited.
- Financial technology and services offered by the state platforms are vulnerable to network congestion and to communication and power outages, which hampers consumers' access to financial services and increases the demand for cash.
- The number of cyber incidents in the financial and non-financial sectors is growing, as is the disruptive impact and losses from their consequences.
- In the coming years, digitalization and the wider use of artificial intelligence technologies will have a significant impact on economic development.

Internal and External Factors That Determine Strategic Goals (1)

The NBU's strategic goals cannot be defined without considering a number of factors that influence economic conditions in the country and directly the NBU as the regulator of bank and non-bank financial institutions. The SWOT analysis has been used to assess internal and external factors that influence the NBU's activities. It is important to analyze these factors in order to identify threats and challenges the NBU is facing when drawing up its Strategy in wartime. This will help improve the central bank's work and ensure the effectiveness of its operations for the benefit of the country.

Strengths

- Stable banking system; lessons learned from the previous financial crisis
- Sustained high trustworthiness and reputation of the NBU among international partners
- Institutional independence; collegial decision making
- Opportunities for further development of the NBU's analytical expertise
- The experience of implementing the remote working format gained during the COVID-19 pandemic and the war
- The NBU and the banks being prepared to manage cyber threats and have relevant expertise
- Fintech and Regtech innovations implemented (remote identification and verification, new generation of SEP, reporting, etc.)

Weaknesses

- Political pressure and elevated expectations for the NBU to act outside its functions
- Internal bureaucracy and weak corporate culture
- Low financial literacy among users of financial services
- Weak development of bank lending and insurance markets
- Major impact of the war on the non-bank financial market
- Underdeveloped equity market in Ukraine
- Uncompleted structural reforms in Ukraine, including the judicial reform
- Weak protection of creditor rights
- High dependence of Ukraine's budget on international financial assistance

Internal and External Factors That Determine Strategic Goals (2)

Opportunities

- New players entering the bank market (and later the non-bank market as well) amid the future economic recovery
- Rapid economic recovery and financial sector growth
- Privatization of state-owned banks
- Private business interest in capital markets resuming
- New financial and security solutions based on blockchain technologies
- High expertise of employees
- The financial market's productivity increasing due to the integration of AI tools

Threats

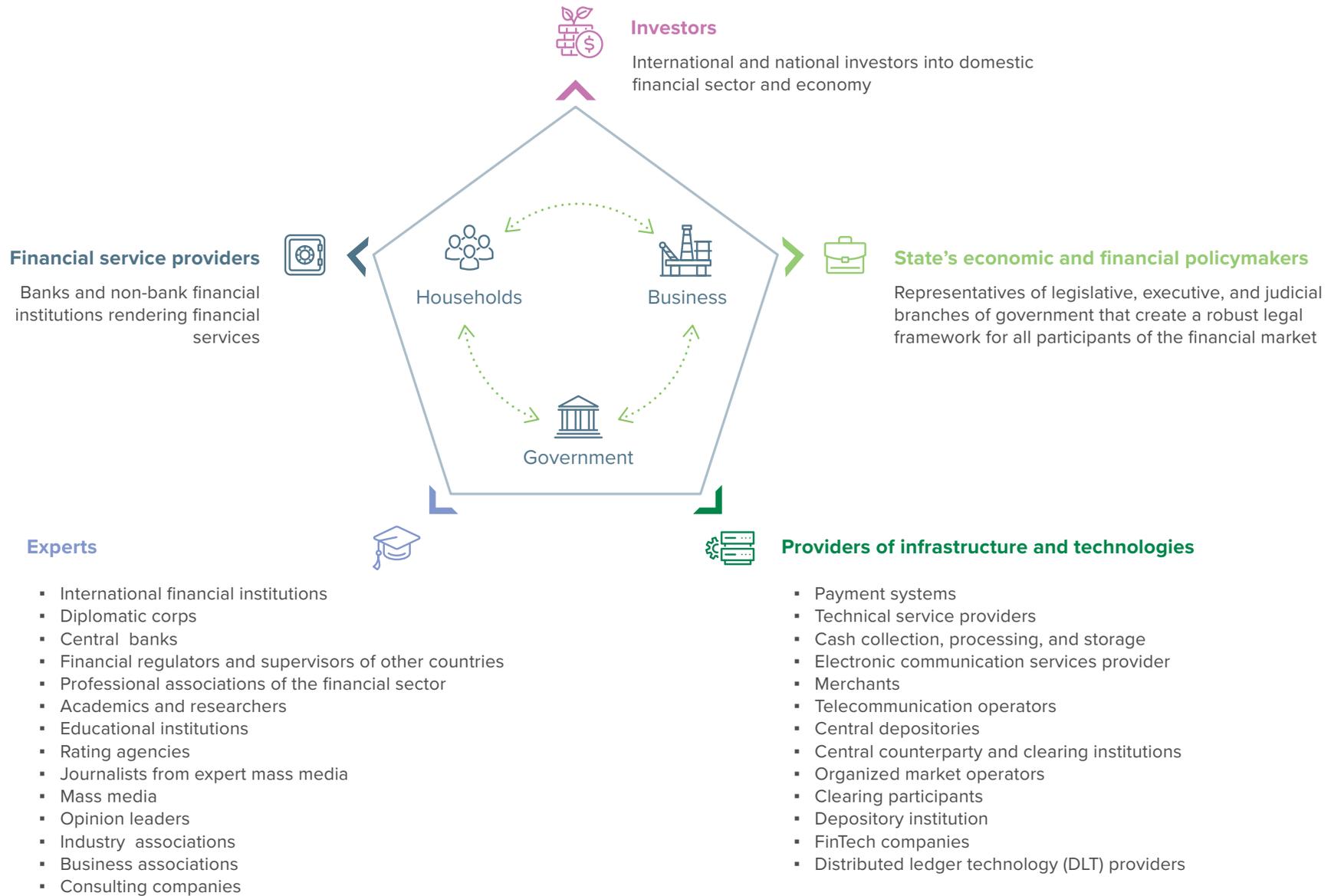
- Prospects of increasing the share of state-owned banks in the banking system's assets
- Deterioration in the quality of loan servicing
- Significant pressure on the NBU's monetary mandate
- Loss of NBU's institutional independence
- Increase in the economy's debt burden
- Expansion of state preferential lending programs putting pressure on budget expenditures
- Competition for qualified staff being high, and a risk of losing highly qualified staff, including due to mobilization
- Financial infrastructure being used for fraud and other illegal transactions

The synergy of the key players of the financial ecosystem becomes even more important in maintaining the country's financial sustainability and ensuring the financial inclusion of citizens amid a war

A financial ecosystem comprises all financial market participants and other parties that interact simultaneously on a cooperative and competitive basis in order to create and provide financial products and services. The financial ecosystem has been exposed to significant wartime challenges: attacks on bank branches, blackouts,

layoffs, cyber-attacks, reduced demand for products and services, and elevated uncertainty. That is why the synergy and interaction of the participants of the financial ecosystem is more important than ever for preserving Ukraine's financial stability during the war and post-war recovery.

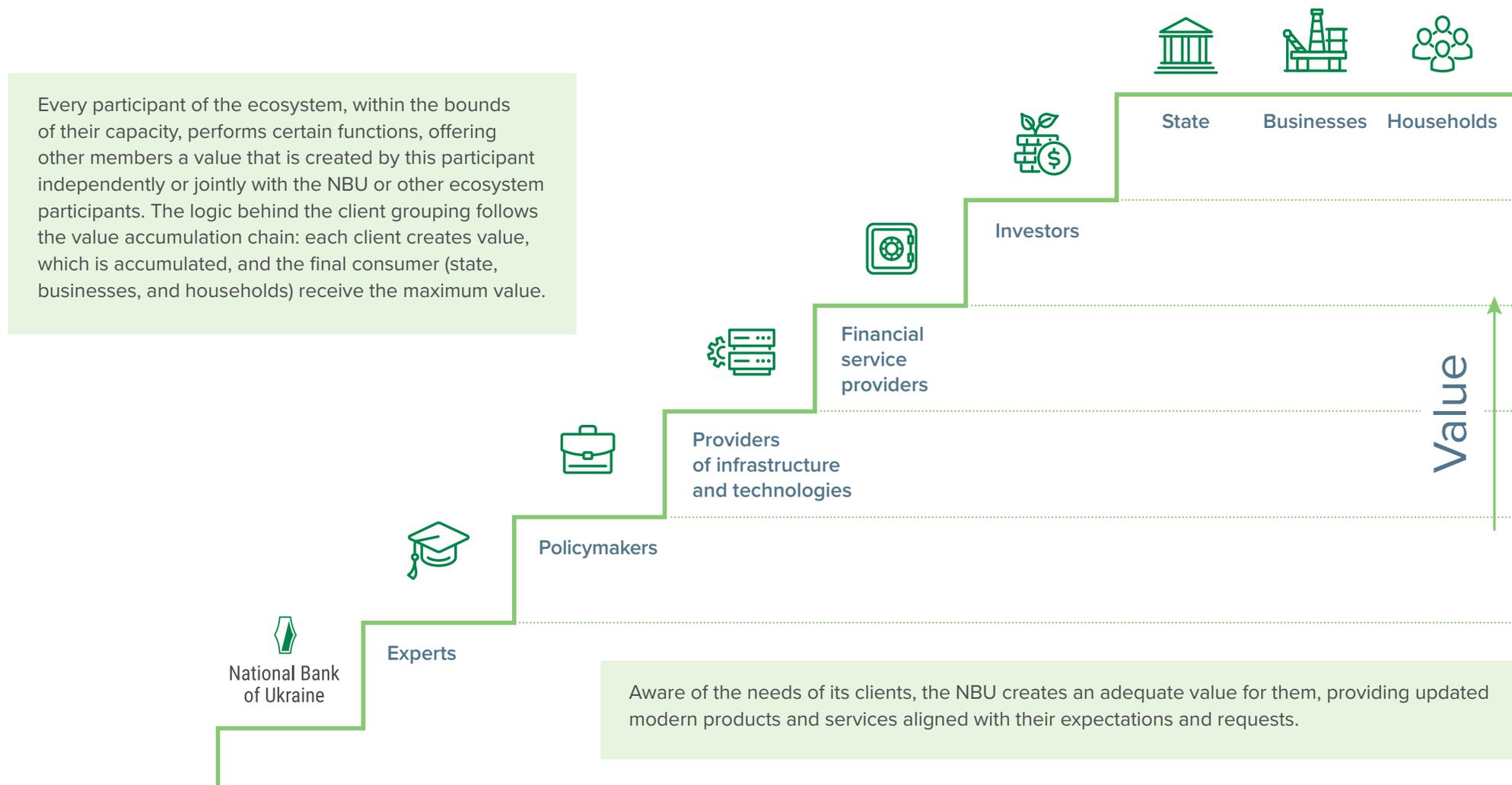
Financial Ecosystem Key Players



Financial Ecosystem and NBU Clients

In pursuing its mission, the NBU works to ensure that the needs of its customers are met (maximization of value). Each of the eight NBU's groups has its own needs, which are determined by the nature of their

activities, areas of interest, the group's role in the financial ecosystem, and current changes spurred by the global and local trends:



NBU's Strategic Idea

The Vision and Mission were tailored to the challenges of military aggression.

The NBU's activities demonstrate that the NBU is capable of working under any circumstances, unites the participants of the financial ecosystem to ensure Ukraine's financial defense, strengthens Ukraine's capacity on its way to Victory, ensures price and financial stability amid the war, and comprehensively contributes to the country's recovery.



VISION

The National Bank of Ukraine is a modern, innovative, open, and independent central bank that is able to execute its mandate at all times, is a leader in the development of the financial ecosystem, cares about financial services consumers, is integrated into the European community of national central banks, and enjoys trust of the public and international partners.



MISSION

To ensure price and financial stability and promote sustainable economic development in order to enhance Ukraine's capacity on its way to Victory and during post-war recovery.

A new value has been added to the NBU's existing 5 core values. The new one is focused on bringing the Victory closer.

VALUES



Patriotism

We act in the interests of the public and the state



Professionalism

We are effective, we strive for excellence, we create a favorable environment for innovations, development, and the spread of new ideas



Integrity

We are honest and responsible, always upholding business ethics standards



Transparency

We are open, consistent and logical in decision making



Partnership

We support dialogue and partnership, respect diverse ideas and opinions, have a shared vision, and enjoy public trust, and we work together to implement the NBU's mission



Support

We support Ukrainian defenders and are setting the stage for the inclusive recovery and sustainable development of the national economy

The new challenges require the NBU to update its strategic development objectives and increase the flexibility of its planning methodology

When planning a strategy, the factors behind the Russian invasion's impact on the conditions of the financial system's functioning should be taken into account. To successfully implement the NBU's Vision and Mission amid current conditions and to live up to the expectations of customers, the NBU's strategic objectives should take into account the challenges that arise in two areas: resistance to Russian aggression, and Ukraine's recovery. In view of this, the measures envisaged by the Strategy are roughly divided into two focuses:

values of the indicators to the end of the "resistance focus." When the appropriate preconditions of the external environment are created, the list of the Strategy measures and indicators of their implementation will be revised with an emphasis on the "recovery focus" with the next update of the document.

What we observe today is that the high level of uncertainty and volatile environment require flexibility in planning and the use of

Focus 1 (Resistance Focus)	The short-term measures aimed at ensuring stability and preventing a deterioration of the situation in the financial system and the economy in general, including the use of tools to control inflation and the hryvnia exchange rate, maintaining the banking system, etc.
Focus 2 (Recovery Focus)	The medium-term measures aimed at implementing transformations that will form the basis for future reconstruction and growth of the economy, for example: reducing bureaucratic barriers, enhancing transparency and competitiveness of the environment, attracting investments, etc.
Focus 1 and Focus 2	The medium-term comprehensive measures are aimed at ensuring stability and further recovery, and development. Some of the key deliverables will be implemented in the short term.

With elevated uncertainty and increased risks, the establishment of indicators of the achievement of long-term strategic goals is not appropriate, as such achievement is contingent on relevant macroeconomic and other preconditions, the timeline of which cannot be accurately forecasted. To that end, we anchor the approximate

implementation tools to respond more quickly and effectively to changes. Amid this uncertainty, we plan a zone of certainty ("resistance focus" and "recovery focus") and devise alternative action plans in advance in any scenario ("Alternative Plans").

NBU's strategic goals are focused on ensuring the price and financial stability and on supporting the country on its way to Victory

I. Sustainable hryvnia	II. Financial stability	III. Financial system operating for the country's recovery and integrating into the EU	IV. Modern financial services	V. Effective central bank
Price stability and exchange rate sustainability	Balanced regulation and supervision oriented to development	Responsible financial market	Financial market as a digital fortress	NBU's voice
	Sustainable and efficient banking system	Developed credit market	Virtual assets and NBU's digital currency: clear regulation to ensure the monetary sovereignty	Development of the NBU's institutional relations with stakeholders
	Insurance market is cleaned up and ready to support the recovery	Developed insurance services market	Digital financial services as part of the digital country	International cooperation and experience exchange
	Non-bank financial and payment market: transparent and technological	Developed capital markets infrastructure	Technological development of the financial market	Effective and uninterrupted operating activities
	Reliable and sustainable financial market infrastructure	Financial literacy of the population and entrepreneurs	Sustainability, effectiveness, and customer-oriented approach to cash circulation	Digital transformation
		Barrier-free and inclusive financial system	Power Banking 2.0: infrastructure repairs in de-occupied areas	Human capital as the main asset
		Integration in the EU financial services market		
1 initiative	5 initiatives	7 initiatives	6 initiatives	6 initiatives

■ Focus 1. Resistance
 ■ Focus 2. Recovery and Development

I. Sustainable Hryvnia (1)

Objective I holds a special place in the Strategy. The NBU's core function is safeguarding the stability of the Ukrainian currency, especially in wartime. The implementation of this function is ensured by the adoption of the respective policy for the NBU's daily operating activities in view of the macroeconomic conditions under which

the tactical decisions are to be made. The NBU is moving forward with the strategy to gradually ease and lift FX restrictions introduced at the beginning of the war, transition to a floating exchange rate regime, and return to full-fledged inflation targeting.

Strategic initiatives

1.1. Price stability and exchange rate sustainability

Measures to achieve the goal

-  **1.1.1.** Development of the strategy of return to inflation targeting, currency liberalization, and a shift to a flexible exchange rate ✓

-  **1.1.2.** Gradual return to full-fledged inflation targeting

-  **1.1.3.** Gradual return to floating exchange rate

-  **1.1.4.** Refocusing monetary policy on inflation

I. Sustainable Hryvnia (2)

Indicators of Objective I attainment for the Resistance Focus	
Indicator of a strategic goal attainment	Value as of the end of Resistance Focus***
Change in consumer price indices, %	Inflation moves toward 5% over an acceptable policy horizon
Increase in hryvnia retail term deposits (with at least three-month maturity)	☑
Increase of the weighted average term of hryvnia retail term deposits	☑
Retaining the spread between hryvnia-to-dollar cash and official exchange rates	<3%
Increase in volumes of interbank FX trading (excluding the NBU)	☑
Approval of the strategy of return to inflation targeting, currency liberalization, and a transition to a flexible exchange rate	☑
Medium-term inflation expectations of financial analysts	Between 3% and 7% yoy

* since the date of the NBU Strategy publication; the Resistance Focus provides for the occurrence of certain conditions (completion of active military actions).

** If not stated otherwise.

Risks and alternative plans
<p>Risk:</p> <ul style="list-style-type: none"> ▪ considerable increase in security risks ▪ substantial reduction of international reserves ▪ cash gaps over 30 days ▪ insufficiency of international aid resulting in uncovered budget deficit and reduction of international reserves ▪ substantial complication of export logistics
<p>Alternative plan:</p> <ul style="list-style-type: none"> ▪ maintaining or increasing the key policy rate ▪ longer maintenance or tightening of administrative restrictions on the foreign exchange market ▪ extending the bridge funding terms ▪ intensifying the cooperation with donors ▪ prioritization of government expenditures ▪ enhancing the measures on the structural liquidity management

☑ The target value is reached.

II. Financial Stability (1)

The final goal of the NBU's macroprudential policy is to ensure financial stability, meaning a condition of the financial system that enables it to perform properly the core functions – financial intermediation and the

conduct of payments – and efficiently counteract crisis developments. This task is especially important in wartime.

Strategic initiatives

2.1. Balanced regulation and supervision oriented to development

Measures to achieve the goal

- 2.1.1. Development and implementation of the comprehensive approach to the analysis of intersectoral relationships and risks of the financial sector as a whole ✓
- 2.1.2. Harmonization of macroprudential and microprudential requirements without regulatory arbitrage, taking into account the required adaptability to unforeseen circumstances
- 2.1.3. Updating approaches to the regulation of activities of banks and non-bank institutions in the area of sanctions implementation ✓
- 2.1.4. Improving approaches to risk-based supervision.
- 2.1.5. Enhancing sustainability and efficiency of the household deposit guarantee schemes ✓
- 2.1.6. Development of supervisory tools for risks analysis and assessment
- 2.1.7. Creation of the integrated supervision platform
- 2.1.8. Enhancing business continuity of Ukraine's financial sector participants
- 2.1.9. Improving the requirements for setting up systems to manage third-party risk at the banks

✓ Event completed

■ Focus 1. Resistance ■ Focus 2. Recovery and Development

II. Financial Stability (2)

Strategic initiatives

2.2. Sustainable and efficient banking system

Measures to achieve the goal

- 2.2.1. Assessing banks' resilience

- 2.2.2. Control of compliance with capital increase/restructuring plans

- 2.2.3. Development and implementation of the strategy of work with NPLs

- 2.2.4. Resumption of prudential requirements and cancellation of temporary restrictions ✓

- 2.2.5. Ensuring that the regulatory and supervisory framework is equivalent to the EBA criteria

- 2.2.6. Full implementation of European prudential requirements to ensure equivalence with EU standards

- 2.2.7. Determining the model of BRRD implementation in Ukraine, taking into account the best European practices and experience

- 2.2.8. Implementation of the BRRD

II. Financial Stability (3)

Strategic initiatives

2.3. Insurance market is cleaned up and ready to support the recovery

Measures to achieve the goal

- 2.3.1. Implementation of risk-oriented supervision ✓

- 2.3.2. Ensuring transparency of ownership structures

- 2.3.3. Enhancing control over compliance with prudential requirements

- 2.3.4. Implementation of requirements of the new MTPL Law

- 2.3.5. Implementation of requirements of EU Directive SOLVENCY II, in particular in terms of new prudential, corporate governance, and risk management requirements

- 2.3.6. Introduction of new reporting requirements ✓

- 2.3.7. Updating requirements for actuarial activities

II. Financial Stability (4)

Strategic initiatives

2.4. Non-bank financial and payment market: transparent and technological

Measures to achieve the goal

- 2.4.1. Improving risk-based supervision of non-bank financial services providers

- 2.4.2. Introducing the proactive risk-based supervision on the payment market

- 2.4.3. Improving supervision in the area of AML using a risk-based approach (including payment services providers)

- 2.4.4. Introducing digitalization requirements [non-cash, process automation (including in the area of AML and sanctions laws), reporting, electronic workflow]

- 2.4.5. Development of new reporting for participants of non-bank financial services market for supervisory purposes

- 2.4.6. Identifying and responding to ties with the aggressor state in the ownership structures of financial market participants

- 2.4.7. Creating registers of drops and miscoding, and ensuring counteraction to existing and new drop schemes

II. Financial Stability (5)

Strategic initiatives

2.5. Reliable and sustainable financial market infrastructure

Measures to achieve the goal

 **2.5.1.** Increasing national security by expanding the use of
 PROSTIR NPS

 **2.5.2.** Ensuring resilience of the financial sector's critical
 infrastructure

II. Financial Stability (6)

Indicators of Objective II attainment for the Resistance Focus

Indicator of a strategic goal's attainment	Value as of the end of the Resistance Focus
Cross-sectoral risks within the financial sector (including AML risks, virtual assets risks) were analyzed and systematized	<input type="checkbox"/>
The assessment of sustainability that includes AQR and assessment of banks' viability was conducted and its results published	<input checked="" type="checkbox"/>
New tools of NPL resolution are available	<input type="checkbox"/>
The roadmap for renewal of prudential requirements is prepared (taking into account the results of the sustainability assessment) and being implemented	<input type="checkbox"/>
Financial sector critical infrastructure facilities identified, categorized, and certified	<input type="checkbox"/>
Publication of the resilience assessment of the largest banks in the banking system (by assets), including stress testing under an adverse scenario and the results of an independent AQR, if conditions allow to conduct it	<input type="checkbox"/>

Risks and alternative plans

- If the financial system's risks materialize, the implementation of measures to conduct risk analysis and enhance supervision will reach its maximum speed.
- If the risks materialize, measures to introduce new enhanced regulatory requirements will be postponed.
- If the adoption of draft law stalls, regulations within the NBU's powers will be developed to regulate critical issues.

The target value is reached.

III. Financial System Operating for the Country's Recovery and Integrating into the EU (1)

The NBU contributes to the recovery of the economy, the country's reconstruction, a return to steady rates of economic growth, supports the economic policy of the Cabinet of Ministers of Ukraine and measures aimed at increasing the country's defense capability, and is integrating into the EU. At the same time, the regulator fosters the development of the financial market, the accessibility of financial services and the responsibility of market participants; enhances the

transparency of banks and non-bank financial institutions; ensures the protection of consumer rights in financial services; and contributes to raising the financial literacy of the public. The issue of sustainable development, with special attention to compliance with global ESG standards over the long term, have not gone without attention. The NBU provides barrier-free access to financial services for people with disabilities, both at financial institutions' branches and remotely.

Strategic initiatives

3.1. Responsible financial market

Measures to achieve the goal

-  **3.1.1.** The development of regulation and supervision of market conduct of financial sector participants (except for institutions engaged in capital markets)

-  **3.1.2.** Updating mechanisms for supervising compliance with the laws and regulations on consumer protection in the provision of financial services ✓

-  **3.1.3.** Implementation of mechanisms for banks to disclose information on their customers' relations with the state committing armed aggression against Ukraine with the aim of further analysis and a possible response ✓

-  **3.1.4.** Development and phased implementation of the financial sector ESG Policy

-  **3.1.5.** Continuous compliance with the requirements for the corporate governance system of financial market participants, taking into account the risk-based approach

✓ Event completed

 Focus 1. Resistance  Focus 2. Recovery and Development

III. Financial System Operating for the Country's Recovery and Integrating into the EU (2)

Strategic initiatives

3.2. Developed credit market

Measures to achieve the goal

■ 3.2.1. Approval of the Lending Development Strategy ✓

■ 3.2.2. Creating conditions for the development of lending, in particular using trade finance instruments (factoring)

■ 3.2.3. Developing the legislative framework to stimulate lending

■ 3.2.4. Developing lending while under martial law

3.3. Developed insurance services market

■ 3.3.1. Setting up a mechanism for insurance against political and war risks

■ 3.3.2. Implementing a set of measures to develop the insurance market

■ Focus 1. Resistance ■ Focus 2. Recovery and Development

✓ Event completed

III. Financial System Operating for the Country's Recovery and Integrating into the EU (3)

Strategic initiatives

3.4. Developed capital markets infrastructure

Measures to achieve the goal

  **3.4.1.** Raising the effectiveness of central elements of infrastructure

  **3.4.2.** Creating conditions for attracting national and foreign investors

3.5. Financial literacy of the population and entrepreneurs

  **3.5.1.** Approval of the National Strategy for Financial Literacy Development ✓

  **3.5.2.** Raising financial literacy of various target population groups and budding entrepreneurs

  **3.5.3.** Building the financial literacy ecosystem

3.6. Barrier-free and inclusive financial system

  **3.6.1.** Ensuring barrier-free access to financial services for people with disabilities at financial institutions' branches and in the remote mode

  **3.6.2.** Updating financial sector regulation to promote financial inclusion, including taking into account the needs of war veterans in Ukraine

 Focus 1. Resistance  Focus 2. Recovery and Development

 Event completed

III. Financial System Operating for the Country's Recovery and Integrating into the EU (4)

Strategic initiatives

3.7. Integration in the EU financial services market

Measures to achieve the goal

-   **3.7.1.** Formation of a negotiating position and its presentation during negotiations with the EU on the conclusion of the EU-Ukraine Accession Treaty (under the negotiating chapters for which the NBU is in charge or involved)

-   **3.7.2.** Obtaining the EBA's and EIOPA's assessment of the compliance of Ukrainian legislation with EU legislation in terms of confidentiality and professional secrecy

-  **3.7.3.** Receiving the EBA's assessment of the equivalence of regulatory and supervisory framework to the EBA criteria

-   **3.7.4.** Ensuring the fulfillment of obligations under the EU-Ukraine Association Agreement, recommendations of the European Commission presented in the reports on Ukraine's progress within the EU enlargement package, and the criteria for Ukraine's accession to the EU with regard to the financial sector

III. Financial System Operating for the Country's Recovery and Integrating into the EU (5)

Indicators of Objective III attainment for the Resistance Focus

Indicator of strategic goal attainment	Value as of the end of the Resistance Focus
The draft law submitted to the parliament	<input checked="" type="checkbox"/>
Detection of the covert presence of the aggressor state	<input type="checkbox"/>
Growth of lending to businesses	<input type="checkbox"/>
Increase in the mortgage loans portfolio	<input type="checkbox"/>
Insurance penetration, % of GDP	>1% GDP
Compliance with PFMI-IOSCO standards	>71%
Opening of negotiations on Ukraine's accession to the EU by negotiation clusters, including chapters for which the NBU is in charge or involved	<input type="checkbox"/>
The NBU's comprehensive European integration plan	Updated taking into account the course of the negotiation process*

Risks and alternative plans

Risks:

- uncertainty, protraction of war, suspension of operations
- emerging tasks with higher priority
- lack of consensus to approve decisions, including with other stakeholders, in particular the position of the Cabinet of Ministers of Ukraine and the Ministry of Economy of Ukraine, which alters substantially / makes inappropriate / makes further engagement of the NBU impossible
- delay in the opening of negotiations on Ukraine's accession to the EU by negotiation cluster

Alternative plan:

- extend the terms for the implementation of the initiatives
- discontinue the NBU's participation in the initiatives

The target value is reached.

* The Action Plan has been updated to take into account the updated supplement 17-2 to Annex XVII of the EU-Ukraine Association Agreement, the Ukraine Facility Plan, recommendations of the European Commission as part of the EU enlargement package, and screening reports.

IV. Modern Financial Services (1)

The full-scale war poses new challenges to the financial system, including continued operation in the face of hostilities and blackouts. The cybersecurity of the financial system, access to cash, and rapid resumption of access to financial services on the de-occupied territories are of paramount importance. The full-scale war increased demand for and development of technologies for online financial

services. Digitalizing processes, and introducing new technologies for administrative and financial services, and the growing preference for cashless payments have contributed to the transition of numerous financial transactions into the virtual space. Despite increasing cashless payments in times of the full-scale war, the cash in circulation in absolute terms grows faster in times of crisis than in peaceful years.

Strategic initiatives

4.1. Financial market as a digital fortress

Measures to achieve the goal

 **4.1.1.** Ensuring zero tolerance for russian and belarus software

 **4.1.2.** Implementation of legislative requirements to strengthen control over cyber resilience, information security, and digital operational resilience of the financial sector's critical infrastructure, taking into account the EU legislation on digital operational resilience of the financial sector (DORA)

 **4.1.3.** Developing the NBU's Cybersecurity Center

 **4.1.4.** Regulating the use of cloud services by banks and NBFIs

IV. Modern Financial Services (2)

Strategic initiatives

4.2. Virtual assets and NBU's digital currency: clear regulation to ensure the monetary sovereignty

Measures to achieve the goal

■ **4.2.1.** Implementing a pilot project to issue and test the NBU's digital currency (the e-hryvnia) and deciding on the feasibility of issuing the e-hryvnia on a large scale

■ **4.2.2.** Implementation of virtual assets regulation and supervision

4.3. Digital financial services as part of the digital country

■ **4.3.1.** Strengthening reliability, security, and accessibility of the NBU's BankID System by bringing it in line with the requirements set for electronic identification schemes with a medium level of trust

■ **4.3.2.** Developing the infrastructure of public keys and electronic trust services ✓

■ **4.3.3.** Improving and developing remote identification and verification to receive financial services by tightening security of remote identification and verification models ✓

IV. Modern Financial Services (3)

Strategic initiatives

4.4. Technological development of the financial market

Measures to achieve the goal

-  **4.4.1.** Strengthening cooperation with market participants for development of RegTech in Ukraine

-  **4.4.2.** Streamlining regulation and promoting cashless payments, payment instruments, and electronic money ✓

-  **4.4.3.** Introduction of instant credit transfers in Ukraine

-  **4.4.4.** Developing NBU SEP

-  **4.4.5.** Implementing open-banking standards

-  **4.4.6.** Ukraine's joining SEPA

-  **4.4.7.** Developing the Platform for Innovative Financial Solutions (Regulatory Sandbox) ✓

-  **4.4.8.** Developing the electronic workflow (Paperless) in financial sector 2.0 ✓

IV. Modern Financial Services (4)

Strategic initiatives

4.5. Sustainability, effectiveness, and customer-oriented approach to cash circulation

4.6. Power Banking 2.0: infrastructure repairs in de-occupied areas

Measures to achieve the goal

-   **4.5.1.** Setting updated requirements for banks authorized to store the NBU's cash

-   **4.5.2.** Making changes to the NBU's tariff policy in cash circulation

-   **4.5.3.** Review and optimization of cash handling processes in cash circulation units

-   **4.5.4.** Creating a cash circulation management system based on the current process methodology

-   **4.5.5.** Implementation of measures to ensure the quality of cash in circulation and counteract the spread of counterfeit hryvnia banknotes

-  **4.5.6.** Developing the cash circulation infrastructure

-  **4.6.1.** Ensuring proportionality in the presence of banks and non-bank financial institutions in Ukraine (including de-occupied areas and areas close to the combat zone), including increasing the number of mobile ATMs and branches in de-occupied areas

-  **4.6.2.** Providing the cash-back-at-checkout service in de-occupied areas ✓

IV. Modern Financial Services (5)

Indicators of Objective IV attainment for the Resistance Focus

Indicator of a strategic goal attainment	Value as of the end of Resistance Focus
Regulatory requirements have been introduced to prohibit the use of software solutions from vendors associated with the aggressor country	<input type="checkbox"/>
Satisfaction rate of cash replenishment requests from banks (CIT companies) and authorized banks	≥ 80% <input checked="" type="checkbox"/>
Reviewing the existing cash circulation model to improve its efficiency and customer focus, implementing an upgraded model; providing regions with equal banking infrastructure	<input checked="" type="checkbox"/>
Share of fit small-denomination banknotes in the stocks of authorized banks	20%
Share of banknotes received by the NBU for recalculation in relation to the total number of banknotes in circulation	40%
Share of cash distributed by the NBU in wholesale lots	10%
A regulation on the procedure for applying cloud computing technology and provision of cloud services approved	<input type="checkbox"/>

Risks and alternative plans

- **Risk:** There is no state authority verifying the bank code or critical processing centers. Ceasing the software inventory
 - **Alternative plan:** Considering with the Ministry of Digital Transformation of Ukraine the risks of transitioning away from or abandoning russian and belarus software; licensing association with Ukrainian providers
-
- **Risk:** Lack of required denominations, suspension of PMW and CV (high risks associated with cash delivery, occupation of the region)
 - **Alternative plan:** Replacement with other denominations, disposal of worn-out cash, providing cash from other regions, engaging authorized banks, ordering cash production abroad
-
- **Risk:** Refusal to comply with the NBU's requirements to allocate bank branches in de-occupied areas. >50% of bank branches that closed during the occupation have not reopened in de-occupied areas; continued shelling of the de-occupied areas; closure of bank branches in settlements where the population has moved from the temporarily occupied territories
 - **Alternative plan:** Providing incentives for market participants

The target value is reached.

V. Effective Central Bank (1)

Amid the war, the following activities have become particularly important: ensuring the NBU's uninterrupted operation, maintaining critical infrastructure, and ensuring the NBU's cybersecurity. Team cohesion, a high-quality expert environment, digital transformation, and optimization and automation of internal processes are also

the prerequisite for organizational resilience and efficiency. The development of international cooperation and relations with stakeholders as well as timely and understandable communications are highly important for the country.

Strategic initiatives

5.1. NBU's voice

Measures to achieve the goal

■ 5.1.1. Strengthening the intensity of external communications

■ 5.1.2. Transforming the style of communications with the audience, taking into account the inclusion of the general public among the priority target audiences, and a clearer distribution of messages across communication channels

■ 5.1.3. Revising the concept of brand development

V. Effective Central Bank (2)

Strategic initiatives

5.2. Development of the NBU's institutional relations with stakeholders

Measures to achieve the goal

- 5.2.1. Improving mechanisms for the identification, verification, and reputational monitoring of stakeholders

- 5.2.2. Designing approaches to conducting targeted campaigns aimed at stakeholders

- 5.2.3. Assessment of the level of efficiency of interaction with key stakeholder groups

- 5.2.4. Implementing joint initiatives with the Ukrainian government aimed at maintaining sustainable economic growth

- 5.2.5. Proactive interaction with stakeholders as part of the implementation of the NBU Strategy and post-war recovery programs in Ukraine

V. Effective Central Bank (3)

Strategic initiatives

5.3. International cooperation and experience exchange

Measures to achieve the goal

-   **5.3.1.** Raising funding to strengthen Ukraine's ability to resist and recover through implementing programs and projects with international organizations

-   **5.3.2.** Promoting the NBU as an active participant in the global financial community by disseminating its experience and specialized knowledge enriched by Ukrainian experience

-   **5.3.3.** The NBU becoming a recipient of a regional technical assistance program from EU central banks

V. Effective Central Bank (4)

Strategic initiatives

5.4. Effective and uninterrupted operating activities

Measures to achieve the goal

-   **5.4.1.** Improving approaches to process management at the NBU through optimization and automation of processes
-  **5.4.2.** Implementing ECB methodology and requirements for accounting and reporting at the NBU
-  **5.4.3.** Improving the process of managing costs and equity
-  **5.4.4.** Ensuring the continuity of settlements and expanding the range of services under the Single Agreement on Banking Services (SABS) to meet the needs of the NBU's clients
-  **5.4.5.** Development and phased implementation of the NBU's ESG Policy
-   **5.4.6.** Developing the system of risk management and business continuity of the NBU
-  **5.4.7.** Organization of the NBU's fulfillment of tasks as a critical infrastructure operator
-  **5.4.8.** Setting the framework for change management at the NBU
-   **5.4.9.** Developing systems to ensure physical security of the NBU's facilities
-  **5.4.10.** Building and developing the NBU State Sectoral Archive
-  **5.4.11.** Comfortable office

 Focus 1. Resistance  Focus 2. Recovery and Development

V. Effective Central Bank (5)

Strategic initiatives

5.5. Digital transformation

Measures to achieve the goal

-  **5.5.1.** Developing the NBU's computing capacity

-  **5.5.2.** Increasing the capacity of the corporate cloud

-  **5.5.3.** Data management

-  **5.5.4.** Ensuring the NBU's cybersecurity

-  **5.5.5.** Introduction of artificial intelligence in the NBU's processes

-  **5.5.6.** Development of the NBU's innovative potential

V. Effective Central Bank (6)

Strategic initiatives

5.6. Human capital as the main asset

Measures to achieve the goal

-  **5.6.1.** Improving the tools of financial and non-financial incentives

-  **5.6.2.** Increasing the attraction of qualified candidates for timely and high-quality staffing of the NBU's units

-  **5.6.3.** Updating the existing training system and staff development programs

-  **5.6.4.** Implementing measures to improve the corporate culture

-  **5.6.5.** Reintegration and adaptation of war veterans at the NBU

V. Effective Central Bank (7)

Indicators of Objective IV attainment for the Resistance Focus

Indicator of a strategic goal attainment	Value as of the end of Resistance Focus
Recognition of the professionalism of the NBU team	<input type="checkbox"/>
Approval of the Digital Transformation Strategy	<input type="checkbox"/>
Increasing the employees' workplace mobility	>75% <input checked="" type="checkbox"/>
The NBU performing its functions under any circumstances	<input type="checkbox"/>
Satisfaction with the incentive package	>70%
Process management maturity*	4
Implementation of a pilot project to introduce AI at the NBU	<input type="checkbox"/>

The target value is reached.

* According to BPMM assessment model.

Risks and alternative plans

Risks:

- Delayed implementation of measures due to the length and complexity of the legislative process
- Deteriorating relations with stakeholders for reasons beyond the NBU's control
- Absence of agreed position of all units on approaches to communications with stakeholders
- Termination of program cooperation with international organizations for reasons beyond the NBU's control
- Internal resistance
- Low staff competence
- Noncompetitive working conditions
- Insufficient resources
- Disruption of procurement and supply chains (lack of necessary goods or sellers on the market, failure to fulfill obligations due to the lack of personnel necessary to provide services/perform works due to mobilization of employees of service providers/ work performers)

Alternative plans:

- Revision of deadlines for implementation of some measures
- Improvement of internal approaches to institutional cooperation
- Development of additional initiatives and measures for cooperation with international organizations
- Prioritization of processes
- Use of available resources
- Anti-crisis management
- Creating competitive working conditions
- Attractive incentive package
- Support for existing infrastructure

The main risks that could adversely impact the NBU's implementation of its Strategy

The war brings high uncertainty that may affect macroeconomic environment, the stability of the financial system, and therefore the implementation of the NBU's Strategy. Considering the war-related and political drivers, as well as rapid technological and social changes in the world, the NBU needs to identify relevant risks and be ready to act amidst various types of threats in order to pursue its Vision and Mission.

The main identified risks include:

- Long-term hostilities spreading to other territories or countries
- International partners losing trust in Ukrainian institutions and reducing military and economic assistance
- Ukraine's economy becoming exhausted: destruction of critical infrastructure
- Further destruction of energy infrastructure and resulting power shortages and communication and logistics limitations
- The reintegration of temporarily occupied territories is taking longer than expected
- The progress of structural reforms in the country is slowing
- Escalation of the cyber war between Russia and Ukraine and an increase in cyber threats
- The government making initiatives that may hinder the achievement of monetary goals by the NBU
- Decrease in the level of consumer confidence in the NBU and financial institutions
- Shortages of qualified personnel due to mobilization, migration, outflows, and other factors



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