



MINISTRY OF
FINANCE OF
UKRAINE

ICU Ukrainian Fixed Income Conference

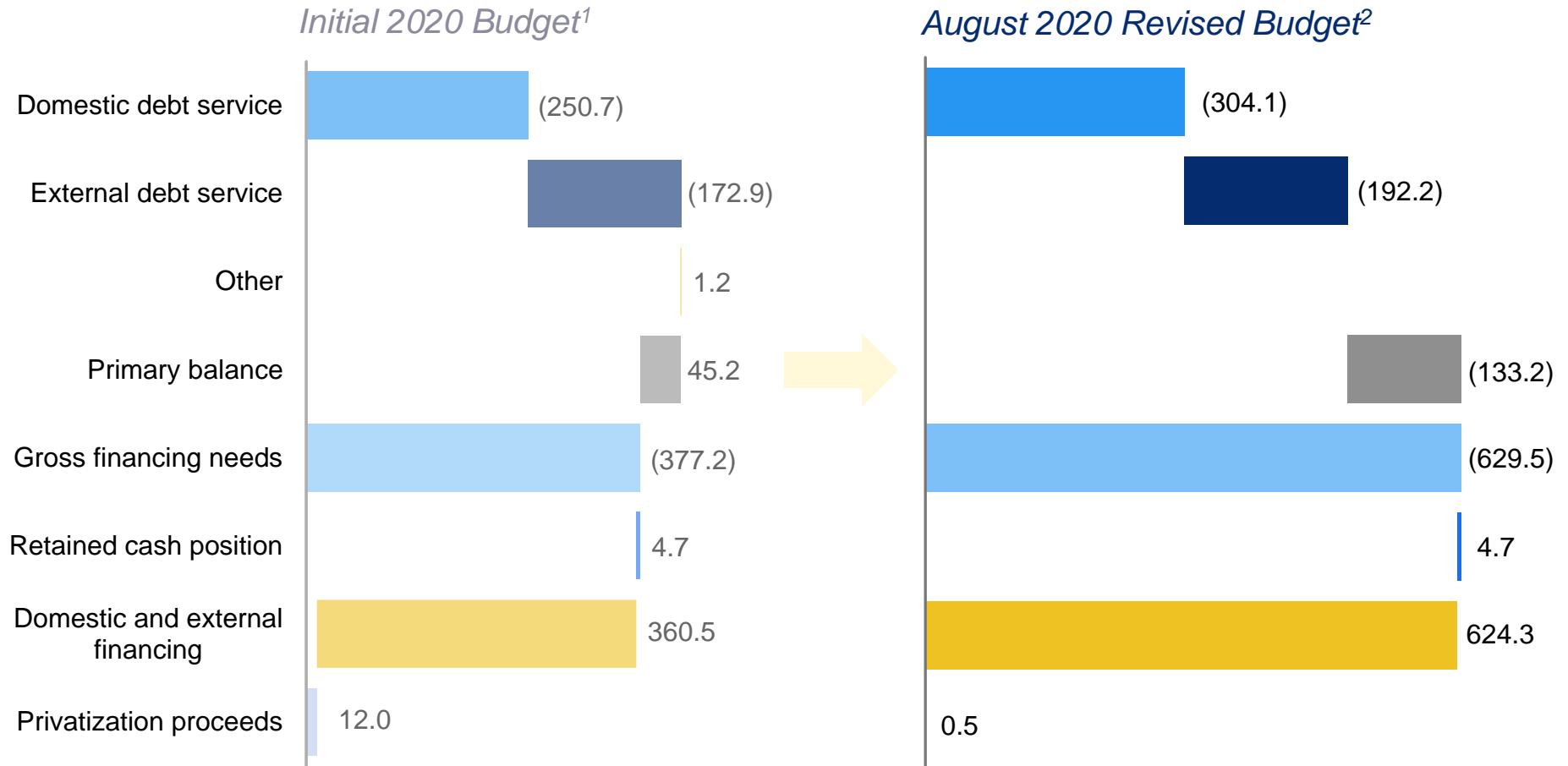
Yuriy Butsa
Government Commissioner for
Public Debt Management

September 11, 2020



Even though Ukraine's 2020 gross financing needs rose on the back of COVID pandemic...

Gross financing needs, UAH bn



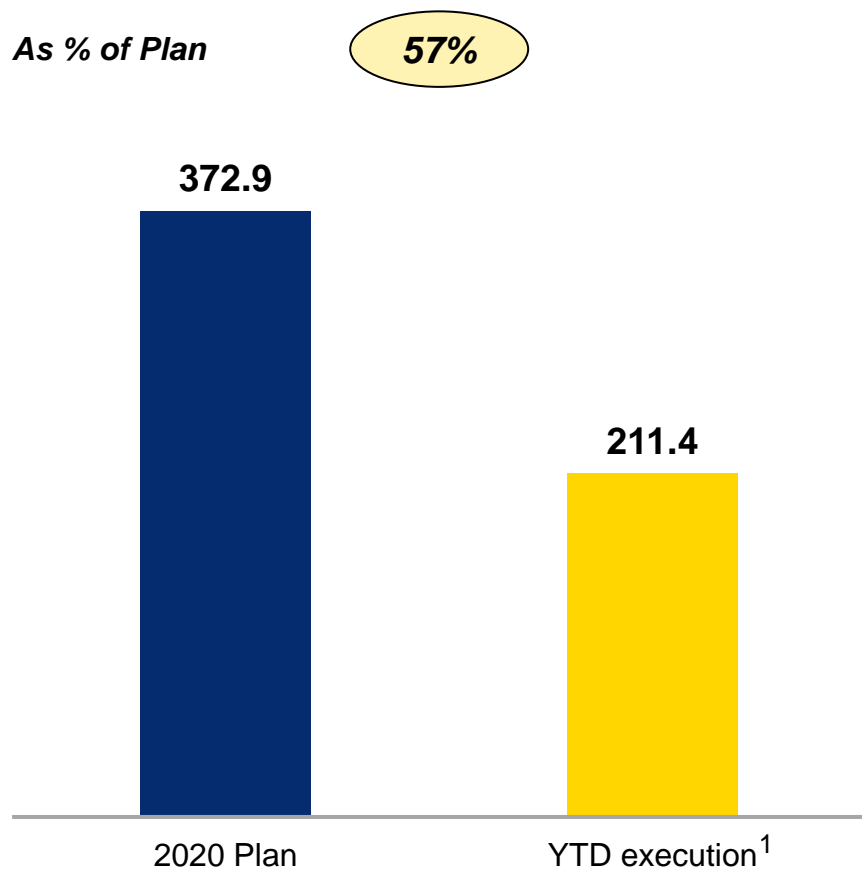
Source Ministry of Finance of Ukraine

Note 1 Figures based on 2020 state budget law as of February 2020

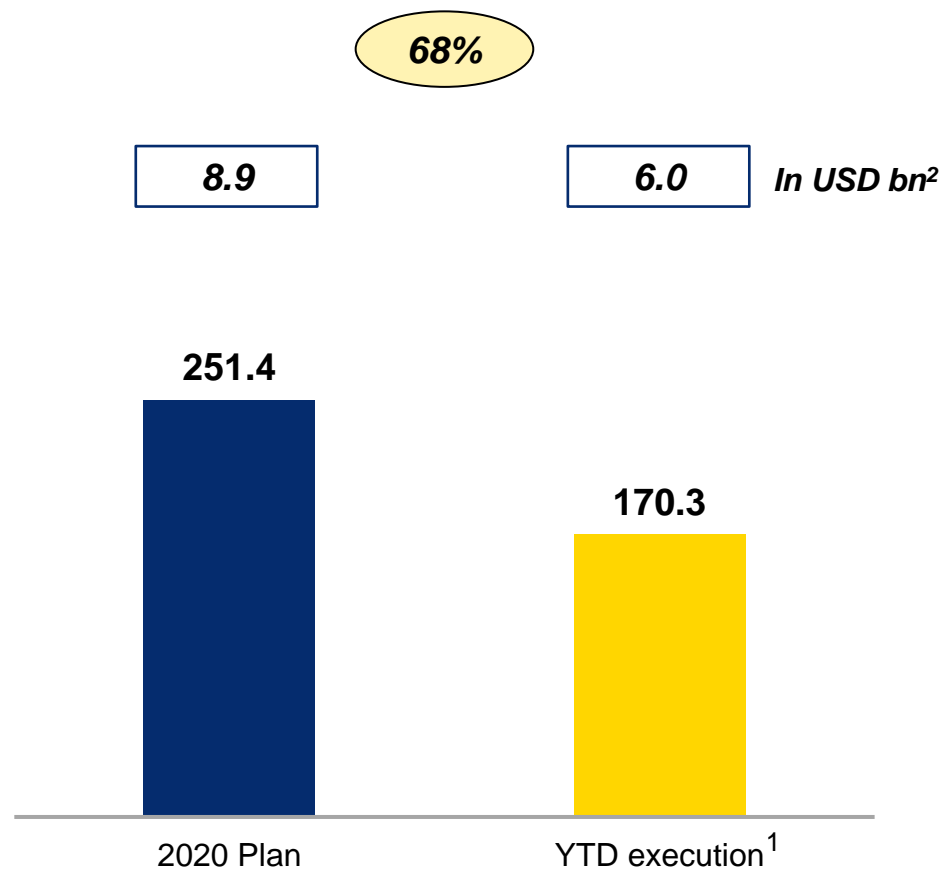
Note 2 Figures based on 2020 state budget law as of August 2020

... the financing plan is being executed prudently

Domestic borrowings (UAH bn)



External borrowings (UAH bn)



Source Ministry of Finance of Ukraine

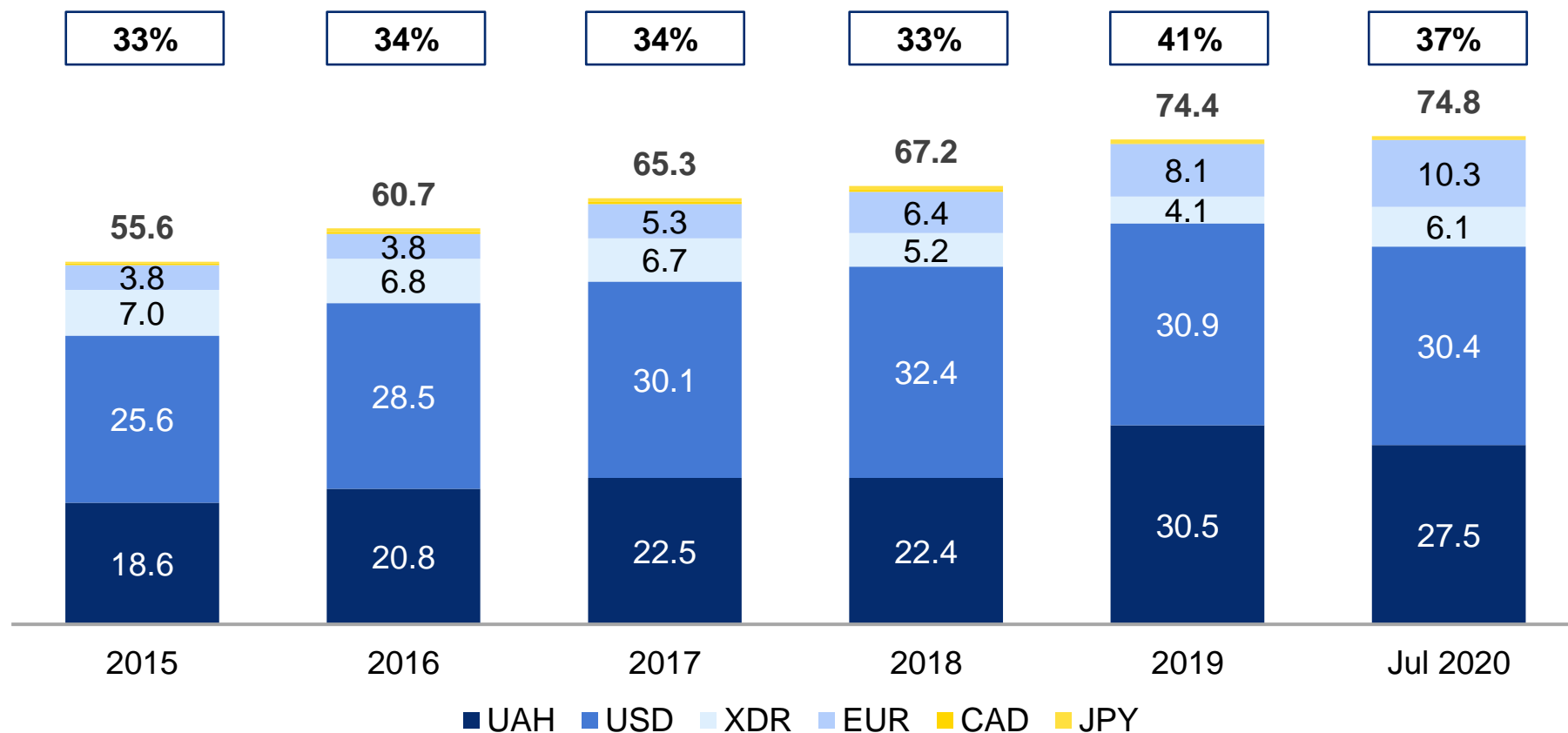
Note 1 As of 09.09.2020

Note 2 Translated into USD based on expected UAH/USD FX rate of 28.3

Total state debt is similar to end-2019 level and UAH share decreased only slightly

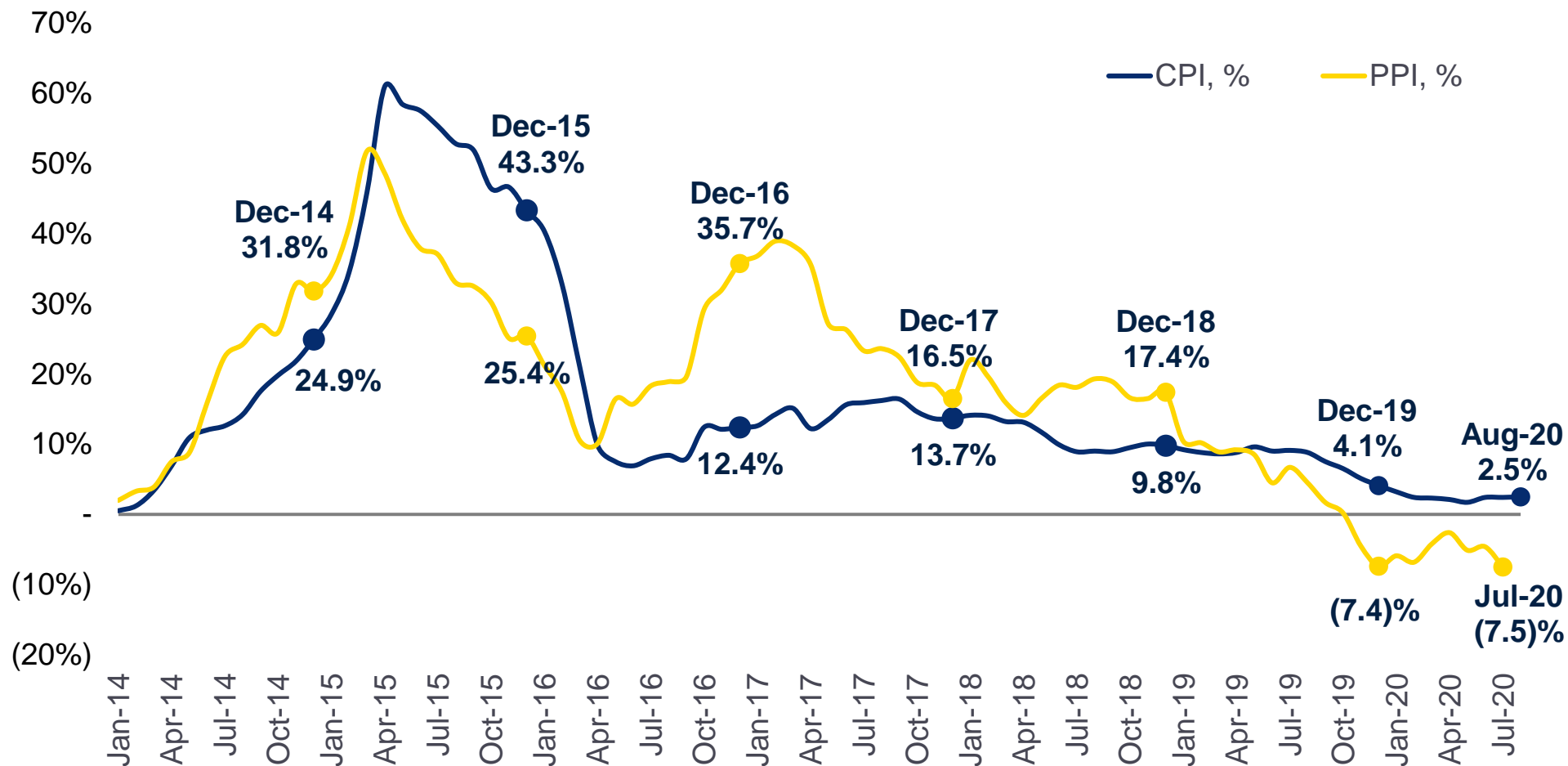
State debt breakdown by currency, USDbn

Share of UAH in Ukraine's state and state-guaranteed debt



Source Ministry of Finance of Ukraine

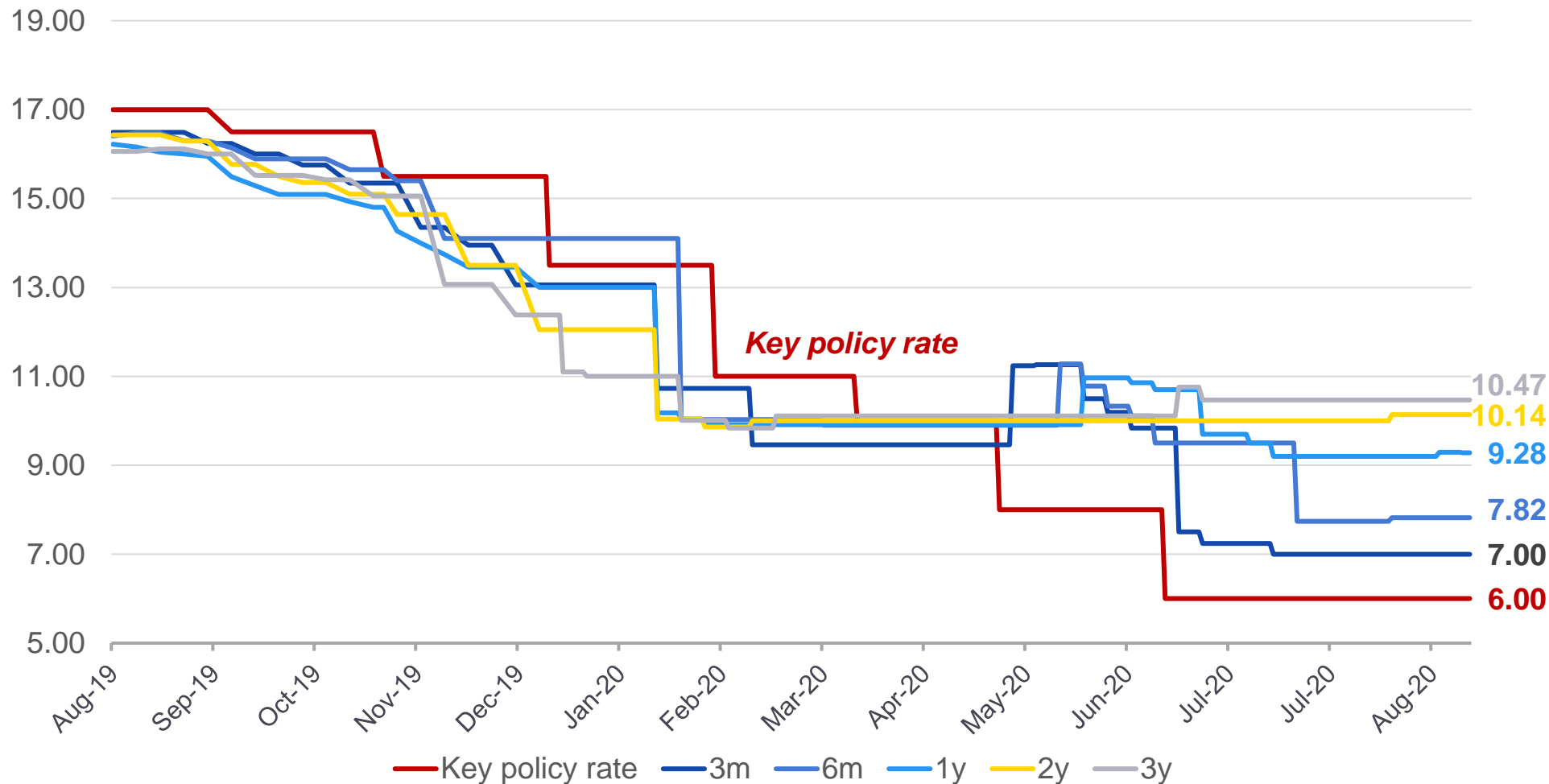
Inflation was steadily going down and is now slightly below the target range of the NBU...



Source National Bank of Ukraine

... As a result, the nominal yields are falling

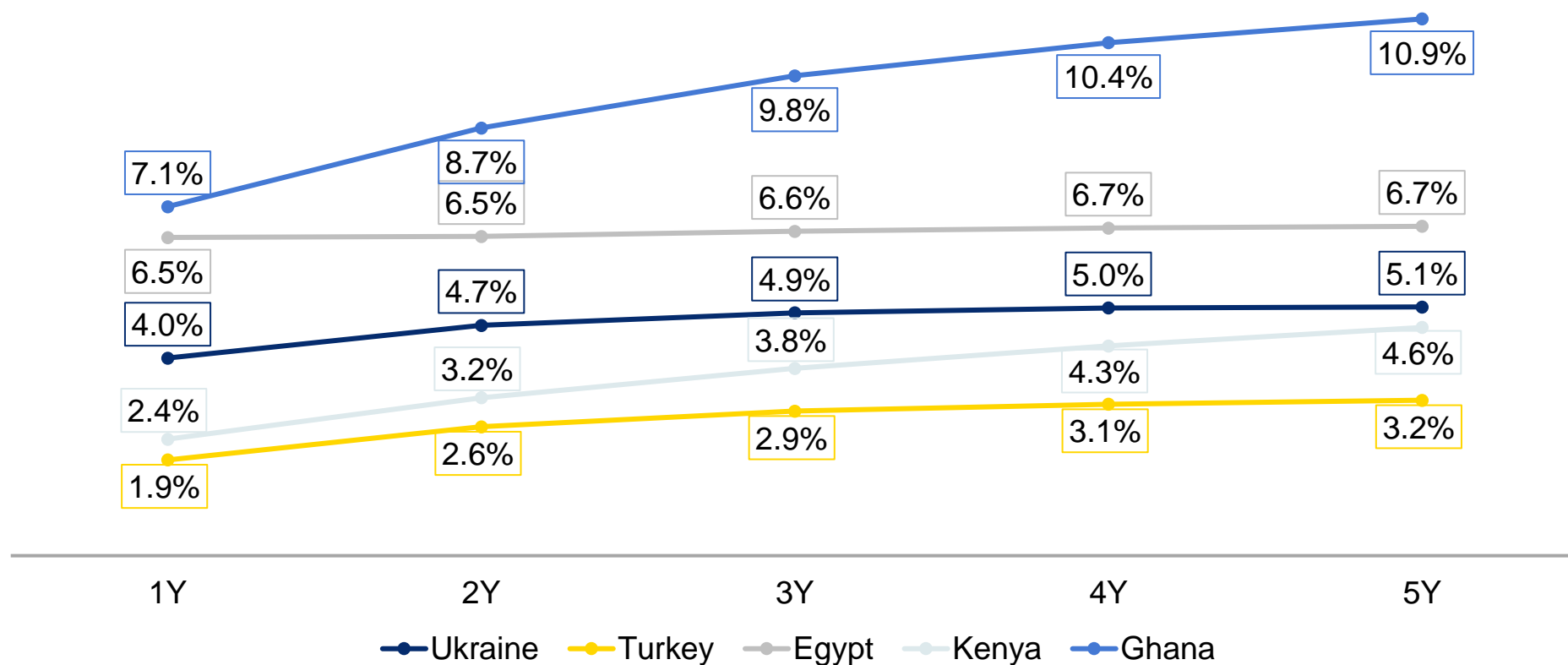
Weighted average yields on UAH-denominated domestic debt placements and key policy rate (%)



Source Ministry of Finance of Ukraine

Real yields on domestic bonds also shifted down on the back of improved macroeconomic stability

Real yield of domestic government bonds in local currency: Ukraine vs. peer countries



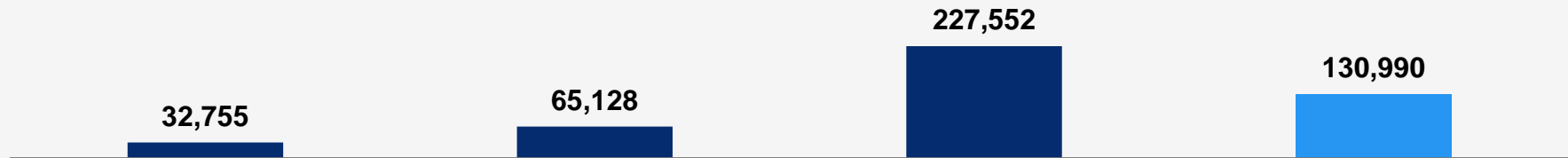
Source Bloomberg (10.09.2020)

Domestic government bond market continued its upward trend in 2020 ...

Domestic government bond placements by currency

*Funds remitted to State Budget
UAHm*

UAH-denominated issuances



USDm

USD-denominated issuances



EURm

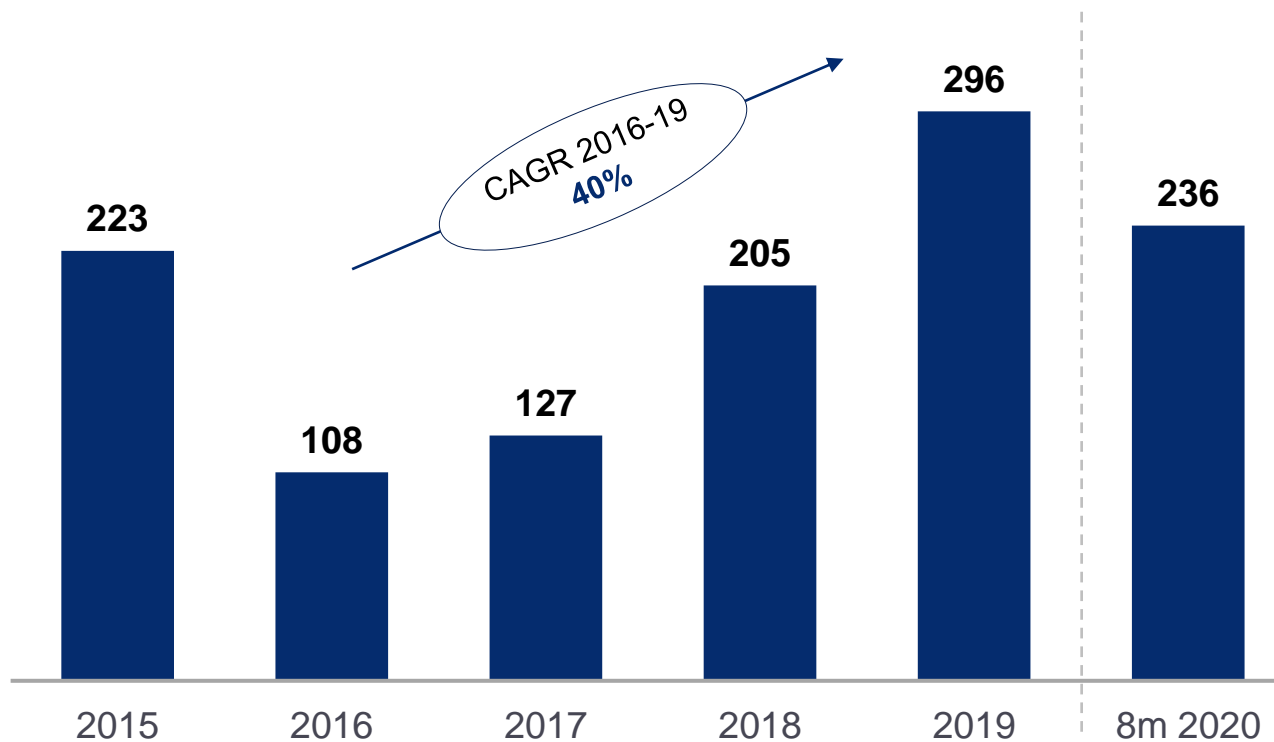
EUR-denominated issuances



Source Ministry of Finance of Ukraine

... supported by the steady increase in domestic secondary trading ...

Secondary trading volume of domestic government bonds, UAHbn

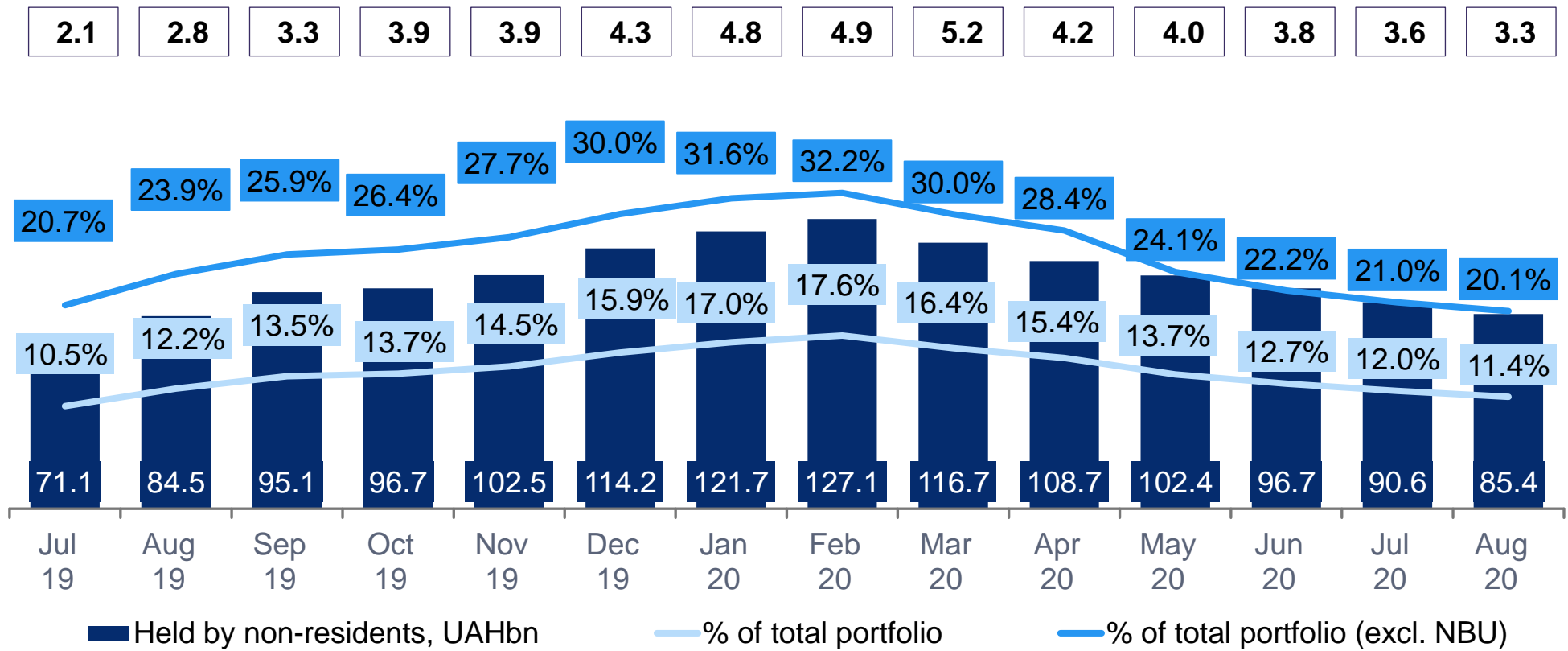


- ▶ In 2019, the **market continued to grow** and reached UAH 296bn which is almost a threefold increase compare to 2016
- ▶ **Further uptick in secondary trading volumes is exhibited 2020**

... despite a recent decline in non-residents' domestic government bonds holdings





Non-residents' domestic government bond portfolio

Held by non-residents, USDbn



Source National Bank of Ukraine

The NBU facilitated domestic government bonds investments

Concept	Description
Clearing system 	<ul style="list-style-type: none">▶ Cash clearing system adopted for government bonds denominated in foreign currency which will lower administrative burden for MoF and depository institutions
New account type in NDU 	<ul style="list-style-type: none">▶ Ukrainian depositories may open new account in the National Depository of Ukraine for their international clients as nominal securities holders (depository institutions / custodians registered in one of the EU/FATF member states are entitled to open nominal holders accounts with Ukrainian depository institutions)
Increased list of operations 	<ul style="list-style-type: none">▶ The NBU allowed non-residents to inherit, succeed domestic government bonds or use them for statutory capital contribution▶ Introduction of electronic versions of global issuance certificates
No depository license 	<ul style="list-style-type: none">▶ Primary dealers are not required to obtain depository license to participate in government bond auctions▶ Non-bank depository institutions may use NBU's depository system without mandatory connection to NBU's e-mail system



New law on capital and commodity markets was signed by the President

Concept	Description
Securities	<ul style="list-style-type: none">▶ Extension of the list of securities based on their revised classification and presentation of new types of bonds and derivatives
Market players	<ul style="list-style-type: none">▶ Introduction of qualified investors concept in accordance with MiFID directives▶ New type of players – related agents (intermediaries between the market and the investors)
Infrastructure	<ul style="list-style-type: none">▶ Definition of capital markets structure, including organized and OTC markets▶ Harmonization of the Ukrainian capital and commodity markets legislation with the EU regulations and ISDA recommendations
Protection of investors rights	<ul style="list-style-type: none">▶ Protection of bondholder rights through definition of bondholders meeting's powers and obligations

Source CMU