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MECHANISMS FOR ENSURING FINANCIAL STABILITY OF BANKING INSTITUTIONS UNDER MARTIAL LAW

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The imposition of martial law in Ukraine has fundamentally changed the operating conditions of the banking system, presenting financial institutions with unprecedented challenges. Ensuring the financial stability of banks in such circumstances becomes a critically important task for both individual institutions and regulatory authorities. The National Bank of Ukraine implemented a series of restrictive measures to preserve financial sector stability [1].

The relevance of this research lies in the need to develop effective instruments for managing financial risks under conditions of uncertainty. The banking sector plays a key role in supporting the country's economic activity, ensuring payment infrastructure, and financing critically important economic

sectors. Disruption of the banking system could lead to cascading effects across the entire economy [2].

Main challenges for the banking system under martial law include sharp increases in credit risks due to deteriorating financial conditions of borrowers, liquidity problems stemming from mass deposit withdrawals, and operational disruptions caused by infrastructure damage. Additionally, banks face currency risks, rising funding costs, and the necessity to form significant reserves for potential losses [3].

The National Bank of Ukraine has implemented a comprehensive set of regulatory measures to support banking system stability. These include restrictions on cash withdrawals, prohibition of early termination of deposit agreements at the depositors' initiative, and the possibility of loan restructuring without deteriorating their classification. These measures have allowed banks to preserve liquidity and avoid large-scale banking panic [4].

An important mechanism for ensuring financial stability is maintaining adequate capitalization levels of banking institutions. Sufficient capital allows banks to absorb losses without threatening their solvency and to continue lending. Under wartime conditions, many banks resort to capital increase through attracting funds from shareholders and reducing dividend payments [5].

The digital transformation of banking services proves critical for maintaining operational capacity under martial law. Banks that invest in developing remote service channels and digital products are able to adapt faster to new realities. Mobile and internet banking ensure continuity of customer service even in regions where physical infrastructure is damaged [6].

Safeguarding the financial stability of banking institutions under martial law requires a comprehensive approach combining regulatory measures by the National Bank of Ukraine with active actions by banks themselves. Key mechanisms include adequate capitalization, effective liquidity management, enhanced risk management systems, and digital transformation. Despite unprecedented challenges, Ukraine's banking sector has demonstrated remarkable resilience.

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