

Medium-Term State Debt Management Strategy for 2026 – 2028

[December 2025]

Executive summary

The Medium-term state debt management strategy for 2026 – 2028 (hereafter referred to as the Strategy) is a tool designed by the Ministry of Finance of Ukraine (hereafter referred to as the MinFin) to assess the current status and dynamics of the state debt of Ukraine and define objectives, targets and tasks over the medium term to optimize state debt structure from a cost/risk perspective while bringing the country on the path to a more sustainable debt trajectory.

The Strategy is being implemented in the context of Russia's unprovoked full-scale military invasion of Ukraine started in 2022. Before the war, Ukraine had achieved a significant reduction in its debt burden since 2015 and a strong macro-economic performance. However, despite showcasing strong resilience, the Ukrainian economy and public finances have been strongly impacted by Russia's war of aggression against Ukraine given the unprecedented nature of the shock. In this context, Ukraine's financial position has been and is still strongly supported by international partners through grants and concessional funding.

In 2023, Ukraine requested an IMF program to facilitate the mobilization of resources for budget financing and to ensure fiscal sustainability amid Russia's full-scale military aggression. As part of the commitments under the program, the MinFin implemented the restructuring of outstanding Eurobonds amounting to USD 20.5bn and is committed to finalize the treatment of residual commercial claims within the defined perimeter of the program to restore public debt sustainability.

Over the medium term, Ukraine will continue to implement a financing strategy at the lowest possible cost, while containing risks. In this respect, 3 main objectives for state debt management have been identified:

1. *Attract long-term concessional funding and maximize the share of grants in official sector support*
2. *Maintain strong investor relations and pursue the development of local capital markets*
3. *Contain refinancing risk, including by increasing the maturity of domestic debt issuances*

State debt structure. Ukraine's current debt structure reflects wartime pressures and strong international support provided in a form of concessional debt funding. As of end June 2025, external debt represented 75%, while domestic debt accounted for the rest 25%. Local market remains a crucial funding source, providing UAH 659bn in net funding the beginning of 2022.

Most obligations are concessional loans from the EU, IFIs, and partner countries, while marketable bonds now make up less than one-third of debt. The share of euro-denominated debt rose sharply since 2021 with EU financing.

Average debt time to maturity has extended to around 12 years, up from about 6 years before the full-scale war, supported by long-term concessional lending and Eurobond restructuring implemented last year. Interest-rate risk remains contained, supported by high share of fixed rates debt, which ensures stable and predictable debt service during the war.

Cost of debt. As of end-June 2025, the weighted average cost of state debt reached 4.9% composed of (i) 2.0% external cost (concessional loans) and (ii) 13.5% domestic cost reflecting elevated inflation and tight monetary conditions. This represents a significant improvement vs end-2021 when the cost was 7.2%. The Strategy aims to lower the average cost further by prioritizing grants and concessional borrowing and by developing domestic markets.

Risk assessment and mitigation

- **Refinancing risk:** payments due are concentrated in the near term. Mitigation relies on longer tenors, continued concessional inflows, and selective liability management
- **Liquidity risk:** international reserves have been rebuilt with partner support; the NBU moved to managed FX flexibility in October 2023 and continues gradual FX liberalization to improve the business environment and support investment
- **Exchange-rate risk:** high FX share of debt (77%) and correlation across major currencies heighten exposure. Mitigation by raising the local-currency share over time is a strategic priority
- **Interest-rate risk:** remains low driven by long average re-fix period of 8.4 years due to the significant volume of fixed-rate, long-term concessional debt. Exposure is expected to decline as domestic rates are expected to decrease
- **Contingent liabilities:** risks from state-owned banks, state-guaranteed loans, and state derivatives are monitored; state-guaranteed loans are managed in line with the Budget Code and have declined since 2022, while state derivatives remain under restructuring negotiations.

Ukraine is currently undertaking intensive preparations for debt-management and sovereign derivative operations in order to improve debt sustainability. This exercise and its scope were agreed with the IMF as part of the previous IMF programme. As part of this process, Ukraine, by Resolution of the Cabinet of Ministers of Ukraine No. 865 dated 31 July 2024, “On the Execution in 2024 of Transactions with State Debt and State-Guaranteed Debt”, has implemented a moratorium on certain external debt payments and payments on state derivatives for a period until legal transactions are performed.

1. Ukraine's state debt snapshot

State debt split by holders as of end of period

	2021		2022		2023		2024		2Q2025	
	UAHbn	% of total	UAHbn	% of total	UAHbn	% of total	UAHbn	% of total	UAHbn	% of total
External debt	1,300	55%	2,325	63%	3,600	69%	4,829	72%	5,562	75%
IFIs, EU	584	25%	1,254	34%	2,413	47%	3,655	55%	4,373	59%
Bilateral loans	41	2%	183	5%	263	5%	346	5%	365	5%
Commercial banks	51	2%	60	2%	59	1%	62	1%	65	1%
Eurobonds holders	625	26%	829	22%	865	17%	766	11%	759	10%
Domestic debt	1,063	45%	1,390	37%	1,588	31%	1,863	28%	1,841	25%
NBU	314	13%	703	19%	690	13%	678	10%	674	9%
Domestic government bond holders	529	22%	438	12%	648	12%	932	14%	917	12%
State banks, SOEs and DGF (recapitalization) ¹	219	9%	249	7%	249	5%	253	4%	250	3%
Total state debt	2,363	100%	3,715	100%	5,188	100%	6,692	100%	7,403	100%
as % of GDP	43.3%		70.9%		78.3%		87.4%		-	
State-guaranteed debt	309	12%	360	9%	331	6%	289	4%	294	4%
as % of GDP	5.7%		6.9%		5.0%		3.8%		-	
Total public debt	2,672	100%	4,075	100%	5,520	100%	6,981	100%	7,697	100%
as % of GDP	49.0%		77.8%		83.3%		91.2%		-	

Note 1 Such domestic government bonds are recorded at nominal value

Note 2 For the calculations of indicators as a % of GDP, nominal GDP values of UAH 5 451bn, 5 239bn, 6 628bn, and 7 659bn were used for 2021, 2022, 2023, and 2024, respectively

State debt split by instruments as of end of period

	2021		2022		2023		2024		2Q2025	
	UAHbn	% of total	UAHbn	% of total	UAHbn	% of total	UAHbn	% of total	UAHbn	% of total
Marketable securities¹	1,299	55%	1,691	46%	1,938	37%	2,124	32%	2,101	28%
Domestic government bonds	529	22%	438	12%	648	12%	932	14%	917	12%
NBU (CPI & key-policy linked) ²	145	6%	425	11%	425	8%	425	6%	425	6%
Eurobonds	625	26%	829	22%	865	17%	766	11%	759	10%
NBU and commercial bank loans	53	2%	62	2%	61	1%	64	1%	67	1%
Concessional loans³	624	26%	1,437	39%	2,676	52%	4,001	60%	4,738	64%
IFIs, EU	584	25%	1,254	34%	2,413	47%	3,655	55%	4,373	59%
Bilateral loans	41	2%	183	5%	263	5%	346	5%	365	5%
Other securities	387	16%	525	14%	513	10%	504	8%	497	7%
State banks, SOEs and DGF (recapitalization) ⁴	219	9%	249	7%	249	5%	253	4%	250	3%
NBU (incl. recapitalization)	167	7%	276	7%	263	5%	251	4%	247	3%
Total state debt	2,363	100%	3,715	100%	5,188	100%	6,692	100%	7,403	100%
as % of GDP	43.3%		70.9%		78.3%		87.4%		-	
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Total public debt	2,672	100%	4,075	100%	5,520	100%	6,981	100%	7,697	100%
as % of GDP	49.0%		77.8%		83.3%		91.2%		-	

Source MinFin

Note 1 Marketable securities are financial assets generally in bond format which can be easily exchanged (either on a stock market or over-the-counter) and/or which bear interest rates aligned with current market conditions

Note 2 NBU-owned securities are not listed but are issued in bond format and thus defined as marketable securities as per Note 1

Note 3 Concessional loans are defined here as loans with a combination of lower-than-market interest rates, grace periods and/or long-term maturities (the definition retained here is broader than the IMF definition, based on a minimum of 35% grant element using a 5% discount rate)

Note 4 Such domestic government bonds are recorded at nominal value

Note 5 For the calculations of indicators as a % of GDP, nominal GDP values of UAH 5 451bn, 5 239bn, 6 628bn, and 7 659bn were used for 2021, 2022, 2023, and 2024, respectively

State debt split by currency as of end of period

	2021	2022	2023	2024	2Q2025
	% of total	% of total	% of total	% of total	% of total
UAH	40%	34%	28%	26%	23%
USD	35%	29%	25%	26%	23%
EUR	14%	23%	33%	33%	40%
GBP	0.02%	0.02%	0.02%	0.12%	0.12%
XDR ¹	10%	10%	10%	11%	10%
JPY	1%	1%	1%	1%	1%
CAD	0%	1%	2%	3%	3%
Total state debt	100%	100%	100%	100%	100%

Note 1 Debt denominated in XDR (or SDR) pertains solely to debt owed to the IMF. For reference, the IMF SDR is based on a basket of currencies, which currently consists in 43% of USD, 29% of EUR, 12% of CNY, 8% of JPY and 7% of GBP

State debt split by interest rate type as of end of period

	2021	2022	2023	2024	2Q2025
	% of total	% of total	% of total	% of total	% of total
Fixed	74%	66%	69%	67%	70%
Variable	26%	34%	31%	33%	30%
Total state debt	100%	100%	100%	100%	100%

State debt split by average time to maturity as of end of period

	2021	2022	2023	2024	2Q2025
	years	years	years	years	years
State domestic debt	6.2	9.0	7.5	6.2	6.1
State external debt	6.3	8.9	12.5	13.5	14.3
Total state debt	6.3	9.0	11.0	11.4	12.1

Source MinFin

2. Ukraine's state debt benchmarking

As part of the analysis, a set of 65 peers were selected based on the size of their economies, their macroeconomic and financial performances in recent years, as well as their current trading and credit ratings. From this initial list, a sample of 18 countries was selected as relevant peers for Ukraine. These peers regularly publish comparable and up-to-date data on their state debt, enabling a relevant comparison to be made.

This peer sample was divided into three categories, based on the following classification:

- **Regional peers:** geographical proximity to Ukraine divided into two subgroups depending on their membership in the European Union, as we believe this reflects both the current status of Ukraine as an aspiring EU member, and shows the target debt structure to be reached in the medium term;
- **Rating peers:** similar credit rating before Russia's aggression against Ukraine according to international rating agencies. This category has been removed due to current rating evolutions, but a return to a BB target rating is envisaged in the medium-term, in line with previous Strategy rating set of peers although they would be also amended to include the European Union peers;
- **Trading peers:** countries with comparable current trading levels to Ukraine.

List of selected peers for Ukraine (S&P / Moody's / Fitch: SD / Ca / RD) by sample		
Regional EU-linked peers (6)	Regional Non EU-linked peers (6)	Trading peers (6)
Bulgaria (BBB / Baa1 / BBB)	Albania (BB / Ba3 / NR)	Argentina (CCC / Caa3 / CCC+)
Croatia (A- / A3 / A-)	Bosnia and Herzegovina (B+ / B3 / NR)	Ecuador (B- / Caa3 / CCC+)
Cyprus (A- / A3 / A-)	Georgia (BB / Ba2 / BB)	Ghana (CCC+ / Caa2 / RD)
Czech Republic (AA- / Aa3 / AA-)	North Macedonia (BB- / NR / BB+)	Nigeria (B- / Caa1 / B)
Hungary (BBB- / Baa2 / BBB)	Montenegro (B+ / Ba3 / NR)	Pakistan (CCC+ / Caa2 / B-)
Poland (A- / A2 / A-)	Serbia (BBB- / Ba2 / BB+)	Turkey (BB- / B1 / BB-)

Sources: Rating agencies (Fitch, S&P, Moody's)

Note As of May 28, 2025

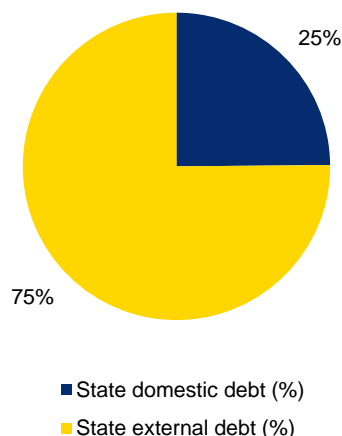
The average indicators for each of the sub-samples were used to benchmark Ukraine's state debt structure within the implemented analysis.

2.1 State debt composition

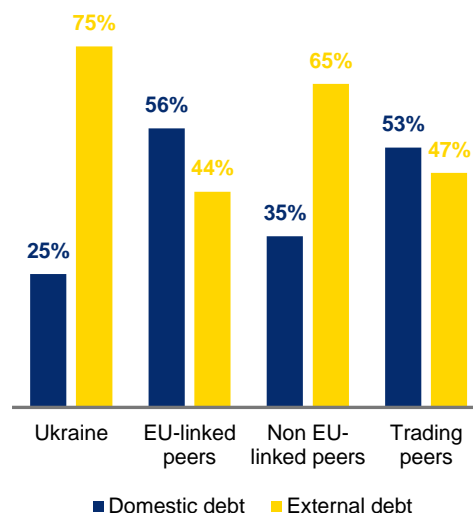
Domestic vs external debt

Ukraine's state debt is characterized by a relatively high share of external debt, accounting for 75% of total state debt.

Ukraine's state debt as of 30/06/2025



Ukraine compared to selected peers (% of total)



Sources: Ministry of Finance of Ukraine, Ministries of Finance of selected countries (list of countries is given on page 5), S&P, Moody's, Fitch

Ukraine had been successfully keeping the relatively high share of domestic state debt over the last years having it at the level of 47% as of end-2019, 44% as of end-2020 and 45% as of end-2021. After the beginning of the full-scale war, Ukraine significantly relied on external concessional financing to fund its state debt deficit, leading to a decline in the share of domestic debt to 25% as of June 30, 2025.

Nevertheless, the domestic market has been a crucial source of liquidity with the net disbursements over 2022 – 2Q 2025 standing at UAH 658bn (gross disbursements – UAH 2 070bn). Ukraine keeps its focus on the domestic government bond market, further developing it through the expansion of available debt instruments and enhancing debt management predictability. Attraction of foreign investors remains complicated due to FX regulations, but it will be a priority after the liberalization of FX regulations.

Since February 2025, MinFin and NBU have conducted four switch auctions for the total amount of financing of UAH 33.7bn, using a new feature of the Bloomberg Auction System. Switch auctions facilitate the exchange of previously issued government debt instruments (off-the-run) with more recently issued or auctioned instruments (on-the-run). This contributes to smoothing the domestic debt repayment schedule and enables more efficient liquidity management. A comparison with peer countries illustrates the fact that Ukraine's debt structure targets the aspiration to transition from a debt structure in line with non-EU peers to EU peers. Indeed, non-EU-linked peers have a stronger part of external fundings. On the other hand, EU member peers display a more robust domestic debt market. Ukraine will continue to focus on the development of domestic markets and coincide with Ukraine's closer collaboration with the EU.

State debt composition by instruments

As of June 2025, marketable securities constitute 28% of Ukraine's state debt, including 10% of Eurobonds, 12% of domestic government bonds as well as 6% of NBU-owned bonds (CPI & key-policy linked). The share of external marketable securities in total state debt has decreased significantly from 26% as of end-2021 to 10% as of June 30, 2025. "Other" category reflects

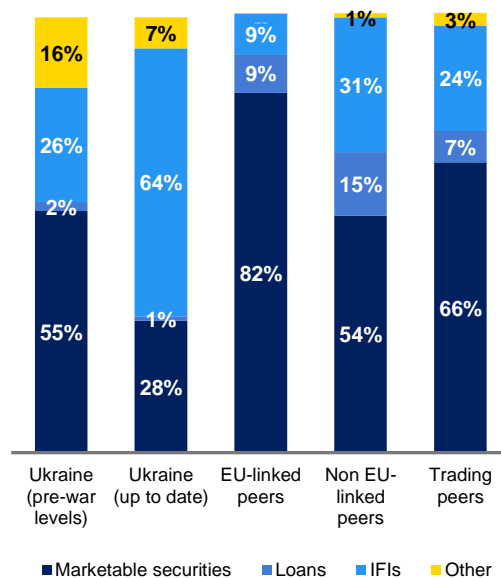
nonmarket state debt and comprises, in particular, other domestic government bonds issued for the recapitalization of state banks and SOEs. The share of such recapitalization bonds is substantial compared to selected peers, representing one-tenth of Ukraine's total state debt.

The amount due to the EU, international financial institutions and foreign countries represents 64% of the total state debt and illustrates the strong support of Ukraine received over the course of the war. At the same time, the strong and continuous support from the EU, IFIs and bilateral partners during these unprecedented circumstances have led to the lowering of the share of marketable debt. This trend challenges our long-term goal to increase market presence while maintaining a balance with the share of concessional financing obtained from IFIs.

Ukraine's state debt structure as of 30/06/2025

	2021		2Q2025	
	UAHbn	% of total	UAHbn	% of total
Marketable securities	1,299	55%	2,101	28%
Domestic government bonds	529	22%	917	12%
NBU (CPI & key-policy linked)	145	6%	425	6%
Eurobonds	625	26%	759	10%
NBU and commercial bank loans	53	2%	67	1%
Concessional loans	624	26%	4,738	64%
IFIs, EU	584	25%	4,373	59%
Bilateral loans	41	2%	365	5%
Other securities	387	16%	497	7%
State banks, SOEs and DGF (recapitalization)	219	9%	250	3%
NBU (incl. recapitalization)	167	7%	247	3%
Total state debt	2,363	100%	7,403	100%
as % of GDP	43%		-	

Ukraine compared to selected peers (%)



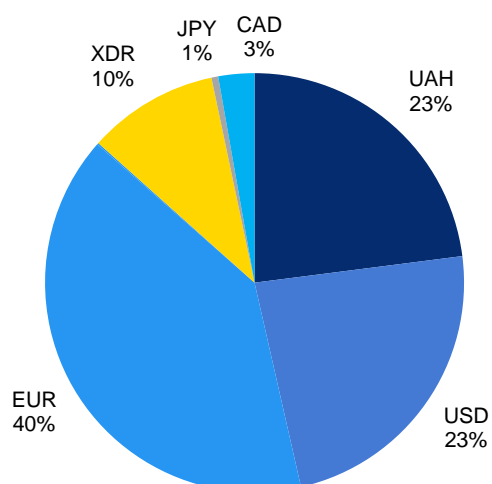
Sources: Ministry of Finance of Ukraine, Ministries of Finance of selected countries (list of countries is given on page 5), S&P, Moody's, Fitch

Note To calculate indicators as a % of GDP, the nominal GDP value of UAH 5 451bn for 2021 was used

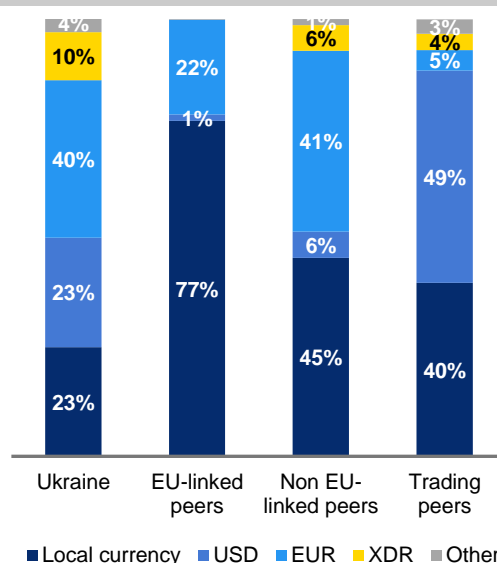
State debt composition by currency

Ukraine's state debt is largely comprised of foreign currency denominated debt accounting for 77% of the state debt as of June 30, 2025. EUR-denominated debt experienced a rapid increase in its share in the state debt from 14% as of end-2021 to 40% as of June 30, 2025 as the result of significant increase of EU's FA. The second largest category comprises USD-denominated debt, mainly composed of USD-denominated Eurobond series and World Bank loans. XDR-denominated debt raised as part of financing within the IMF programs represents 10% of Ukraine's state debt as of June 30, 2025. The existence of domestic debt denominated in foreign currency (c.8% of domestic debt and 2% of total state debt) increases the share of total foreign currency denominated debt and, hence, its FX risk.

Ukraine's state debt split by currency as of 30/06/2025



Ukraine compared to selected peers (%)



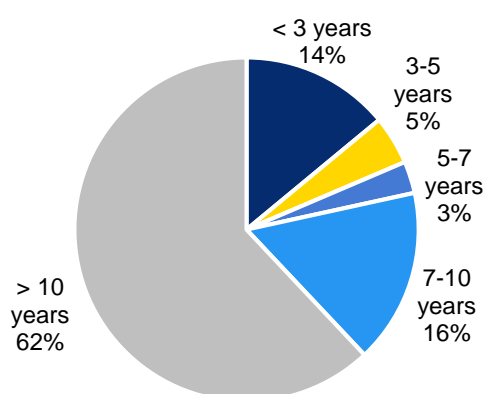
Note: For Eurozone member peers, euro-denominated debt is reported as local currency.

Sources: Ministry of Finance of Ukraine, Ministries of Finance of selected countries (list of countries is given on page 5), S&P, Moody's, Fitch

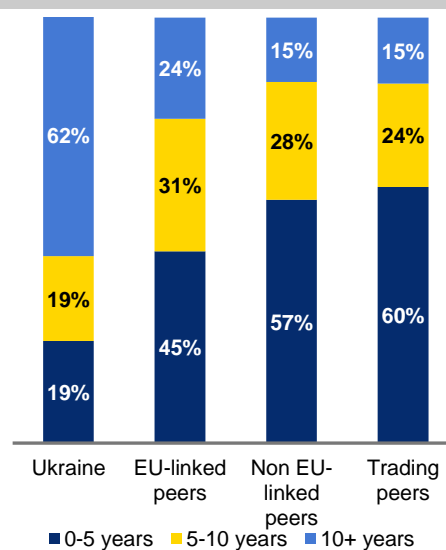
State debt composition by maturity

The largest share is attributed to debt instruments maturing in more than 10 years. As of June 30, 2025, the weighted average term to maturity of Ukraine's domestic debt amounts to 6.1 years (excluding domestic government bonds in the NBU portfolio – 2.2 years), while state external debt matures on average in 14.3 years. This represents a significant improvement since the end of 2021, when the average maturity of the external debt was 6.3 years. As a consequence, the weighted average time to maturity of Ukraine's total state debt stands at 12.1 years.

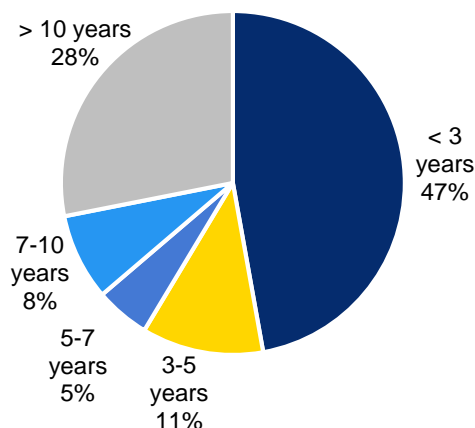
Ukraine's state debt composition by maturity as of 30/06/2025



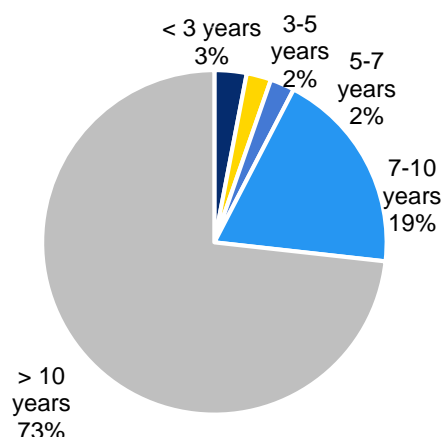
Ukraine compared to selected peers (%)



Ukraine's domestic debt composition by maturity as of 30/06/2025



Ukraine's external debt composition by maturity as of 30/06/2025

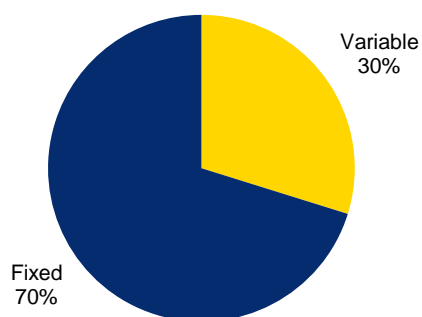


State debt composition by interest rate type

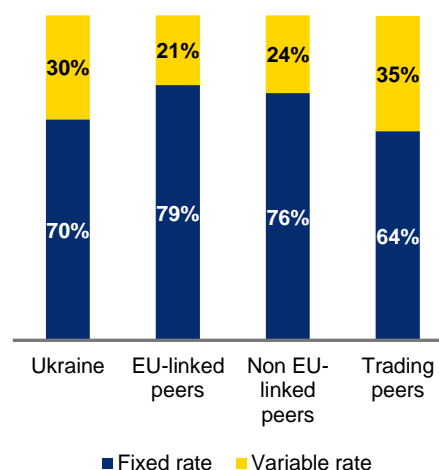
Ukraine's state debt includes a high portion of fixed-rate debt instruments (70%), which keeps its interest rate risk low. Another relevant indicator of exposure to interest-rate risk is the ratio of state debt with interest rate reset in one year, which reaches 37% for total state debt, and 43% for domestic debt.

The majority of Ukraine's state debt with variable interest rates is mainly tied to the Secured Overnight Financing Rate (SOFR), which primarily represents debt owed to the World Bank, IMF's Special Drawing Rights (SDR) interest rate, and the National Bank of Ukraine's (NBU) key policy rate for domestic bonds held by the NBU. Specifically, debt linked to the SOFR interest rate makes up 11% of the total state debt, while those tied to the SDR, EURIBOR, and NBU key policy constitute 10%, 3% and 4%, respectively. Therefore, such state debt interest payments are sensitive to the increase in interest rates in the Eurozone and the USA.

Ukraine's state debt composition by interest rate as of 30/06/2025



Ukraine compared to selected peers (%)



Sources: Ministry of Finance of Ukraine, Ministries of Finance of selected countries (list of countries is given on page 5), S&P, Moody's, Fitch

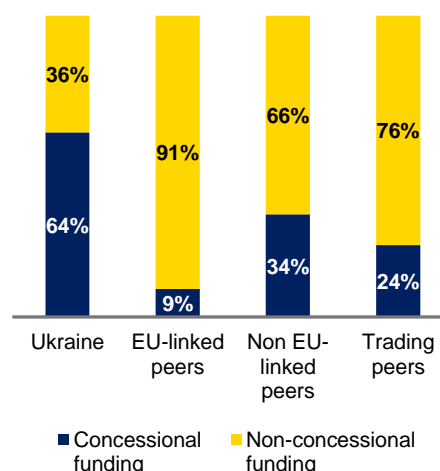
State debt composition by financing terms

The share of concessional instruments in Ukraine's state debt structure accounts for 64% (26% before the beginning of the war). A significant share of concessional debt in Ukraine's state debt structure reflects a cooperation with the IFIs prior to the war as well as from considerable concessional financing provided on the back of the Russian invasion in 2022. Furthermore, one of the objectives of this Strategy is to increase the amount of financial support by deepening the cooperation with the concessional financing providers such as the EU, the IMF, World Bank, EIB, EBRD, and CEB, as well as new partnerships with foreign countries.

Ukraine's state debt concessional composition as of 30/06/2025

	2Q2025	
	UAHbn	% of total
Non-concessional funding	2,665	36.0%
Concessional funding	4,738	64.0%
of which EU	2,547	34.4%
of which IMF	747	10.1%
of which World Bank	934	12.6%
of which bilateral loans	365	4.9%
of which EIB	135	1.8%
of which Europe development bank	6	0.1%
of which EBRD	3	0.0%
Total state debt	7,403	

Ukraine compared to selected peers (%)



Sources: Ministry of Finance of Ukraine, Ministries of Finance of selected countries (list of countries is given on page 5), S&P, Moody's, Fitch

2.2 State debt service

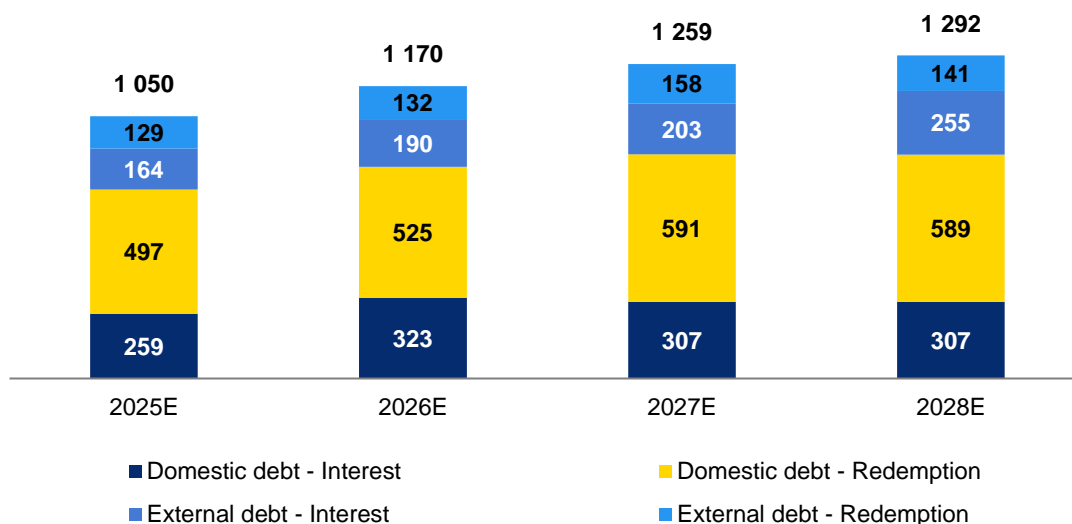
Ukraine's state debt service profile

Ukraine's debt service is frontloaded on the short term with peak occurring in 2025 and gradually decreasing over 2026-28. The result is primarily driven by the significant increase of domestic debt financing needed to finance immense war-caused needs. The average state debt interest and redemption amount to UAH 1,193bn per annum over 2025 – 2028.

Current state debt service profile reflects the successful Eurobonds restructuring operation completed in August 2024. **Ukraine successfully settled debt operation for 13 series of Eurobonds and 1 sovereign-guaranteed Eurobond**, with approximately USD 20.5bn of outstanding principal amount (around USD 24bn including capitalized interests), into eight new Eurobonds series with USD 15.2bn in principal amount.

The transaction decreased debt servicing payments by 93%, leading to debt service savings of USD 11.4bn over 2024 – 2027. Moreover, debt servicing costs through 2033 will be reduced by about 77%, generating total savings of USD 22.8bn.

Ukraine's state debt service profile, UAHbn



Source MinFin

State debt interest and redemption in 2025 – 2028

UAH bn	2025	2026	2027	2028
Total	1,050	1,170	1,259	1,292
Average (2025-2028)	1,193			
Debt payments / GDP	11.7%	11.3%	10.5%	9.5%
Debt payments / State budget revenues	28.5%	27.8%	26.9%	25.5%

Sources MinFin, Cabinet of Ministers of Ukraine, IMF

Note To calculate indicators as a % of GDP, the projected nominal GDP values of UAH 8 967bn, 10 309bn, 11 955bn, and 13 561bn for 2025, 2026, 2027, and 2028, respectively, were used (based on the Ministry of Economy's GDP forecast)

The maintenance of a smoothed debt redemption profile is supported by (i) attracting concessional loans with long tenors (> 5Y) as well as (ii) performing liability management operations. Liability management ("LM") operations consist in the proactive refinancing of selected state debt liabilities (domestic or external) prior to their final maturity date, with the objective of smoothening the redemption profile of state debt, reducing refinancing risk, extending its weighted average maturity and/or reducing the average cost of debt.

By way of illustration, Ukraine had conducted such LM operations in 2017 and 2020.

In July 2020, Ukraine executed a switch tender offer targeting its Eurobonds series due 2021 and 2022, and successfully refinanced a notional amount of c. USD800m, financed by the issuance of a new 12-year Eurobond.

In September 2017, Ukraine launched a tender offer on its outstanding Eurobonds series due 2019 and 2020, and refinanced a notional amount of USD 1.6bn, equivalent to 64% of the 2019 series and 23% of the 2020 series. The operation was financed by a new 15- year Eurobond issuance, thereby significantly reducing refinancing risk. Similar operations will continue to be considered opportunistically by Ukraine going forward.

2.3 State debt cost

Evolution of Ukraine's state debt interest payments

	2022	2023	2024	2025
State domestic debt interest payments (in UAH bn equiv.)	117.9	199.1	208.5	259.4
USD bn equivalent	3.6	5.4	5.2	5.8
% of GDP	2.3%	3.0%	2.7%	2.9%
% of state budget revenues	6.6%	7.5%	6.7%	7.0%
State external debt interest payments (in UAH bn equiv.)	38.6	48.5	92.1	164.3
USD bn equivalent	1.3	1.3	2.3	3.7
% of GDP	0.7%	0.7%	1.2%	1.8%
% of state budget revenues	2.2%	1.8%	2.9%	4.5%
Total State budget interest payments (in UAHbn equiv.)	156.5	247.6	300.6	423.7
USD bn equivalent	4.8	6.8	7.5	9.4
% of GDP	3.0%	3.7%	3.9%	4.7%
% of state budget revenues	8.8%	9.3%	9.6%	11.5%

Source MinFin

Note To calculate indicators as a % of GDP, nominal GDP values of UAH 5 239bn, 6 628bn, 7 659bn, and 8 967bn for 2022, 2023, 2024, and 2025, respectively, were used (based on the Ministry of Economy's 2025 GDP forecast)

Average state debt cost

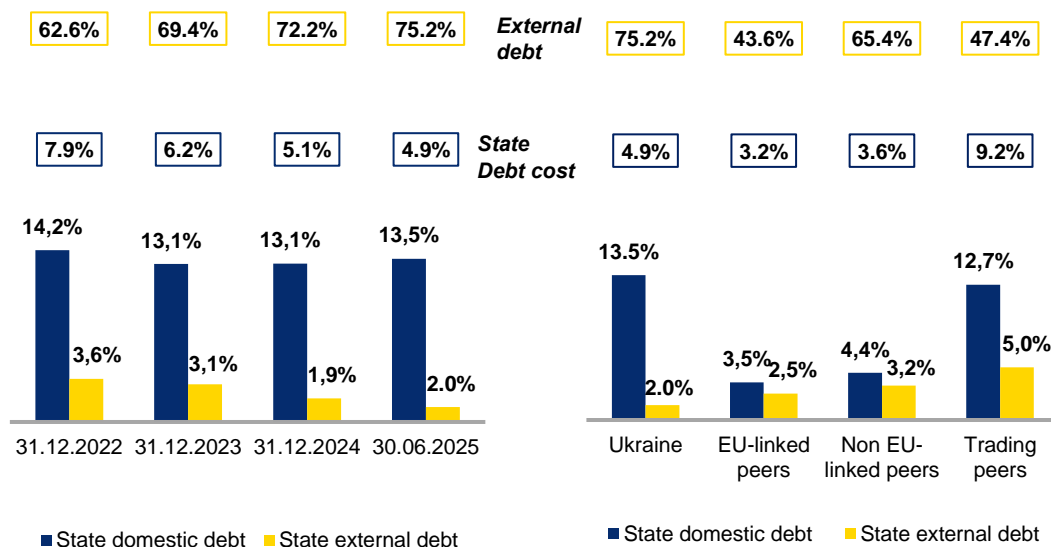
Ukraine's weighted average cost of state debt stands at 4.9% as of the end June 2025, which is significantly lower as compared to trading peers (9.2%). Before the war this indicator in Ukraine was 7.2% which was slightly higher as compared to rating peers (3.6%). On the other hand, regional peers demonstrate a meaningfully lower cost of debt – at 3.4% on average.

Such cost of debt arises from an average external debt cost of 2.0% and a substantially higher average cost of state domestic debt of 13.5%, which, in turn, results primarily from corresponding inflation levels and NBU's efforts to contain inflation.

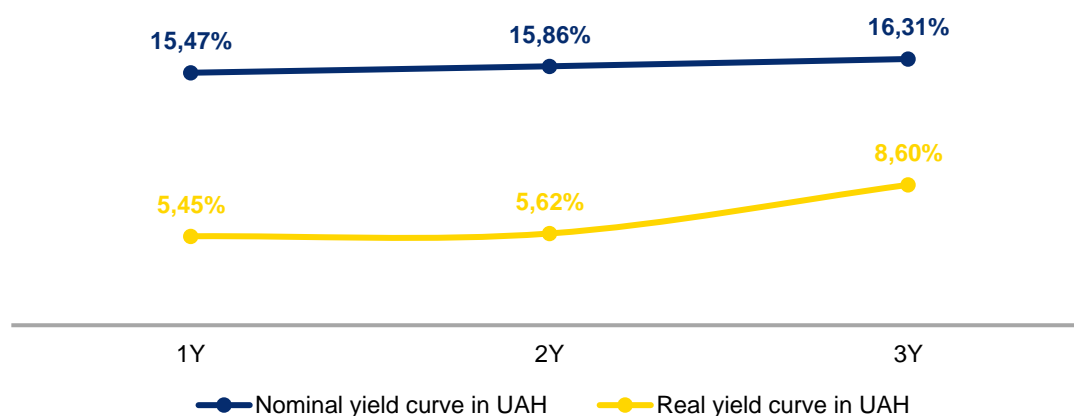
Despite the ongoing war in 2022-2023, Ukraine's state debt cost decreased by 2.3 p.p. vs pre-war levels. Such dynamics are driven by substantial disbursement of the external concessional loans over 2022-2Q2025 with lower-than-market interest rates (c. 2.0% on average), which led to external debt to increase from 55% as of end-2021 to 75.2% as of June 30, 2025.

Evolution of Ukraine's weighted average cost of debt (%)

Ukraine's weighted average cost of debt compared to selected peers (%)



Ukraine's UAH-denominated domestic government bonds primary yield curve



Note UAH nominal yield curve is based on the results of primary auctions from July 2024 – to June 2025; real yield curve in UAH is calculated by using CPI forecasts from Ministry of Economy

Ukraine's UAH-denominated domestic government bonds real yield curve is upward sloping for the next 3 years, which is among others due to the expected lower inflation in the following years.

2.4 Developments over 2022-2025

Ukraine's credit ratings

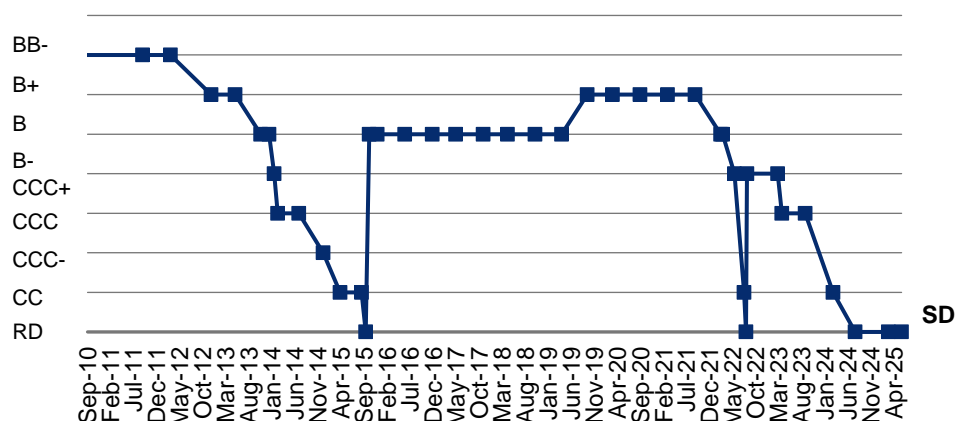
Ukraine's current credit ratings				
	Standard & Poor's	Fitch	Moody's	Rating and Investment Information (R&I)
Current rating	SD / -	RD / -	Ca / Stable	CCC- / Removed from monitor
Last rating action	Rating SD Affirmed (June 2025)	Rating RD Affirmed (November 2025)	Rating Ca Affirmed (May 2025)	Downgrade to CCC- (May 2025)

Note As of 28/11/2025

(1) S&P Global Ratings

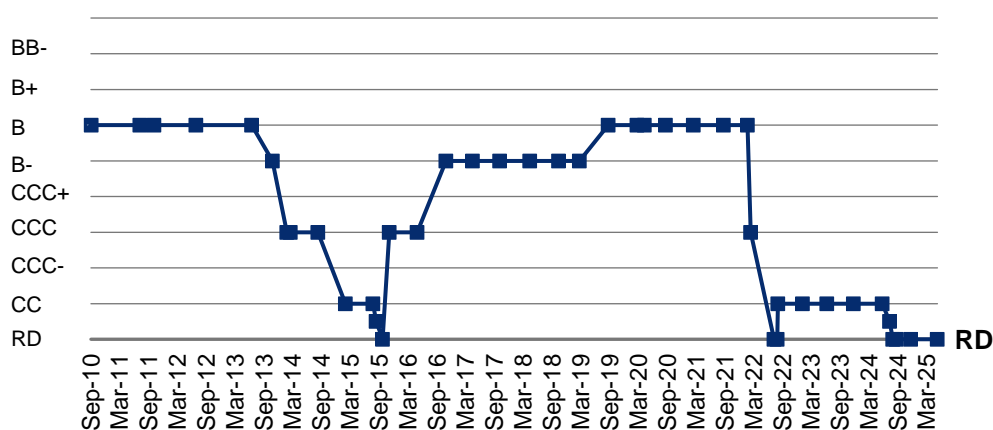
S&P affirmed "SD" rating based on "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings" supported by the following rationale:

- Ukraine's debt restructuring comes amid significant economic, external, and fiscal pressures emanating from the Russian military aggression
- The government temporarily suspended payments on debt liabilities included in the restructuring perimeter until the end of the restructuring process



(2) Fitch

Fitch affirmed "RD" (Restricted Default) rating given the ongoing commercial debt restructuring process.



Cooperation with the EU, IFIs and Bilateral partners

Against the backdrop of the Russia's war against Ukraine started in February 2022, concessional funding from international partners has become the key source of Ukraine's budget financing. As of November 28, 2025, Ukraine has attracted USD 161.0bn in grants and concessional loans / guarantees (incl. USD 31.1bn in 2022, USD 42.5bn in 2023, and USD 41.7bn in 2024).

The provided loans have long tenors (e.g. up to 35Y for the EU loans), a grace period of 5 to 10 years as well as concessional interest rates.

As of November 28, 2025, the EU, the USA, the IMF, Canada, Japan as well as the World Bank have provided USD 117.6bn (73% of the total). Additionally, Ukraine received USD 35.6bn (22% of the total) under the G7 ERA¹ initiative. The remaining USD 7.7bn has been covered by EIB, Germany, the UK, CEB, as well as 18 other countries.

Received budget financing since February 2022²

Received external budget financing since February 2022 (general fund)¹

US\$ m	2022			2023			2024			2025			Total since Feb 2022
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total	
ERA loans									1,000			34,630 ²	35,630
EU	7,265	696	7,961	19,528	-	19,528	14,117	3,208	17,326	8,995	433	9,428	54,243
USA	-	11,976	11,976	-	10,950	10,950	-	7,314 ¹	7,314	-	-	-	30,240
IMF	2,693	-	2,693	4,474	-	4,474	5,278	-	5,278	912	-	912	13,357
Japan	581	-	581	3,394	233	3,626	3,596	722	4,319	191	-	191	8,717
Canada	1,887	-	1,887	1,757	-	1,757	1,761	-	1,761	-	-	-	5,405
World Bank	1,385	-	1,385	655	-	655	3,226	21	3,247	384	-	384	5,671
UK	947	91	1,039	998	-	998	998	-	998	-	-	-	3,034
Germany	322	1,260	1,582	-	105	105	-	-	-	-	-	-	1,688
EIB	720	-	720	-	-	-	-	-	-	-	-	-	720
Norway	-	21	21	-	190	190	-	306	306	-	-	-	517
France	437	-	437	-	-	-	-	-	-	-	-	-	437
Italy	206	125	330	-	-	-	-	-	-	-	-	-	330
Netherlands	318	-	318	-	-	-	-	-	-	-	-	-	318
Spain	-	-	-	51	50	101	3	-	3	-	-	-	104
South Korea	-	-	-	-	-	-	100	-	100	-	-	-	100
Denmark	30	21	51	-	-	-	-	-	-	-	-	-	51
Sweden	49	-	49	-	-	-	-	-	-	-	-	-	49
Finland	-	-	-	-	36	36	-	-	-	-	-	-	36
Lithuania	10	12	22	-	-	-	-	-	-	-	-	-	22
Ireland	-	-	-	-	21	21	-	-	-	-	-	-	21
Latvia	10	5	16	-	-	-	-	-	-	-	-	-	16
Austria	-	10	10	-	-	-	-	-	-	-	-	-	10
Switzerland	-	-	-	-	30	30	-	-	-	-	-	-	30
CEB	-	-	-	-	-	-	11	-	11	232	-	232	243
Belgium	-	5	5	-	3	3	-	-	-	-	-	-	8
Albania	-	1	1	-	-	-	-	-	-	-	-	-	1
Iceland	-	0	0	-	2	2	-	-	-	-	-	-	2
Estonia	-	-	-	-	0	0	-	-	-	-	-	-	0
Total	16,862	14,224	31,086	30,855	11,621	42,476	29,090	11,572	41,662	10,714	433	45,777	161,001

Note 1 includes US\$ 1.6bn grant enabling US\$ 4.8bn loan from World Bank
Note 2 includes UK ERA loans channeled to the special fund of the state budget

Sources MinFin

European Union. Over 2022-2025 EUR 46.3bn of concessional loans and around EUR 4.1 bn of grants was disbursed as direct budget support to Ukraine under the various financing mechanisms by the EU.

Over 2022-2025, the EU disbursed funds under 4 MFA programs and Ukraine Facility program. The largest program, EUR 50bn Ukraine Facility, was approved by the Council of the European Union on February 28, 2024. Under the instrument, Ukraine is receiving EUR 38.3bn in direct budget support over the period 2024–2027, of which EUR 5.3bn is grants. The loan package is of highly concessional terms with 35Y tenor and the interest expenses reimbursed by the EU. EUR 6.0bn was disbursed in March and April 2024 under Bridge financing mechanism while other disbursements are conditioned upon reform implementation.

On May 14, 2024, the Economic and Financial Affairs Council of the European Union approved the Ukraine Plan consisting of 69 reforms supported by 151 quarterly implementation indicators. By the November 7, 2025, Ukraine has implemented 66 (44%) of all quarterly implementation indicators, while another 46 (30%) are in progress. By November 28, 2025, the total disbursed amount under the Ukrainian Facility stood at EUR 24.5bn, of which EUR 3.4bn were grant funds.

¹ Extraordinary Revenue Acceleration for Ukraine

² As of 28.11.2025

USA. On April 29, 2022, Ukraine received the first non-repayable USD 0.5bn grant from the USA through the World Bank's Ukraine PEACE³ Project. Overall, Ukraine has received USD 30.2bn in grants from the USA, including USD 7.3bn provided in 2024. These funds are used to provide priority social, humanitarian, and healthcare expenses, as well as to support internally displaced persons.

IMF. Due to the full-scale Russian war of aggression, on March 07, 2022, Ukraine requested additional funding from the IMF. On March 9, 2022, the IMF approved SDR 1.0bn (c. USD 1.4bn) equivalent to 50% of Ukraine's quota under the Rapid Financing Instrument (RFI). Ukraine canceled the Stand-by⁴ Arrangement and expressed intent to work with the IMF to design an appropriate economic program aimed at rehabilitation and growth, when conditions permit. On October 7, 2022, another SDR 1.0bn (c. USD 1.3bn) was disbursed under the RFI Food Shock Window.

On April 8, 2022, the IMF established Multi-Donor Administered Account for Ukraine, aiming to channel donor resources in the form of grants and loans. As of mid-May 2025, USD 8.0bn (about SDR 6.0bn) have been provided through this channel.

On November 23, 2022, Ukraine requested a four-month Program Monitoring with Board Involvement (PMB) to anchor macroeconomic policies and prepare to a fully-fledged IMF program. On December 19, 2022, IMF Executive Board approved the request and in February 2023 completed review of Ukraine under this program.

On March 31, 2023, the IMF Executive Board approved a 48-month EFF program for Ukraine totaling SDR 11.6bn (577% of quota, or USD 15.6bn), with an immediate disbursement of SDR 2bn (c. USD 2.7bn). In June 2023 – June 2025 Ukraine successfully completed eight reviews of the program. This marks the highest number of successful IMF-supported program reviews in history. By November 28, 2025, total disbursements under the EFF program reached SDR 8.0bn (c. USD 10.7bn).

On November 26, 2025, Ukraine and the IMF reached Staff-Level Agreement on a new 48-month USD 8.1bn Extended Fund Facility (EFF) Arrangement. The EFF program serves as a cornerstone for cooperation with international partners and paves the way for large-scale donor financing, including from G7 countries and the European Union.

Canada. Since the start of the full-scale invasion, Canada has disbursed USD 5.4bn in concessional loans to Ukraine. USD 5.0bn has been provided in the form of concessional loans with a 10Y tenor and a 4.5Y grace period. The remaining USD 0.4bn has been covered by the Ukraine Sovereignty Bond issuance with 5Y tenor.

Canadian Ukraine Sovereignty Bond. In December 2022, Canada agreed to provide a **CAD 500m loan to Ukraine** through a dedicated vehicle. Canada has issued a specific **Ukraine Sovereignty Bond** to raise proceeds to support the general state budget destined to provide essential services to Ukrainians, including pensions, the purchasing of fuel or restoring energy infrastructure. This **5-year vehicle offers a 3.245% rate of return for Canadian investors**.

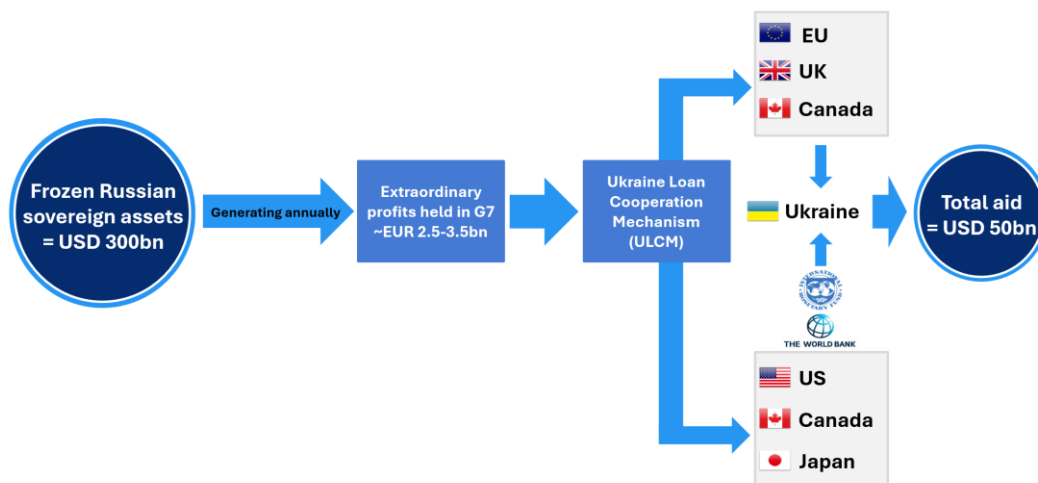
This bond issuance is entirely guaranteed by the Government of Canada, which will assume the credit risk associated with the loan. Proceeds from the bond issuance were transferred to Ukraine through a specific loan through the IMF Administered Account for Ukraine which aims at coordinating international financial support to Ukraine in a structure reflecting terms of the bond issued by Canada.

Extraordinary Revenue Acceleration Loans for Ukraine (ERA). In June 2024, the G7 countries announced the Extraordinary Revenue Acceleration financing initiative, aimed at providing approximately USD 50bn in loans to Ukraine, backed by profits from frozen Russian assets, with repayment to be made from sources other than the state budget, including revenues generated

³ The Public Expenditures for Administrative Capacity Endurance (PEACE) Project helps the Government of Ukraine sustain critical (social, humanitarian, and healthcare) budget expenses

⁴ The Stand-by Arrangement (SBA) provides short-term (12-24 months typically, but not more than 36 month) financial assistance to countries facing balance of payments problems. Ukraine's 14-month SBA was signed in June 2020. In October 2021 it was extended by June 2022.

by the frozen assets of the Russian Federation, in accordance with the credit cooperation mechanism with Ukraine. As of November 28, 2025, G7 countries have collectively disbursed USD 35.6bn under the ERA initiative.



Source: The World Bank, US Treasury, EPRS, UK Government, open sources

World Bank Group: Over 2022-2025, the World Bank disbursed USD 5.7bn for Ukraine. Moreover, against the backdrop of the Russian invasion, the World Bank repurposed funds from programs that were already in place (such as Ukraine Emergency COVID-19 Response and Vaccination Project).

On March 7, 2022, the World Bank approved a supplemental budget support package, called Financing of Recovery from Economic Emergency in Ukraine (FREE Ukraine), providing USD 0.4bn loan and in parallel started developing a dedicated program of supporting Ukraine during wartime.

On June 9, 2022, PEACE program has been signed aiming to support Ukraine's critical state budget expenditures (school education and civil staff).

In the end of 2022, additional loan agreements were signed to extend the support of critical budget expenditures (health, pension, social, first responders, high education).

During 2022-2025, the World Bank provided USD 4.1bn through PEACE program, covering essential state budget expenditures.

Moreover, FREE Ukraine, URTF⁵, PEACE⁶, as well as other programs have become a platform for mobilizing donor support in the form of grants and guarantees. Since February 2022, the World Bank has mobilized USD 81.8bn in financial support to Ukraine, of which USD 60.5bn has been disbursed as of October 31, 2025.

European Investment Bank (EIB). In 2023, EIB provided USD 0.7bn to Ukraine in the form of concessional loans. On March 4, 2022, EIB approved EIB's Ukraine Solidarity Urgent Response EUR 0.7bn package for direct budget support.

Specific domestic bonds to fund war expenses

To fund the war effort, the Government of Ukraine chose to reinforce its domestic debt market. Ukraine has been issuing wartime bonds regularly since March 2022 in the domestic market in order to ensure the uninterrupted provision of financing for the state's financial needs under martial law. The government is committed to use these proceeds to support military efforts, such

⁵ Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund

⁶ The Public Expenditures for Administrative Capacity Endurance (PEACE) Project helps the Government of Ukraine sustain critical (social, humanitarian, and healthcare) budget expenses

as purchasing weapons, ammunition, equipment, food and medicine. For residents, these wartime bonds represent a relevant opportunity to combine support for the defending effort with the search for a profitable investment instrument.

Wartime bonds are essentially denominated in UAH and may be purchased by both residents and non-residents, by both institutional and individual investors. In 2022 – November 2025, gross issuances of wartime bonds attracted UAH 1,125bn to the state budget.

At the same time, the NBU allowed banks from January 2023 to cover up to 50% of mandatory reserves with UAH-denominated benchmark domestic bonds. This limit was raised to 60% in October 2024. The aim was to support fiscal stability and deepen the domestic debt market. This initiative has stimulated demand for domestic bonds, enabling the government to secure necessary funding through the domestic market without resorting to monetary emission. In 2023 – November 2025, issuances of benchmark bonds attracted UAH 525bn to the state budget.

In 2024, the principal rollover rate of domestic bond investments reached 155% at par across all currencies. Benchmark domestic bonds⁷ accounted for UAH 165bn, representing 27% of total placements. As of November 28, 2025, the Ministry of Finance raised UAH 138bn through benchmark domestic bonds since the beginning of the year. The nominal yield on benchmark bonds is approximately 1–2 percentage points lower than that of non-benchmark UAH-denominated bonds, reflecting strong market demand and reducing the cost of borrowing for the state budget.

Overall, since March 2022, Ukraine has issued domestic bonds to finance defense and other essential needs, raising UAH 2 334bn gross as of November 28, 2025.

⁷ Benchmark domestic bonds are the bonds that banks have been allowed to use to partially meet the NBU reserve requirements for the purpose of government bonds' market development

3. Risk factors of Ukraine's state debt

The control over the state debt risks is based on the analysis of refinancing risk, liquidity risk, as well as interest rate, currency, budget and state debt management (contingent liabilities) risks.

3.1 Refinancing risk

State debt maturing in 2025 – 2028

Considering Ukraine's state debt portfolio, the near-term repayment schedule is reasonably spread out over the next four years: UAH 1,050bn falling due in 2025 followed by UAH 1,170bn, UAH 1,259bn, UAH 1,292bn in 2026, 2027, and 2028 respectively.

This risk can be mitigated with issuing domestic government bonds with longer maturities.

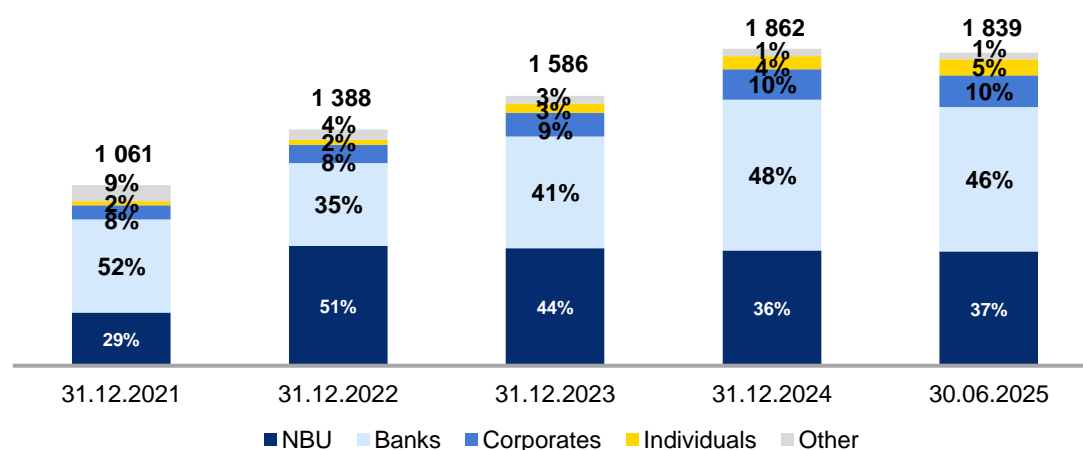
- In 2024, the rollover ratio of domestic bonds constituted 1.6x (positive net financing of UAH 236bn) vs 1.5x over 2023 (positive net financing of UAH 183bn)
- Moreover, domestic issuances have shifted towards longer-dated maturities: bonds with 1–3-year maturity constituted 65% of total volume, while in 2023 bonds with 1–3-year maturity constituted 56% of total volume

Furthermore, efforts to attract individual retail investors into the government bond market will be continued. For instance, domestic bonds can be conveniently purchased through the Unified State Web Portal of Electronic Services. Such instruments can be available in UAH, USD, and EUR. These bonds offer attractive terms compared with traditional bank deposits, presenting an alternative investment option for individual investors.

As of June 30, 2025, 5.1% of the outstanding domestic bonds were owned by retail investors, which is significantly higher compared to 3.5% a year earlier and only 2.3% as of 2021-end. The combination of growth and a still low share highlights the segment's strong potential for further expansion. Retail investors not only provide fresh liquidity but also typically roll over their maturing holdings, which supports market stability.

By contrast, corporate investors significantly increased their bond holdings during the war, largely due to excess liquidity accumulated under capital controls. Once these controls are lifted, corporates may rebalance their portfolios toward alternative assets, creating refinancing risks for this portion of the investor base. This implies that additional sources of financing may be required to refinance the share currently held by corporates.

Ukraine's outstanding domestic bonds by holders, UAHbn



Average time to maturity of Ukraine's state debt

Weighted average time to maturity of Ukraine's state debt as of 30/06/2025

	years
State debt	12.1
State domestic debt	6.1
State external debt	14.3

Ukraine's state debt structure has a balanced average time to maturity.

The Russia's war against Ukraine led to increase of average maturity due to the several factors:

- **Domestic market developments.** In 2022, domestic market issuances were still significant despite lower volumes⁸ and skewed towards short-term instruments (bonds with up to 1 year maturity constituted 69%). From Q4 2022 onwards, the NBU took several steps to increase the attractiveness of domestic bonds by increasing reserve requirements for demand deposits and allowing banks to cover a part of required reserves with benchmark domestic government debt securities. In 2024, the domestic issuances have shifted towards longer-dated maturities, with a notable increase in the 1–3-year maturity period compared to 2023 (65% of total in 2024). During January – August 2025, the domestic issuances shifted towards even longer maturities, with the 3–5 year tenor contributing 38% of total;
- **NBU's financing.** In 2022, NBU has purchased domestic bonds worth UAH 400bn with an average maturity of 16.9 years;
- **Long-term concessional loans.** USD 84.9bn of concessional loans provided since February 2022 having long tenor (e.g. up to 35Y for the EU's MFA and Ukraine Facility);
- **ERA loans.** EUR 9.0bn of EU's MFA with tenor up to 45Y.

3.2 FX liquidity risk

External liquidity indicators

UAH bn	2022	2023	2024	LTM (June 2025)
International reserves, USDbn	28.5	40.5	43.8	45.1
State external debt interest, USDbn	1.3	1.3	2.3	2.7
Exports, USDbn	57.5	51.3	56.6	54.9
Imports, USDbn	83.3	89.2	95.3	101.2
International reserves to external debt interest	10.9x	12.3x	19.1x	16.8x
International reserves in months of imports	3.6x	5.4x	5.5x	5.6x
Exports to external debt interest	45.7x	38.6x	24.7x	20.4x

Sources State Statistics Service of Ukraine, NBU, MinFin

Following an economic downturn in 2014, Ukraine suffered from a sharp decrease in its international reserves. Owing to the financial support received from the international community as well as the NBU's decision to implement a floating exchange rate regime, the country was able to quickly restore its international reserves, from USD 7.5bn as of the end of 2014 to USD 15.5bn as of the end of 2016 and further boost them up to USD 30.9bn as of end of 2021.

After the Russian invasion in February 2022, the NBU adopted a fixed foreign exchange rate regime to ensure price and financial stability. With a significant decrease in export flows (around 40%) and limited market access due to ongoing war, the NBU had to conduct substantial interventions to uphold the fixed FX rate. To boost international reserves during February-

⁸ UAH 267bn in 2022 vs UAH 388bn in 2021

December 2022, the NBU relied on concessional loans and grants from international partners, attracted by the government to cover the financing gap receiving a total of USD 31.1bn.

In light of the ongoing reduction in inflation, the accumulation of substantial international reserves on the back of smooth international assistance disbursement, and the growing appeal of hryvnia deposits and domestic government debt securities, the NBU moved to a regime of managed flexibility of the exchange rate in October 2023 along with the gradual lifting of FX restrictions aimed at improving the business climate in Ukraine.

As of end-June 2025, Ukraine's international reserves amounted to USD 45.1bn, representing 5.6 months of future imports, which indicates considerable progress in rebuilding international reserves from 1.8 months of imports as of end-2014.

3.3 Exchange rate risk

UAH correlation with other currencies

The impact of UAH/USD exchange rate fluctuations on the state budget is accentuated by a high degree of correlation with other major currencies in which Ukraine's debt obligations are denominated, thus increasing exchange rate risk of Ukraine's state debt.

The shift in the currency composition of public debt toward euro – now the dominant currency for short- to medium-term financing – makes it particularly important to consider hedging part of the EUR exposure. To manage this risk efficiently, the domestic euro FX market must be further developed to enable cost-effective hedging instruments.

Historical correlation between exchange rates of UAH and main currencies of Ukraine's state debt since managed flexibility introduction in October 2023⁹

	UAH / USD	UAH / EUR	UAH / XDR	UAH / CAD	UAH / JPY
UAH / USD		84%	96%	89%	80%
UAH / EUR	84%		96%	91%	89%
UAH / XDR	96%	96%		94%	90%
UAH / CAD	89%	91%	94%		82%
UAH / JPY	80%	89%	90%	82%	

Source NBU

FX controls evolution

The NBU aims for the gradual liberalization of administrative restrictions, which become less effective over time, and **will allow a return to the floating exchange rate as the functioning of the economy normalizes and to support the recovery.**

On May 3, 2024, the NBU launched its largest wartime package of FX liberalization measures to support business activity and investment. The changes lifted all FX restrictions on imports of works and services, allowed the repatriation of "new" dividends from January 01, 2024, eased repayment rules for external loans received after June 20, 2023, and permitted repayment of interest due after February 24, 2022. These steps aimed to improve the business environment, encourage Ukrainian companies to expand abroad, and attract fresh investment.

Further liberalization followed in 2025. On May 10, the NBU allowed companies to exceed FX limits up to the value of new foreign investment received, covering imports delivered before February 23, 2021, refunds of old prepayments, external debt service, and funding of foreign units. On August 06, another package permitted repatriation of 2023 dividends, expanded dividend repatriation within the cap of new foreign investment, and allowed companies to exceed FX transfer limits by donating equivalent amounts to the NBU's special account for the Armed Forces of Ukraine.

⁹ Calculated the period of October 03, 2023 – August 31, 2025

3.4 Interest rate risk

The average time to re-fix the interest rates for Ukraine's state debt portfolio stands at 8.4 years. Such a figure indicates that a relatively low share of the state debt will be exposed to interest rate risk in the near future. Moreover, the value is higher for the external debt compared to the domestic one due to the longer tenors of state external debt with fixed rates.

Interest rate risk indicators			
	Domestic debt	External debt	Total state debt
Average time to re-fix the interest rates (years)	2.7	10.6	8.4
Debt with interest rates to be re-fixed in 1 year (% of total) ¹	43.2%	35.1%	37.4%
Principal payments with fixed interest rates (% of total)	80.0%	65.5%	69.6%

Note 1 Debt re-fixing in 1 year includes all the variable-rate debt and fixed-rate debt maturing in 2025

Source MinFin

The proportion of Ukraine's state debt with interest rates to be re-fixed in 2025 constitutes 37.4%. In particular, the interest rates are expected to be re-fixed for 43.2% of state domestic debt and 35.1% of state external debt.

Ukraine aspires to enhance the interest rate structure, i.e. to have a lower share of debt to be re-fixed in the near-term, thus limiting the interest rate risk. With regard to the domestic market, such figure is in line with the expectations on decreasing interest rates as well as with the forecast of decreasing inflation in the medium term.

3.5 Budget risk

In 2020-21 following the government's fiscal consolidation efforts, Ukraine managed to reduce the state budget deficit to GDP ratio from 4.5% in 2020 to 3.5% in 2021.

Against the backdrop of Russia's war against Ukraine in 2022, Ukraine's budget deficit reached 17.9% (vs 27.0% planned initially), supported by higher-than-expected grants from international partners as well as an economic downturn. In 2023 and 2024, the budget deficit was 20.4% and 17.0% of GDP due to the higher military expenditures¹⁰.

According to the 2025 state budget law, the budget deficit is expected at 25.8% of GDP in 2025. In 2026, the budget deficit is expected at 18.5% of GDP.

A key fiscal risk stems from the increase of the defense financing needs not fully covered by the in-kind military assistance amid the further protraction of the war, which may require additional budgetary spending to fill the gap. This risk materialized in the previous years and led to the need of state budget revisions in September 2024 and in August, September, and October 2025, widening the deficit and increasing borrowing needs.

Based on the ongoing IMF program, the government's key near-term policy measures include the restoration of the pre-war taxation regimes and avoiding measures that would erode the revenue base. Such steps slightly offset the higher-than-expected military expenditures. Shocks to the budget stemming from the ongoing war can present sudden changes to financing needs, and the debt management strategy aims to be sufficiently flexible to meet these needs while preserving fiscal and debt sustainability.

The end of the war will result in an increasing revenue base while also reducing war-related expenditures, leading to a more sustainable budget balance.

¹⁰ Grants are not accounted in the budget plan and are reflected in the budget performance data only following their disbursement

3.6 Other risks

Macroeconomic risks and their implications for state debt management strategy

Given the ongoing war, the security situation and the associated uncertainty are the key determinants of Ukraine's macroeconomic risks:

- **Real GDP growth:** further prolongation of the protracted stage of the war will increase (i) human and the economy losses, (ii) destruction of production facilities, and (iii) negative impact on growth and recovery prospects of Ukraine.
- **Inflation:** In May 2025, consumer inflation reached its peak at 15,9% due to the lingering effects of the weaker 2024 harvest and rising costs, primarily energy-related. Since June 2025, inflation has shown a steady downward trend and is expected to fall to a single-digit rate by the end of 2025, with growth of 9,9% projected for 2026¹¹.
- **Balance of payments (BoP):** a decrease in the inflow of international financial aid to a level that does not cover the existing BoP deficit would undermine the stability of the foreign exchange market. This may lead to a significant reduction in the FX reserves, hryvnia depreciation and inflationary processes in the economy.

The above-mentioned macroeconomic risks are beyond the control of the MinFin, thus not defining the analysis of Ukraine's state debt management.

State debt management (contingent liabilities) risk

The Ukrainian banking sector is characterized by a relatively large proportion of banks with state participation, representing 52% of the sector's total assets as of June 30, 2025. Seven banks, partially or wholly owned by the state, constitute contingent liabilities that could materialize in case of banks' failure. PrivatBank, the largest commercial bank in Ukraine, was nationalized on December 19, 2016, following a major capital shortfall, which led to the need for capital injections by issuing domestic government bonds. In addition, contingent liabilities risk also stems from the additional recapitalization of the Deposit Guarantee Fund which may take place in case of commercial banks' bankruptcy.

Additional risk is stemming from Ukraine's domestic government bonds issued for the recapitalization of state banks and SOEs. These securities are largely FX-linked, meaning their principal is indexed to the exchange rate – when the hryvnia depreciates, the principal value increases – which creates an additional fiscal risk. They account for around 3% of state debt as of June 2025.

Moreover, the state-guaranteed debt contains another risk. As of June 2025, state-guaranteed debt stood at USD 7.1bn vs USD 11.3bn as of the end of 2021. The decrease was primarily driven by the repayment of the IMF's loans (USD 5.0bn decrease) by the NBU. At the same time, loans from IFIs category witnessed a USD 1.3bn increase.

State-guaranteed debt (USD bn)

USD bn	Dec-21	Dec-22	Dec-23	Dec-24	Jun-25
Domestic state-guaranteed debt	1.8	2.0	1.8	1.6	1.9
Domestic bonds	0.6	0.3	0.2	0.1	0.1
Domestic banks or commercial loans	1.2	1.7	1.6	1.5	1.8
External state-guaranteed debt	9.5	7.9	6.9	5.2	5.1
IFIs	1.2	1.5	2.1	2.2	2.5
IMF	5.7	3.8	2.2	1.1	0.7
Commercial loans	1.1	1.0	1.0	1.0	1.0
Eurobonds	1.5	1.5	1.5	0.8	0.8
Total state-guaranteed debt	11.3	9.9	8.7	6.9	7.1

Source MinFin

The general rules for providing state guarantees on the basis of decisions of the Cabinet of Ministers of Ukraine and international treaties are set out in the Budget Code.

¹¹ According to Scenario 2 of CMU Resolution No. 946 dated 06 August 2025 "On the Approval of the Forecast of Ukraine's Economic and Social Development for 2026–2028."

Ukraine's state derivatives overview

In accordance with the Ukrainian legislation, state derivatives do not constitute a part of Ukraine's state debt. The IMF and credit rating agencies also do not include state derivatives into state debt.

State derivatives were issued in the context of 2015 debt restructuring. These securities have a total nominal amount of USD 3.2bn, but do not have a specific face value at the repayment date. Payouts on these instruments are entirely contingent, and depend on Ukraine's real GDP growth rate from 2019 to 2039 (see below). Payments (if any) are made annually with a lag of two calendar years, namely from 2024 to 2041. Aside from these instruments, Ukraine does not have any other outstanding derivatives.

Payouts under the state derivatives are computed as follows:

- if real GDP growth is <3% or Ukraine's nominal GDP is less than USD 125.4bn: payment is not made;
- if real GDP growth ranges between 3% and 4%: 15% of the real GDP growth from 3% to 4%;
- if real GDP growth is > 4%: 40% of the real GDP growth exceeding 4%, in addition to the amount for GDP growth from 3 to 4%;
- from 2021 to 2024 payments are limited at 1% of GDP, 2025 payment is limited at 0.5% of GDP

In August 2022, Ukraine successfully reprofiled the state derivatives pursuant to a sovereign derivatives transaction amending the following terms:

- The 2023 payment, linked to 2021 growth rate, was deferred until August 2024 and capitalized at a 7.75% rate in line with the treatment of the external commercial cash bonds
- The cap on the 2025 payment, linked to 2023 growth rate, was lowered from 1% of GDP to 0.5% of GDP
- The Final maturity date was extended from 2040 to 2041
- A call option at par was introduced, which can be activated during a 3-year period starting in June 2024

In August 2024, Ukraine executed two payments to the state derivatives holders totaling USD 201m.

Although these instruments do not constitute a part of Ukraine's state debt, they are a part of **Ukraine's strategy to restore debt sustainability as part of its ongoing program with the IMF**. As such, the state derivatives are included in the IMF DSA perimeter and in the debt treatment perimeter.

In this context, Ukraine remains committed to implementing a comprehensive **restructuring of the state derivatives** to ensure compliance with (i) debt targets set forth in Ukraine's IMF programme and (ii) the principle of comparability of treatment with Ukraine's official bilateral partners.

As such, Ukraine has been engaging with relevant stakeholders including state derivative holders to negotiate the treatment of the instrument. In particular, Ukraine held discussions with certain state derivative holders part of the "Ad Hoc Committee" during a **restricted period between 15 April 2025 and 23 April 2025, and 15 October 2025 and 05 November 2025**. Ukraine intends to continue to engage with relevant stakeholders in view of implementing a comprehensive restructuring of the state derivatives compatible with its commitments.

In parallel, a **government moratorium** was approved on 27 August 2024 on payments under the state derivatives from and after 31 May 2025, until the completion of a restructuring of these instruments. Thus, the scheduled payment due on 02 June 2025 in respect of 2023 growth was not made by Ukraine.

Debt Sustainability indicators

Indicator (unit of measurement)	Baseline (2024)	2025	2026	2027	2028
Ratio of state debt and state-guaranteed debt to GDP ¹	87.4%	≤100%	≤100%	≤90%	≤82%
Weighted average term to maturity of state debt, years	11.4	≥12	≥12	≥12	≥12
Weighted average cost of state debt	5.1%	≤5.0%	≤5.0%	≤5.0%	≤5.0%

Note 1 Excluding loans amortized using sources other than the state budget, including revenues generated from frozen assets of the Russian Federation

4. Ukraine's guidelines for state debt management

Three main objectives for state debt management are identified, as described in this section, aiming to achieve financing at the lowest possible cost for Ukraine, while containing risks for the state debt portfolio.

4.1 Objective 1. Attract long-term concessional funding and maximize share of grants in official sector support

Ukraine will seek to maintain one of its structural objectives which consists in reducing its average state debt cost. Taking into account the current market conditions, reaching this target implies developing concessional funding, including a high share of grants, to benefit from more favorable financing conditions. Reduction of the weighted average cost of state debt over the medium term will enable Ukraine to improve both fiscal performance and state debt sustainability.

Over the medium-term, the EFF program, and the catalytic effect it may entail on other official creditors, will support public finances. It is essential to ensure such multilateral support until the end of the war and during the reconstruction period, especially to mitigate the liquidity risks.

Ukraine benefits from strong support from the EU and IFIs, and aims **to further expand cooperation with such multilateral institutions and establish bilateral partnerships**, similar to those with Japan, Canada, Germany, the UK and the USA. Much attention will be paid to raising funds from these institutions and from the European Union in order to implement the post-war reconstruction plan. At the end of the current aggression, considerable investment needs will arise, especially to rebuild infrastructure and industrial sectors.

Possible sources of external concessional funding

Lender	Available instruments (non-exhaustive)
World Bank	<ul style="list-style-type: none">• Development Policy Loans• Other budget financing instruments
EIB / EBRD / CEB / JICA / KfW	<ul style="list-style-type: none">• Project loans
IMF	<ul style="list-style-type: none">• Loans under the EFF cooperation program to cover priority budgetary needs
European Union	<ul style="list-style-type: none">• Loans under the Ukraine Facility program• Macro-financial assistance under the Ukraine Loan Cooperation Mechanism (ULCM)¹²• Reparation Loan• Other available instruments, including Russian frozen asset-backed revenues
Foreign governments	<ul style="list-style-type: none">• Bilateral financing from partner countries, including assistance under the ULCM• Other available instruments, including Russian frozen asset-backed revenues

¹² Amortized using revenues generated from frozen assets of the Russian Federation, under the Ukraine Loan Cooperation Mechanism defined by Regulation (EU) 2024/2773 of the European Parliament and Council of the European Union of 24 October 2024

Lender	Available instruments (non-exhaustive)
Foreign banks and other commercial lenders	<ul style="list-style-type: none"> Loans from national development banks Commercial borrowings

The first pillar of this strategy consists in deepening the cooperation with the IMF, World Bank, and the EU within structural reforms' implementation in most vulnerable areas of the Ukrainian economy is important both for attracting concessional funding, including from the EU and World Bank, as well as for strengthening the confidence of foreign investors and a further decrease in the cost of commercial loans.

The second pillar relies on maximizing the share of grants in funding official support. Benefiting from a more important share of grants would be a relevant opportunity to reinforce Ukrainian relationships with multilateral and bilateral stakeholders as the same time as funding post-war reconstruction and investment plan at a limited cost. This will help minimize the cost of financing without increasing the volume of public debt.

External financing going forward

According to the IMF Eighth Review Baseline Scenario, the main financing sources in 2025-2026 are projected to be G7 Extraordinary Revenue Acceleration Loans for Ukraine and EU's Ukraine Facility.

Till the end of 2025, IMF projects to the part of the budget support be disbursed to Ukraine under **G7 ERA initiative** (USD 35.6bn has been disbursed during the current year as of November 28, 2025). For 2026, the ERA loan disbursement projection is USD 11.0bn. ERA loans are expected to be frontloaded and mostly disbursed in 2025, with a portion allocated for budget expenditures in 2026.

Disbursements under Ukraine Facility instrument are expected at USD 13.5bn in 2025 (of which USD 7.3bn has been already disbursed as of September 1), and USD 7.8bn in 2026.

For reference:

The European Commission established a dedicated instrument to support Ukraine's reconstruction efforts and sustain macro-financial stability. This new **Facility to support Ukraine's recovery, reconstruction and modernization** should reach up to **EUR 50bn for the period 2024 to 2027** for both grants and loans. Grants will be mobilized through a new special instrument, proposed in the context of the Multiannual Financial Framework (MFF) mid-term review. The loans will be guaranteed through the headroom¹³.

The Facility is based on three pillars, with the detailed breakdown described below:

- Pillar I:** The Commission brings support to the Ukrainian budget in the form of grants and loans. Pillar I aims at providing the Ukrainian with a stable and predictable funding, especially in order to sustain the state budget. To benefit from this support, the Government of Ukraine prepared Ukraine Plan. This Plan includes some structural reforms needed to progress on the path of EU accession.
 Totally, through the Pillar I, the European Union envisages to disburse EUR 5.27bn in grants and EUR 33.0bn in loans, distributed between 2024 and 2027.
- Pillar II:** A specific **Ukraine Investment Framework** aims at attracting and mobilizing public and private investments in order to support the Plan's implementation.
 This pillar is planned to mobilize EUR 2.0bn in grants each year between 2024 and 2027.

¹³ Difference between the own resources ceiling and the funds that the Commission actually needs to cover the expenses foreseen by the budget.

- **Pillar III:** Technical assistance and other supporting measures will be provided to facilitate the implementation of the Plan, including mobilization of expertise on reforms, support to municipalities, civil society and other forms of bilateral assistance. Traditionally, this type of assistance is only available for pre-accession countries. Interest rate subsidies for the cost of loans will also be covered through this pillar.
Globally, the European Union envisages to disburse EUR 2.5bn in grants over 2024-2027, of which EUR 0.5bn in administrative support.

On September 10, 2025, the European Commission President Ursula von der Leyen announced in her State of the Union speech that the EU can provide Ukraine with a **Reparations Loan**. That would be funded by cash balances from immobilised Russian Central Bank assets, without confiscating them. The loan would be repayable by Ukraine only if and when Russia pays war reparations. The Reparation Loan is being considered as a key financing instrument for the 2026-2027 budget, offering Ukraine potentially up to around EUR 130bn.

4.2 Objective 2. Continue developing strong investor relationships and pursue the deepening of local capital markets

Ensure support from international investors

Funding from private commercial investors will remain a key pillar of Ukraine's financing strategy for the reconstruction. In order to ensure sustainable access to international capital markets in the post-war reconstruction, **it is necessary to continue developing systematic and long-term investor relationships.** One of Ukraine's tasks within this Strategy is to expand its investor base in terms of geography and type of investors. As such, the Strategy envisages Ukraine providing investors with regular updates with regard to key macroeconomic and fiscal data.

Ukraine's efforts to develop communication with investors are supported **by regular update and publication of the investor presentation on the MinFin website**, dissemination of monthly outlooks on the essential developments and events in Ukraine, non-deal road shows, as well as by maintaining an official MinFin page on Bloomberg and Reuters terminals.

Ukraine has demonstrated its commitment to maintaining strong relations with the commercial investors community by engaging in active discussions despite the ongoing war. Ukraine will continue to engage in these active discussions in order to (i) provide regular updates on its debt management strategy and macroeconomic developments and (ii) take into account investor feedback with regards to the execution of this strategy.

Interactions with credit rating agencies

Ukraine will actively interact with rating agencies in the following years to further enhance its sovereign credit ratings with an ultimate goal to improve the investment attractiveness of Ukraine's sovereign debt instruments.

Current rating does not reflect the Ukrainian long-term credit quality and we look forward to the restoration of Ukraine's rating in line with the previous Strategy objectives.

Pursue the development of domestic capital markets

As well as reinforcing investor relationships, Ukraine will continue developing its domestic debt market, in particular by:

- **enhancing relation with resident investors in domestic capital markets;**
- **maintaining the attractiveness of locally-issued instruments and diversifying the set of investors**

This will be fostered by continued discussions with international investors regarding their expectations and prerequisites for accessing local capital markets. Increasing the share of debt denominated in local currency debt will allow enhancing Ukrainian financial stability.

In 2019 Clearstream established a link to the Ukrainian capital market for Ukrainian debt securities, which has greatly facilitated the access of international investors to the local UAH-denominated government bond market. In January 2023, Clearstream announced it was planning

to expand its existing link towards additional asset classes, in particular towards reconstruction-related instruments.

Alongside these elements, Ukraine remains committed to addressing the other obstacles that non-resident investors may face when seeking to access domestic capital markets, including with regards to market infrastructure, as well as settlement and clearing procedures.

MinFin plans to expand the list of benchmark bonds to facilitate bank access and mobilize funding for the budget deficit. Indeed, initiatives aiming at increasing banks' reserve requirements on deposits strengthen domestic financial resources with a focus on local participants. For instance, since January 2023, the NBU has allowed banks to use benchmark domestic government debt securities to meet up to 50% (since October 2024 – up to 60%) of their total required reserve ratio.

MinFin plans to continue utilizing switch auctions as a debt management tool. The primary strategic objective is to decongest peak redemption months for domestic government bonds, thereby smoothing the maturity profile. By proactively managing these maturities, switch auctions also help prevent the diversion of necessary liquidity away from other essential state expenditures.

It remains important to continue cooperation with the Ministry of Digital Transformation of Ukraine on expanding the list of war bonds through Unified State Web Portal of Electronic Services (Diia) with the aim of increasing the share of retail investors. Since October 2022, retail investors have been able to purchase domestic government bonds directly through the Diia application, giving households simple and immediate access to primary market placements. This digital channel significantly simplifies participation for individuals and broadens the investor base.

MinFin aims to increase the share of local-currency debt. However, it is currently not possible to achieve such an increase due to (i) the ongoing war and elevated funding needs and (ii) the prevailing preference for long-term concessional financing. Increasing the share of public debt denominated in local currency would help contain the growth of public debt servicing costs associated with exchange rate depreciation.

4.3 Objective 3. Contain refinancing risk

Manage short-term external debt refinancing risk over 2026-2028

The ongoing Russian war of aggression against Ukraine has put a strong pressure on Ukraine's public finances. Indeed, the damage of several key Ukrainian financial and industrial centers and the flight of several million people will limit the country's resources for debt servicing. Moreover, the defense effort requires large financial resources.

In this respect, **highly concessional international support is going to be a decisive pillar to manage external public finances over the short-term in order to close the financial gap and limit debt servicing.** This will require continued engagement with the IMF in the context of the Extended Funds Facility program over 2023-2027 which has catalyzed over USD 115bn of committed donor support, or other programs. **Ukraine also has the objective to restore access to capital markets as swiftly as possible, in order to accelerate the recovery of the country.**

Ensure continued functioning of the domestic debt market

Developing the domestic debt market is key to reduce Ukrainian financial vulnerability. Despite the Russia's ongoing war against Ukraine, Ukraine has maintained the functioning of the domestic debt market and been able to fully rollover its domestic debt maturities. This has enabled the domestic debt market to play an important role in meeting evolving financing needs through the war while preserving domestic banking sector stability despite the Russia's aggression against Ukraine.

Ensuring functioning of the domestic debt market is all the more key as external financing sources are limited and amid high uncertainty relating to the war. Lifting capital controls on existing domestic bonds will be a prerequisite for attracting new foreign investor inflows and for broadening the investor base over the medium term.

5. Monitoring, evaluating results and reporting on the results of strategy implementation

Monitoring and evaluation of the results of the Strategy implementation are carried out annually by conducting an analysis of:

- implementation of tasks and measures of the Strategy;
- analysis of correspondence to debt sustainability indicators.

Based on the results of the monitoring, the Ministry of Finance prepares Annual report on the results of management of state debt and state-guaranteed debt.