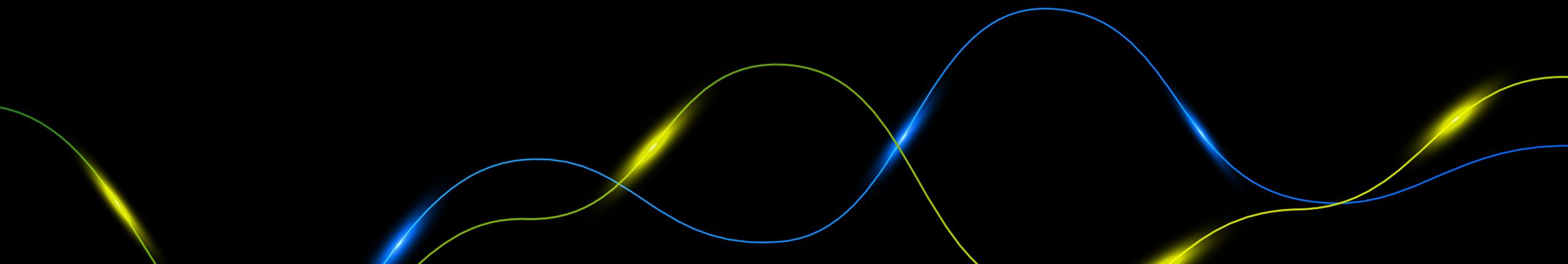


STRATEGY OF UKRAINIAN FINANCIAL SECTOR DEVELOPMENT

PROGRESS REPORT AS OF THE END OF 2024



About the Strategy of Ukrainian Financial Sector Development

The National Bank of Ukraine, the Ministry of Finance of Ukraine, the National Securities and Stock Market Commission, and the Deposit Guarantee Fund have approved the new Strategy of Ukrainian Financial Sector Development (hereinafter referred to as the "Strategy"). The Committee on Financial Development within the Financial Stability Council (hereinafter "the Committee") is the monitoring and controlling body for the Strategy implementation. The Financial Stability Council approved the Strategy at its meeting on 19 July 2023.

The financial sector regulators and the DGF presented the Strategy on 29 August 2023.

This document establishes current priorities and goals for financial sector development with a focus on resisting Russian aggression and rebuilding Ukraine. The development of the Strategy is envisaged by the Memorandum of Economic and Financial Policies between Ukraine and the International Monetary Fund. **Five strategic goals** include **26 strategic initiatives** of Ukraine's financial sector development. Achieving the strategic goals is being monitored using **11 indicators**, which are mostly qualitative. The implementation of the Strategy involves **99 strategic actions** broken down by strategic initiatives. **More than 16 institutions** are participating in the implementation of the actions.

The Strategy **has no time limit** and includes a short list of key indicators that are important in the short term during the full-scale war. The list will be further updated as necessary. The Strategy takes into account the challenges that arise in two areas: resistance to Russian aggression, and Ukraine's reconstruction. With this in mind, the actions are roughly divided into **the following focuses**:

- **Focus 1: "Resistance"** includes short-term actions aimed at ensuring stability and preventing the situation in the financial sector and the overall economy from deteriorating.
- **Focus 2: "Recovery"** includes medium-term actions aimed at introducing 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** are the medium-term comprehensive actions aimed at ensuring stability, further recovery, and development. Some of the key deliverables will be implemented in the short term.

Vision of Ukraine's financial sector

Ukraine's financial sector is sustainable, efficient, competitive, integrated into the international area, capable of overcoming challenges, developing, and contributing to the recovery of the Ukrainian economy

Mission of Ukraine's financial sector

Financial sector regulation ensures the accumulation, distribution and circulation of financial resources on the basis of financial stability and inclusion, cybersecurity, and the advancement of cutting-edge technologies, with a view to helping the Ukrainian economy recover and supporting the well-being of Ukrainians.



The Strategy was approved by NBU Board Decision No. 299 dated 29 August 2023, NSSMC Decision No. 843 dated 1 August 2023, and DGF Executive Directorate Decision No. 954 dated 3 August 2023.

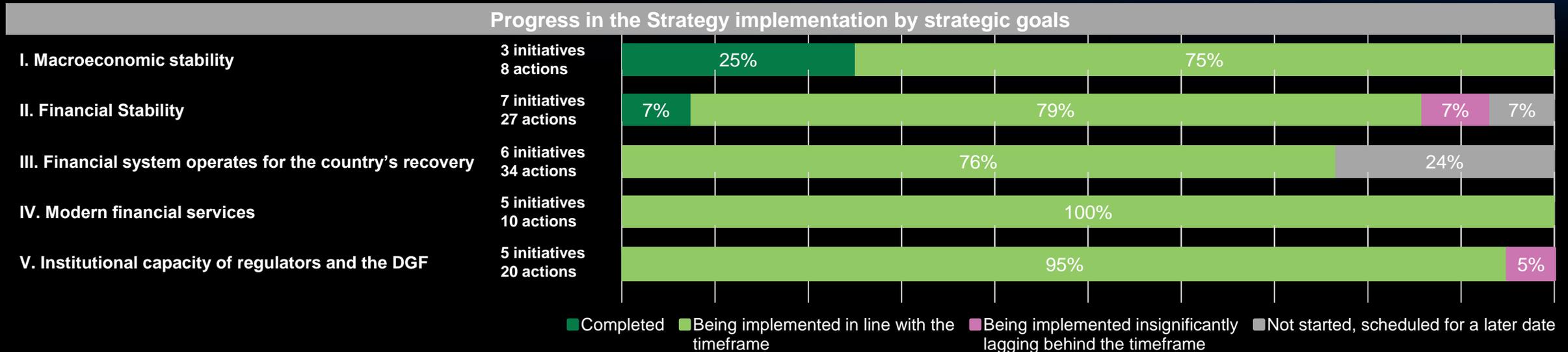
The text of the Strategy is available in section [Financial Sector Development](#) on the NBU's official website and on websites of other signatories of the Strategy.

Achievements in Developing the Ukrainian Financial Market in 2023–2024

Resilience Assessment including AQR and assessment of performance of the 20 largest banks under the baseline scenario to determine the required level of capital adequacy ratios	Approval of the Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting	Approval of the Medium-Term Debt Strategy for 2024–2026	Approval of the National Revenue Strategy until 2030	Approval of the Lending Development Strategy
Approval of the Strategy of the Business Development Fund	Enlargement of range of government bonds	Improvement of the system of information disclosure by issuers	Implementation of a pilot project to register the issue of credit-linked note	Approval of the National Strategy for Financial Literacy Development until 2030
Access of foreign issuers' securities to circulation in Ukraine, in particular securities of foreign issuers (S&P 500 index) and debt securities	Approval of the Law of Ukraine <i>On Agrarian Notes</i> , which provides for the introduction of a new financial instrument: the agrarian note as a nonissue security	Approval of the Law of Ukraine <i>On Amending the Law of Ukraine On State Regulation of Capital Markets and Organized Goods Markets and Some Other Legislative Acts of Ukraine on Improving State Regulation and Supervision of Capital Markets and Organized Commodity Markets</i>	Improvement of the system for managing public finances and investments	Approval of the Law of Ukraine <i>On Credit Unions</i>

As of the end of 2024, 87% of the Strategy actions have been completed or are being implemented as scheduled.

Implementation of the Strategy actions by progress and strategic goals as of the end of 2024



Thanks to the implementation of the Sustainable Public Finances initiative, significant progress has been achieved under Goal I. The implementation of actions scheduled under Goal II is delayed primarily due to the length of time required for the approval of relevant laws by the Verkhovna Rada of Ukraine.

Strategic goals and initiatives	Actions implemented (of all actions under the goal)	In line with the schedule (of all actions under the goal)	With insignificant deviations from the schedule (of all actions under the goal)	The starting date has not yet commenced (of all actions under the goal)
Total for goal I. Macroeconomic stability (8 actions)	2 25%	6 75%		
1.1. Sustainable hryvnia (1 action)		1		
1.2. Sustainable public finances (4 actions)	2	2		
1.3. Enhancing long-term sustainability of the pension system (3 actions)		3		
Total for Goal II. Financial stability (27 actions)	2 7%	21 79%	2 7%	2 7%
2.1. Harmonization of regulatory approaches (1 action)		1		
2.2. Balanced regulation and supervision aimed at development of financial institutions (5 actions)	1	4		
2.3. Balanced regulation and supervision aimed at development of capital markets (5 actions)	1	4		
2.4. Sustainable and capable capital markets (6 actions)		4	2	
2.5. Development of state-owned financial institutions (4 actions)		4		
2.6. Creation of a comprehensive system for recovery and resolution of failed institutions (2 actions)		1		1
2.7. Enhancing sustainability and efficiency of guarantee schemes for deposits and investments (4 actions)		3		1

Actions under Goals III and IV are being implemented as scheduled. Some of the actions under Goal III have a long-term implementation horizon and their start is scheduled for future periods.

Strategic goals and initiatives	Actions implemented (of all actions under the goal)	In line with the schedule (of all actions under the goal)	With insignificant deviations from the schedule (of all actions under the goal)	The starting date has not yet commenced (of all actions under the goal)
Total for area III. Financial system operates for the country's recovery (34 actions)		26 76%		8 24%
3.1. Supporting and developing the economy (8 actions)		6		2
3.2. Development of sustainable finance (5 actions)		4		1
3.3. Developed capital market infrastructure (5 actions)		2		3
3.4. Introduction of new financial instruments and improvement of existing ones (8 actions)		7		1
3.5. A responsible and inclusive financial market (7 actions)		6		1
3.6. Recovery of the financial sector (1 action)		1		
Total for area IV. Modern financial services (10 actions)		10 100%		
4.1. Development of infrastructure for digital financial services (4 actions)		4		
4.2. Automation and paperless technologies in provision of financial services (2 actions)		2		
4.3. Regulation of virtual assets (1 action)		1		
4.4. Digital defense of the financial sector (2 actions)		2		
4.5. Financial infrastructure recovery (1 action)		1		

**Most of the actions under area V have a long implementation horizon.
95% of actions under area V are being implemented as scheduled.**

Strategic goals and initiatives	Actions implemented (of all actions under the goal)	In line with the schedule (of all actions under the goal)	With insignificant deviations from the schedule (of all actions under the goal)	The starting date has not yet commenced (of all actions under the goal)
Total for area V. Institutional capacity of regulators and the DGF (20 actions)		19 95%	1 5%	
5.1. Ensuring uninterrupted operation of regulators and the DGF (5 actions)		5		
5.2. International cooperation (4 actions)		4		
5.3. Improving the operational efficiency of regulators and the DGF (2 actions)		1	1	
5.4. Integral and comprehensive IT infrastructure for public authorities (7 actions)		7		
5.5. Increasing the institutional capacity and financial independence of regulators and the DGF (2 actions)		2		
Total for all areas (99 actions)	4 4%	82 83%	3 3%	10 10%

More about the implementation of the Strategy in 2024



Strategy indicators dynamics (1/2)

Strategic goals	Strategic indicators	Indicator value s of 1 July 2023	Indicator value as of the end of 2024
Goal I. Macroeconomic stability	Consumer Price Index (CPI) is less than 15%	12.8%	12%
	Retaining the spread between hryvnia-to-dollar cash and official exchange rates at less than 5%	1.9%	0.7%
Goal II. Financial stability	NBU conducted a resilience assessment that included AQR and stress-testing of banks	The NBU has conducted resilience assessment that includes an AQR and the assessment of performance indicators of 20 largest banks under the baseline scenario, and determines the necessary levels of capital adequacy ratios.	The Concept of 2025 Resilience Assessment of Banks and Banking System has been approved.
	Draft Law of Ukraine <i>On Implementing a Comprehensive System of Insolvent Institutions' Recovery, Resolution and Market Withdrawal</i> (BRRD Directive) was registered	The draft law has not been registered.	The draft law has not been registered (in line with paragraph 53 of the MEFP with the IMF, after the lifting of martial law).
	New tools of NPL resolution are available	Not regulated	A strategy for NPL resolution has been developed and approved as part of the Lending Development Strategy.
	Legislative regulation of investment accounts has been introduced	Not implemented	Support of the approval of Draft Law No. 8111 dated 6 October 2022 by the Verkhovna Rada of Ukraine

Strategy indicators dynamics (2/2)

Strategic goals	Strategic indicators	Indicator value s of 1 July 2023	Indicator value as of the end of 2024
Goal III. Financial system operates for the country's recovery	Insurance against military and political risks was put in place	Not implemented	Support of the approval of Draft Law No. 12372 dated 30 December 2024 by the Verkhovna Rada of Ukraine
	The legal framework for rating agencies operation has been brought into line with EU requirements	Not aligned with EU requirements	The Verkhovna Rada of Ukraine passed Law No. 3981-IX dated 19 September 2024.
Goal IV. Modern financial services	A roadmap for the restoration of financial services provision in liberated areas has been drafted as part of the plan to liberate Ukrainian territory	Not implemented	An action plan to ensure the functioning of the service and a plan of communication with banks have been developed.
	Legislation on the virtual assets market has been adopted	Legislation on the virtual assets market has not been adopted.	Support of the approval of Draft Law No. 10225 dated 7 November 2023 by the Verkhovna Rada of Ukraine
Goal V. Institutional capacity of regulators and the DGF	Financial and institutional capacity of the National Securities and Stock Market Commission has been ensured	Not ensured	On 22 February 2024, the Verkhovna Rada of Ukraine passed the Law of Ukraine <i>On Amending the Law of Ukraine On State Regulation of Capital Markets and Organized Commodity Markets and Some Other Legislative Acts of Ukraine on Improving State Regulation and Supervision of Capital Markets and Organized Commodity Markets.</i>