



MINISTRY OF  
FINANCE OF  
UKRAINE

# Ukraine: Investor Presentation

November 2021



**IMPORTANT:** You must read the following before continuing. In accessing this document ("Information"), you agree to be bound by the following terms and conditions.

The Information is not an offer or invitation to, or solicitation of, any such distribution, placement, sale, purchase or other transfer of any securities in the territory of Ukraine.






The Information does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase any securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever, nor does it constitute a recommendation regarding any securities.

The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give Ukraine's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond control of the Ministry of Finance of Ukraine that could cause actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Ukraine's present and future strategies and the environment in which it will operate in the future.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Ministry of Finance expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any fiscal data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document.



# Ukraine's economy: dynamics of selected indicators

	2015	→	2019	→	Today
 Real GDP growth	(9.8)%	→	3.2%	→	2.3% (Q3 2021)
 Consumer inflation (eop)	43.3%	→	4.1%	→	10.9% (Oct 2021)
 Reserves (eop)	US\$ 13.3bn (eop)	→	US\$ 25.3bn (eop)	→	US\$ 29.7bn (Nov 1, 2021)
 Primary state budget balance <sup>1</sup>	2.0% of GDP	→	1.0% of GDP	→	0.7% of GDP <sup>2</sup> (Q2 2021)
 State debt to GDP	67.1%	→	44.3%	→	47.9% <sup>3</sup> (Q2 2021)

**Note 1** Primary state budget balance defined as state budget revenues minus expenditures excl. debt service and minus net lending

**Note 2** Estimated based on primary state budget balance of UAH 31.8bn during Q3 2020 – Q2 2021 and actual nominal GDP of UAH 4,643bn during Q3 2020 – Q2 2021

**Note 3** Estimated based on actual state debt of UAH 2,225bn as of Jun 30, 2021 and actual nominal GDP of UAH 4,642bn during Q3 2020 – Q2 2021

**Sources** State Statistics Service of Ukraine, NBU, State Treasury



# Extensive governmental response to tackle Covid-19 impact

## Economy Stimulus Program



### SMEs support:

- ▶ Expansion of Affordable Loans **“5-7-9%” program** to help SMEs affected by the lockdown
- ▶ Provision of **portfolio state guarantees** for loans and partial **compensation of loan principal**
- ▶ **Moratorium on tax penalties, tax exemption and relief from tax debt** during lockdown<sup>1</sup>
- ▶ **One-off stimulating payments** of c. **US\$ 300** per private entrepreneur in December 2020 and during 1H 2021



### Population support:

- ▶ **One-off pension increase** to low-income pensioners and monthly pension top-up for retirees aged 80+ years
- ▶ Allocated **c.US\$ 230m** to pay **unemployment and partial unemployment benefits**, which includes raising the minimum support payment and providing immediate support to persons, who had just registered as unemployed
- ▶ **300% salaries increase for medical personnel** working with Covid patients



### Transformation of the economy:

- ▶ **Investments attraction:** involvement of IFIs for the implementation of investment projects
- ▶ **Innovation enhancement:** digital transformation strategy, R&D stimulation, reform of scientific setup
- ▶ **The Great Construction program:** reconstruction of roads, modernization of educational and medical institutions, reconstruction of cultural heritage sites
- ▶ **Transportation sector reform:** spin-off of Ukrzaliznytsia, reorganization of Seaport Authority, heavy investments into transportation infrastructure

Sources CMU, Ministry of Finance, Parliament of Ukraine

## Covid-19 funds use

UAHbn	10m2021	2021(B)	Exec. <sup>2</sup>
Healthcare services procurement	15.2	22.4	68%
Vaccines procurement	9.8	10.5	93%
Social support of population	3.7	3.8	97%
Unemployment-related payments	1.5	1.6	94%
Other	0.8	3.2	25%
<b>Total funds</b>	<b>31.0m</b>	<b>41.5</b>	<b>75%</b>

## Vaccines procurement and rollout

Vaccine	Available <sup>4</sup>	Received <sup>3</sup>	Administered <sup>3</sup>	
			1st dose	2nd dose
Pfizer	21.1m	13.9m	5.5m	4.6m
Sinovac	10.4m	10.4m	4.3m	3.3m
Moderna	5.1m	5.1m	1.2m	1.0m
AstraZeneca	7.1m	5.0m	2.1m	1.6m
<b>Total</b>	<b>43.6m</b>	<b>34.3m</b>	<b>13.1m</b>	<b>10.6m</b>

**Note 1** Effective during April-May 2020, January 2021 and April 2021

**Note 2** Disbursement of funds compared to budget plan

**Note 3** As of November 26, 2021

**Note 4** Including 8.1m doses reserved for Ukraine under COVAX program



**1 Solid foundation for long-term economic growth**

2 Return to gradual fiscal consolidation

3 Prudent debt management strategy

4 Reviving business climate and development prospects

5 Strong focus on ESG considerations



# Accumulated economic buffer to curb Covid-19 crisis (1/2)

## 2020 GDP in current prices

US\$ 156bn

## GDP per capita dynamics, US\$

2017 US\$ 2,640

+17%

2018 US\$ 3,097

+18%

2019 US\$ 3,663

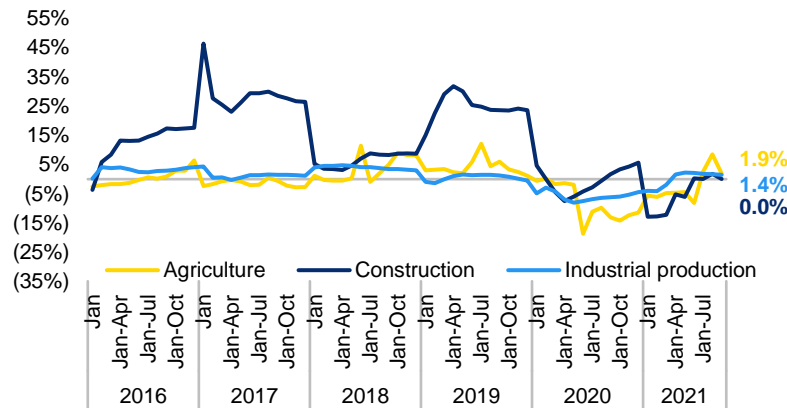
+2%

2020 US\$ 3,727

## Comments

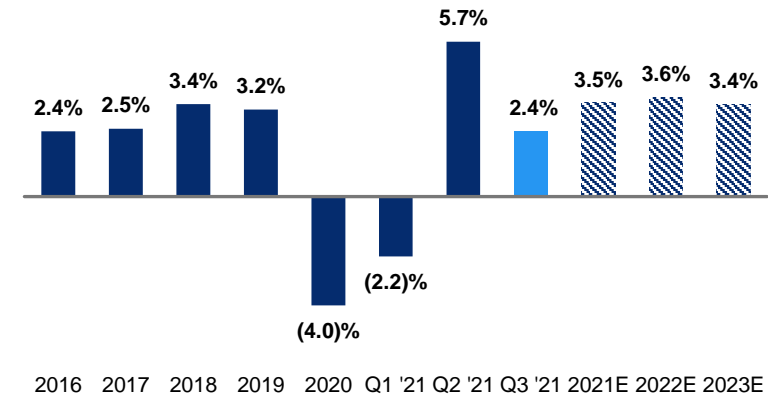
- ▶ In 2020, Ukraine's **real GDP has declined by 4.0%** which is **significantly lower than projected** by the government (-4.8%) and the IMF (-7.2%). In Q2 2021, the real GDP increased by 5.7% followed by the preliminary growth of 2.4% in Q3 2021
- ▶ YTD 2021, the **key economic sector outputs started to return to upward trend while remaining rather mild**. Both agriculture (1.9% y-o-y in Jan-Sep 2021) and industrial production (1.4% y-o-y in Jan-Sep 2021) demonstrate increase while construction index remains relatively unchanged (0.0% y-o-y in Jan-Sep 2021)
- ▶ Despite Covid-19, the **private consumption remained strong in Q2 2021**, while the **fixed capital accumulation returned to a positive track** after 5 quarters of contraction

## Key economic sectors output growth (y-o-y)<sup>1</sup>, %



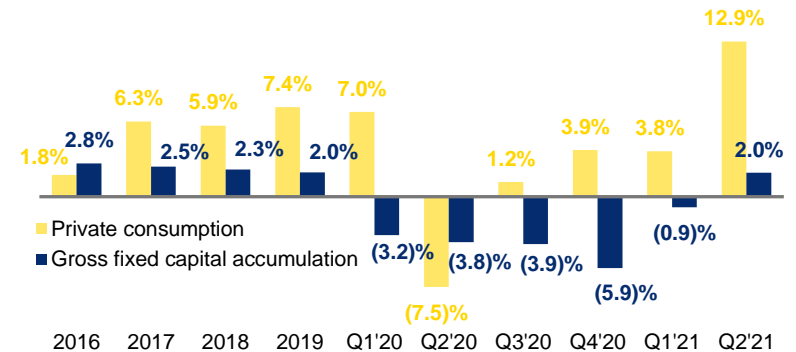
Source State Statistics Service of Ukraine

## Real GDP growth (y-o-y)<sup>2</sup>, %



Sources State Statistics Service of Ukraine, IMF WEO Oct 2021 (forecast)

## Component contribution into real GDP growth, p.p.



Source State Statistics Service of Ukraine

## Notes

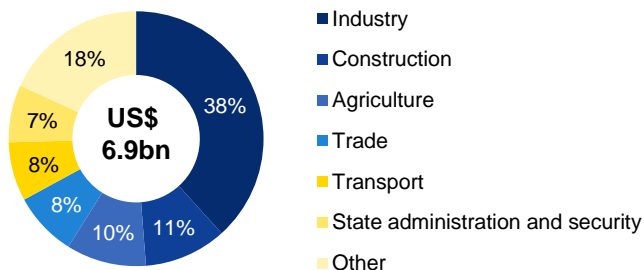
1 To the corresponding period of the previous year on a cumulative basis

# Accumulated economic buffer to curb Covid-19 crisis (2/2)

## Comments

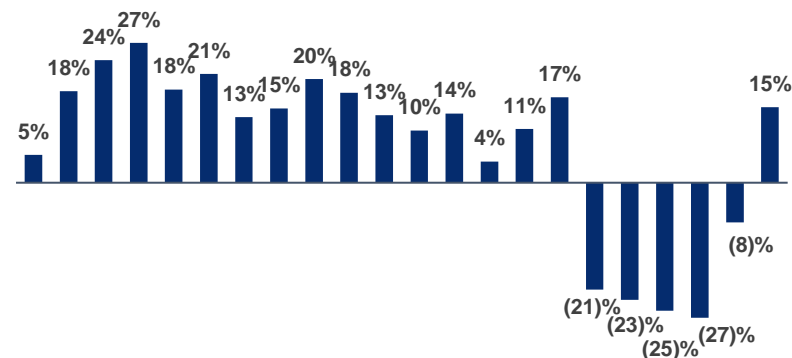
- ▶ **The key contributors to industrial output increase in Jan-Sep 2021** are production of motor vehicles (+94.4%) and electrical equipment (+63.7%) as well as mining (+48.0%)
- ▶ **Gross fixed capital accumulation added 15% y-o-y in Q2 2021, returning on a positive track** after 5 quarters of contraction
- ▶ In the H12021, the capital investments increased by 4.2% y-o-y which is expected to solidify Ukraine's prospects for quick economic recovery post Covid-19 outbreak
  - **Industry has been the major contributor to capital investments in H12021 accounting for c.38%** followed by construction and agriculture with 11% and 10% shares respectively

## Capital investments split by sector in H1 2021, %



Source State Statistics Service of Ukraine

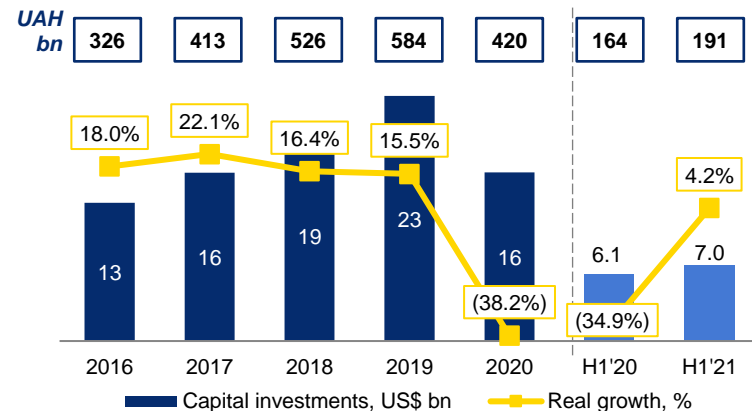
## Gross fixed capital accumulation, % (y-o-y)<sup>1</sup>



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2  
'16 '16 '16 '16 '17 '17 '17 '17 '18 '18 '18 '18 '19 '19 '19 '19 '20 '20 '20 '20 '21 '21

Source State Statistics Service of Ukraine

## Capital investments dynamics



Source State Statistics Service of Ukraine

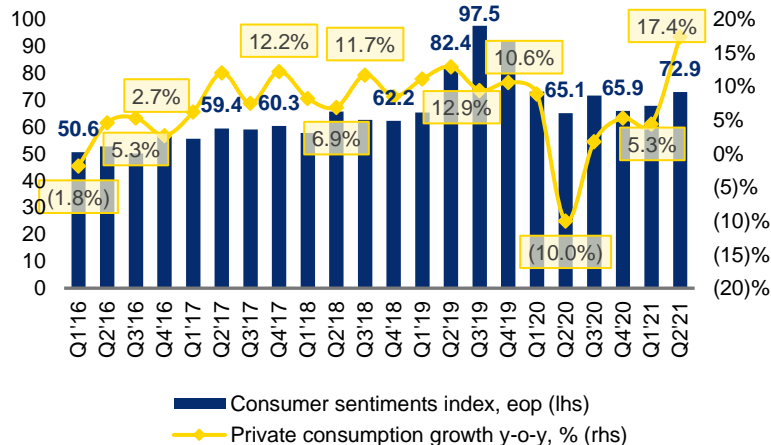
Note 1 To the corresponding period of the previous year on a cumulative basis

# Despite economic downturn, consumer demand remains firm

## Comments

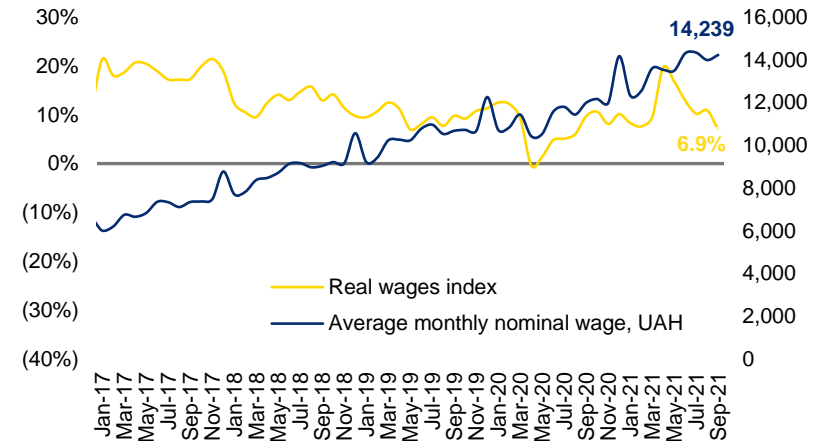
- ▶ Over recent years, consumer demand was consistently driven by a number of factors, including **steady rise in real wages, improving consumer sentiments** (before Q1 2020), **growing personal money remittances**
  - Real wages growth was mainly resilient reflecting post-pandemic recovery and reached 6.9% y-o-y in September 2021, even though the growth pace has slowed (10.9% in August 2021) due to rising inflation
- ▶ **Strong real and nominal wages had a positive impact on the retail trade as well: the turnover increased by 12.2% in Sept 2021, slightly lower than in Aug 2021 (12.9%)**
- ▶ **Final private consumption grew by 17.4% and 4.4% y-o-y in Q2 2021 and Q1 2021, respectively, after a 10.0% y-o-y decline in Q2 2020**

## Private consumption and consumer sentiments evolution



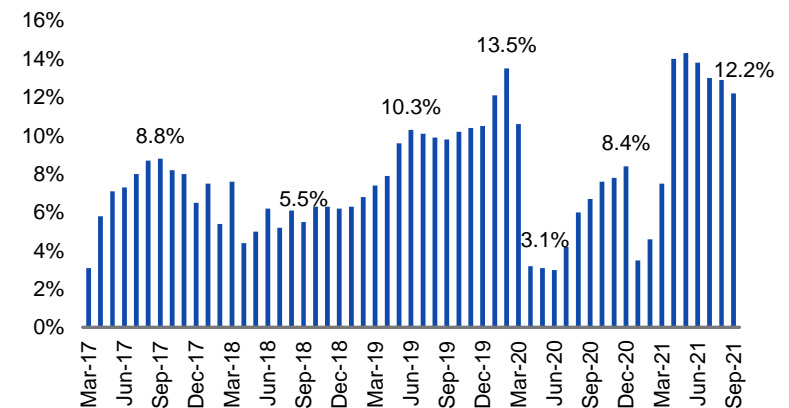
Source GFK, State Statistics Service of Ukraine

## Real wages growth (%) and avg monthly nominal wages (UAH)



Source State Statistics Service of Ukraine

## Retail trade growth (y-o-y)<sup>1</sup>, %



Source State Statistics Service of Ukraine

Note 1 To the corresponding period of the previous year on a cumulative basis

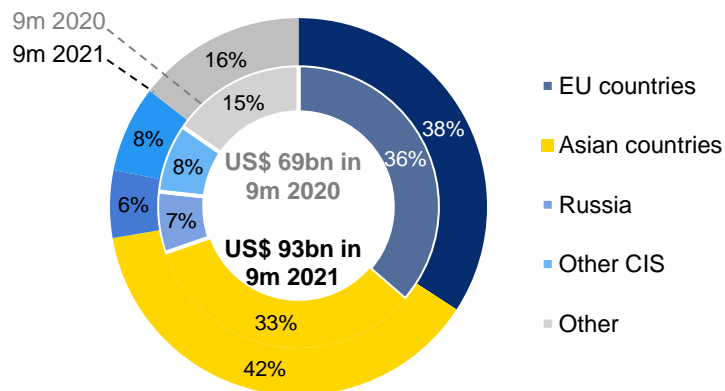


# Revival of external trade (1/2)

## Comments

- ▶ **The international trade continued to recover after disruptions caused by global Covid-19 pandemic:** Ukraine's goods trade turnover has increased by 35% y-o-y in 9m 2021 (to US\$ 93bn)
- ▶ The total export and import of goods and services have reached US\$ 57.3bn and US\$ 58.4bn in 7m 2021, respectively
- ▶ **Exports of goods and services have risen by 32.2% y-o-y in 9m 2021** with ferrous and non-ferrous metals as well as mineral products being the key drivers of such development
- ▶ **Imports of goods and services have increased by 30.3% y-o-y in 9m 2021** with machinery and equipment, mineral products and chemicals contributing the most

## Geographic structure of goods trade in 9m 2020 & 9m 2021<sup>1</sup>

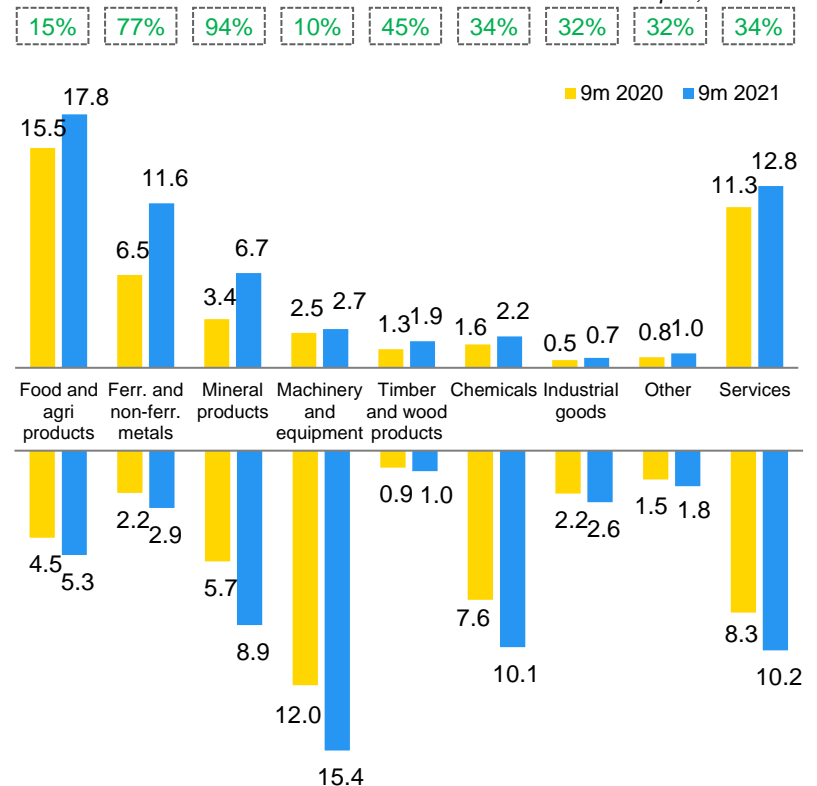


Source NBU  
Notes

<sup>1</sup> Sum of export and import of goods

## Export and import of goods and services dynamics, US\$ bn

### Export



### Import

Source NBU



# Revival of external trade (2/2)

Overall Ukraine concluded 19 FTAs with 46 countries

- 2001

FTA with Macedonia
- 2008

Ukraine entered WTO
- 2012

FTA with EFTA countries  
FTA with Montenegro
- 2013

FTA with CIS countries
- 2017









DCFTA with the EU  
FTA with Canada
- 2020

FTA with Israel, United Kingdom

## Comments

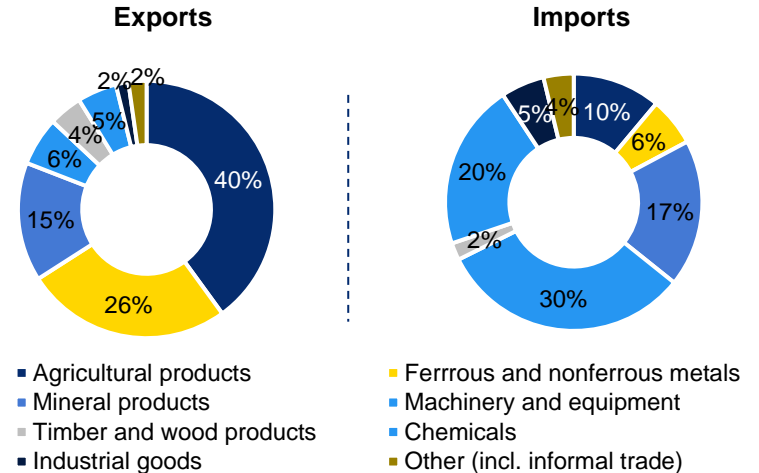
- ▶ Most of Ukraine's **export** is attributable to **agricultural products** (c.40%), **ferrous and non-ferrous metals** (c.26%) as well as **mineral products** (c.15%), while **machinery and equipment** (c.30%), **chemicals** (c.20%) and **mineral products** (c.17%) are the main **import** goods
- ▶ Previously **established trade connections** and **free-trade agreements** as well as the **favorable prices** on Ukrainian export goods (terms of trade index reached c.120 points in September 2021) are **supporting double-digit growth** of **export**
- ▶ As of September 2021, the **share of EU** in the Ukrainian export structure reached **40.2%**, with **Poland** (USD 3,989m), **Italy** (USD 2,496m), and **Germany** (USD 2,035m) being the **main trading destinations**

## 9m 2021 y-o-y increase in export of goods by countries<sup>2</sup>

 <b>Czech Rep. / +101.4%</b> USD 1,125m	 <b>Poland / +71.3%</b> USD 3,989m
 <b>Italy / +87.0%</b> USD 2,496m	 <b>Turkey / +65.8%</b> USD 2,749m
 <b>USA / +70.3%</b> USD 1,139m	 <b>Romania / +48.5%</b> USD 1,129m
 <b>India / +38.0%</b> USD 1,753m	 <b>Germany / +37.4%</b> USD 2,035m

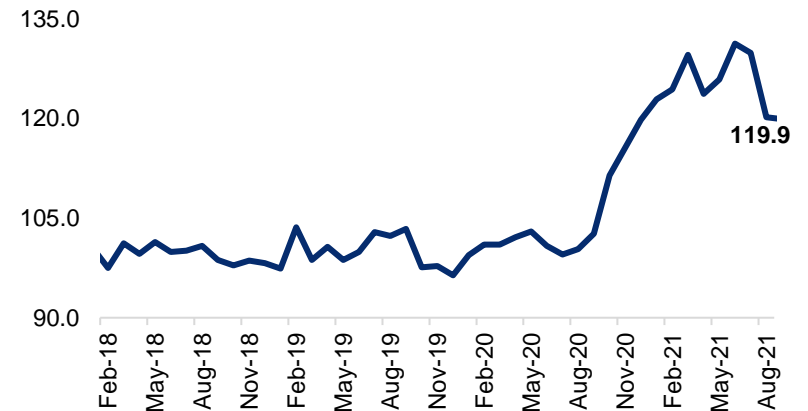
Source State Statistics Service of Ukraine

## Ukraine's exports and imports breakdown<sup>1</sup> in 9m 2021



Source National Bank of Ukraine

## Ukraine's Terms of trade index



Source State Statistics Service of Ukraine

### Notes

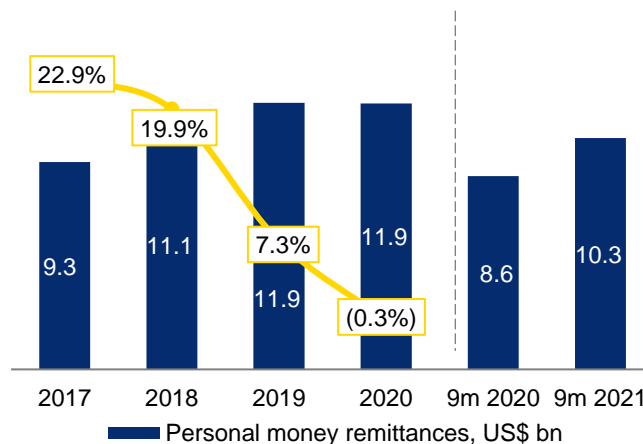
- 1 Export and import of goods breakdown
- 2 Only countries, exports of goods to which in 9m 2021 surpassed 2.0% of total Ukraine's export of goods were included

# Firm external position leading to less vulnerability to external shocks

## Comments

- ▶ **The trade balance deficit amounted to US\$ 1.0bn** in 9m 2021 which is much lower than US\$ 1.4bn in 9m 2020. The decrease in the deficit is resulting from higher growth in exports (by 32.1% y-o-y) vs imports (by 30.3% y-o-y)
- ▶ **The current account (CA) balance demonstrated deficit of US\$ 1.4bn** in 9m 2021 comparing to US\$ 4.6bn surplus year ago mainly due to outflows related to investment income (US\$ 14.2bn in 9m 2021 vs US\$ 5.7bn in 9m 2020)
- ▶ **The inflow of capital through financial account decreased by US\$ 1.6bn** and amounted to US\$ 0.1bn in 9m 2021 (vs US\$ 1.7bn in 7m 2021)
- ▶ **Personal money remittances continued to grow** at a solid pace (**19.8% y-o-y**) and amounted to **US\$ 10.3bn** in **9m 2021**

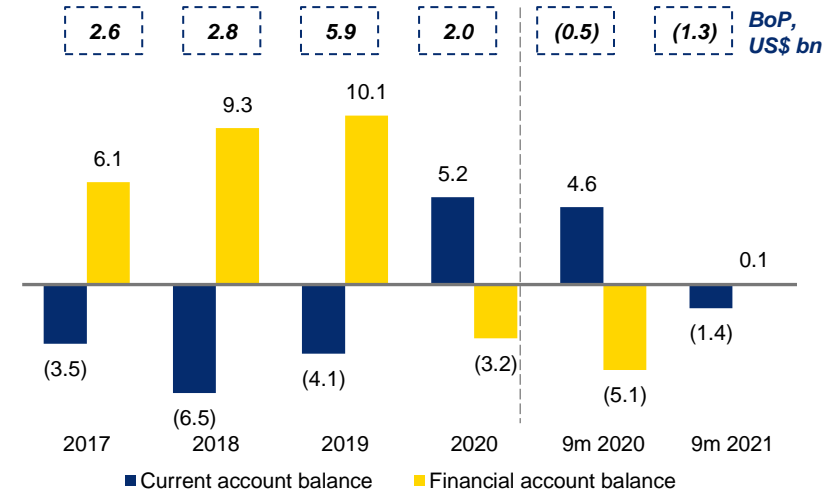
## Private money remittances, US\$ bn



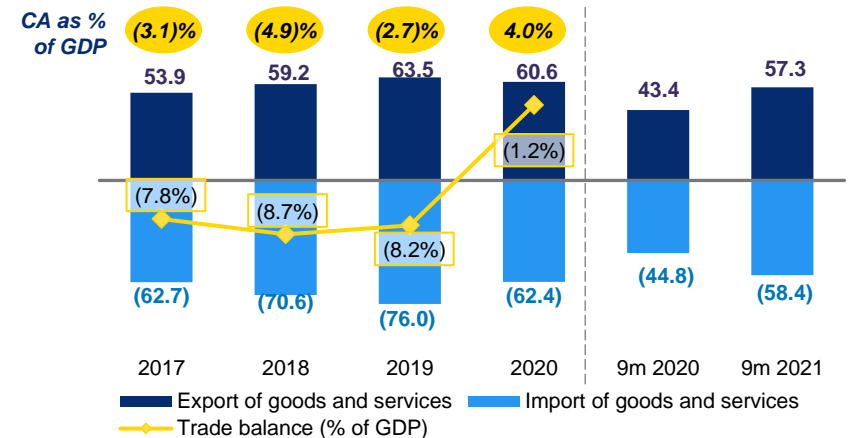
Source: NBU

Legend: ■ Personal money remittances, US\$ bn; ● Remittances y-o-y change, %

## Balance of payments components, US\$ bn



## Ukraine's current and trade balance dynamics, US\$ bn



# Prudent monetary policy implemented by independent regulator

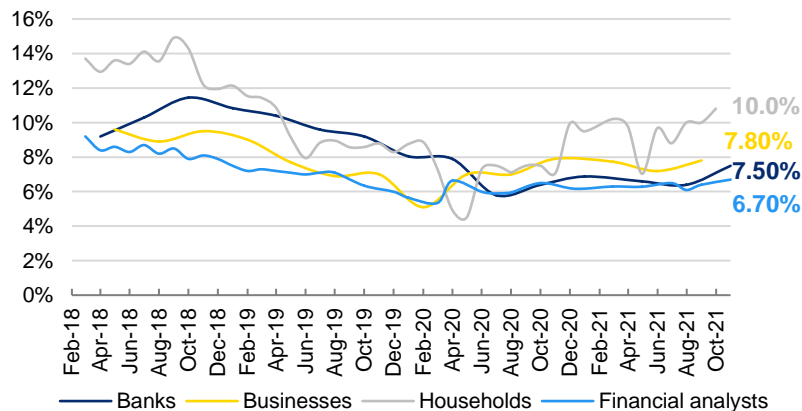
## Comments

**Medium-term consumer inflation target range: 5%+/-1%**

**Y-o-y inflation as of October 2021: 10.9%**

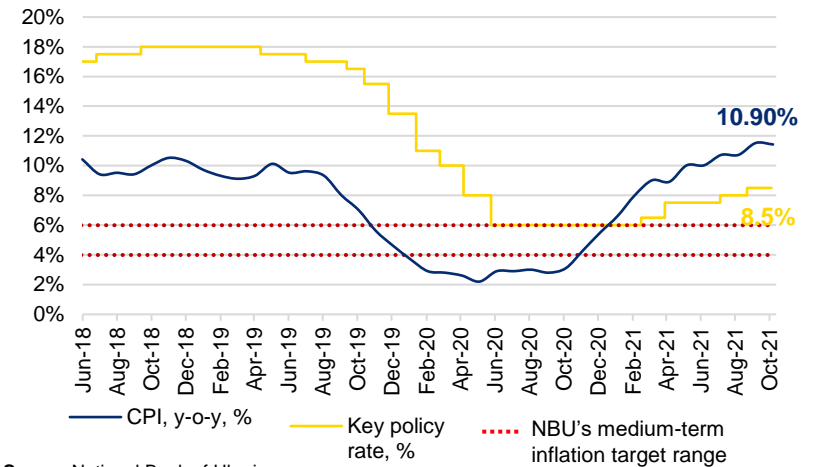
- ▶ **In March 2021 the NBU started the cycle of rate hikes to curb inflation**, raising the key policy rates 4 times during March-Oct 2021 by 2.5 p.p. The CB also rolled back its emergency measures to support banking liquidity in Oct 2021
- ▶ At the latest MPC meeting, the NBU remained the interest rate unchanged at 8.5% despite rising inflation pressure as well as inflation expectations. The CB assesses that the inflation peak was realized in September with inflation at 11.0%. The **inflation** is expected to **decrease** due to the **higher harvest of crops and exchange rate pass-through effect** due to **hryvnia appreciation** (7.5% y-o-y as of Nov 2021)
- ▶ In **October** inflation decelerated to **10.9%**. The **increase** in prices was mainly driven by **processed food and non-food products** due to rising energy prices as well as **services**

## CPI expectations for the following 12 months



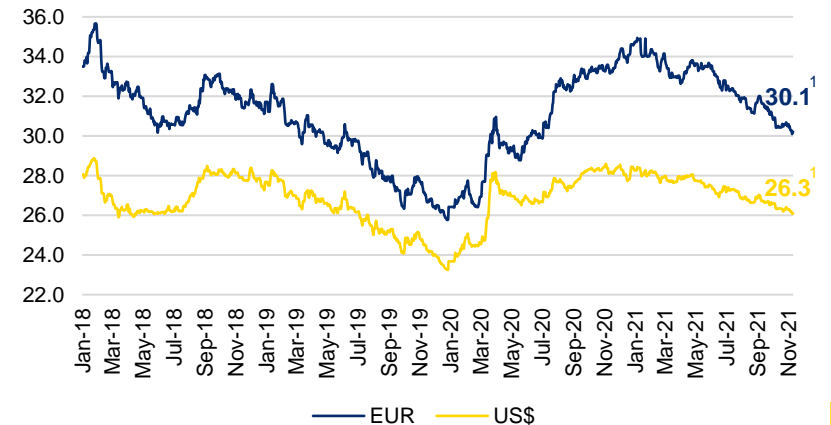
Source National Bank of Ukraine

## Consumer price index (CPI) change and key policy rate



Source National Bank of Ukraine

## UAH/US\$ and UAH/EUR exchange rates dynamics



Notes

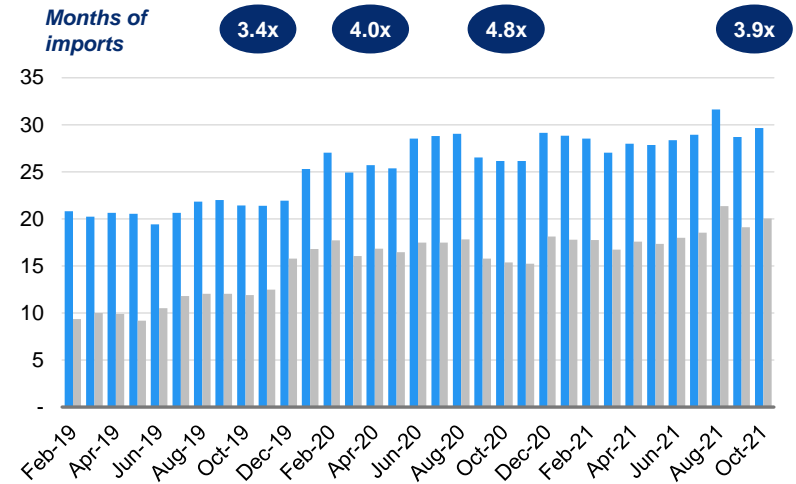
<sup>1</sup> As of Nov 10, 2021

# Accumulated international reserves

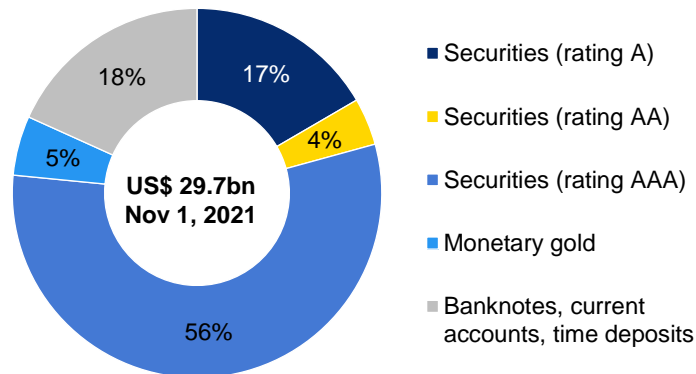
## Comments

- ▶ **Gross international reserves increased by 3.3% (m-o-m) and reached US\$ 29.7bn as of Nov 1, 2021** (covering 3.9 months of future imports)
- ▶ Maintained **high levels of FX reserves** and **floating FX rate policy** are the most influential factors providing strong buffer for Ukraine on the back of the current downturn
- ▶ **FX interventions** of the NBU and MOF's **debt operations** were the **main drivers** of the **increase**: the NBU's net FX purchase was US\$ 703.0m, while FX domestic placement and European Commission tranche brought US\$ 1,115.0m. US\$ 99.6m increase was due to financial instruments revaluation.
- ▶ Government transactions to **repay public debt** (US\$ 998.2m) slightly **offset this impact**

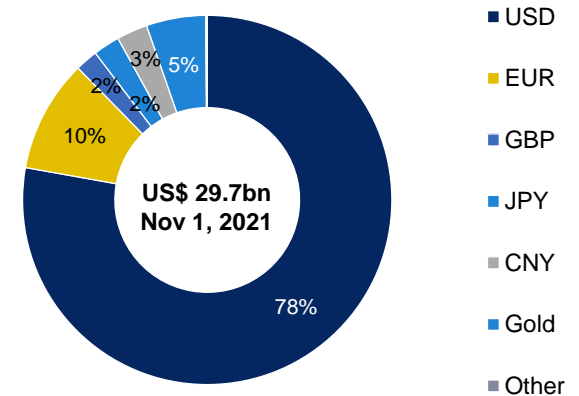
## Gross and net international reserves (eop), US\$ bn



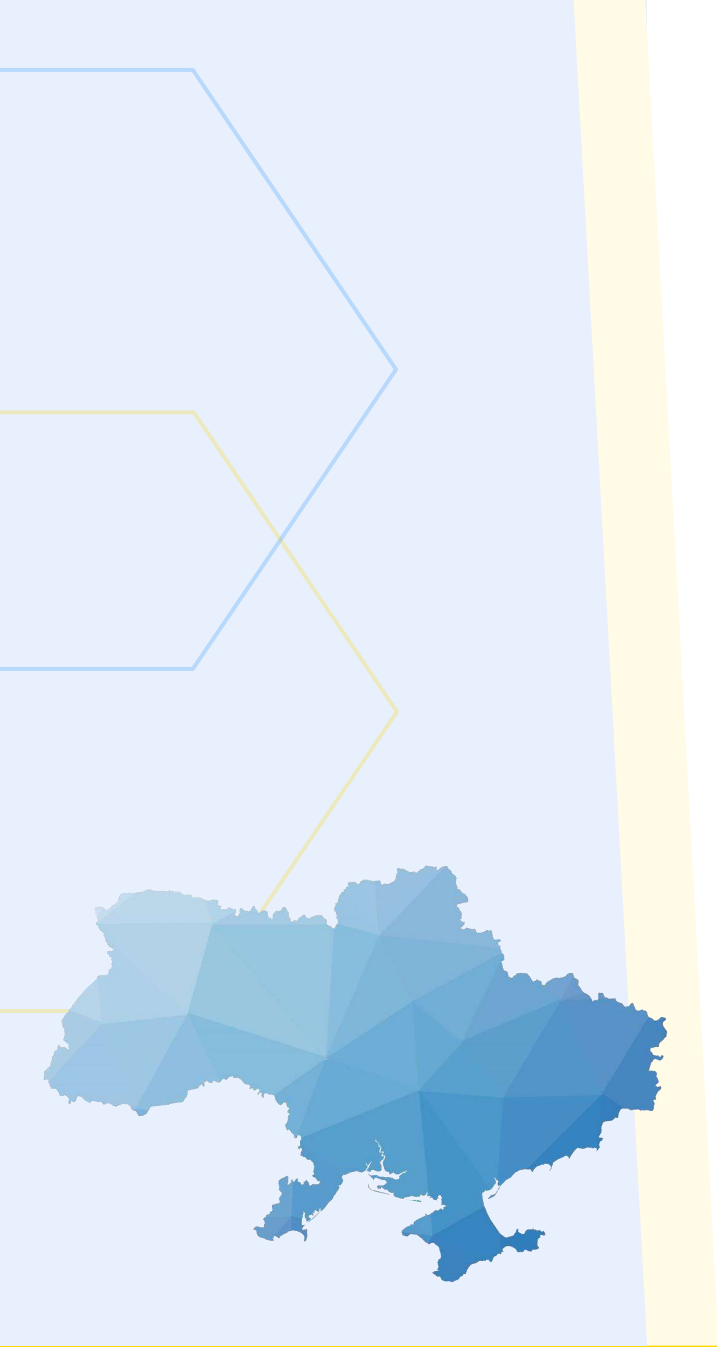
## Gross international reserves by instrument (Nov 1, 2021)



## Gross international reserves by currency (Nov 1, 2021)



Source NBU



- 1 Solid foundation for long-term economic growth
- 2 Return to gradual fiscal consolidation**
- 3 Prudent debt management strategy
- 4 Reviving business climate and development prospects
- 5 Strong focus on ESG considerations



# 2022-2024 Budget Declaration

## Key indicators of 2022 Draft Budget Law and 2022-2024 Budget Declaration

	2020	2021E	2022F	2023F	2024F
<b>Key macroeconomic assumptions</b>					
Nominal GDP, UAHbn	4,192	4,809	5,369	5,994	6,651
Real GDP growth, %	(4.0%)	4.1%	3.8%	4.7%	5.0%
CPI (eop), %	5.0%	8.9%	6.2%	5.3%	5.0%
PPI (eop), %	14.5%	17.0%	7.8%	6.2%	5.7%
Unemployment rate, %	9.5%	9.2%	8.5%	8.0%	7.8%
Trade deficit, USDbn	(1.8)	(6.2)	(8.6)	(10.6)	(12.1)
<b>Key state budget indicators, UAHbn</b>					
	<i>Actual</i>	<i>Law<sup>1</sup></i>	<i>Draft Law<sup>2</sup></i>	<i>3Y Budget Declaration</i>	<i>3Y Budget Declaration</i>
<b>(i) Revenues</b>	<b>1,076.0</b>	<b>1,147.1</b>	<b>1,267.4</b>	<b>1,333.2</b>	<b>1,451.6</b>
as % of GDP	25.7%	23.9%	23.6%	22.2%	21.8%
<b>(ii) Expenditures</b>	<b>1,288.1</b>	<b>1,384.7</b>	<b>1,441.9</b>	<b>1,497.0</b>	<b>1,614.1</b>
as % of GDP	30.7%	28.8%	26.9%	25.0%	24.3%
<b>(iii) Net lending</b>	<b>5.5</b>	<b>9.2</b>	<b>13.5</b>	<b>16.0</b>	<b>17.1</b>
as % of GDP	0.1%	0.2%	0.3%	0.3%	0.3%
<b>Overall state budget deficit</b>	<b>217.6</b>	<b>246.8</b>	<b>188.0</b>	<b>179.8</b>	<b>179.6</b>
as % of GDP	5.2%	5.1%	3.5%	3.0%	2.7%
State debt, as % of GDP	53.9%	56.9%	50.8%	48.0%	46.4%
State-guaranteed debt, as % of GDP	7.0%	7.8%	7.0%	6.6%	6.0%
State and state-guaranteed debt, as % of GDP	60.9%	64.7%	57.8%	54.6%	52.4%

Source Ministry of Finance of Ukraine, State Treasury Service of Ukraine

Note 1 As of October 2021 (based on the monthly budget execution report of the State Treasury Service of Ukraine)

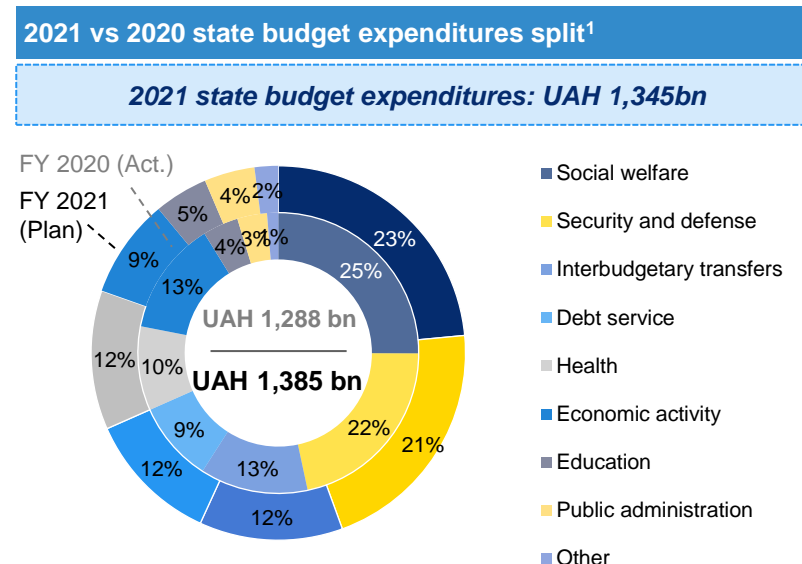
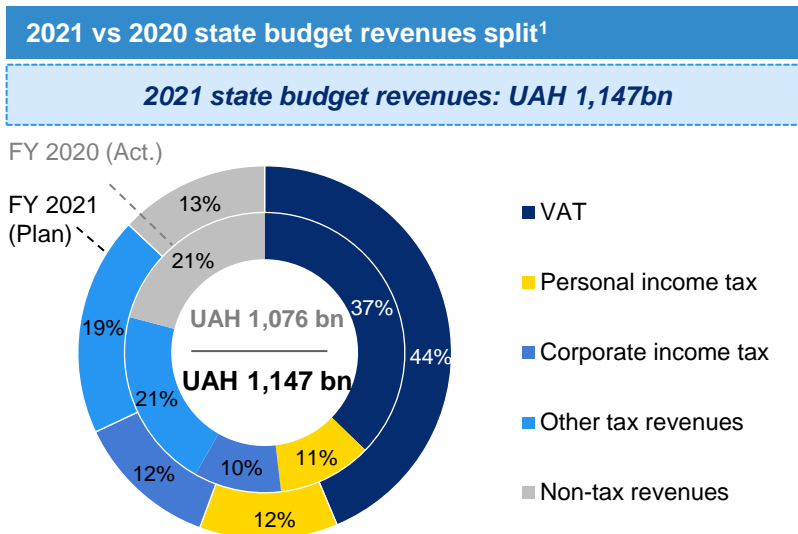
Note 2 As of September 15, 2021



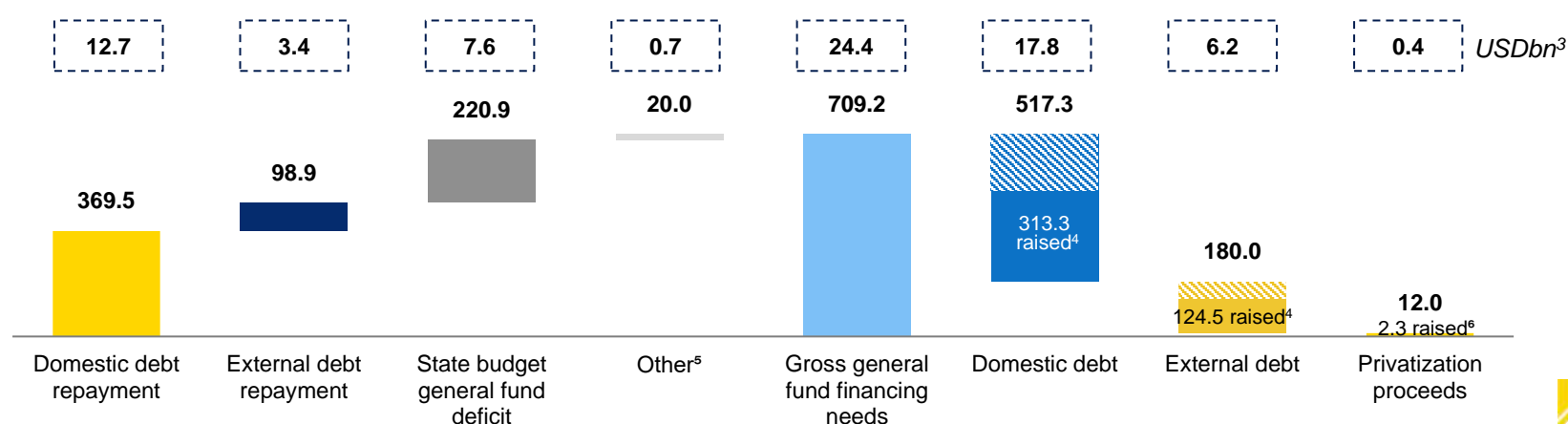
# 2021 state budget to resume gradual fiscal consolidation

## Key indicators of 2021 State budget:

- Total revenues: **UAH 1,147bn** (+7%)
- Total expenditures: **UAH 1,385bn** (+7%)
- Budget deficit<sup>2</sup>: **UAH 246.8bn / 5.1% of GDP in 2021** (per government's forecast of UAH 4,809bn GDP in 2021)



## 2021 State Budget Law: general fund financing, UAHbn



### Notes

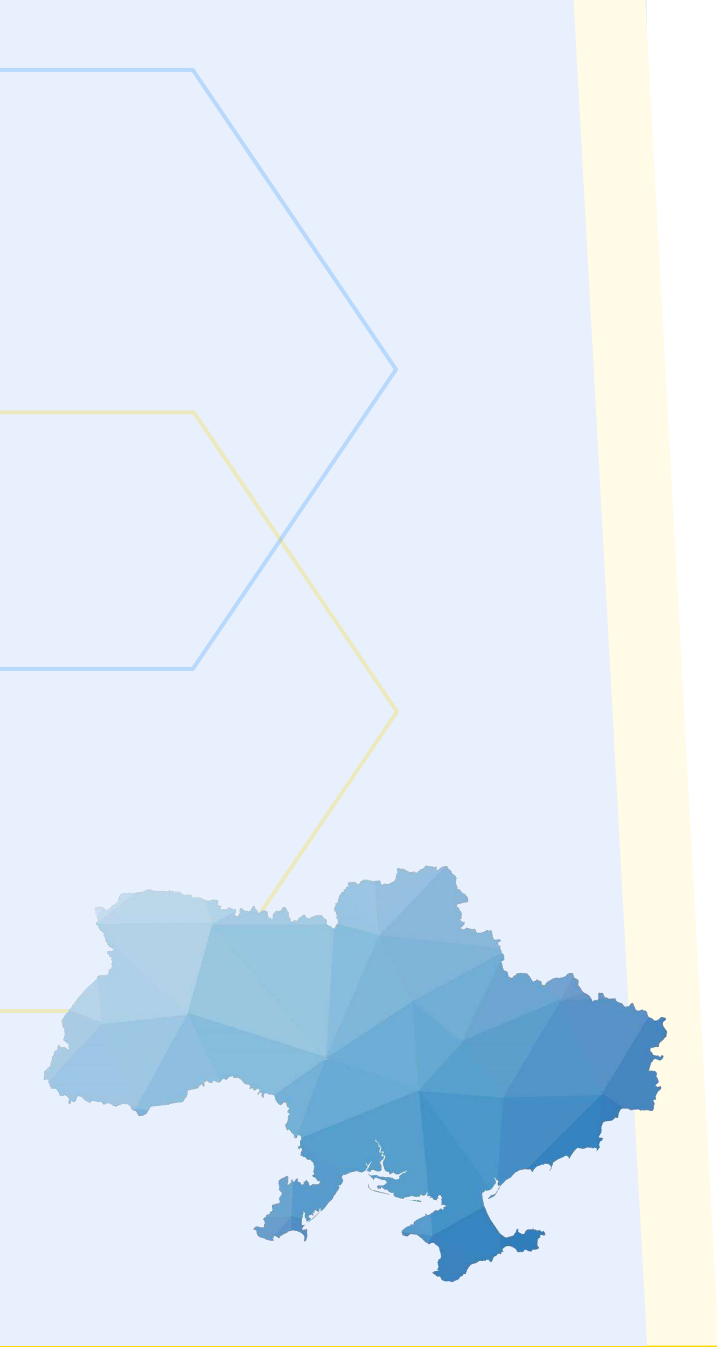
- 1 According to State Budget Law 2021 (as of October 2021) and Actual Annual State Budget Execution 2020
- 2 Budget deficit defined as revenues minus expenditures and minus net lending
- 3 Translated at the 2021 budgeted avg 29.1 UAH per 1 USD
- 4 As of November 24, 2021
- 5 Other includes financing for active operations, i.e. changes in the volume of deposits and securities used to manage liquidity, changes in the volume of budget funds
- 6 As of October 2021



# Jan-Oct 2021 state budget execution

UAH m	Jan-Oct 2020	Jan-Oct 2021	% diff.	FY 2021 (Plan as of Oct 2021)	% execution
<b>Revenues</b>	<b>842,438</b>	<b>1,019,186</b>	<b>+21%</b>	<b>1,196,616</b>	<b>85%</b>
<b>Tax revenues, incl.</b>	<b>644,597</b>	<b>856,426</b>	<b>+33%</b>	<b>998,172</b>	<b>86%</b>
Personal income tax and income charge	93,965	109,622	+17%	137,580	80%
Corporate profit tax	75,194	110,126	+46%	141,836	78%
Fee for the use of mineral resources	24,255	43,947	+81%	41,585	106%
Excises	111,773	131,948	+18%	138,686	95%
VAT (net of VAT reimbursement)	312,662	426,975	+37%	500,854	85%
Export and Import duties	24,364	30,792	+26%	33,934	91%
<b>Non-tax revenues</b>	<b>197,841</b>	<b>162,760</b>	<b>(18%)</b>	<b>198,444</b>	<b>82%</b>
<b>Expenditures</b>	<b>(950,842)</b>	<b>(1,070,497)</b>	<b>+13%</b>	<b>(1,458,163)</b>	<b>73%</b>
General public functions, incl.:	(137,631)	(155,469)	+13%	(216,122)	72%
Debt service	(104,490)	(117,633)	+13%	(159,386)	74%
Security and Defense	(204,372)	(220,051)	+8%	(302,294)	73%
Economic activity	(91,941)	(103,708)	+13%	(158,860)	65%
Protection of environment	(3,441)	(4,400)	+28%	(9,489)	46%
Healthcare	(75,991)	(122,672)	+61%	(173,567)	71%
Intellectual and physical development	(6,735)	(10,992)	+63%	(18,242)	60%
Education	(40,496)	(48,993)	+21%	(68,960)	71%
Social welfare	(259,437)	(266,239)	+3%	(330,800)	80%
Interbudgetary transfers	(130,750)	(137,924)	+5%	(179,465)	77%
<b>Net lending</b>	<b>(3,758)</b>	<b>(3,119)</b>	<b>(17%)</b>	<b>(9,228)</b>	<b>34%</b>
<b>Primary state budget balance</b>	<b>(7,672)</b>	<b>63,203</b>	<b>(924%)</b>	<b>(111,389)</b>	<b>(57%)</b>
<b>Overall state budget balance</b>	<b>(112,162)</b>	<b>(54,431)</b>	<b>(51%)</b>	<b>(270,775)</b>	<b>20%</b>



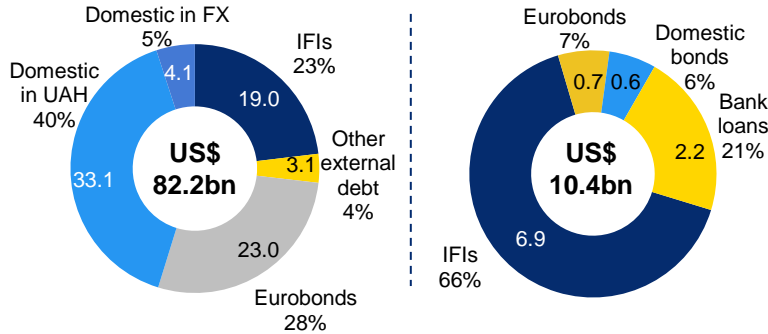


- 1 Solid foundation for long-term economic growth
- 2 Return to gradual fiscal consolidation
- 3 Prudent debt management strategy**
- 4 Reviving business climate and development prospects
- 5 Strong focus on ESG considerations

# Prudent and proactive debt management strategy

## State and state-guaranteed debt structure (end-Oct 2021)

(In US\$ bn) **State debt** **State-guaranteed debt**

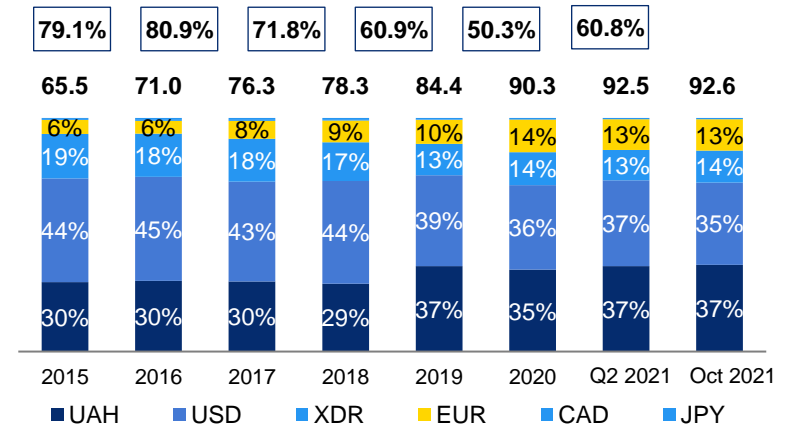


As of end-October 2021, Ukraine's total state and state-guaranteed debt (US\$ 92.6bn / UAH 2,439bn) split between:

- 58% of external debt, 42% of domestic debt
- 89% of state debt, 11% of state-guaranteed debt

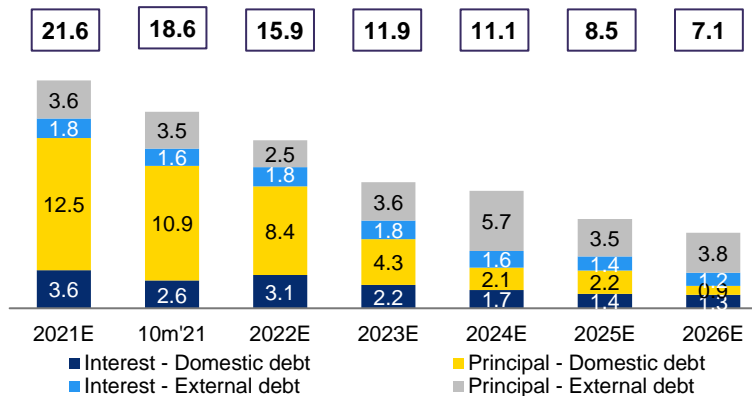
## State and state-guaranteed debt by currency, US\$ bn

Total (% of GDP)

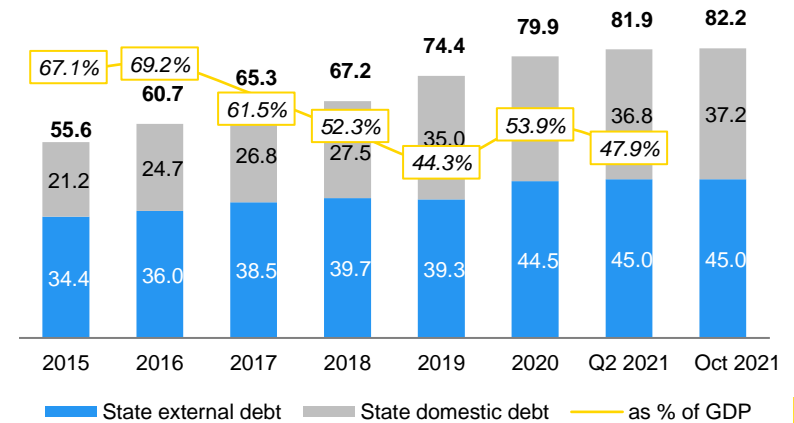


## State debt amortization schedule (01.11.2021)<sup>1</sup>, US\$ bn

Total debt service



## State debt dynamics, US\$ bn



### Notes

<sup>1</sup> Incl. outstanding debt obligations only

Source Ministry of Finance

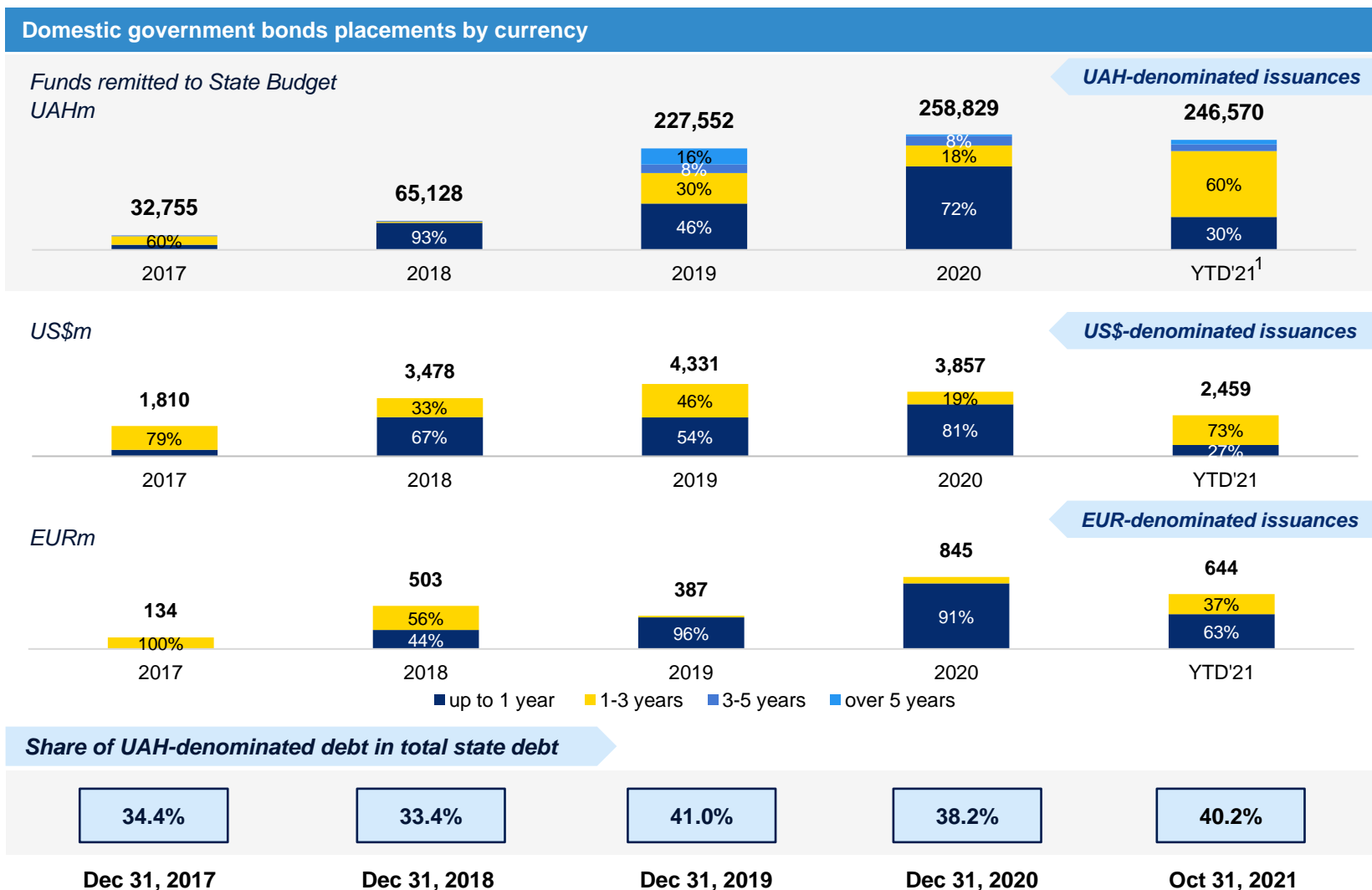
# Switching focus to UAH-denominated issuances on domestic market

- **UAH-denominated issuances grew at 99% CAGR over 2017-2020**

- After major 3.4x 2019 y-o-y volume increase, 2020 saw further growth of 14% y-o-y in UAH-denominated securities

- 11m 2021<sup>1</sup> kept the positive growth tendency with a major increase of 44% y-o-y for UAH-denominated issuances

- In line with MTDS objectives, **FX-denominated issuances are kept relatively stable**



Notes  
1 As of November 30, 2021

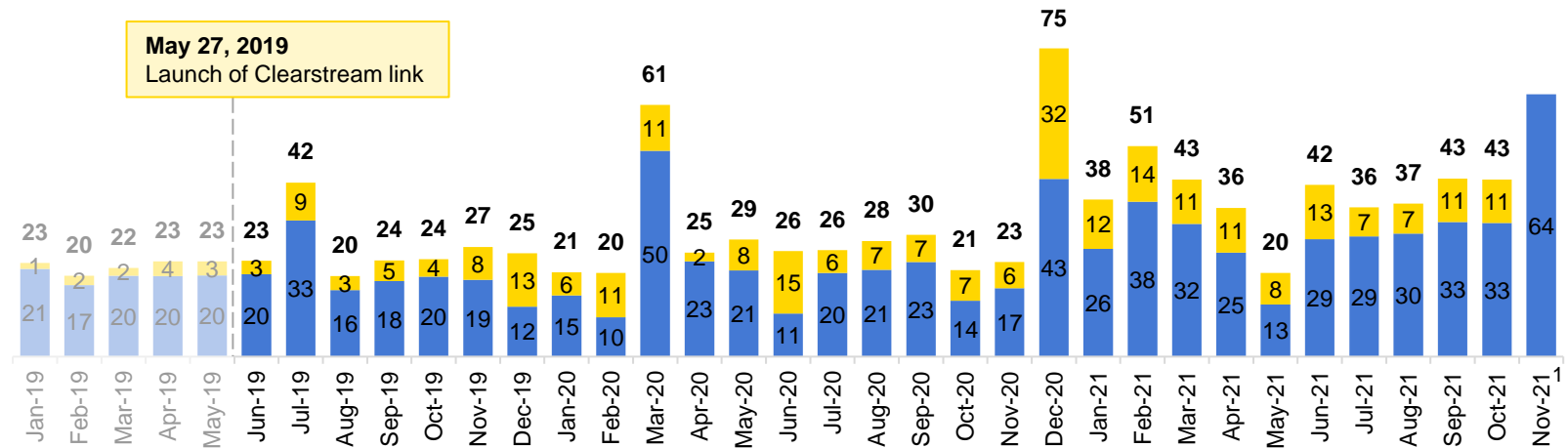
Source Ministry of Finance



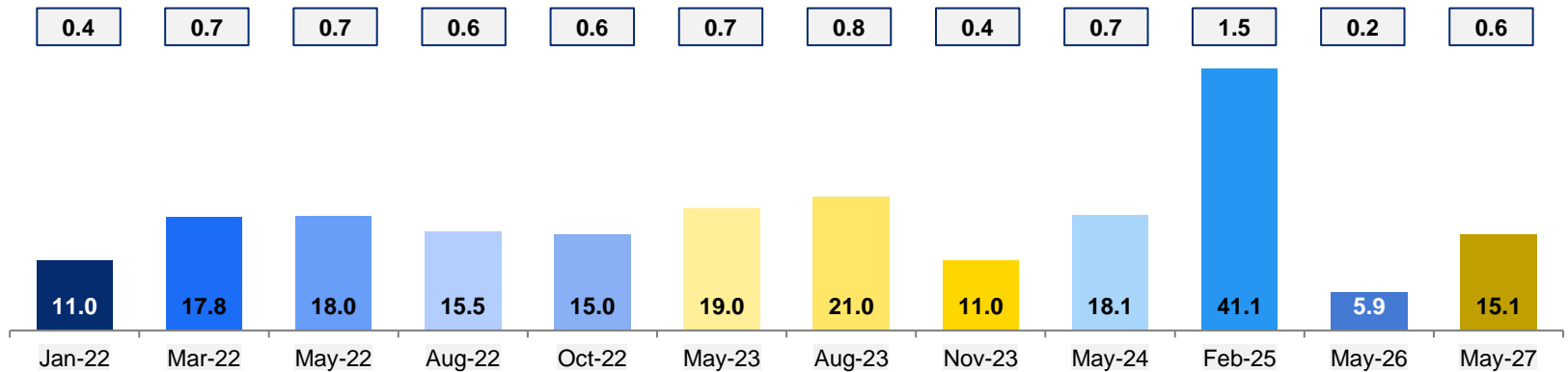


# Steady increase in secondary trading

## Secondary trading volume of domestic government bonds (stock market and OTC)



## Outstanding benchmark bonds<sup>1</sup>



- In 2020, the market continued to grow and reached UAH 386bn which is almost a 4x increase compared to 2016
- Further uptick in secondary trading volumes is exhibited 2021
- Ukrainian February 2025 bonds will be eligible for the JP Morgan GBI-EM index starting from March 31, 2022

### Notes

<sup>1</sup> As of November 30, 2021

Source Ministry of Finance

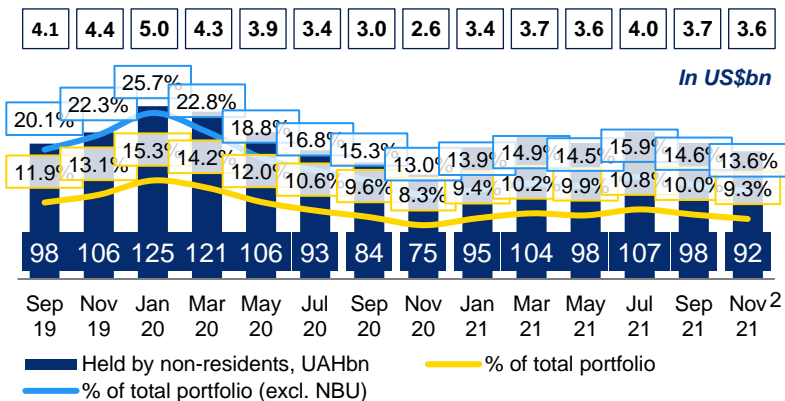


# Ukraine's domestic government bond holders

## Key highlights

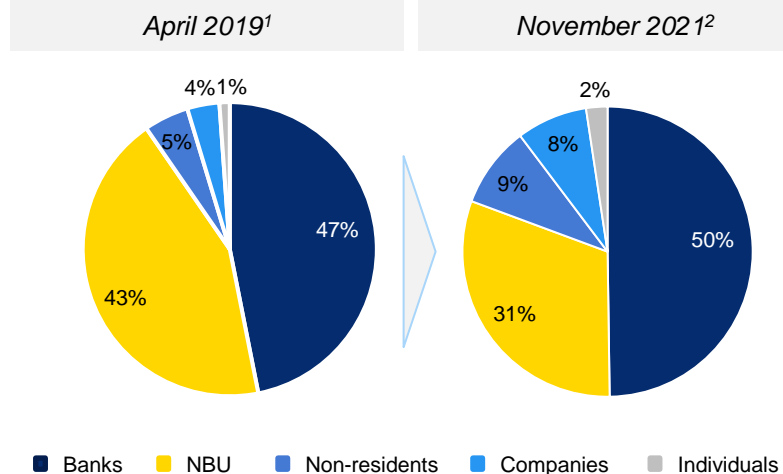
- ▶ With a **c.50%** share, banks are currently the largest holder of domestic government bonds followed by the **NBU**, which accounts for **c.31%** of the portfolio<sup>2</sup>
- ▶ At c.9% of total outstanding Ukrainian domestic government bonds as of November 2021<sup>2</sup>, the **portfolio held by non-residents has recently returned on its upward trajectory** (after Mar-Nov 2020 decline in line with the EM's capital outflow)
- ▶ **Ukraine is making consistent steps to deepen domestic government bond market** and to **increase share of non-residents in local currency bonds portfolio**
  - A link between Clearstream, the international central securities depository, and the depository of the NBU active since May 2019 ensuring streamlined access to Ukraine's domestic government bond market

## Domestic government bonds held by non-residents (eop)

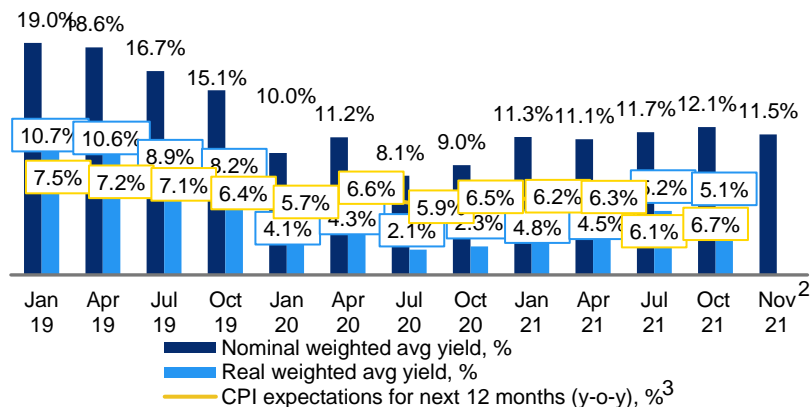


Source Ministry of Finance, NBU

## Domestic government bond holders<sup>1</sup>



## Nominal and real weighted avg yields at primary auctions, %



Source Ministry of Finance of Ukraine, NBU





- On August 28, 2020, the NBU has eliminated obstacles for foreign investors to enter the Ukrainian securities market through establishment of the **direct access to the purchase and sale of government bonds with the help of a "nominee holder"**
- From now on Ukrainian banks that have accounts with the NBU depository will be able to open depot accounts for its foreign clients for the purpose of buying and selling Ukrainian government bonds

### Notes

- 1 As of April 26, 2019
- 2 As of November 30, 2021
- 3 According to NBU's survey about inflation expectations of financial analysts for the next 12 months

# Pipeline of official concessional external financing

Combined with a proactive response to Covid-19 economic fallout, Ukraine managed to secure a range of concessional financing from its international partners to cover significant portion of external financing needs of the general fund of the state budget for 2021

Partner	Programs	Pipeline financing
 <p><b>International Monetary Fund</b></p>	<ul style="list-style-type: none"> <li>On November 24<sup>th</sup> 2021, IMF has disbursed the second tranche to Ukraine in amount <b>US\$ 699m</b> (SDR 500m) under Stand-By Arrangement. Following the first review of the Program in November 2021, the SBA was extended to June 2022</li> <li>On June 9<sup>th</sup> 2020, IMF Executive Board approved <b>18-month Stand-By Arrangement (SBA)</b> for Ukraine, under which <b>US\$ 2.1bn</b> (SDR 1.5bn) was disbursed immediately. The total amount of program is <b>US\$ 5.1bn</b> (SDR 3.6bn) that will be directed to support BoP and budget to help address the effects of Covid-19 while moving forward important structural reforms. As of now, the total amount received under the program is <b>US\$ 2.8bn</b> (SDR 2.0bn)</li> <li>On August 25<sup>th</sup> 2021, Ukraine has received <b>US\$ 2.7bn</b> (SDR 1.9bn) under <b>SDR allocation program</b>, part of IMF's assistance to member countries in economic recovery from the Covid-19</li> </ul>	<b>US\$ 2.2bn<sup>1</sup></b>
  <p><b>European Union</b></p>	<ul style="list-style-type: none"> <li>On October 25<sup>th</sup> 2021, Ukraine has received the second and final tranche under <b>MFA program</b> in amount <b>EUR 600m</b>, following the implementation of the required structural reforms</li> <li><b>EUR 1.2bn MFA program</b> for Ukraine was adopted within EUR 3.0bn support package to neighboring partners in May 2020. The nominal tranche of <b>EUR 600m</b> has been provided on December 9, 2020. Since 2014, the EU has approved EUR 5.0bn in MFA support for Ukraine, o/w EUR 3.3bn were disbursed during 2014-2018, EUR 1.1bn in 2020</li> <li>In 2022 Ukraine expects <b>EUR 150m</b> within the Untied Financial Loan to combat COVID-19 economic impact. The proceeds will be directed to support state program "Affordable Loans 5-7-9"</li> </ul>	<b>c.US\$ 0.2bn</b>
 <p><b>World Bank</b></p>	<ul style="list-style-type: none"> <li>On November 15<sup>th</sup> 2021, the project "Additional funding of the Project "Emergency Response to COVID-19 and Vaccination in Ukraine" negotiations were held to attract additional <b>US\$ 150m</b> to combat the spread of COVID-19. The funds will be added to the existing US\$ 90m loan to finance "Emergency Response to COVID-19 and Vaccination in Ukraine" project signed on May 17<sup>th</sup> 2021</li> <li>On September 15<sup>th</sup> 2021 the World Bank representatives have signed two loan agreements for recently approved projects: a <b>US\$ 200m</b> Improving Higher Education for Results Project and a <b>US\$ 212m</b> Improving Power System Resilience for European Power Grid Integration Project</li> <li>The WB has already provided Ukraine with <b>US\$147m</b> to respond to COVID-19 in the <b>health sector</b> and <b>US\$ 350m Economic Recovery Development Policy Loan (DPL)</b>. The total investment project portfolio in Ukraine amounts to US\$ 3.4bn in 11 ongoing projects</li> </ul>	<b>US\$ 0.6bn</b>
<b>Total amount of envisaged external financing from the official partners</b>		<b>c.US\$ 3.0bn</b>

## Notes

<sup>1</sup> Translated from SDR to US\$ based on 1.3939 US\$ per 1 SDR IMF exchange rate as of November 24, 2021



# Status of cooperation between Ukraine and the IMF

## New US\$ 2.7bn SDR allocation program

- ▶ On August 25, 2021, Ukraine has received more than **US\$ 2.7bn** (SDR 1.9bn) under SDR allocation program as part of IMF's assistance to member countries in economic recovery from the coronavirus crisis. The amount is proportional to Ukraine's existing quotas in the Fund (0.0042%)

## Current 18-month US\$ 5.0bn SBA program

- ▶ On May 21, 2020, a Staff Level Agreement on a new **18-month SDR 3.6bn (c. US\$ 5.1bn) arrangement under the Stand-By Arrangement (SBA) was agreed and approved** by the Executive Board on June 9
- ▶ It replaced the Staff Level Agreement on a 3-year Extended Fund Facility (EFF) program which was agreed in December 2019
- ▶ As of today, Ukraine has already received **US\$ 2.8bn financial support under the program**
- ▶ The size and timing of further tranches are subject to the future IMF mission reviews

## Key priorities under IMF's 2020 SBA program:

- ▶ Mitigating the economic impact of the crisis, including by supporting households and businesses
- ▶ Ensuring continued central bank independence and a flexible exchange rate
- ▶ Safeguarding financial stability while recovering the costs from bank resolutions
- ▶ Moving forward with key governance and anti-corruption measures to preserve and deepen recent gains

Sources IMF, Ministry of Finance

Note 1 Translated from SDR to US\$ based on 1.3939 US\$ per 1 SDR IMF exchange rate as of November 24, 2021

## Past EFF, SBA and SDR programs

Availability date / Reviews	SDR m	US\$ m <sup>1</sup>
<b>SDR allocation program (US\$ 2.7bn)</b>		
August 25, 2021 [disbursed]	1,928	2,738
<b>Total SDR program</b>	<b>1,928</b>	<b>2,738</b>
<b>SBA 2020 program (US\$ 5.0bn, 179% of quota)</b>		
June 9, 2020 [disbursed]	1,500	2,076
November 24, 2021 [disbursed]	500	699
Following reviews	1,600	2,230 <sup>1</sup>
<b>Total SBA program</b>	<b>3,600</b>	<b>5,070</b>
<b>SBA 2018 program (US\$ 3.9bn, 139% of quota)</b>		
December 18, 2018	1,000	1,391
<b>Total SBA program</b>	<b>1,000</b>	<b>1,391</b>
<b>EFF 2015 program (US\$ 17.5bn, 900% of quota)</b>		
March 11, 2015	3,546	4,879
July 31, 2015 [1 <sup>st</sup> review]	1,182	1,659
September 15, 2016 [2 <sup>nd</sup> review]	716	1,003
April 3, 2017 [3 <sup>rd</sup> review]	734	996
<b>Total EFF program</b>	<b>6,178</b>	<b>8,537</b>

Note 1 Past tranches translated at NBU XDR/US\$ exchange rate as of the date of their receipt, future tranches (SBA 2020 program) translated per the IMF's rate of 1.3939 US\$ per 1 SDR as of November 24, 2021

# IMF Structural Benchmarks

Structural Benchmarks		Completion Date
1	Approve a 2022 budget targeting a general government deficit of 3.5 percent of GDP	End-November 2021
2	Enact legal amendments to reverse the relaxation of eligibility criteria for state representatives to supervisory boards of state-owned banks	End-November 2021
3	Adopt time-bound succession plans for the supervisory boards of each of the SOBs, consistent with the approved 2021-2024 strategies for each of the banks	End-November 2021
4	Complete and publish the audit of the of the remaining portion of the funds spent out of the Covid-related spending program	End-December 2021
5	NBU will adopt a time-bound action plan, in consultation with IMF staff, to improve professional capacity of bank supervision	End-December 2021
6	The Prosecutor General's Office to publish a semiannual report on the outcomes of criminal proceedings against former bank owners, managers, and other related parties in each resolved bank since the beginning of 2014, with aggregate data on the number of persons investigated, tried, and convicted as well as the amount of fines and damage recovered	End-December 2021
7	Cabinet will endorse a roadmap that outlines the steps required to take PrivatBank and Oschadbank to the market for partial or full privatization and advance the objective of attracting reputable international investors	End-January 2022
8	Adopt and publish a comprehensive asset recovery strategy paper and action plan	End-February 2022
9	Enact amendments to the SAPO law to improve the selection procedures of SAPO officials, strengthen its capacity to regulate its organizational activities, and establish mechanisms for accountability of SAPO Leadership	End-March 2022
10	Develop and make available to all gas suppliers a consumer database with all the information necessary for a new supplier to bill households	End-March 2022
11	Complete the one-off integrity check of existing HCJ members by the Ethics Council in line with provisions in the new HCJ law	End-April 2022
12	Appoint a supervisory Board in Energoatom with a majority of independent members selected through a transparent and robust procedure	End-May 2022

Source IMF



# B / Positive credit rating affirmed by Fitch, B / Stable - by S&P

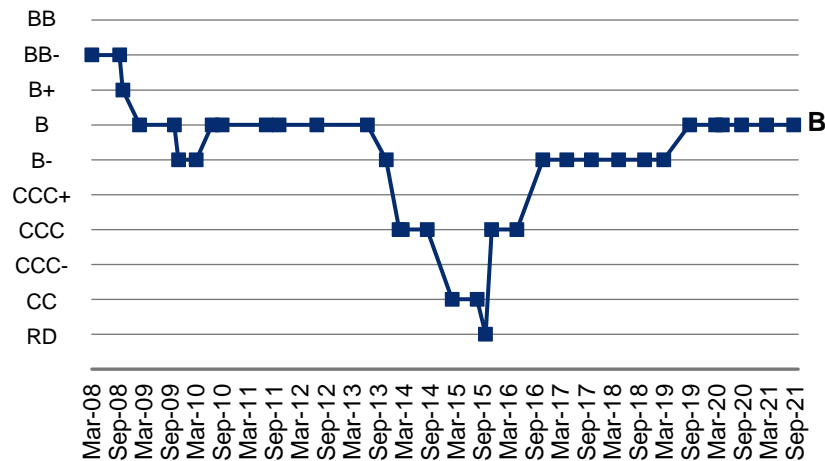
## FitchRatings

**Rating: B, Positive**

Last update: Aug 6, 2021, reaffirmed at B, outlook raised to positive  
Next update: Feb 2022

### Key rating drivers of the last review:

- ▶ Track record of multilateral support and a credible macroeconomic policy framework that has underpinned resilience to the coronavirus shock and macroeconomic stability
- ▶ FX reserves consolidation, commitment to inflation-targeting and prudent fiscal policy with noticeable reduction in government debt
- ▶ Expectations for gradual fiscal consolidation and continuation of macroeconomic policies
- ▶ Human development indicators compare favorably with the peer group, a net external creditor position of close to 11% of GDP, and lower general government debt than the 'B' median



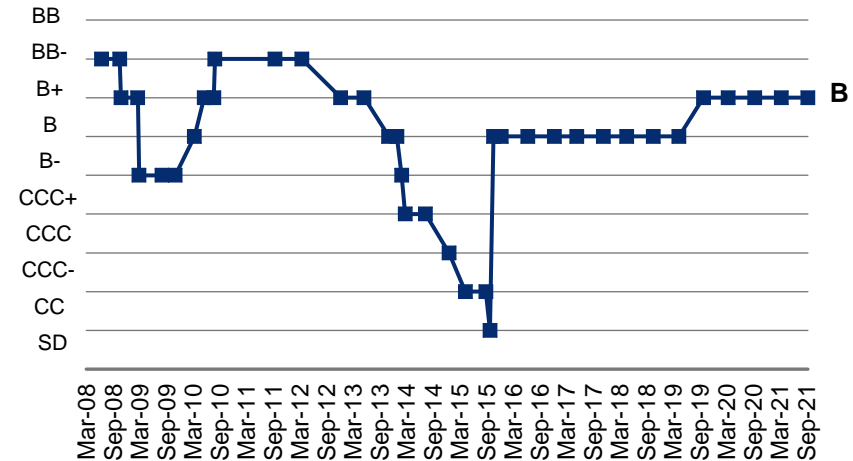
## S&P Global

**Rating: B, Stable**

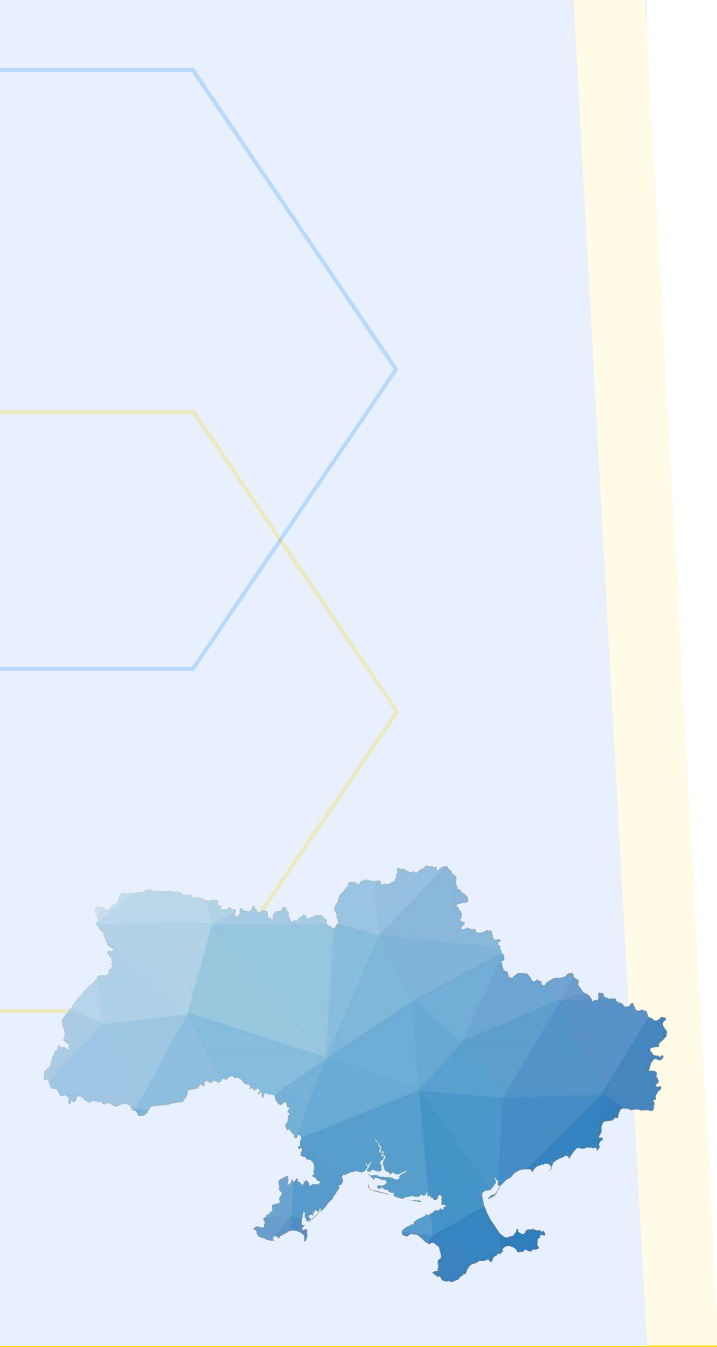
Last update: Sep 10, 2021, reaffirmed at B, outlook stable  
Next update: Feb 2022

### Key rating drivers of the last review:

- ▶ Ukraine's growth, balance of payments, and public finances all outperformed the expectations in 2020
- ▶ Reserve adequacy has improved, providing a cushion against potential adverse external developments including further delays in the disbursement of concessional loans
- ▶ Stronger macroeconomic management since 2015 and augmented foreign exchange (FX) reserves
- ▶ The ongoing implementation of reforms helps the government access commercial debt markets and receive concessional funding from international financial institutions (IFIs)



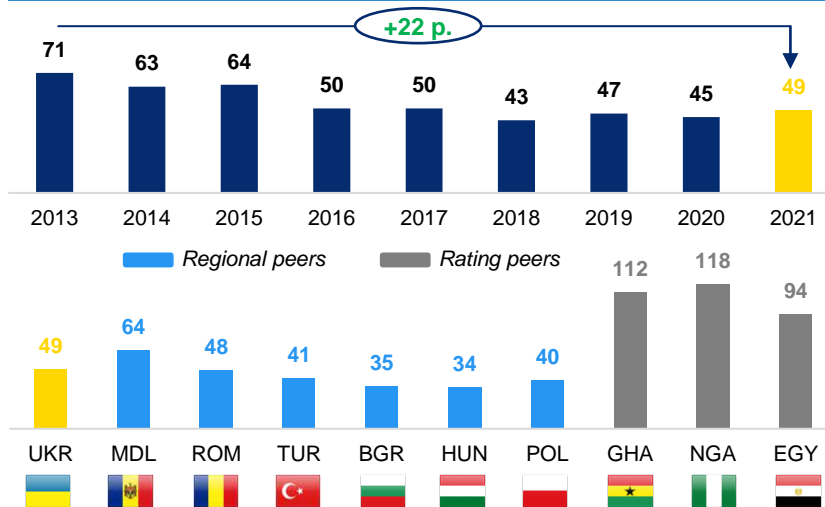




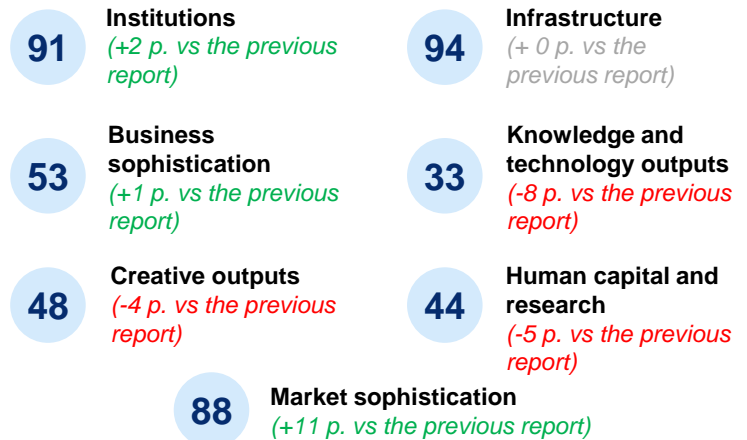
- 1 Solid foundation for long-term economic growth
- 2 Return to gradual fiscal consolidation
- 3 Prudent debt management strategy
- 4 Reviving business climate and development prospects**
- 5 Strong focus on ESG considerations

# Business climate improvement to accelerate growth potential

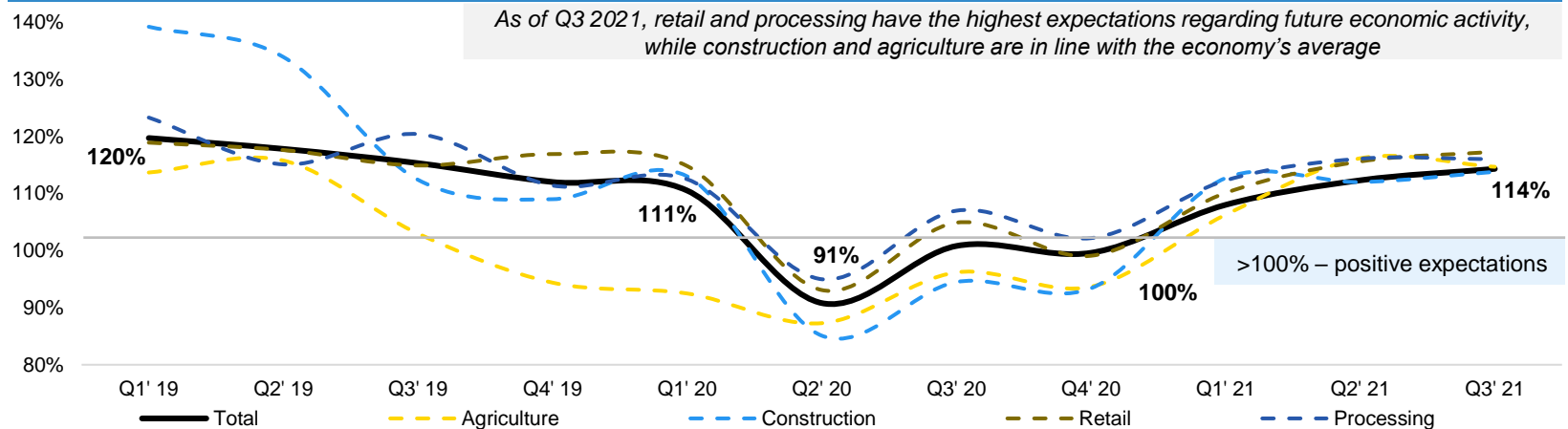
## Global Innovation Index 2021: Index evolution, comparison with peers and main rating pillars



## Ukraine's selected pillars in 2021 global ranking



## Business expectations index by the NBU



Source NBU

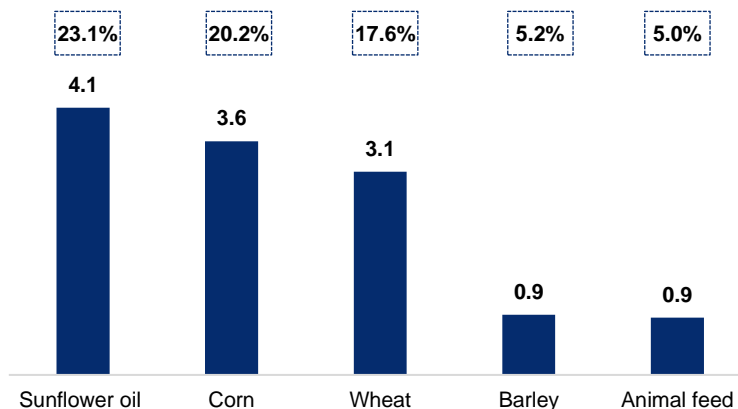
# Seizing crisis opportunity for agri exports

## Comments

- ▶ Over the last 5 years, the **worldwide consumption** of **wheat** and **corn** increased by **6.0%** and **7.1%** respectively, mainly driven by the population growth
- ▶ **Ukraine** also increased its production and **export** recently: export of **wheat** is expected to reach **MMT 787** in 2021/22 while the **corn** should peak at **MMT 1,168** reflecting a **22%** and **77% increase** in export volumes, respectively, compared to 2017/2018
- ▶ With relatively **strong export prices**, corn and wheat are key export commodities that have already brought **US\$ 6.7bn** in export inflows (as of Sept 2021)
- ▶ Export of **agricultural products** itself constitute **c. 40%** of all exports, with **top 5 products** share of **c. 26%**

## Agri export volumes (US\$ bn) and goods breakdown<sup>1</sup>

### Share in agri export

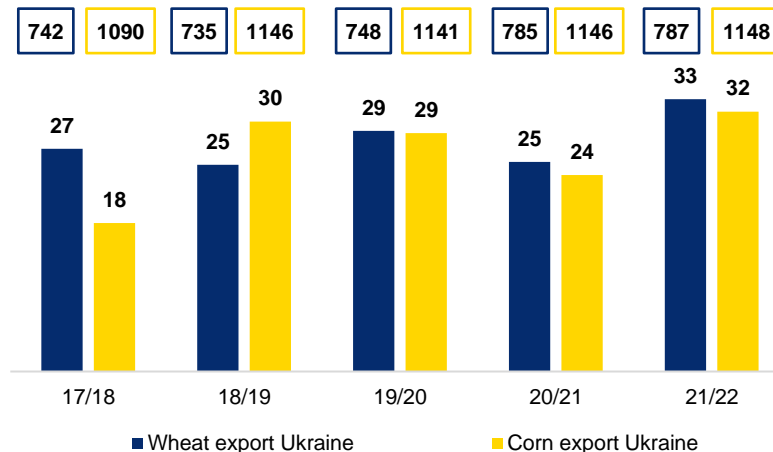


Source State Customs Service of Ukraine

Note 1: In January – September 2021

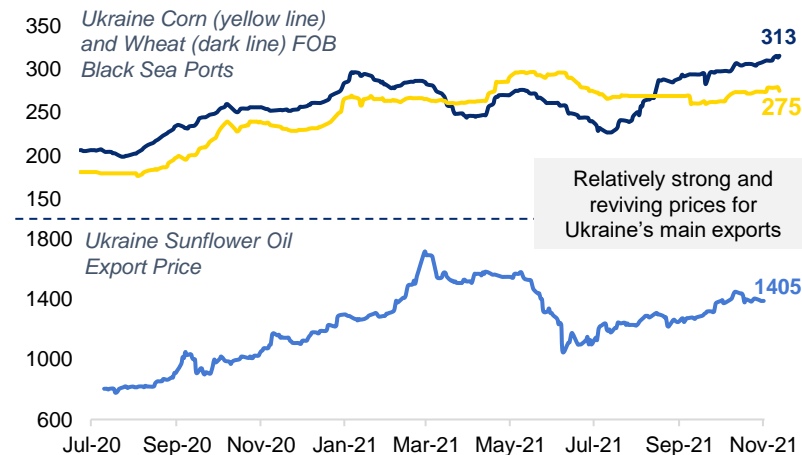
## Wheat and corn consumption (world) and Ukraine's export

### Metric tons



Source USDA

## Ukraine's export prices on selected agri goods (US\$ / t)



Source Bloomberg, as of Nov 12, 2021

# Business reforms

## Key updates (2019-2021)

## Selected results

### Institutions & governance



- ▶ **Anti-corruption:** launch of High Anti-Corruption Court in 2019, full anti-corruption infrastructure in place
- ▶ **Decentralization:** liquidation of inefficient administrative units (April 2020)
- ▶ **Transparency:** resolution on open datasets (April 2021)

879

criminal proceedings by the NABU with 322 cases filled to the courts and 56 convictions

136

new units were formed from 490 units. This step is expected to increase the efficiency of local governance

1000+

datasets will be published by various government bodies. To keep the data, "Diia. Open Data" portal will be created

### Digitalization



- ▶ **Telecom:** Simplifying licensing procedures for the telecom companies (January 2021)
- ▶ **Strategy:** The strategy of digital transformation of Ukraine to 2024 (February 2021)
- ▶ **IT ecosystem Diia City:** The first draft of law on establishing a special legal and tax regime for IT industry (July 2021)

14.5m

Ukrainians already had access to the 4G in Sept 2021 (vs 12m in March) The reform is expected to boost the coverage to 95% in 2023

94

digital transformation projects in the fields of education, healthcare, justice, economics and trade, energy and infrastructure

5%

will be income tax rate for residents (vs 18% in other industries), companies will be able to choose between standard corporate tax (18%) and tax on distributed profits (9%)

### Business climate



- ▶ **FDI attraction:** law to improve the investment climate in Ukraine voted by MPs in July 2020
- ▶ **Big Construction:** started in 2019, expanded in 2020-2021
- ▶ **Land market:** Law on land market voted by the MPs in March 2020, the market officially started in July 2021
- ▶ **SME:** Law on facilitating connection for small and medium businesses to power lines (July 2021)

EUR 20m+

should be the value of an investment project to receive a manager responsible for the project preparation

6,500 km

roads and 258 bridges built and reconstructed in 2020

0.5%

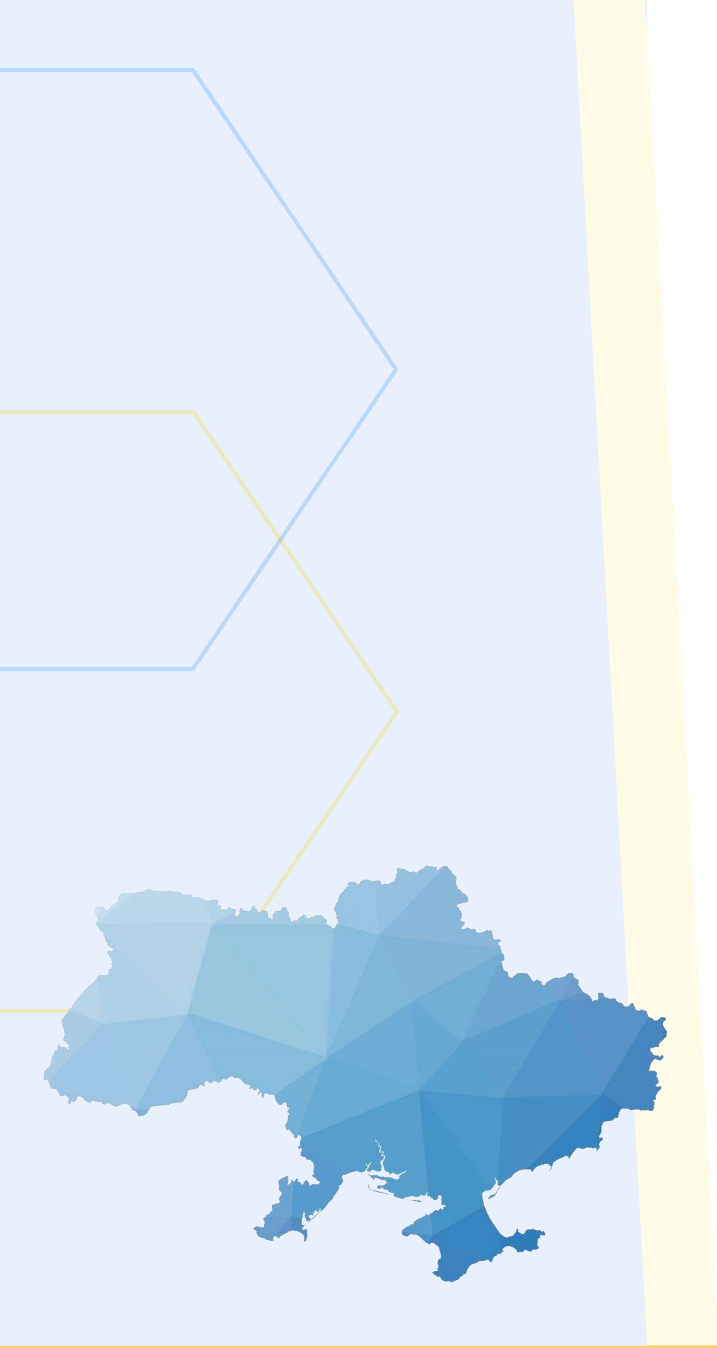
expected contribution of land reform to the GDP growth in the current market model (without foreigners and legal entities)

112

days should be spent now (vs 267 before) to connect small businesses to power lines

Sources CMU, Ministry of Digital Transformation, NBU, Ministry of Agrarian policy and Food of Ukraine, NABU, Verkhovna Rada





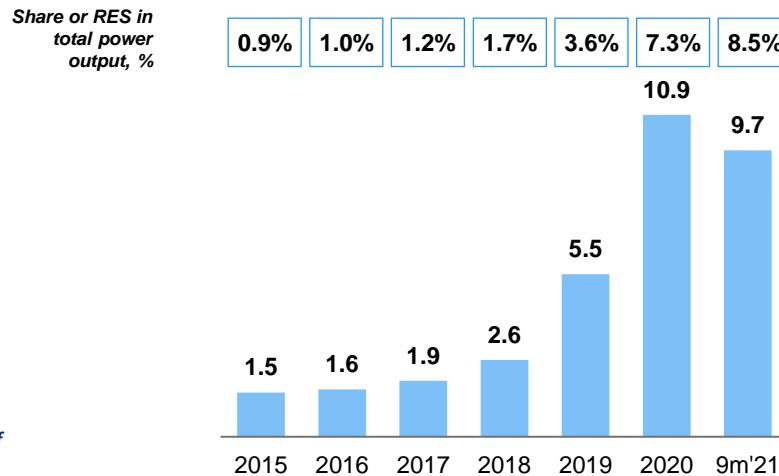
- 1 Solid foundation for long-term economic growth
- 2 Return to gradual fiscal consolidation
- 3 Prudent debt management strategy
- 4 Reviving business climate and development prospects
- 5 **Strong focus on ESG considerations**

## Ukraine's Paris agreement commitments

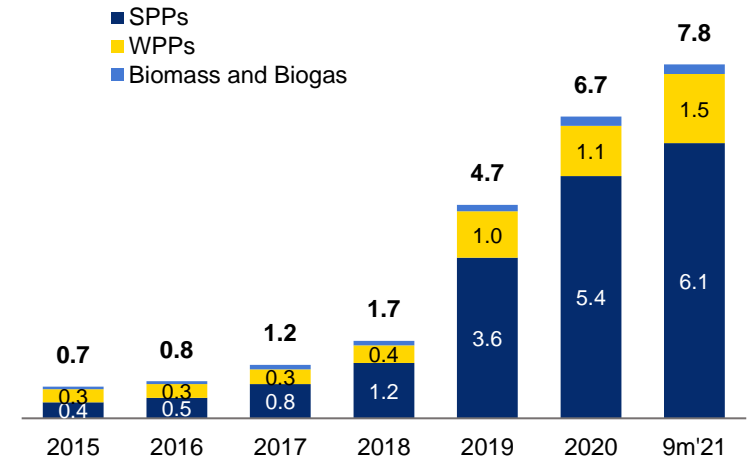
- Ukraine is a Party to the UNFCCC and is one of the first countries which ratified the Paris Agreement.
- Ukraine's 1st NDC defines GHG emissions target as 'not exceeding 60% of the 1990 level'. (63% as of end 2019)
- In April 2021, the draft of the 2nd NDC were published, aiming to reduce GHG emissions by 65% in 2030 compared to the 1990 level.
- The draft of 2nd NDC targets the share of renewables to account for 30% by 2030 (vs. 25% actual target).

Sources SAAE, Ministry of Energy of Ukraine, Ukrenergo

## Electricity production from RES, TWh



## RES installed capacity dynamics as of eop, GW

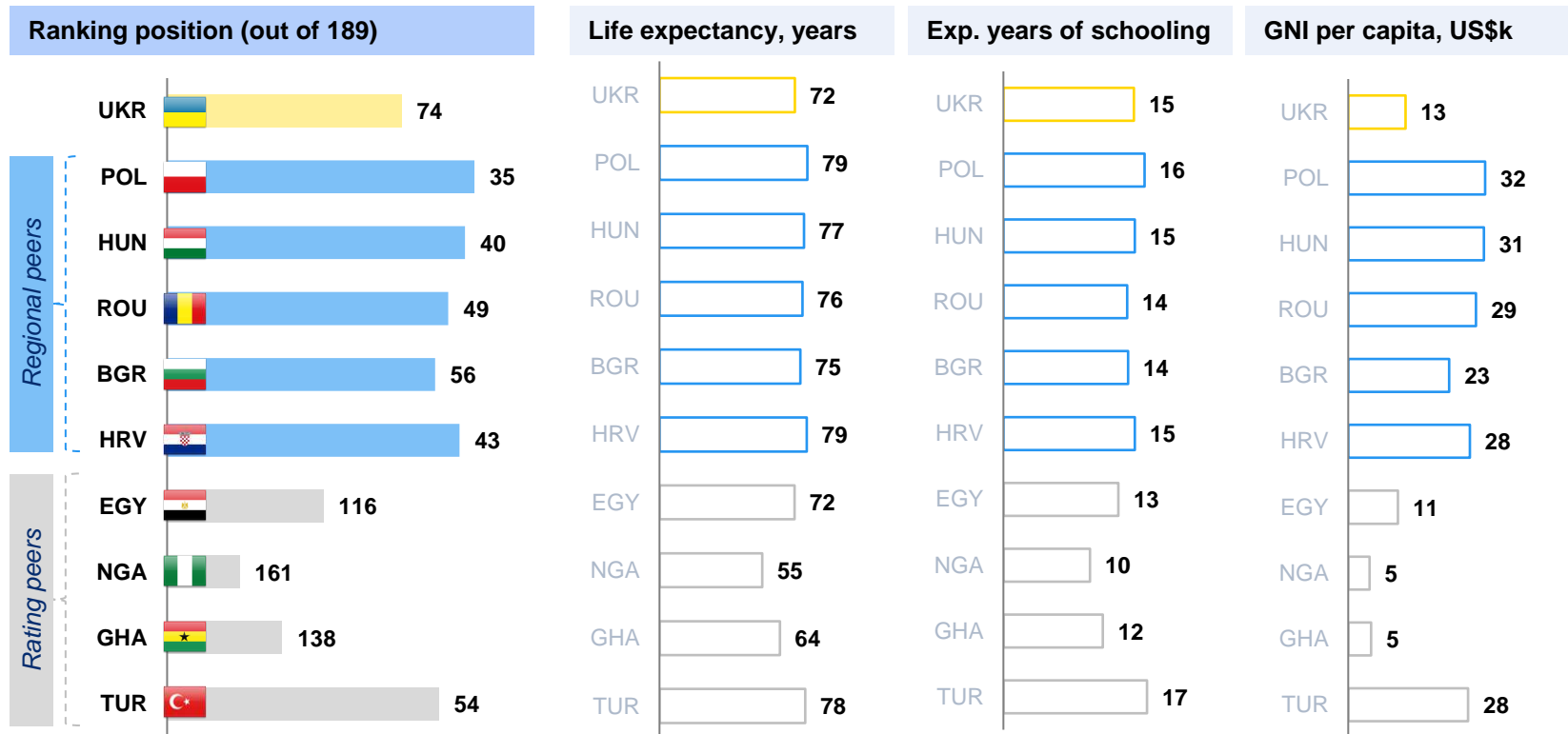


## Key environmental initiatives / commitments

- 2016:** Ukraine signed the **Paris agreement** in April and ratified it in September
- 2017:** the government adopted the **Energy Strategy of Ukraine until 2035**. It outlines measures to: (i) reduce greenhouse gas emissions, and (ii) restructure the coal sector to reduce its environmental impact
- June 2020:** Government signs Memorandum with green energy producers
- August 2020:** IFC Partnered with Ukraine's National Securities and Stock Market Commission to Boost Green Finance
- March 2021:** Ukraine approved National Economic Strategy 2030, committing to reach 25% share of renewables as of 2030
- June 2021:** President signed a law on the launch of "Green Country" project, aimed at increasing the forest area by 1m ha in 10 y.
- November 2021:** Debut 5-year Green and Sustainability-linked Eurobond issuance for a US\$ 825m size at 6.875% yield
- November 2021:** Ukraine has made important commitments on **COP26 UN Climate Change Conference** (reduce GHG emissions by 7% vs 2019 over the next 10 years and become a **carbon-neutral country by 2060**; signed the **Global Initiative to Reduce Methane Emissions** by 30% by 2030 compared to 2020 levels, etc.)

## UNDP Human Development Index 2020

- Ukraine belongs to **High Human Development group** within **UNDP HDI** (which is also used by selected credit rating agencies) and demonstrates consistent improvement since 2015
- While life expectancy and education indices perform relatively in line with the regional peers and generally overperform rating peers, the income measure, GNI per capita, is the one pulling the country's ranking down



▶ In order to further enhance the country's human capital, both education and healthcare sectors are currently undergoing reforms with the following key priorities:

- Education:** (i) affordable and quality pre-school education, (ii) New Ukrainian School, (iii) modern professional (vocational) education, (iv) quality higher education and development of adult education, (v) development of science and innovation
- Healthcare:** (i) implementation of the new financing mechanism "money follows the patient", (ii) introduction of "family" doctors, (iii) primary care, palliative care, and emergency medical care 100% funded by the state, (iv) new methods for procuring and distributing vaccines, (v) new licensing and educational standards for doctors, etc.

Sources UNDP, Ministry of Education and Science of Ukraine, Ministry of Health of Ukraine





- ▶ One of the key features of Ukraine's structural reform agenda is **enhancing social development** and **ensuring comprehensive economic growth**. Ukraine's strategy to support rural development is based on six key pillars:

## (1) Regional development

With the **State Strategy for Regional Development 2021-2027**, Ukraine aims to, among others:

- ▶ Increase **per capita gross regional product** in 75% of regions with the lowest rates to the level of the **top 25%**
- ▶ Increase the **Regional Human Development Index** in 75% of regions with the lowest rates to the level of the **top 25%**

## (4) Digital transformation (key 2030 targets)

**95%** of citizens are active users of high-speed Internet

**99%** of all highways and railways are covered by mobile internet technologies

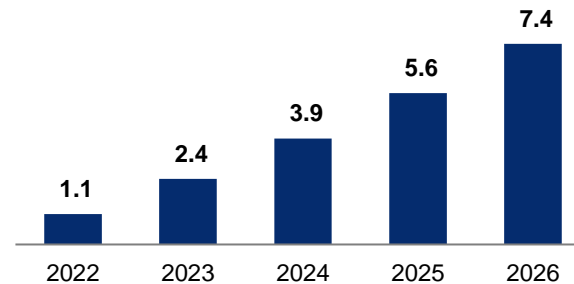
**200** Ukrainian cities to switch to digital management platforms

**99%** of processes are digital in the following areas: education, medicine, transport, public safety, social security, etc.

Source National Economic Strategy 2030

## (2) Safe and affordable drinking water

Targeted cumulative number of people to be provided with quality drinking water (millions)



Source "Drinking water of Ukraine" for 2022-2026

## (5) SMEs support

- ▶ State program "**Affordable loans 5-7-9%**" was launched to provide financing support to SMEs
  - A SME can obtain a loan of up to **UAH 1.5m** for a period of up to **5 years**
  - Since the beginning of the program, **26,410 loans** have been issued (**UAH 69.7bn** as of November 8, 2021)
  - Provide support for development to another **20,000 entrepreneurs**

## (3) Development of accessible transport

**National Transport Strategy 2030** is aiming to maximize the transport potential of Ukraine:

- ▶ Reduce the fatalities due to road accidents by **50% by 2030**
- ▶ Increase in the share of electric transport in domestic traffic to **75% by 2030**
- ▶ Increase in the share of accessible public transport for people with disabilities to **50% by 2030**
- ▶ At least **6bn** transported passengers in **2030** (from 4.3bn in 2019)

## (6) Gender equality

**Key targets of the State Strategy for Equal Rights and opportunities for Women and Men until 2030:**

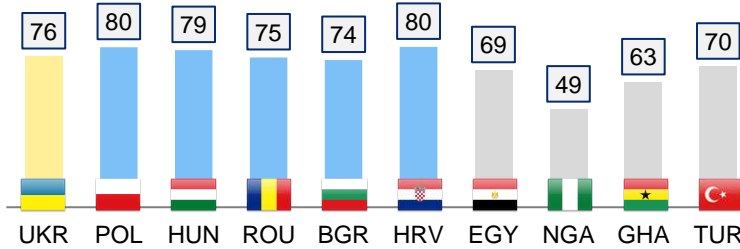
	2022-2024	2025-2027	2028-2030
Share of women among deputies in Ukrainian parliament, (%)	21%	30%	40%
Share of women among deputies of regional and local councils, (%)	30%	30%	40%
Share of gender sensitive budget programs, (%)	20%	30%	40%

## Ukraine vs peers in governance ratings

### Sustainable Development Goals Index 2021



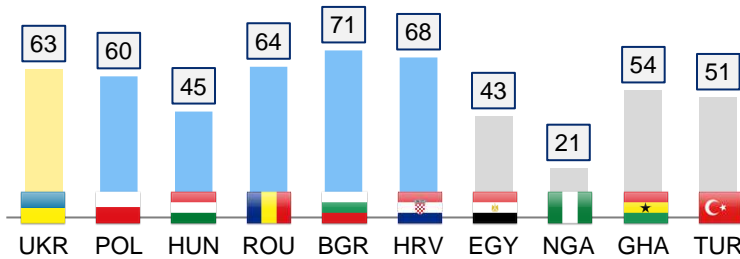
- ▶ Rating: 0 (worst) to 100 (best)
- ▶ Analyzes country's performance within 17 goals



### Open Budget Index 2019



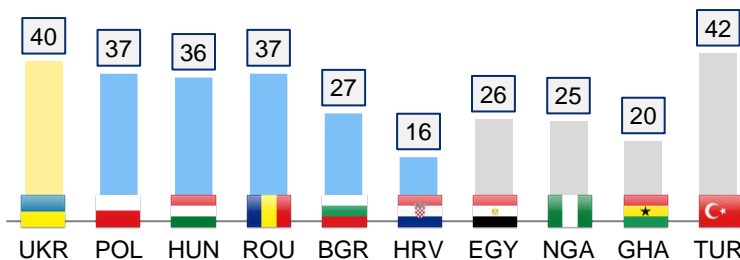
- ▶ Rating: 0 (worst) to 100 (best)
- ▶ Analyzes country's budget transparency



### Investor Relations Index 2020



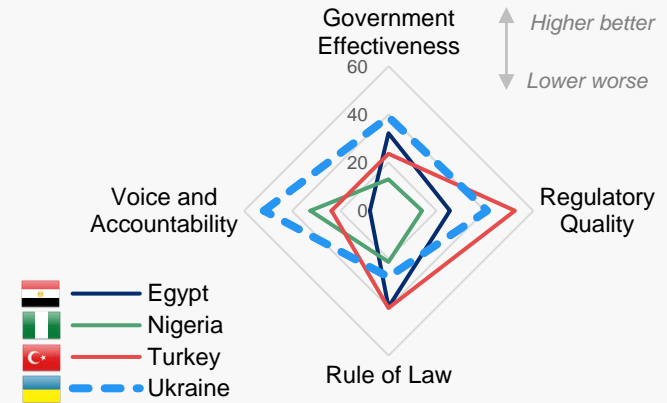
- ▶ Rating: 0 (worst) to 42 (best)
- ▶ Analyzes country's investor relations function



Sources U.S. Department of State, World Bank, UN, TPPR, International Budget Partnership, IIF

## WGI and other developments on governance

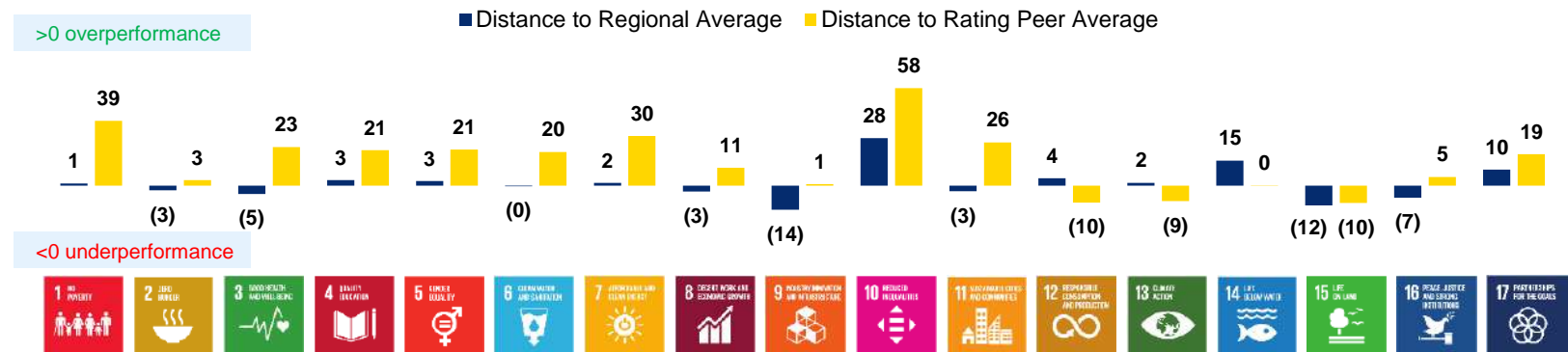
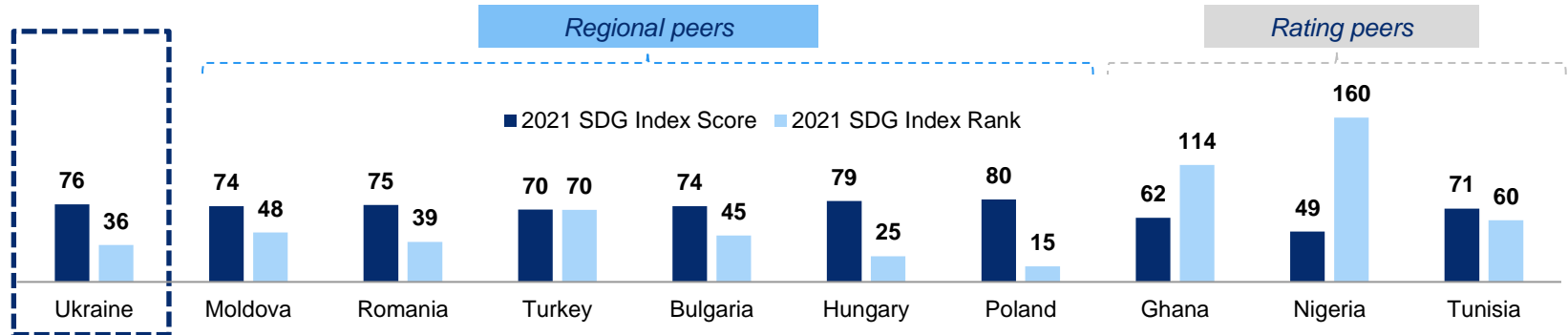
### Worldwide Governance Indicators 2020



- ▶ **Worldwide Governance Indicators (WGI)** are published by the World Bank and constitute an important basis for sovereign credit ratings
  - Ukraine performs in line with its rating peers demonstrating relatively solid performance in Voice and Accountability, Government Effectiveness and Regulatory Quality pillars
- ▶ Besides the mentioned indices, Ukraine has also topped **Transparent Public Procurement Rating** in 2020 (among 40 countries)
- ▶ European Open Data Portal named **Ukraine as one of the trend-setter in opening up the finance data** in Europe because of its online data platform E-data. This platform combines several three portals: Spendings, OpenBudget, ProIFIs.

# Robust focus on delivering SDGs

## SDG Performance: Ukraine vs regional and rating peers



▶ **Ukraine performs at the higher end of the SDG Index overperforming all of the regional (except for Hungary and Poland) and rating peers:**

- **Regional peers:** Ukraine outperforms regional peers the most in SDG 10 “Reduced inequalities”, SDG 14 “Life below water” and SDG 17 “Partnership for the goals”, while the largest underperformance is attributable to SDG 9 “Industry innovation, infrastructure”, and SDG 15 “Life on land”
- **Rating peers:** Ukraine outperforms rating peers in all but three goals, namely SDG 12 “Responsible consumption and production”, SDG 13 “Climate action”, and SDG 15 “Life on land”





MINISTRY OF  
FINANCE OF  
UKRAINE

### **Debt Policy Department Team**

Should you have any questions and / or suggestions, please, do not hesitate to contact us via:

[ir@minfin.gov.ua](mailto:ir@minfin.gov.ua)  
+38 044 277 5455

