УДК 336.71
JEL Classification: G21, G33, H81, E59, D81,
DOI: *http://doi.org/10.34025/2310-8185-2024-4.96.06*

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THE BANKING SYSTEM OF UKRAINE: THREATS AND CHALLENGES UNDER MARTIAL LAW CONDITIONS

Summary

Relevance. Problem statement. The war creates significant challenges for Ukraine's banking system, mainly: liquidity risks, increased client insolvency, banking infrastructure destruction, heightened cyber threats, and the need to adapt regulatory policies. Under these conditions, the banking sector must ensure financial stability and support the economy despite macroeconomic uncertainty. The problem lies in identifying key threats and challenges, assessing their impact on the banking system, and developing effective measures to minimize risks.

Therefore, **the purpose of this article** is to comprehensively and thoroughly investigate the main threats and challenges facing Ukraine's banking system during martial law, assess their impact on the country's financial stability, and develop recommendations to enhance the banking sector resilience. **Methodology.** The study implements methods of analysis and synthesis to systematize threats, statistical analysis to evaluate banks financial indicators, comparative analysis to study international experience, and predictive approach to examine future risks. This ensures a comprehensive approach to the problem solving. **Results.** Conducted scientific research has made it possible to corroborate thoroughly and in detail that Ukraine's banking system faces key threats such as liquidity risks, borrower insolvency, infrastructure destruction, cyber threats, and regulatory challenges under martial law conditions. It was found that operational measures of the National Bank of Ukraine like liquidity support for banks, regulatory policy adaptation, and the introduction of new risk management mechanisms, contribute to the banking sector stability. At the same time, ensuring further resilience requires the integration of modern technologies and international experience to implement policies for sustainable development in the banking system.

Practical significance. The present study results can be used to develop strategies for stabilizing Ukraine's banking system under martial law conditions. The proposed recommendations aim to enhance banks' financial resilience, effective risk management as well as regulatory policies adaptation in the context of sustainable financing. This will help maintain confidence in the banking sector and ensure its functioning even under challenging conditions. **Prospects for further research.** Future research will focus on a detailed analysis of the specific wartime factors impact (infrastructure destruction, changes in the economic environment, population displacement, etc.) on the banking system; exploring aspects of sustainable financing development policies through active ESG criteria implementation in financial services; and studying the integration of the EU Cohesion Policy (including key investment policies) into the overall economic development strategy in the context of the Mario Draghi Report.

Keywords: banking system, liquidity, credit risks, infrastructure destruction, cyber threats, financial stability, strategic management.

Number of references – 28, number of tables – 2.

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БАНКІВСЬКА СИСТЕМА УКРАЇНИ: ЗАГРОЗИ ТА ВИКЛИКИ В УМОВАХ ВОЄННОГО СТАНУ

Анотація

Війна створює значні виклики для банківської системи України, зокрема: ризики ліквідності, зростання неплатоспроможності клієнтів, руйнування банківської інфраструктури, посилення кіберзагроз і потребу в адаптації регуляторної політики. У цих умовах банківський сектор змушений забезпечувати фінансову стабільність і підтримку економіки, незважаючи на макроекономічну невизначеність. Проблема полягає у визначенні ключових загроз і викликів, оцінці їхнього впливу на банківську систему та задля розробки ефективних заходів з мінімізації ризиків.

Стаття надає комплексне та всебічне обґрунтування основних загроз і викликів, що постають перед банківською системою України в умовах воєнного стану, оцінку їхнього впливу на фінансову стабільність країни та розробку рекомендацій щодо підвищення стійкості банківського сектора. У дослідженні використано методи аналізу та синтезу для систематизації загроз, статистичний аналіз для оцінки фінансових показників банків, порівняльний аналіз для вивчення міжнародного досвіду та прогностичний підхід при розгляді майбутніх ризиків. Це забезпечує комплексний підхід до вирішення проблеми.

Проведене наукове дослідження дало змогу детально та всебічно обґрунтувати, що в умовах воєнного стану банківська система України стикається з такими ключовими загрозами: ризики ліквідності, неплатоспроможність позичальників, руйнування інфраструктури, кіберзагрози та регуляторні виклики. Встановлено, що оперативні заходи Національного банку України, зокрема: підтримка ліквідності банків, адаптація регуляторної політики та впровадження нових механізмів управління ризиками, сприяють стабільності банківського сектора. Водночас для подальшої стійкості необхідна інтеграція сучасних технологій і міжнародного досвіду задля подальшої реалізації політики щодо розвитку сталого фінансування банківської системи.

Результати дослідження можуть бути використані для розробки стратегій стабілізації банківської системи України в умовах воєнного стану. Запропоновані рекомендації спрямовані на підвищення фінансової стійкості банків, ефективне управління ризиками та адаптацію регуляторної політики у контексті сталого фінансування. Це сприятиме збереженню довіри до банківського сектору та забезпеченню його функціонування навіть у складних умовах.

Подальші дослідження будуть спрямовані на: поглиблений аналіз впливу конкретних воєнних чинників (руйнування інфраструктури, зміна економічного середовища, переміщення населення тощо) на банківську систему; розкриття аспектів реалізації політики розвитку сталого фінансування шляхом активного впровадження ESG-критеріїв у фінансові послуги; дослідження особливостей інтеграції Політики згуртованості ЄС (зокрема ключової інвестиційної політики) із загальною стратегією економічного розвитку в контексті реалізації Звіту Маріо Драгі.

Ключові слова: банківська система, ліквідність, кредитні ризики, інфраструктурні руйнування, кіберзагрози, фінансова стабільність, стратегічне управління.

Кількість джерел: 28, кількість таблиць: 2.

Problem statement. The banking system of Ukraine is a key element of the country's financial stability and economic development. However, during martial law, the banking sector faces serious challenges that threaten its resilience and effective functioning. The war creates new conditions that complicate banking activity, reduce public and business trust in financial institutions as well as worsen financial stability.

Among the main threats to banking system it is necessary to distinguish reduced liquidity due to declining client trust, decreased deposit activity, and the relocation of a significant portion of the population and businesses to safer regions. Increased credit risks also pose a major challenge, as reduced economic activity, infrastructure destruction, and the declining solvency of borrowers lead to higher levels of loan non-repayment. Furthermore, the banking infrastructure destruction in conflict zones complicates financial operations.

The war also heightens cyber threats, jeopardizing data security and financial transactions. Regulatory changes have become a necessity, as adapting banking activities to wartime conditions requires regulatory and legal acts revision. The problem lies in identifying key risks, assessing their impact on the banking system functioning as well as developing measures to ensure its resilience and adaptation to new conditions.

Recent studies and publications review. Recent studies and publications on Ukraine's banking system during martial law highlight various aspects of the war impact on the country's financial sector. They focus on the key threats and challenges faced by banks, as well as mechanisms for adapting to new realities. Considering significant changes in the political and economic environment, Ukraine's banking system is under considerable pressure, which affects its stability and functioning.

Research on the war impact on the Ukraine's banking system financial stability has been conducted by such scholars as M. M. Hisem [13], N. O. Doroshenko [19], Z. N. Zarichna [14], M. M. Korol [13], I. I. Pravdykovska [19], Ya. M. Pritsak [22], and N. S. Sytnyk [22]. These researchers focused on studying the effects of military actions on the banking system, analyzing threats to financial stability, loss of resources, changes in demand for banking services, and assessing risks arising due to martial law. Concurrently, adaptation of banking activities to wartime conditions was examined by scholars like A. R. Kozak [21], O. O. Matusevych [17], O. R. Pelekh [21], N. M. Rushyshyn [21], O. O. Serbin [17], Yu. V. Tabenska [27], and

A. O. Chornovol [27]. These researchers analyzed measures for banks adaptation to wartime conditions, emphasizing innovative approaches, digitalization, the creation of new risk management mechanisms, and strategies to support financial stability.

The role of the state and state-owned banks in ensuring financial stability is particularly emphasized in the works of Z. M. Krykhovetska [15], T. M. Mygovych [15], and V. V. Nyanko [18]. Their studies focused on state-owned banks and their role in supporting economic stability. Scientists analyzed the effectiveness of government support for the banking sector, regulatory mechanisms, and the restoration of financial institutions' functionality during crisis times. Innovations and aspects of digitalization in the banking system during war times are comprehensively reflected in the works of V. O. Berehovyi [16], I. I. Drin [26], O. M. Kolodiziev [16], and A. O. Chornovol [26]. Researchers focused on the use of digital technologies and innovative approaches to ensure financial security. Particular attention was paid to the analysis of digital tools, remote services, and the process automation benefits.

The studies of N. S. Sytnyk [22] and Ya. M. Pritsak [22] were devoted to identifying risks and assessing the banking system security level under wartime conditions, with particular attention given to the reduction of credit portfolios, liquidity loss, and lack of resources to ensure the smooth functioning of banking institutions. Domestic scientists draw attention to the need for bank adaptation to changing conditions, focusing on measures aimed at reducing financial risks. Meanwhile V. V. Nyanko [18] highlighted the components of Ukraine's banking system, their interconnections, and the main functions of the National Bank of Ukraine (NBU). The researcher emphasized the importance of improving regulatory policies to ensure long-term bank stability, as well as the role of commercial banks in wartime, stressing the importance of new mechanisms and technologies integration to maintain the functionality of Ukraine's banking system in general. L. D. Pavlenko, O. A. Krykliy, and O. V. Chumak [23] focused on minimizing strategic risks and enhancing banks' organizational capacity to adapt to new circumstances. Their work emphasized changing business strategies and strengthening the regulatory role in maintaining financial sector stability. This approach allows to reduce credit risks and maintain the functioning of banks, despite crisis conditions.

Research by A. O. Chornovol and Yu. V. Tabenska explored strategic priorities for the development of Ukraine's insurance market, analyzing challenges and opportunities for its stability and growth while offering directions for improving insurance services under modern economic conditions [26]. It is worth noting that the effective functioning of the Ukrainian banking system requires further in-depth cooperation between insurance companies and banking institutions. This is primarily due to their mutual interests in providing services to clients in the course of their activities in the financial market.

Yu. A. Ursakii and V. O. Peniuk considered communication management in investment projects under conditions of threats and risks, highlighting the role of communication strategies in mitigating negative impacts and enhancing investment process efficiency [24]. It is worth observing that domestic scientists emphasize investment among the banking institutions priority functions, because banks mobilize citizens' savings and direct them to investment activities with the help of securities market. Furthermore, banks invest in various projects, involving both their own and borrowed funds. During the period of full-scale invasion, Ukraine received strong financial support from international financial institutions, mainly within the framework of promising investment projects implementation.

Meanwhile, I. I. Drin and A. O. Chornovol paid special attention to mechanisms of the financial obligations portfolio formation for enterprises, aiming to reduce the influence of systematic risks like macroeconomic instability. Using mathematical models and statistical methods, they optimized debt structures to reduce risks, enhance financial resilience, and lower debt servicing costs [25]. It should be noted that in 2024, bank lending to legal entities and individuals in Ukraine increased, and accordingly, the quality of the loan portfolio significantly improved. It is clear that the growth of financial obligations, from both corporate and individual businesses, constitutes a kind of "burden" to business entities and the population, however, in the conditions of martial law it offers a number of advantages for smooth operation.

Despite extensive research, the state of Ukraine's banking system during wartime, considering key threats and challenges, requires further corroboration and exploration.

Highlighting unresolved aspects of the general problem. The war creates significant challenges for Ukraine's banking system, including liquidity risks, growing client insolvency, banking infrastructure destruction, increasing cyber threats, and the need to adapt regulatory policies. Under these conditions, the banking sector must maintain financial stability and support the economy despite macroeconomic instability and uncertainty. The core problem lies in identifying key threats, assessing their impact, and developing effective measures to mitigate risks. That is why **the purpose of this article** is to comprehensively substantiate the main threats and challenges facing Ukraine's banking system under martial law, assess their impact on the country's financial stability, and develop recommendations to enhance the banking sector resilience.

Basic material presentation. Under martial law, Ukraine's banking system faces numerous problems that pose significant threats to its stability and effective operation. Key challenges and threats include [11]: financial stability; damage to infrastructure and loss of assets; liquidity problems; rising credit risks; uncertainty in economic policy; cyber threats; declining trust in the banking system; humanitarian costs and defense needs.

Concerning financial stability, one of the primary issues is the fluctuation of the hryvnia exchange rate. The war induces severe economic shocks, adversely affecting the national currency exchange rate. Exchange rate volatility under wartime conditions is significant because political and economic instability exacerbate inflation and increase the imported goods cost. These factors create additional difficulties for businesses and the population, making it challenging to predict the economic situation [1]. Moreover, economic difficulties, reduced production capacity, and declining economic activity may increase the risk of default at both the state and corporate levels. This could lead to growing debt obligations and the country's or businesses' inability to meet financial commitments.

Infrastructure damage and asset loss are extensive. Military actions can lead to the destruction or severe damage to banking institutions, their branches, servers, and other critical infrastructure. This not only disrupts banking operations, but also increases the risk of financial data theft or property loss. Banks also face asset and collateral losses. As a result of hostilities businesses that have taken loans may lose assets used as collateral. This heightens risks for banks as they cannot sell pledged property to cover debts [5].

Liquidity issues cannot be ignored, as banks are experiencing a significant outflow of deposits. Due to uncertainty and fear, the population is massively withdrawing funds from bank accounts, creating liquidity challenges within the banking system. In the case of a liquidity deficit, banks may be forced to limit lending or raise interest rates, further complicating the economic situation.

Under martial law, banks may also encounter challenges in reserve management, as they need to account for financial market instability and potential losses, which can result in insufficient reserves [2].

Credit risks rise sharply under martial law conditions. The war reduces incomes for individuals and businesses, significantly increasing the likelihood that borrowers will be unable to fulfill their obligations. This raises the level of non-performing loans, which can, in turn, deteriorate the financial condition of banks. Furthermore, banks may face difficulties in servicing their credit portfolios, as the clients' low solvency increases credit risks. This could compel banks to create provisions for bad loans, further undermining their financial stability [6].

Uncertainty in economic policy, particularly in taxation, also has a significant impact on the banking system. During wartime, the government is forced to rapidly alter fiscal and financial policies to support the economy, which can be unpredictable for businesses. The introduction of new taxes or changes in tax regulations can disrupt the stability of business planning and investments.

In such conditions control over currency transactions becomes critically important. To protect foreign currency reserves, the country may impose currency restrictions or implement controls over foreign exchange transactions. These measures limit international settlements and can lead to a substantial reduction in foreign investments.

Cyber threats, including acts of cyberterrorism, represent one of the major problems for the banking system during wartime. Countries engaged in war frequently use cyberattacks to destabilize the financial systems of their opponents. Such attacks may involve hacking into banking systems, stealing client financial data, or targeting payment systems. These incidents severely damage customer trust. If clients become aware of security breaches or other cyber threats, their confidence in banks may diminish, leading to deposit outflows and a reduction in the client base. In particular, during wartime, individuals often move their savings into more secure assets, adding further pressure to the banking system, which may struggle to meet the demand of its clients for quick access to funds.

Psychological factors also play a significant role. A loss of public trust in the stability of the banking system can exacerbate economic difficulties and further accelerate deposit outflows [7].

It should not be left beyond attention that war necessitates significant budget expenditures on military needs, reducing resources available for other sectors, such as social payments, economic development, and infrastructure. These expenditures may impact financial stability and the government’s ability to support the banking system.

Expenditures on aid to internally displaced persons, pensions, social benefits, and other humanitarian needs add additional financial pressure on the economy and the state budget [9].

Table 1 summarizes data concerning war impact on Ukraine's banking system, taking into account key economic and financial indicators.

Table 1

Assessment of the War Impact on the Banking System of Ukraine*

№	*Indicator*	*Characteristics*
1.	Hryvnia exchange rate	Since the beginning of the full-scale russian invasion (February 2022), the hryvnia exchange rate has lost about 30% of its value against the US dollar. For example, as of December 2024, the exchange rate fluctuates around UAH 41-42 per US dollar, although before the war it was around 28-29 UAH.
2.	Inflation	According to the National Bank of Ukraine (NBU), inflation in Ukraine exceeded 26% in 2022 and 24% in 2023. In 2024, inflation is expected to be at 20-22% due to increased energy costs, reduced production, and instability in financial markets.
3.	Deposit outflow	According to the NBU, since the beginning of war, there has been a significant outflow of deposits from the banking system. In the first war months a decrease in deposits of 10-15% was recorded, especially in the national currency. However, later the deposit base began to recover thanks to state guarantees and support for the banking system.
4.	Bank liquidity	According to the NBU, as of January 1, 2024, most Ukrainian banks maintain a sufficient level of liquidity thanks to refinancing programs and national currency stability. However, high defaults level and reduced lending volumes remain problems for many institutions.
5.	Damaged banking institutions	According to the NBU, as of the end of 2023, more than 300 bank branches were damaged or destroyed during hostilities, including in zones of active military operations in eastern and southern Ukraine.
6.	Asset destruction	It is estimated that only during the first few months of war, the total value of damaged or destroyed assets in Ukraine was estimated at over $100 billion. This includes not only banking assets, but also other economic and infrastructure losses.

7.	Deterioration of the loan portfolio quality	According to the NBU, as of December 31, 2023 the share of non-performing loans (NPL) in Ukraine exceeded 30% of the total loan portfolio of the banking system. This is a significant increase compared to the pre-war level, when this indicator was 8-10%.
8.	Business lending	As a result of war, the business lending volume has significantly decreased. According to the NBU, in 2023 the volume of loans granted to legal entities decreased by 15-20% compared to 2021.
9.	Refinancing	The NBU provides banks with financing on favorable terms through refinancing programs. As of January 1, 2024, the average NBU refinancing rate was about 15% per annum, which was significantly lower than market rates on commercial loans, which often reach 30-40% per annum.
10.	Interest rates	Under war conditions banks raised interest rates for individuals to offset risks and maintain liquidity. Average deposit rates as of December 31, 2023, ranged from 10% to 20% per annum, depending on the currency unit and the deposit term.
11.	International financial institutions	Ukraine has received significant international assistance to support its banking system. In particular, the International Monetary Fund (IMF) has provided Ukraine with over $20 billion through various lending programs. This has helped to strengthen financial stability and provide the necessary reserves for the economy and banks.
12.	Guarantees for banks	Since the beginning of war, the NBU has introduced programs to support the banking system, in particular, providing guarantees for deposits up to UAH 200,000, which has helped restore confidence in banks.
13.	Decline in real incomes of the population	According to the State Statistics Service of Ukraine, real incomes of the population decreased by 15-20% in 2023, and the decline continued in 2024. This is due to rising inflation, growing unemployment as well as economic instability.

* Compiled by authors according to data from references [1-10].

The indicators summarized in table 1 reflect the challenging situation faced by Ukrainian banking system and emphasize the importance of stability and support for the financial system in wartime.

The global problems affecting Ukrainian banking system in wartime conditions are multifaceted, stemming from instability, economic transformations as well as international factors. The main challenges are summarized in table 2.

Table 2

Global Challenges for the Banking System of Ukraine Under Martial Law Conditions*

№	*Challenge*	*Description*
1.	Financial stability and systemic collapse risks	Loss of resources, decreased trust, and instability caused by military actions
2.	Decline in economic activity and GDP	Falling household and business incomes, decreased borrower solvency
3.	Rising uncertainty and political risks	Uncertainty about war duration, decreased investment attractiveness
4.	Increasing credit risks and loan defaults	Loss of borrower solvency, growth of non-performing loans
5.	Resource shortages and high expenses	Limited access to financing, expenses on infrastructure protection
6.	Digitalization and technological challenges	Insufficient infrastructure, limited digital skills
7.	Declining trust in banking system	Capital outflows, a shift towards alternative forms of asset preservation
8.	Global financial restrictions and sanctions	Sanctions and limited access to external financial markets
9.	Socio-economic challenges	Rising poverty and unemployment, declining consumer demand

* Compiled by authors according to data from references [4–6; 10].

Solutions to the challenges facing Ukraine's banking system during wartime should be as follows:

1. Maintaining liquidity and stability of the banking system. Mainly, expanding the refinancing programs of the National Bank of Ukraine (NBU) will allow banks to access necessary liquidity even during difficult times, ensuring the stability of the financial system. Furthermore, maintaining and strengthening deposit guarantees up to UAH 200,000 will help restore public trust in the

banking system. International financial support from organizations like the IMF and the World Bank is crucial for ensuring the stability of banks and the economy.

2. Strengthening trust in the banking system. Regularly informing the public about the financial health of banks and the measures taken to maintain liquidity is an essential step towards restoring client trust. Effective communication between the government, NBU, and commercial banks is also necessary to explain the actions aimed at stabilizing the banking system in general.

3. Increasing credit activity. It is important to implement programs for subsidizing interest rates for small and medium-sized businesses to stimulate economic activity and support the recovery of enterprises affected by war. Besides, resuming mortgage lending on favorable terms will promote growth in the construction sector and provide housing for internally displaced persons.

4. Reforming tax policy and economic regulations. The introduction of temporary tax incentives for businesses in affected regions will help reduce the tax burden and preserve jobs. Adjustments to currency control measures can ensure financial market stability and maintain normal conditions for international transactions.

5. Restoring infrastructure and assets. A priority task is the restoration of damaged banking institutions and infrastructure in affected regions to ensure the access of population to financial services. Additionally, the introduction of asset insurance programs for banks will reduce financial risks from potential wartime damages.

6. Enhancing cybersecurity. Since war also presents cybersecurity challenges, protecting banking systems from cyber threats is crucial. Developing digital financial services will reduce dependence on physical bank branches, providing clients with secure access to financial services.

7. Financial literacy and public support. Improving financial literacy through educational programs will help citizens manage their finances effectively in uncertain times. Special financial

programs for internally displaced persons will ensure their access to financial services and housing.

8. Attracting investments and promoting sustainable economic development. To facilitate economic recovery, favorable conditions for attracting foreign investments are necessary, including tax incentives and state guarantees. Supporting the restoration of industries, particularly the agricultural sector and infrastructure, will increase the country's economic potential concurrently ensuring a safe and environmentally sustainable approach.

The banking system sustainable development includes fostering a culture of corporate social responsibility and managing environmental, social and governance (ESG) risks. This is a critical and challenging task during wartime, as the conflict has significantly altered the economic landscape. The NBU must adopt flexible strategies to maintain financial system stability and ensure the economy functions effectively during the crisis.

Key aspects of the banking system sustainable development during wartime include:

1. Maintaining liquidity and financial stability: In wartime, banks face significant challenges such as reduced deposit inflows, difficulties in providing loans, and volatile exchange rates. The National Bank of Ukraine (NBU) actively supports bank liquidity by offering refinancing loans through open auctions to ensure stable operations. This enables banks to remain solvent and continue serving clients even in the most challenging times.

2. Regulatory adaptation and policy flexibility: During wartime the NBU may temporarily adjust regulations to help banks adapt to new realities more efficiently. This includes simplifying reserve, reporting, or capital requirements, allowing banks to operate effectively without additional pressure. Such measures help sustain the banking system stability, even amidst significant economic fluctuations.

3. Ensuring the smooth payment system operations: During wartime it is crucial for the population to have access to

their funds and the ability to conduct financial transactions. The NBU is actively working to ensure the smooth operation of payment systems and electronic money so that, even during combat actions, citizens could use bank cards, make payments, and receive essential services. This is vital for maintaining economic activity and trust in the banking sector.

4. Managing currency risks and inflation: War typically leads to significant exchange rate fluctuations, which can result in increased inflation. Stabilizing the hryvnia and controlling inflation are strategic priorities for the NBU. Various tools are employed, including currency interventions, setting official exchange rates, and raising the discount rate to combat inflation risks. These measures help preserve purchasing power and mitigate the economic consequences of war.

5. Supporting socio-economic needs through banking finance: During wartime, it is essential not only to maintain banking system stability but also to finance critical needs such as the armed forces, social programs, and infrastructure restoration. Banks serve as key channels for financing government expenditures through bond issuance, lending to government programs, and facilitating capital movement required to support the economy.

6. Strengthening trust in the banking system: In wartime when financial instability can cause public panic, maintaining trust in the banking system is particularly important. The NBU works actively to ensure that the population has confidence in the safety of their savings, even during hostilities. Ensuring transparency in banking operations and providing clear information about financial stability are essential steps to bolster public confidence.

7. International cooperation and financial assistance: The NBU actively collaborates with international financial institutions, such as the International Monetary Fund (IMF) and the World Bank, to attract credit lines and secure financial aid. These funds are used to support the economy and restore the banking system after crises.

Thus, the banking system sustainable development in wartime involves not only ensuring its functionality but also working actively to preserve economic stability and public trust. The NBU acts as a responsive regulator, flexibly adapting policies to maintain financial stability in the country, even during the most difficult times.

Consequently, Ukraine faces a difficult period characterized by numerous security and socio-economic challenges. However, this has not hampered the country to achieve the EU candidate status [27]. According to the Mario Draghi Report [28], presented to the European Commission in 2024, it is crucial for Ukraine to "integrate EU Cohesion Policies into the overall economic development strategy". Therefore, it is essential to harmonize domestic legislation with EU norms while enhancing transparency in financial resource management, including in the banking sector.

Conclusions and prospects for further research. Under martial law conditions Ukraine's banking system faces numerous challenges and threats. Key risks include rising inflation, which reduces the purchasing power of the population, currency instability, and an increasing budget deficit, all of which contribute to financial uncertainty and the potential for hyperinflation. Economic activity is also significantly reduced, lowering demand for loans and increasing the default risks. War causes capital outflows and exchange rate volatility, undermining public and business trust in the banking system. Despite the difficult conditions, Ukraine's banking system continues to function due to support from international partners, including IMF refinancing and aid. However, ensuring banking system stability requires comprehensive measures, including liquidity support, strengthening trust in financial institutions, and adapting to new economic realities.

To stabilize and restore Ukraine's banking system during wartime, comprehensive actions at various management levels are necessary. These include: supporting bank liquidity; stimulating economic activity; rebuilding infrastructure; securing financial support from international partners. Coordinated efforts by the government, NBU, and international financial institutions are essential to achieving stability and economic recovery in Ukraine. Accordingly, the banking system sustainable development in wartime means not only ensuring its functioning, but also working actively to preserve economic stability and trust. The NBU acts as a regulator that quickly responds to changes, flexibly adapting policies to maintain financial stability in the country, even in the most difficult times.

The need to study monetary policy and instruments remains relevant, in particular to control inflation and maintain financial stability. Research on the economy real sector supporting through credit programs and state aid is also important for the economic activity recovery. Studying mechanisms for managing currency risks and protecting household savings will help maintain currency stability. In addition, strategic financial planning and structural reforms are necessary to adapt the banking system to new challenges and promote long-term economic recovery.

Further research in this direction should focus on: in-depth impact analysis of specific wartime factors (infrastructure destruction, changes in the economic environment, population displacement) on the banking system; exploring sustainable finance development policies, particularly through the integration of ESG criteria in financial services; examining the integration of EU Cohesion Policies (including key investment policies) into Ukraine’s overall economic development strategy in the context of the Mario Draghi Report.

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