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FINANCIAL INTERMEDIATION MARKET IN UKRAINE

РИНОК ФІНАНСОВОГО ПОСЕРЕДНИЦТВА В УКРАЇНІ

The financial intermediation in Ukraine has undergone a fundamental structural metamorphosis, evolving from a system focused on crisis-driven liquidity preservation to one cantered on the strategic financing of national reconstruction. This period is defined by a sophisticated interplay between state-owned banking giants, international financial organizations, and a nascent but high-yield private capital market. The role of financial intermediaries has shifted from traditional deposit-taking and credit-extending to a multi-faceted function involving risk transformation, information asymmetry mitigation, and the channelling of both domestic and global capital into high-value-added sectors of the economy. Financial intermediaries fulfil a specialized role in creating financial markets that indirectly link creditors and borrowers. A process that has become essential as the direct movement of capital remains hampered by high systemic risks. The Ukrainian financial market is not merely a venue for transactions but a complex institutional mechanism that facilitates the transfer of temporarily free funds across industries, regions, and international borders. This international dimension is particularly critical as it supports the development of foreign trade and integrates Ukraine into the global financials. Intermediaries are the primary agents capable of overcoming the information gap between project owners and capital providers.

The most significant trend is the decisive pivot in banking operations from providing “short money” for operational liquidity to “long money” for investment-led development. By the second quarter of 2026, data from major intermediaries like PrivatBank indicates that 40% of new credit requests from business entities are directed toward investment goals, such as the modernization of production facilities, procurement of advanced machinery, and the establishment of energy independence. This represents a substantial

increase from 2023, when investment-oriented requests accounted for only 25% of the portfolio [1]. This shift is a primary indicator of the maturing business environment in Ukraine, where enterprises are no longer solely focused on survival but are actively planning for long-term growth. The readiness of the business sector to commit to long-term debt is mirrored by the banking system's increased appetite for corporate risk. In the transition period leading to 2026, the corporate credit portfolio of the banking system grew by 30% overall, with individual leaders like PrivatBank seeing a remarkable 166% growth in their corporate segments. Despite this growth, the penetration of credit into the GDP remains at a relatively low 8.7%, suggesting a vast untapped potential for further expansion of the financial intermediation market as the economy stabilizes.

State-owned banks, including PrivatBank, Oschadbank, and Ukreximbank, serve as the primary conduits for both national budget funds and international aid. These institutions have moved beyond traditional retail dominance to become specialized investment hubs. PrivatBank, for example, has identified energy, the defence-industrial complex, and value-added manufacturing as its top priorities for 2026 [1]. This alignment with national strategic interests is a hallmark of the current phase of financial intermediation, where the “profit-only” motive is balanced by “reconstruction” objectives. Ukreximbank has carved out a niche in project financing, focusing on non-revolving credit lines and ECA-covered (Export Credit Agency) financing for the country’s industrial “flagships” [2]. Their approach involves rigorous assessment of the project’s ability to generate net cash flow, often requiring that the borrower demonstrate debt servicing capability even before the project reaches full operational capacity.

The conditions for obtaining financial resources for investment projects vary significantly depending on the level of state or international involvement. The market is effectively bifurcated into subsidized and commercial segments. The “5-7-9%” program remains the cornerstone of affordable investment financing. Under this program, intermediaries like Oschadbank provide investment credits at rates ranging from 5% to 9%, specifically for SMEs aiming to modernize their equipment or expand production [3]. Additionally, specialized programs supported by international funds, such as the Western NIS Enterprise Fund (WNISEF), offer even lower rates (4–8%) for the acquisition of fixed assets. A critical requirement across all intermediaries is the own participation or down payment. Most banks mandate that the borrower contribute 20% to 30% of the total project cost. This ensures that the borrower retains a significant stake in the project’s success. For specialized sectors like agriculture, the down payment can be as low as 10%, reflecting the strategic importance of food security.

The National Bank of Ukraine (NBU) has been instrumental in shaping the market of financial intermediaries through a policy of stimulating liberalization. By early 2026, the NBU has successfully maintained high

international reserves (reaching \$52.0 billion by March 2026) while simultaneously easing foreign exchange restrictions to support business operations. A pivotal regulatory innovation is the new stimulating loan limit. This mechanism is designed to incentivize the attraction of foreign capital. Under this rule, Ukrainian enterprises can manage and repay funds attracted from abroad with greater flexibility, provided the funds were received after January 1, 2026. The specifics of this regulation include: interest rate cap (the maximum interest rate on such foreign-attracted loans is limited to 12% per annum); early repayment prohibition (to ensure the stability of the capital account, the NBU prohibits the early repayment of these loans); repayment calculation (transfers for the repayment of the principal amount are limited to the outstanding balance, reduced by transactions already carried out within the established limit). This regulatory stance aims to promote additional capital inflows by creating a “safe harbour” for foreign lenders while protecting the national currency from sudden shocks. Furthermore, the NBU has linked liberalization to specific investment and donation limits, where the ability to repatriate funds is tied to the amount of capital injected into Ukrainian enterprises or donated to the national defence effort [4].

While banks provide the bulk of investment funding, a growing “shadow” or private intermediation market has emerged to serve the needs of projects that do not fit traditional banking criteria. Private lenders offer bridge financing and mezzanine debt, which are characterized by flexible repayment schedules. These may include a grace period for the body of the loan, the capitalization of interest, or balloon payments at the end of the term. This flexibility makes private capital a viable, albeit expensive, option for high-growth sectors like IT, renewable energy startups, and urgent logistics projects that cannot wait for the 1–3-month due diligence process typical of the banking sector.

The role of financial intermediaries in the investment process is most clearly seen in the sectoral allocation of capital. The 2025–2026 period is marked by a shift away from raw material exports toward internal processing and energy autonomy. Driver Energy projects have become the most sought-after destination for investment funds. This is driven by the urgent need for decentralized generation and energy efficiency. The EIB has allocated hundreds of millions of euros specifically for “Naftogaz” (for gas purchases) and “Ukrhydroenergo” (for infrastructure restoration), while commercial banks have developed specialized “Energy Independence” products. These projects often receive priority in terms of lower interest rates and longer grace periods, as they are seen as foundational for the operation of all other industries. The defence-industrial complex (DIC) and manufacturing sectors with high added value are the new frontiers for corporate lending. Intermediaries are increasingly providing funds for the localization of production and the acquisition of dual-use technologies. PrivatBank’s strategy explicitly mentions the DIC and the transition from a commodity-based economy to a processing one as key drivers of its 166% corporate growth.

The dynamics market suggests a complex chain of cause-and-effect relationships. The NBU's tight monetary policy (designed to anchor price stability) initially created high borrowing costs for the commercial sector. However, this stability was the very prerequisite for the IMF and EIB to commit billions in long-term facilities. These international inflows, in turn, allowed the state to subsidize the "5-7-9%" program, which has become the primary catalyst for MSME modernization. A significant ripple effect of this subsidized lending is the crowding in of private investment. When a bank like Oschadbank or PrivatBank approves an investment credit for a project, it serves as a "quality stamp" for private equity to provide the remaining 30% of the capital. Thus, financial intermediaries in Ukraine are no longer just lenders; they are validators in a high-risk investment ecosystem. Furthermore, the shift toward energy-independent projects has a profound impact on the creditworthiness of the entire industrial sector. By reducing a firm's exposure to volatile energy prices and grid disruptions, financial intermediaries are effectively lowering the future probability of default (PD) for their own portfolios. This self-reinforcing cycle of investment in resilience is what distinguishes the 2026 market from the purely liquidity-focused market of 2023. The transition from short money to long-term investment is not merely a financial trend; it is a fundamental shift in the national economics. As financial intermediaries refine their tools for project assessment and risk management, they are laying the groundwork for a more robust, value-added economy that is integrated with European and global standards.

The role of the intermediary has thus evolved into that of a strategic architect. They do not simply move money; they decide which projects are viable for the new Ukrainian economy. Their adherence to international standards and their collaboration with organizations like the IMF and EIB ensure that the investment process is not only rapid but also sustainable and transparent. In the final analysis, the resilience of the Ukrainian financial intermediation market is the strongest signal of the country's long-term economic viability and its successful transition toward a modern, investment-led growth model.

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