

NBU First Deputy Governor Sergiy Nikolaychuk's speech

Dear colleagues!

This is actually my first participation in a meeting of the FSB Regional Consultative Group for Europe, and I truly appreciate this opportunity to speak and to share Ukraine's perspective on global and regional vulnerabilities.

We are living in a world of materializing geopolitical risks and extreme uncertainty. Over the past few years, these risks have become not just abstract factors in our reports, but daily realities that shape monetary and financial stability across our region.

The presented insights from Vulnerabilities Survey clearly reflect this picture: *global and regional geopolitical tensions* remain at the top of concerns' list.

Against this backdrop, I would like to present a view from Ukraine – a country that has been facing the most extreme form of geopolitical risk for more than three and a half years – and to highlight a few lessons that might be relevant for regulators across Europe.

Ukraine today is in the middle of the geopolitical storm, facing a full-fledged war of aggression.

Despite repeated calls for peace, terror attacks continue to intensify. The most striking change is the exponential surge in drone attacks: starting at about 150 per month in 2023, rising fivefold in 2024, and now exceeding 4,000 per month on average in 2025, and counting.

The aggressor is increasingly targeting civilian infrastructure – hospitals, power stations, schools, and homes.

While strikes on housing eased slightly in October, they remain at near-record levels, and attacks on energy and gas facilities are intensifying to disrupt the heating season.

Damage to railways, logistics hubs, and industries has also grown, deepening the economic and humanitarian toll.

These figures illustrate our daily operational reality – one that is continuously testing the resilience of our financial system and our institutions.

Meanwhile, the Ukrainian banking sector remains liquid, well-capitalized, and resilient.

Unlike in past crises, when banks used to amplify shocks, this time the system has become a source of stability and support for recovery.

The sector is profitable and maintains ample capital buffers, allowing the NBU to advance reforms toward EU-aligned regulation and supervision.

As shown on the slide, bank lending has been rising for over two years – by around 30% year-on-year for the net loan portfolio denominated in domestic currency – and, given still-low credit penetration, this growth poses no macrofinancial risk. The NBU actively supports it through our lending development strategy to finance viable businesses and households.

Banks are also investing in government securities, helping to finance defense and reconstruction. We remain mindful of sovereign-risk exposure, but in wartime this is both necessary and justified.

These results reflect years of reforms and solid crisis preparedness. Prior to the invasion, the NBU ran contingency plans and stress tests, which enabled a fast, coordinated response when the crisis struck.

These measures helped the system withstand the first shock without panic or bank runs. Later, as the situation stabilized, we fine-tuned and gradually lifted the emergency measures when they were no longer needed.

In short, the Ukrainian banking sector today is not a victim of the crisis but part of its solution, demonstrating how prudent supervision and preparedness can preserve financial stability even under the most extreme geopolitical conditions.

Having looked at the Ukrainian experience, let me now turn to the broader context.

Many of the vulnerabilities we face in Ukraine are part of the wider European and global picture. We are living in a world of materializing geopolitical risks and extreme uncertainty, which has become a defining feature of today's landscape.

At the regional level, security risks remain persistently high. Even after some stabilization since 2022, countries in Central and Eastern Europe continue to face risk levels well above those of more peaceful times.

The Geopolitical Risk Index illustrates this prolonged tension and the spillover of risks across the region, affecting investment, trade, and financial conditions.

Moreover, Russia's provocations have intensified – with drones violating Polish and Danish airspaces and causing major flight disruptions, underscoring the danger of the conflict spreading further into Europe.

That is why Europe's response must stay resolute and coordinated. Only by acting together – politically, economically, and financially – can we contain the aggressor and safeguard regional stability.

It is a stress test for Europe's capacity to manage geopolitical shocks and preserve financial stability under prolonged uncertainty.

One of the most effective instruments to limit threats from states that violate international law, finance terrorism, or launder money is the international sanctions regime.

Sanctions not only restrict an aggressor's capacity to act, but also deter future violations by showing that breaches of international norms carry a lasting economic cost.

These measures constantly evolve, adding new entities, sectors, and technologies. The case of Russia, now the most sanctioned country in the world, clearly illustrates this. Yet as restrictions expand, so do attempts to evade or dilute them.

Evasion schemes exploit the complexity and opacity of modern finance – using non-transparent intermediaries, non-bank channels, or digital platforms that are hard to trace. That is why regulators must stay vigilant and proactive, ensuring full compliance across both banks and non-bank financial institutions.

At the NBU, we dedicate major effort to identifying entities and intermediaries attempting to circumvent sanctions, working closely with partners and continuously refining our supervisory tools.

The lesson is clear: strong, well-enforced sanctions are not just political instruments – they are vital for financial stability and global security.

Let me now turn to another area that remains high on the FSB's vulnerability lists – the growing threats from cyberattacks and third-party dependencies.

As members of this Group, we regularly report our vulnerability assessments to the FSB. The pattern is clear: geopolitical risks, fragmentation, and cyber incidents – often from hostile states – consistently top the list of threats to financial stability.

In Ukraine, our financial institutions also rank cyber risk among the key threats. The war has made this even clearer. We have faced coordinated cyberattacks on the networks of both the NBU and commercial banks, exposing our dependence on external service providers. We are addressing these challenges through stronger regulation, resilience testing, and backup systems.

Globally, more regulators now see cyber risk as a systemic concern and are reinforcing defenses – through better information sharing, common reporting standards, and frameworks such as the FSB cyber toolkit and the EU's DORA regulation.

Yet cyber risk is part of a wider fragmentation challenge. As global financial and trade confrontation deepens, so do risks stemming from third-party service providers. Many jurisdictions rely on foreign banking groups and IT providers that dominate domestic markets. Even local banks depend on non-financial service providers – cloud, software, data, and telecom – some from unfriendly or hostile jurisdictions.

This is a new form of systemic risk, blending operational, geopolitical, and technological vulnerabilities. Building resilience will require joint efforts across Europe and globally – to map dependencies, test continuity, and ensure that critical operations can endure even under severe disruption.

Let me conclude with a few reflections.

The past several years – and especially Ukraine's experience – show that geopolitical and operational risks are no longer temporary, but structural features of the global environment.

Our response as regulators should rest on three pillars.

First, preparedness: building resilience – through supervision, contingency planning, and stress tests – before crises strike. This is what

allowed the Ukrainian financial system to withstand the initial shock of war.

Second, vigilance: enforcing sanctions, closing loopholes, and monitoring complex financial and technological channels used by hostile actors.

Third, coordination: in an interconnected world, no country can safeguard stability by acting alone. The NBU stands ready to share its experience and cooperate closely with partners multilaterally and bilaterally.

In essence, our task is to turn uncertainty into resilience, ensuring that the financial system continues to serve people and economies even amid geopolitical storms.

Thank you very much.