



Ukraine: Investor Presentation



MINISTRY OF
FINANCE OF
UKRAINE

September 2021

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Ukraine's economy: dynamics of selected indicators

| | 2015 | 2019 | Today |
|---|----------------------|----------------------|---------------------------------------|
|  Real GDP growth | (9.8)% | 3.2% | 5.4% (Q2 2021) |
|  Consumer inflation (eop) | 43.3% | 4.1% | 10.2% (Aug 2021) |
|  Reserves (eop) | US\$ 13.3bn (eop) | US\$ 25.3bn (eop) | US\$ 31.6bn (Sep 1, 2021) |
|  Primary state budget balance ¹ | 2.0% of GDP | 1.0% of GDP | 0.3% of GDP ² (Q1 2021) |
|  State debt to GDP | 67.1% | 44.3% | 51.4% ³ (Q1 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 12.7bn during Q2 2020 – Q1 2021 and actual nominal GDP of UAH 4,349bn during Q2 2020 – Q1 2021

Note 3 Estimated based on actual state debt of UAH 2,235bn as of Mar 31, 2021 and actual nominal GDP of UAH 4,349bn during Q2 2020 – Q1 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 lockdown¹
- ▶ **One-off stimulating payments** of c. **US\$ 300** per private entrepreneur in December 2020



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% increase in salaries for medical personnel** working with Covid-19 patients



Transformation of the economy:

- ▶ **Transportation sector reform:** spin-off of Ukrzaliznytsia, reorganization of Seaport Authority, heavy investments into transportation infrastructure
- ▶ **Investments attraction:** replacement of income tax with a capital withholding tax, involvement of IFIs for the implementation of investment projects
- ▶ **Innovation enhancement:** digital transformation strategy, R&D stimulation, reform of scientific setup

Sources CMU, Ministry of Finance, Parliament of Ukraine

Covid-19 funds use

| UAHbn | 7m2021 | 2021(B) | Exec. ² |
|---------------------------------|-------------|-------------|--------------------|
| Healthcare services procurement | 12.3 | 17.5 | 70% |
| Vaccines procurement | 9.2 | 10.5 | 88% |
| Social support of population | 3.7 | 3.8 | 97% |
| Unemployment-related payments | 1.1 | 1.1 | 100% |
| Other | 2.7 | 3.1 | 87% |
| Total funds | 29.0 | 36.0 | 81% |

Vaccines procurement and rollout

| Vaccine | Available ⁴ | Received ³ | Administered | |
|--------------|------------------------|-----------------------|--------------|-------------|
| | | | 1st dose | 2nd dose |
| Pfizer | 21.1m | 5.0m | 2.0m | 1.6m |
| Sinovac | 8.8m | 8.8m | 1.6m | 1.3m |
| Moderna | 2.1m | 2.1m | 1.1m | 0.9m |
| AstraZeneca | 7.1m | 4.9m | 1.0m | 0.8m |
| Total | 39.1m | 20.8m | 5.8m | 4.6m |

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 September 10, 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

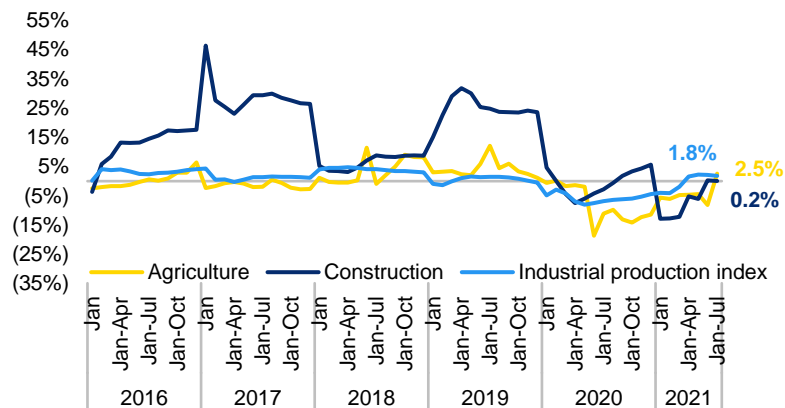
+2%

2020 US\$ 3,727

Comments

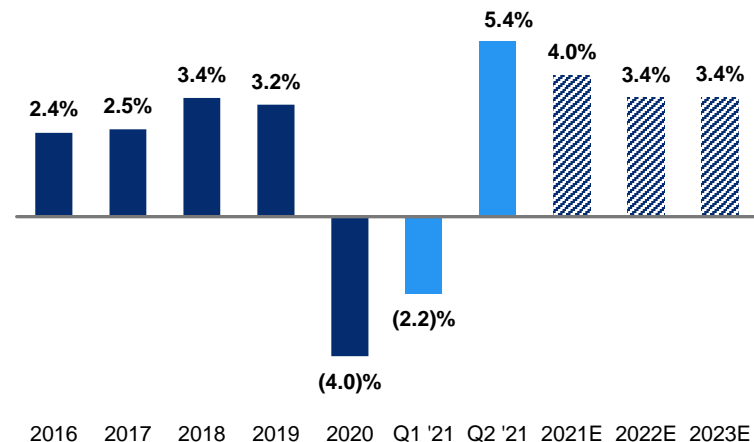
- ▶ In 2020, Ukraine's **real GDP has declined by 4.0%** which is **significantly lower than projected** by the government (-4.8%) and the IMF (-7.2%). In Q1 2021, the real GDP has contracted by 2.2% followed by the preliminary growth of 5.4% in Q2 2021
- ▶ YTD 2021, the **key economic sector outputs started to return to upward trend while remaining rather mild**. Both agriculture (2.5% y-o-y in Jan-Jul 2021) and industrial production (1.8% y-o-y in Jan-Jul 2021) demonstrate increase while construction index remains relatively unchanged (0.2% y-o-y in Jan-Jul 2021)
- ▶ Despite Covid-19, the **private consumption remained strong in Q1 2021 after quick return to growth in Q3 2020**, while the fixed capital accumulation remains negative

Key economic sectors output growth (y-o-y)¹, %



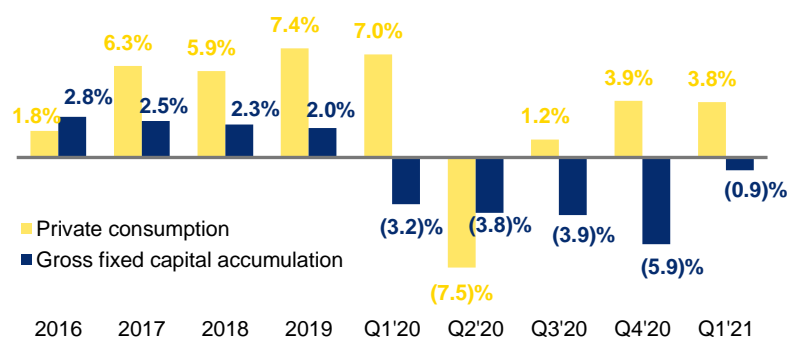
Source State Statistics Service of Ukraine

Real GDP growth (y-o-y)², %



Sources State Statistics Service of Ukraine

Component contribution into real GDP growth, %



Source State Statistics Service of Ukraine

Notes

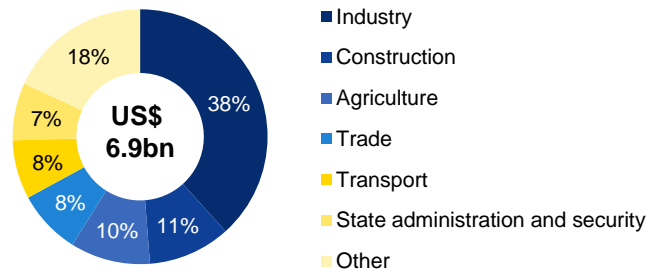
- 1 To the corresponding period of the previous year on a cumulative basis
- 2 2021-2023 data according to the latest IMF's projections

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

Comments

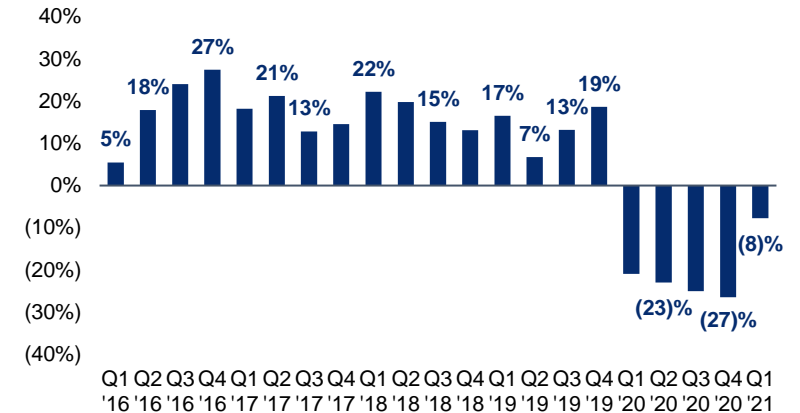
- ▶ **The key contributors to industrial output increase in Jan-Jul 2021** are production of furniture (+16.4%), plastics and rubber industry (+12.4%), and machinery (+10.4%)
- ▶ **Gross fixed capital accumulation remain negative, 7.8% in Q1 2021**, on the back of the economic disruption caused by Covid-19
- ▶ 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, %



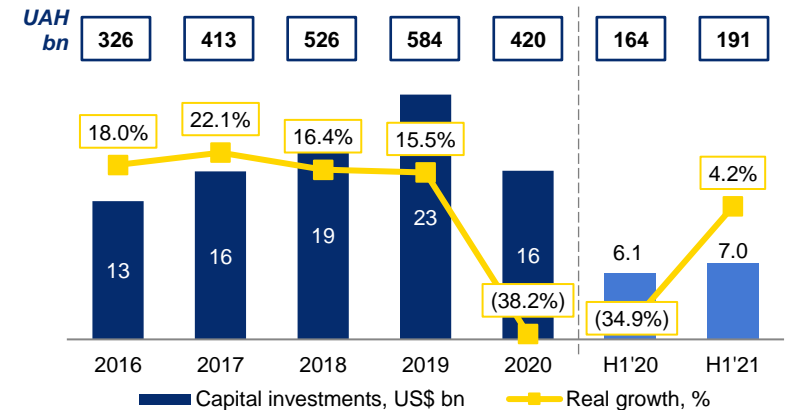
Source State Statistics Service of Ukraine

Gross fixed capital accumulation, % (y-o-y)¹



Source State Statistics Service of Ukraine

Capital investments dynamics



Source State Statistics Service of Ukraine

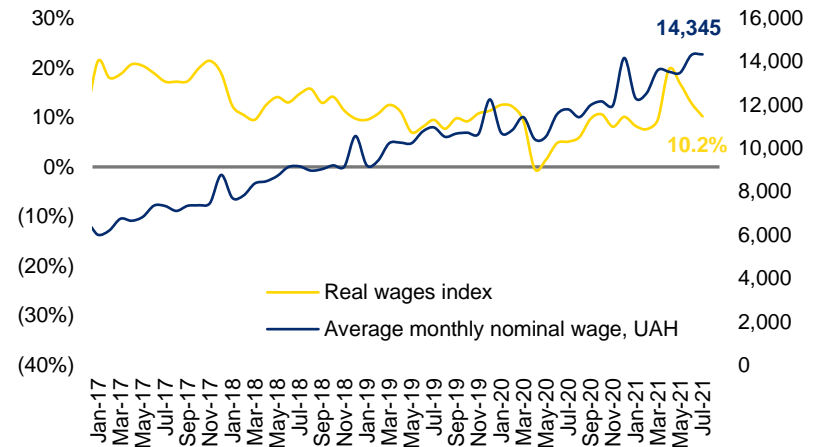
Note 1 To the corresponding period of the previous year on a cumulative basis

Despite economic downturn, consumer demand remains firm

Comments

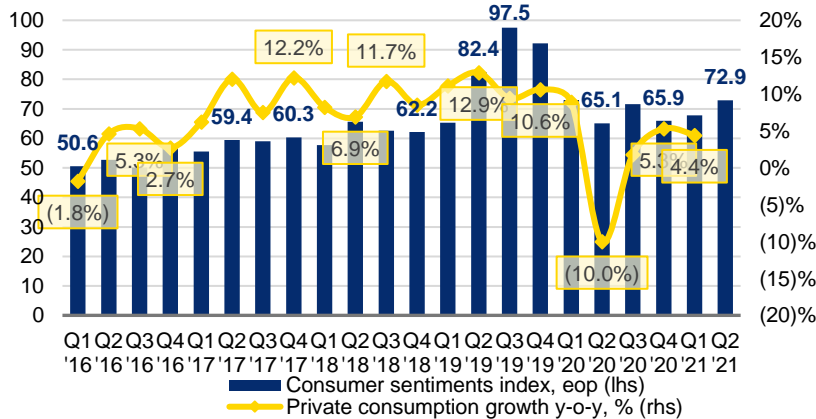
- ▶ Over recent years, consumer demand was consistently driven by a number of factors, including **steady rise in real wages, improving consumer sentiments** (before Q1 2020), **growing personal money remittances**
 - Despite the economic crisis caused by Covid-19, real wages growth was mainly resilient and reached 10.2% y-o-y in July 2021, even though the growth pace has slowed due to rising inflation
- ▶ **Covid-19 also had a limited impact on the retail trade which grew with double digits**: the turnover increased to 13.0% in July 2021, slightly lower than in June 2021 (13.8%)
- ▶ Final private consumption grew by 5.3% and 4.4% y-o-y in Q4 2020 and Q1 2021, respectively, after a 10.0% decline in Q2 2020

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



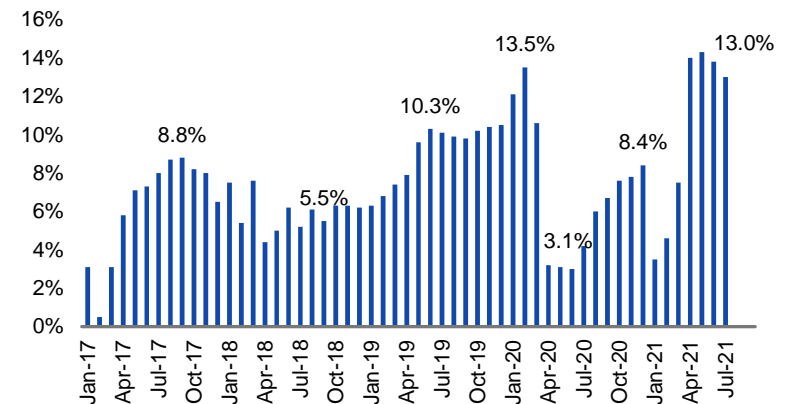
Source State Statistics Service of Ukraine

Private consumption and consumer sentiments evolution



Source GFK, State Statistics Service of Ukraine

Retail trade growth (y-o-y)¹, %



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

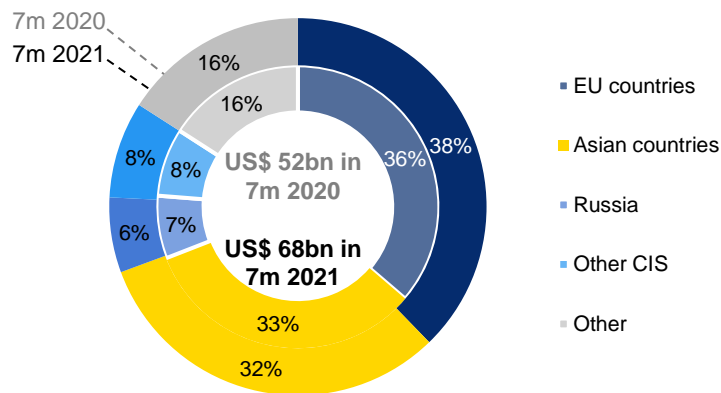
Source State Statistics Service of Ukraine

Revival of external trade in 7m 2021

Comments

- ▶ **The international trade has started to recover after disruptions caused by global Covid-19 pandemic:** Ukraine's goods trade turnover has increased by 30% y-o-y in 7m 2021 (to US\$ 68bn)
- ▶ The total export and import of goods and services have reached US\$ 42.2bn and US\$ 42.5bn in 7m 2021, respectively
- ▶ **Exports of goods and services have risen by 27.5% y-o-y in 7m 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 24.6% y-o-y in 7m 2021** with machinery and equipment, chemicals, and mineral products contributing the most

Geographic structure of goods trade in 7m 2020 & 7m 2021¹

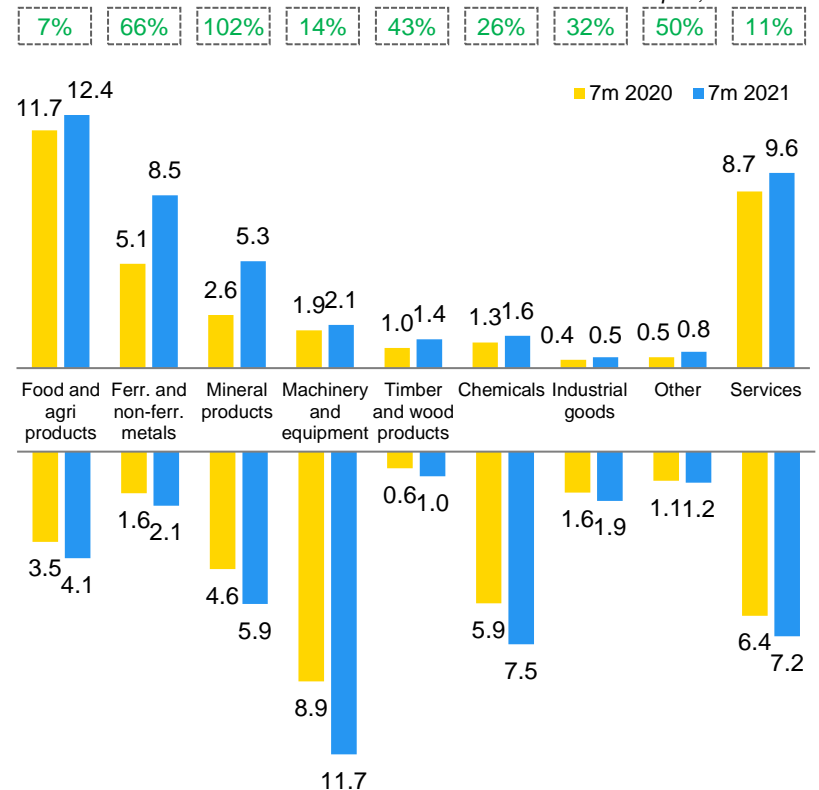


Source NBU
Notes

¹ Sum of export and import of goods

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

Export



Import



Source NBU

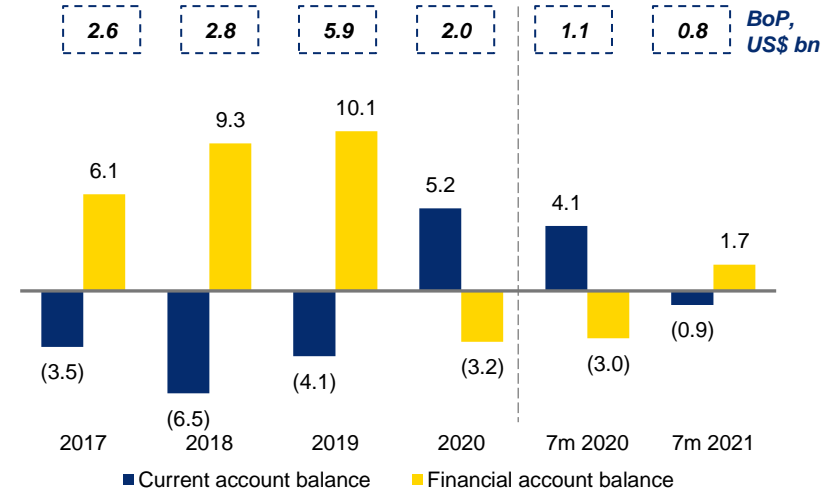


Firm external position leading to less vulnerability to external shocks

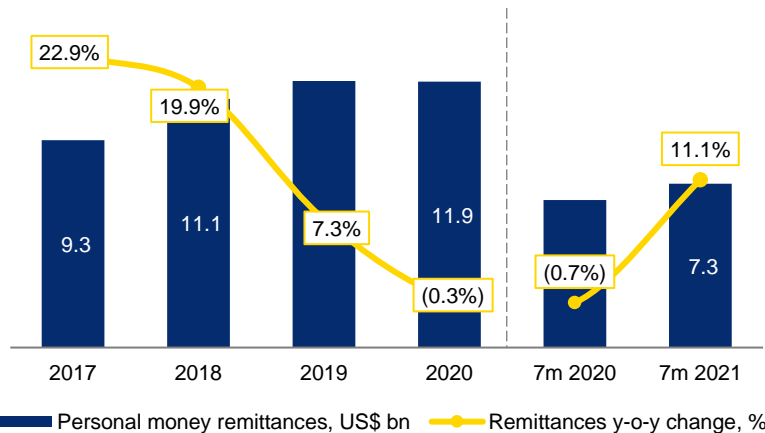
Comments

- ▶ **The trade balance deficit amounted to US\$ 0.3bn** in 7m 2021 which is much lower than US\$ 1.0bn in 7m 2020. The decrease in the deficit is resulting from higher growth in exports (by 27.5% y-o-y) vs imports (by 24.6% y-o-y)
- ▶ **The current account (CA) balance demonstrated deficit** of US\$ 0.9bn in 7m 2021 comparing to US\$ 4.1bn surplus year ago mainly due to outflows related to investment income (US\$ 10.1bn in 7m 2021 vs US\$ 3.7bn in 7m 2020)
- ▶ **The financial account continued to record capital inflows** (US\$ 1.7bn in 7m 2021) which was primarily due to an improvement of global financial conditions for EMs

Balance of payments components, US\$ bn

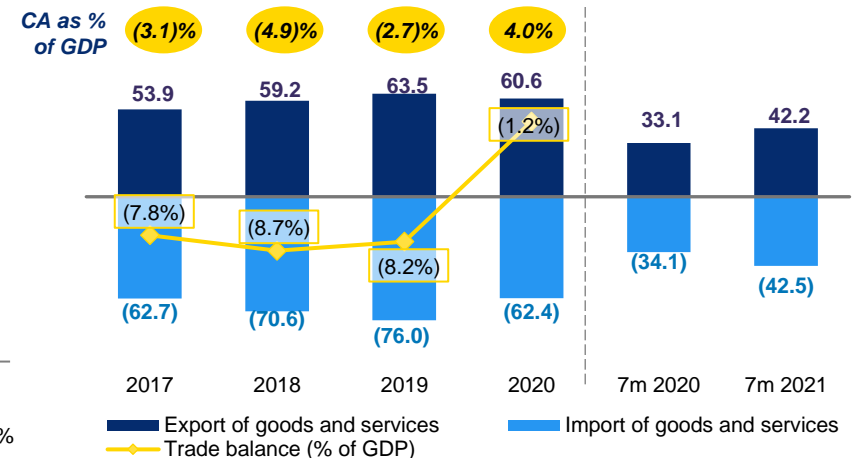


Private money remittances, US\$ bn



Source NBU

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



Prudent monetary policy implemented by independent regulator

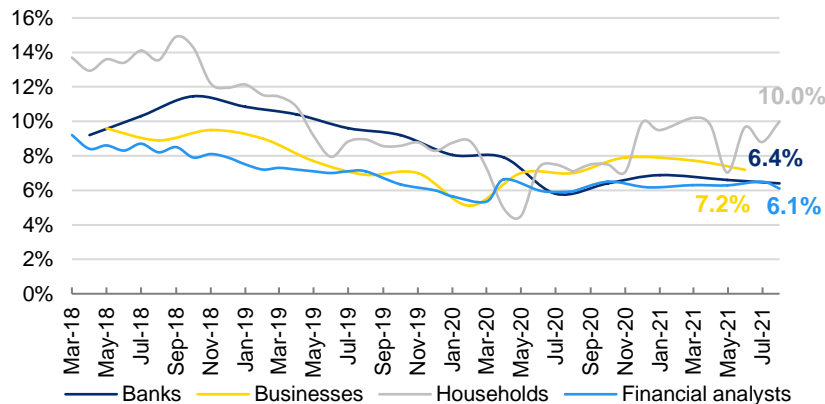
Comments

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

Y-o-y inflation as of August 2021: 10.2%

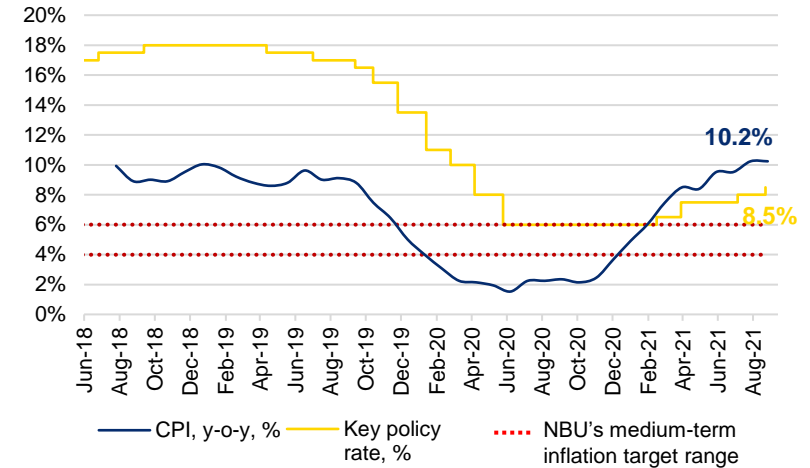
- ▶ After a maintaining the soft monetary policy as a response to Covid-19 recession, **in March 2021 the NBU started the cycle of the rate hikes to curb the inflation**, raising the key policy rates 4 times during March-Sept 2021 by 2.5 p.p.
- ▶ The NBU also will stop applying its anti-crisis monetary measures such as long-term refinancing tenders and interest rate swap auctions at the start of Q4 2021 to boost the efficiency of the monetary transmission mechanism
- ▶ In Jul-Aug 2021, consumer inflation came out lower than had been projected previously, yet was double digit for the first time since 2018. Inflationary pressures were generated by the rise in prices for certain foods and fuels and sustained consumer demand. Inflation expectations of households are also rising, which may lead to further NBU's policy rate hikes

CPI expectations for the following 12 months

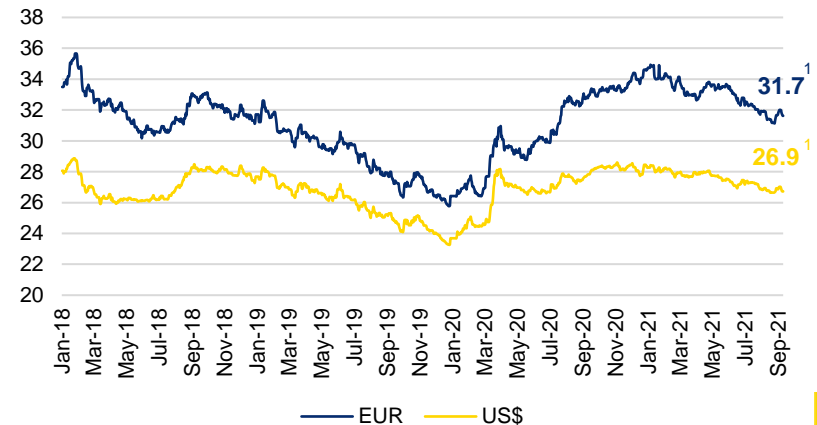


Source NBU

Consumer price index (CPI) change and key policy rate



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



Notes

1 As of Sept 10, 2021

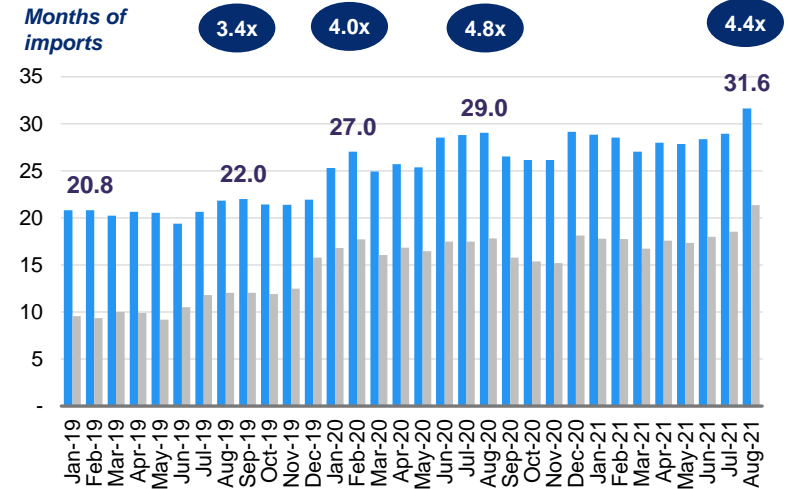


Accumulated international reserves

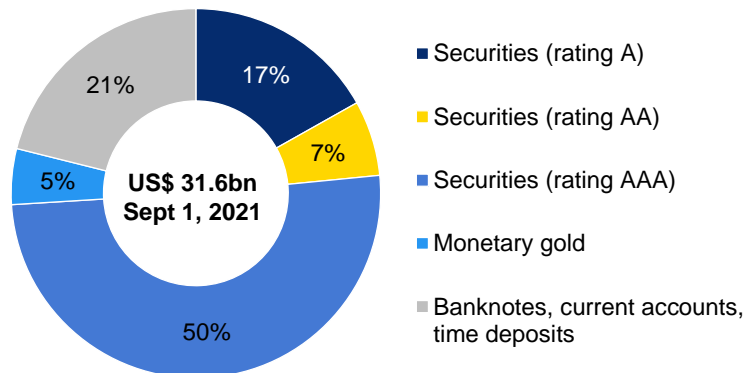
Comments

- ▶ **Gross international reserves increased by 9.2% (m-o-m) and reached US\$ 31.6bn as of Sep 1, 2021** (covering 4.4 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
- ▶ Allocation of US\$ 2.7bn by the IMF was the main contributor of the reserves increase during August 2021. In addition, the international reserves increased on the back of NBU's net FX purchase (US\$ 348.3m), and FX domestic placements (US\$ 8.8m). Government transactions to repay public debt (US\$ 392.3m), and financial instruments revaluation loss (US\$ 31.6m) have slightly offset this impact

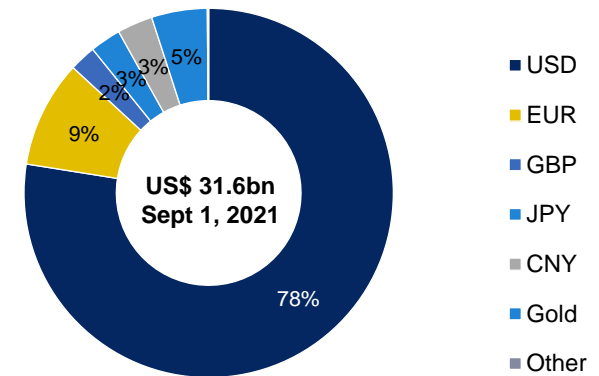
Gross and net international reserves (eop), US\$ bn



Gross international reserves by instrument (Sep 1, 2021)

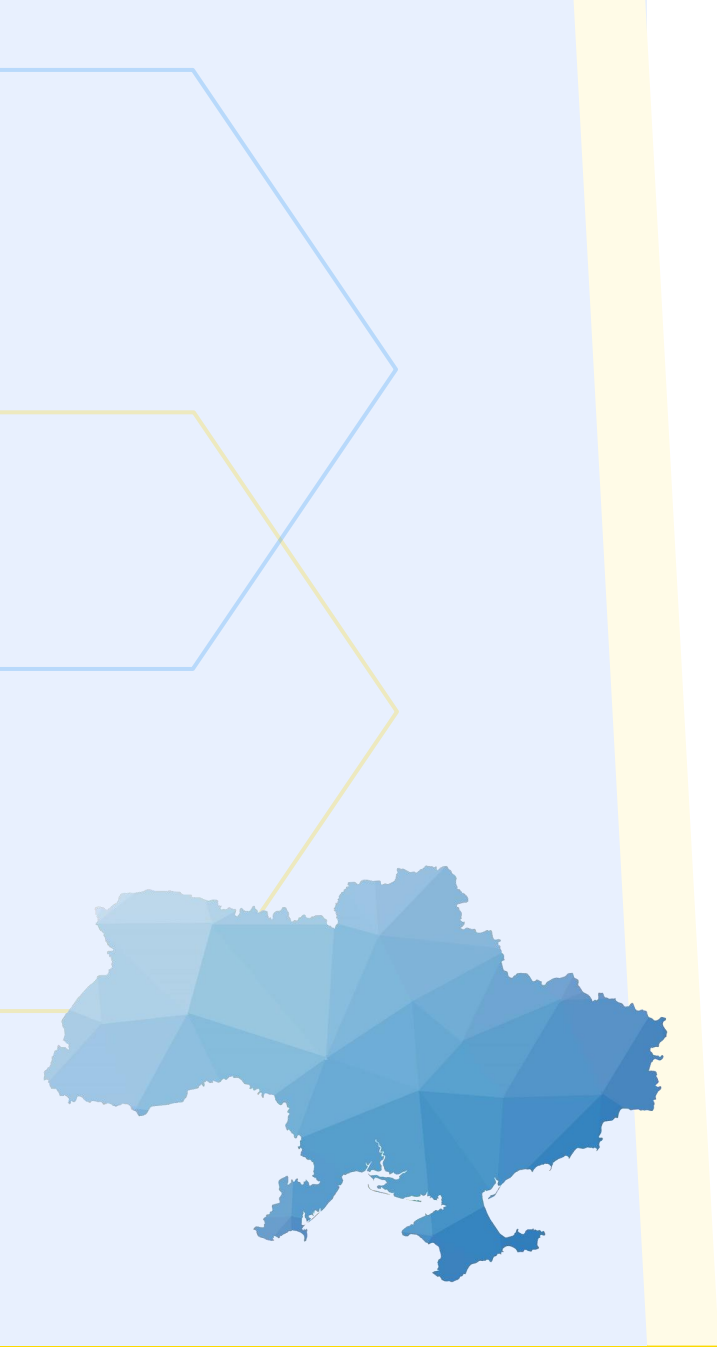


Gross international reserves by currency (Sep 1, 2021)



Source NBU





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2022-2024 Budget Declaration

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

| | 2020 | 2021E | 2022F | 2023F | 2024F |
|--|----------------|------------------------|------------------------------|------------------------------|------------------------------|
| Key macroeconomic assumptions | | | | | |
| 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) |
| Key state budget indicators, UAHbn | | | | | |
| | <i>Actual</i> | <i>Law¹</i> | <i>Draft Law²</i> | <i>3Y Budget Declaration</i> | <i>3Y Budget Declaration</i> |
| (i) Revenues | 1,076.0 | 1,097.5 | 1,267.4 | 1,333.2 | 1,451.6 |
| as % of GDP | 25.7% | 22.8% | 23.6% | 22.2% | 21.8% |
| (ii) Expenditures | 1,288.1 | 1,335.2 | 1,441.9 | 1,497.0 | 1,614.1 |
| as % of GDP | 30.7% | 27.8% | 26.9% | 25.0% | 24.3% |
| (iii) Net lending | 5.5 | 9.2 | 13.5 | 16.0 | 17.1 |
| as % of GDP | 0.1% | 0.2% | 0.3% | 0.3% | 0.3% |
| Overall state budget deficit | 217.6 | 246.8 | 188.0 | 179.8 | 179.6 |
| 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% | 6.9% | 6.6% | 6.0% |
| State and state-guaranteed debt, as % of GDP | 60.9% | 64.7% | 57.6% | 54.6% | 52.4% |

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

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

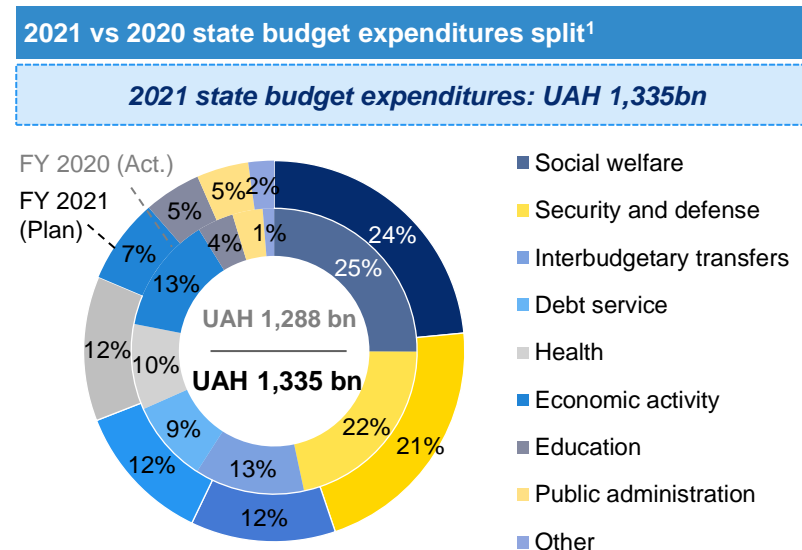
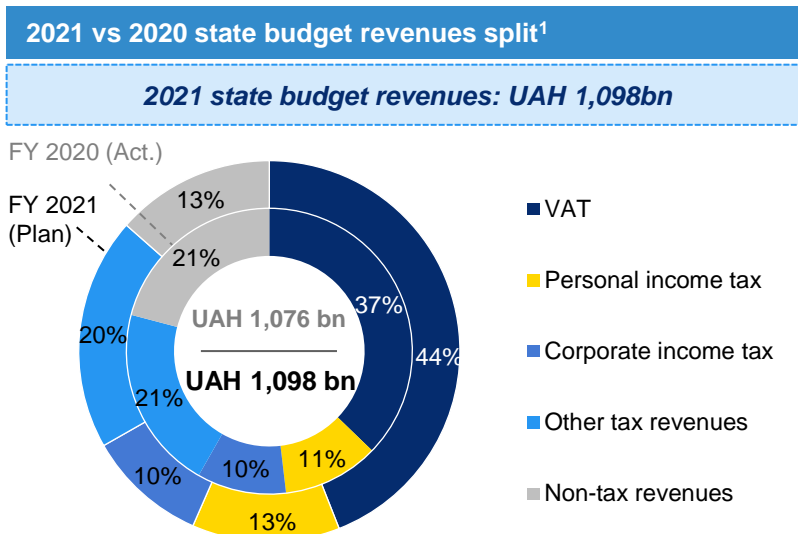
Note 2 As of September 15, 2021



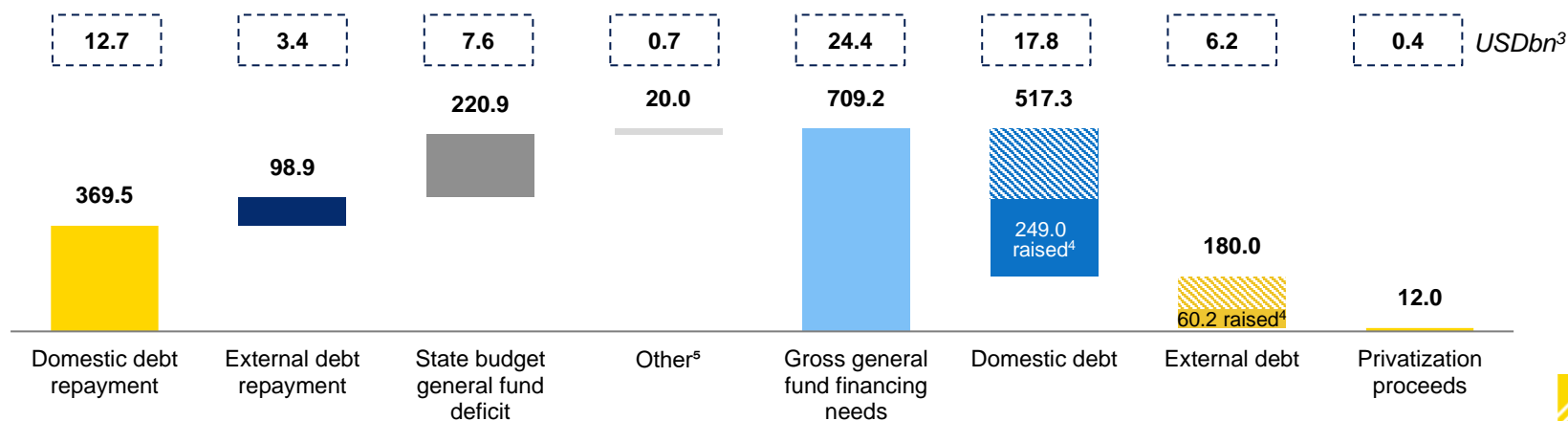
2021 state budget to resume gradual fiscal consolidation

Key indicators of 2021 State budget:

- Total revenues: **UAH 1,098bn** (+2%)
- Total expenditures: **UAH 1,335bn** (+4%)
- Budget deficit²: **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



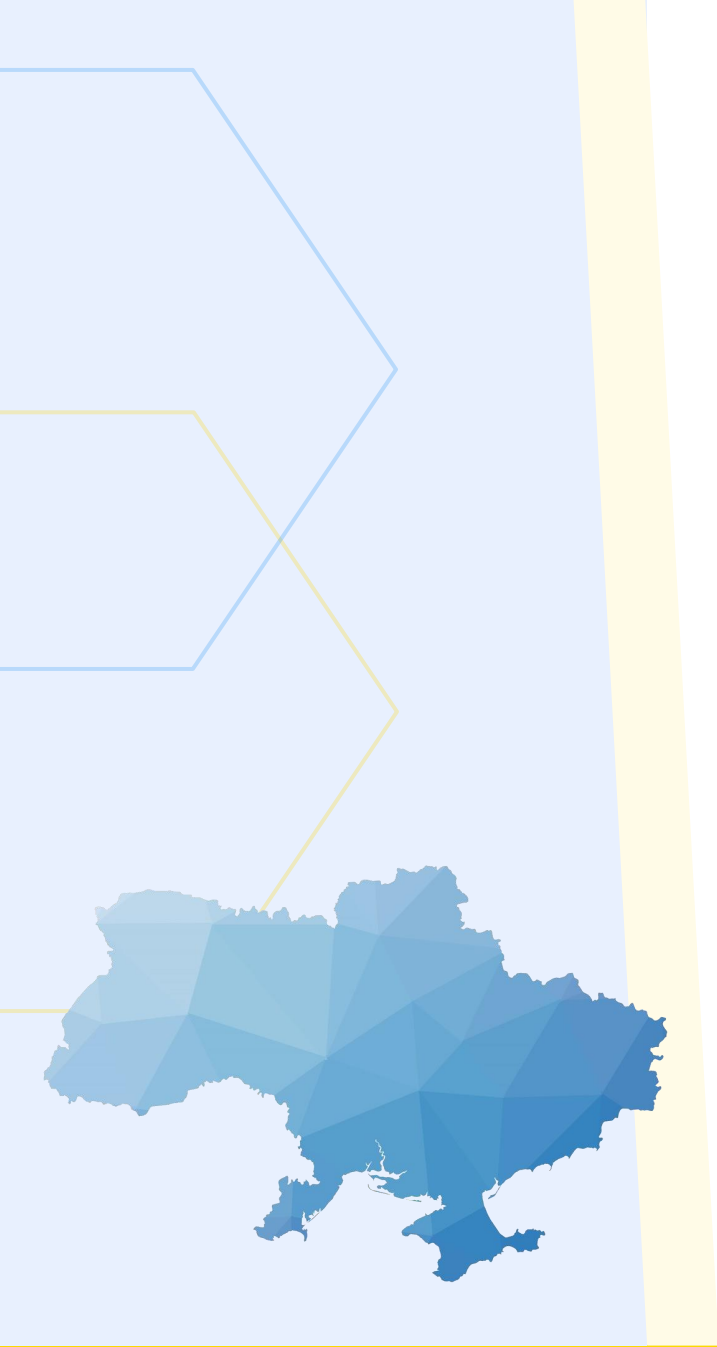
Notes

- 1 According to State Budget Law 2021 (as of July 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 September 15, 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

Jan-Jul 2021 state budget execution

| UAH m | Jan-Jul 2020 | Jan-Jul 2021 | % diff. | FY 2021 (Law as of Jul) | % execution |
|---------------------------------------|------------------|------------------|--------------|-------------------------|-------------|
| Revenues | 588,456 | 681,005 | +16% | 1,097,547 | 62% |
| Tax revenues, incl. | 422,096 | 561,152 | +33% | 949,457 | 59% |
| Personal income tax and income charge | 63,863 | 75,421 | +18% | 137,580 | 55% |
| Corporate profit tax | 55,038 | 69,238 | +26% | 111,836 | 62% |
| Fee for the use of mineral resources | 15,467 | 29,462 | +90% | 41,585 | 71% |
| Excises | 72,416 | 86,017 | +19% | 137,546 | 63% |
| VAT (net of VAT reimbursement) | 198,238 | 278,240 | +40% | 483,278 | 58% |
| Export and Import duties | 15,332 | 20,673 | +35% | 33,934 | 61% |
| Other taxes and duties | 1,741 | 2,101 | +21% | 3,697 | 57% |
| Non-tax revenues | 166,361 | 119,853 | (28%) | 148,090 | 81% |
| Expenditures | (636,467) | (732,441) | +15% | (1,335,163) | 55% |
| General public functions, incl.: | (90,792) | (104,310) | +15% | (218,685) | 48% |
| Debt service | (68,248) | (79,018) | +16% | (159,836) | 49% |
| Security and Defense | (137,492) | (148,484) | +8% | (285,301) | 52% |
| Economic activity | (47,917) | (62,290) | +30% | (96,319) | 65% |
| Protection of environment | (2,262) | (2,469) | +9% | (8,641) | 29% |
| Healthcare | (42,273) | (86,542) | +105% | (164,330) | 53% |
| Intellectual and physical development | (4,196) | (6,502) | +55% | (19,444) | 33% |
| Education | (29,192) | (35,587) | +22% | (64,281) | 55% |
| Social welfare | (188,386) | (191,888) | +2% | (313,473) | 61% |
| Interbudgetary transfers | (93,946) | (94,356) | +0% | (164,323) | 57% |
| Net lending | (3,184) | (2,000) | (37%) | (9,228) | 22% |
| Primary state budget balance | 17,052 | 25,582 | +50% | (87,008) | - |
| Overall state budget balance | (51,195) | (53,436) | +4% | (246,844) | 22% |

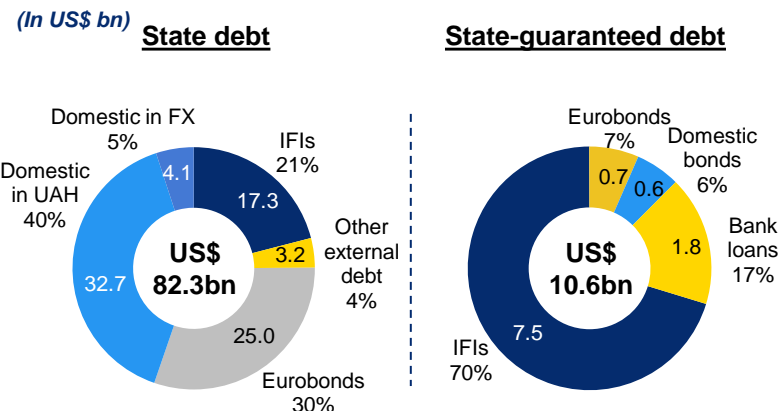




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Prudent and proactive debt management strategy

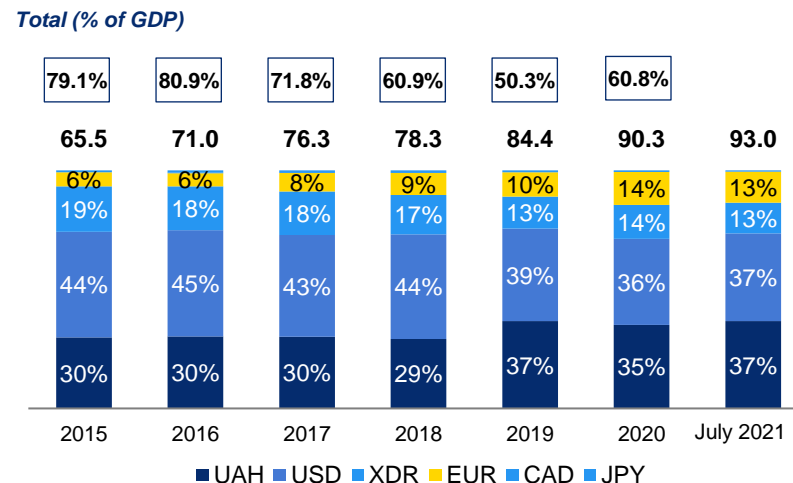
State and state-guaranteed debt structure (end-July 2021)



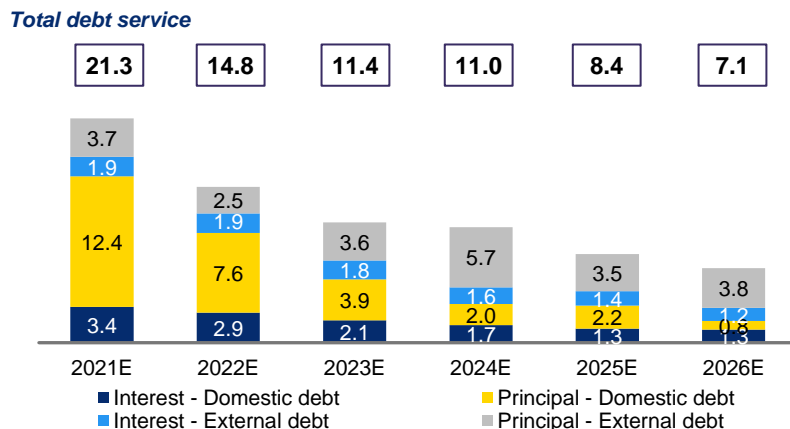
As of end-July 2021, Ukraine's total state and state-guaranteed debt (US\$ 93.0bn / UAH 2,499bn) split between:

- 59% of external debt, 41% of domestic debt
- 89% of state debt, 11% of state-guaranteed debt

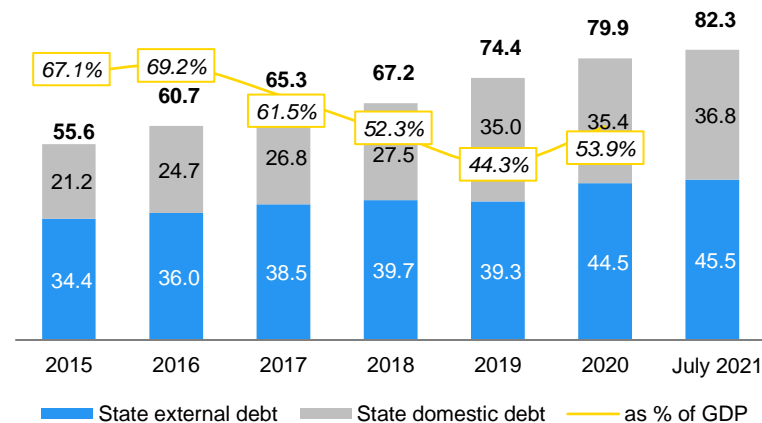
State and state-guaranteed debt by currency, US\$ bn



State debt amortization schedule (01.09.2021)¹, US\$ bn



State debt dynamics, US\$ bn



Notes

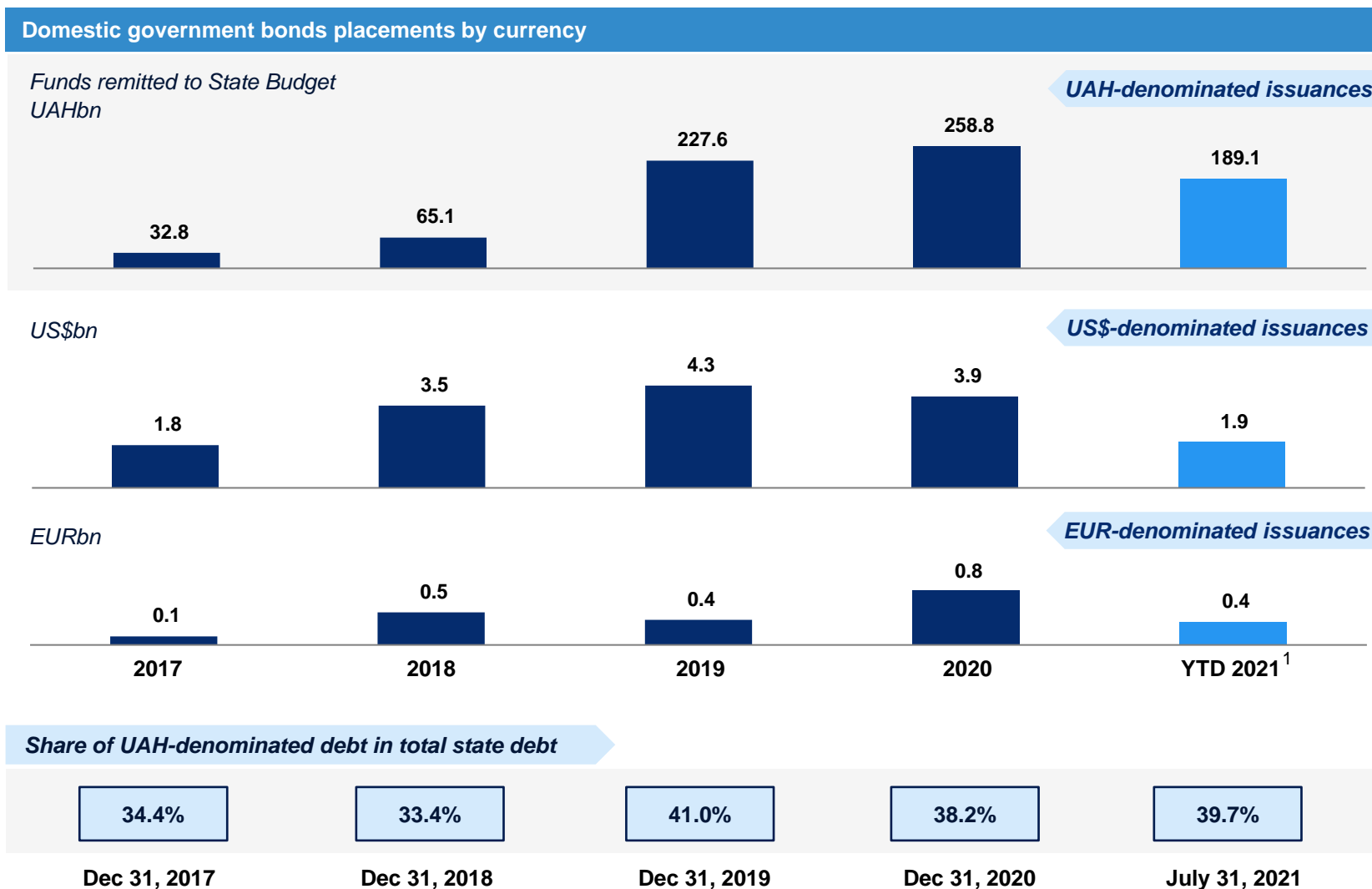
¹ Incl. outstanding debt obligations only

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
- 9m 2021¹ 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 September 14, 2021

Source Ministry of Finance

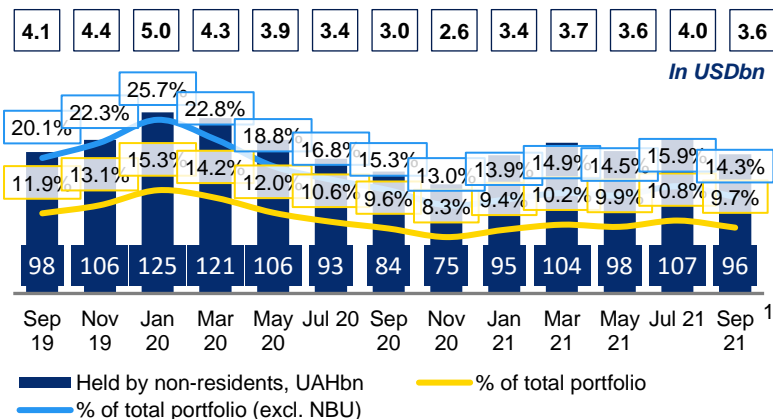


Ukraine's domestic government bond holders

Key highlights

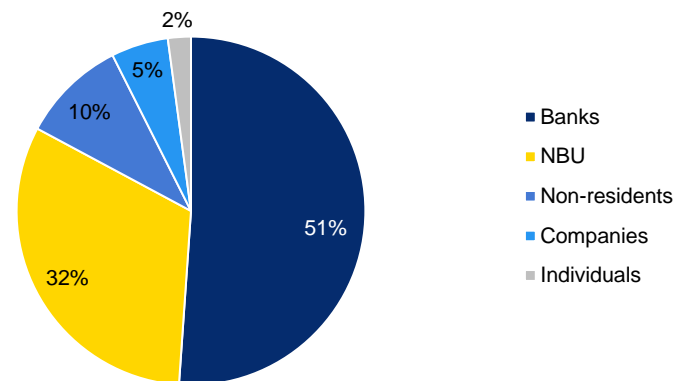
- ▶ With a **c.51% share, banks are currently the largest holder of domestic government bonds followed by the NBU, which accounts for c.32% of the portfolio**¹
- ▶ At c.10% of total outstanding Ukrainian domestic government bonds as of September 2021¹, the **portfolio held by non-residents has recently 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)

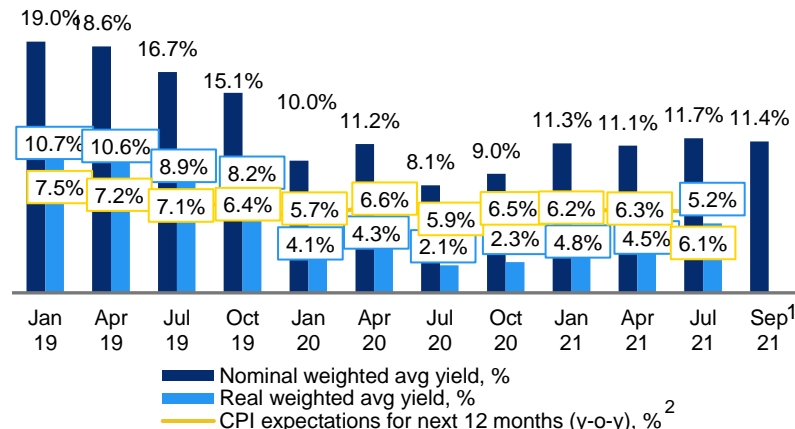


Source Ministry of Finance, NBU

Domestic government bond holders¹



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

- As of September 14, 2021
- 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 for 2021

| Partner | Programs | Pipeline financing |
|--|--|-------------------------------|
|  <p>International Monetary Fund</p> | <ul style="list-style-type: none"> On August 25th 2021, Ukraine has received US \$ 2.7bn (SDR 1.9bn) under SDR allocation program, part of IMF's assistance to member countries in economic recovery from the Covid-19 On June 9th 2020, IMF Executive Board approved 18-month Stand-By Arrangement (SBA) for Ukraine, under which US\$ 2.1bn (SDR 1.5bn) was disbursed immediately. The second tranche is expected in the coming months, which should amount to US\$ 700m (SDR 500m). The total amount of program is US\$ 5.1bn (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 | US\$ 3.0bn¹ |
|   <p>European Union</p> | <ul style="list-style-type: none"> EUR 1.2bn MFA program for Ukraine was adopted within EUR 3.0bn support package to neighboring partners in May 2020. The first EUR 623.5m tranche has been provided on December 9, 2020. The decision on the disbursement of the second tranche of EUR 600m was made on September 15, 2021 following the implementation of the required structural reforms 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 In addition, various European institutions provide significant financial support for Ukraine, e.g. EUR 340m from the EIB within "Early Recovery Programme" disbursed in late 2020 | EUR 0.6bn |
|  <p>World Bank</p> | <ul style="list-style-type: none"> On September 9th, 2021, the World Bank representatives announced its readiness to allocate US\$ 230m to Ukraine within the framework of the COVAX global initiative until December 2021 On June 25th, 2021, the first US\$ 350m Economic Recovery Development Policy Loan (DPL) was disbursed. The second US\$ 350m loan is being structured at the moment | US\$ 0.6bn |
| Total amount of envisaged external financing from the official partners | | c.US\$ 4.3bn |

Notes

1 Translated from SDR to US\$ based on 1.4256 US\$ per 1 SDR IMF exchange rate as of September 10, 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
- ▶ Currently, the Ministry of Finance is working on the completion of the first review of the current program and expects the **IMF mission in Sep 2021**
- ▶ The size of the second tranche under SBA program may amount to more than US\$ 700m (SDR 500m). More details are subject to the upcoming IMF mission

Key priorities under new 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 1.4256 US\$ per 1 SDR IMF exchange rate as of September 10, 2021

Past EFF, SBA and SDR programs

| Availability date / Reviews | SDR m | US\$ m ¹ |
|--|--------------|---------------------|
| SDR allocation program (US\$ 2.7bn) | | |
| August 25, 2021 [disbursed] | 1,928 | 2,738 |
| Total SDR program | 1,928 | 2,738 |
| SBA 2020 program (US\$ 5.0bn, 179% of quota) | | |
| June 9, 2020 [disbursed] | 1,500 | 2,076 |
| Following reviews | 2,100 | 2,994 ¹ |
| Total SBA program | 3,600 | 5,070 |
| SBA 2018 program (US\$ 3.9bn, 139% of quota) | | |
| December 18, 2018 | 1,000 | 1,391 |
| Total SBA program | 1,000 | 1,391 |
| EFF 2015 program (US\$ 17.5bn, 900% of quota) | | |
| March 11, 2015 | 3,546 | 4,879 |
| July 31, 2015 [1 st review] | 1,182 | 1,659 |
| September 15, 2016 [2 nd review] | 716 | 1,003 |
| April 3, 2017 [3 rd review] | 734 | 996 |
| Total EFF program | 6,178 | 8,537 |

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 0.7014 SDR/USD as of September 10, 2021

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

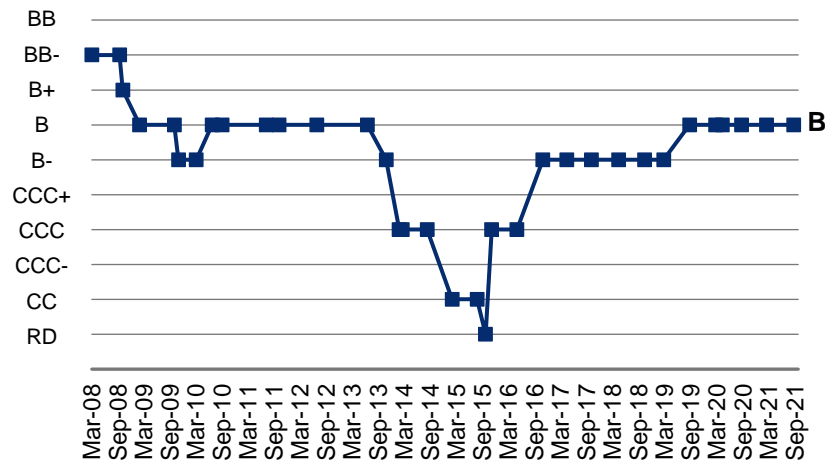
FitchRatings

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



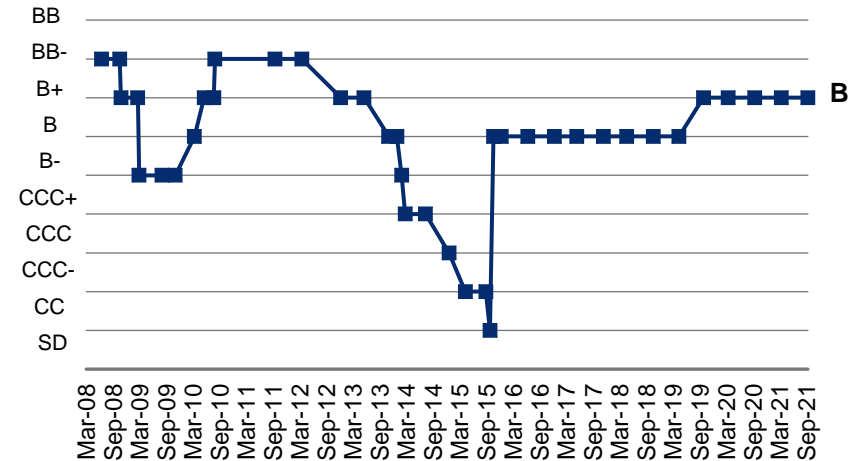
S&P Global

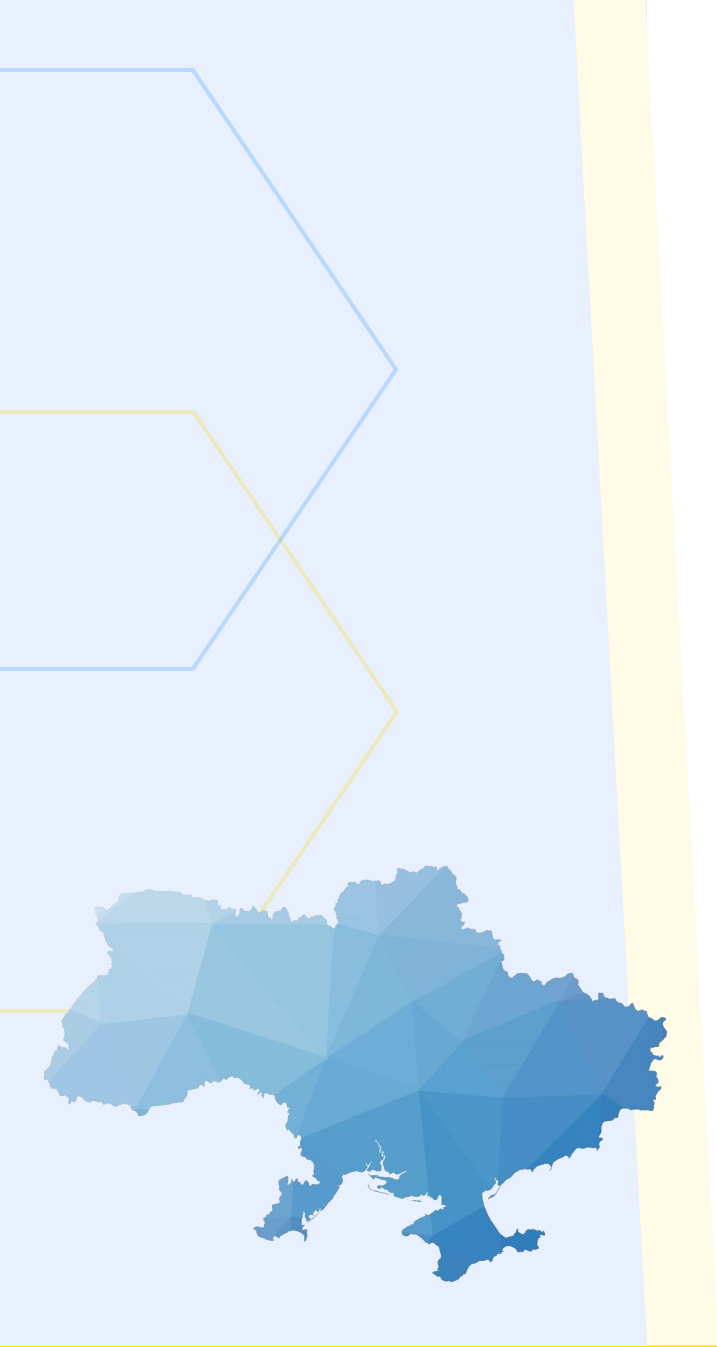
Rating: B, Stable

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)

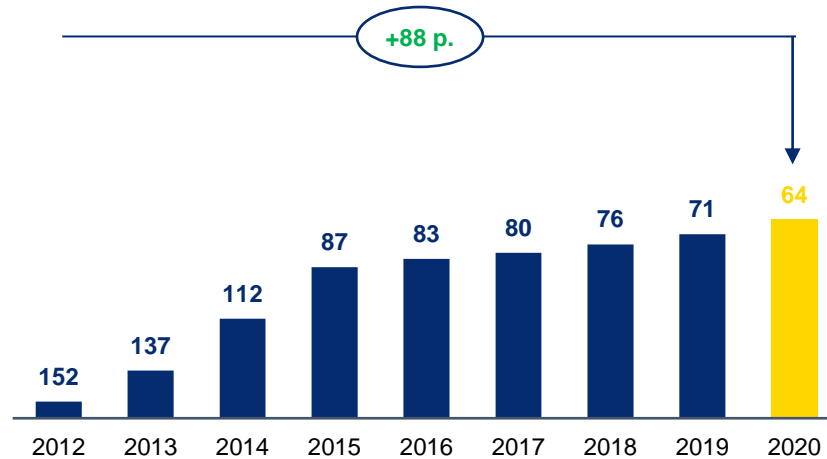




- 1 Solid foundation for long-term economic growth
- 2 Return to gradual fiscal consolidation
- 3 Prudent debt management strategy
- 4 Reviving business climate and development prospects**
- 5 Strong focus on ESG considerations

Business climate improvement to accelerate growth potential

Ease of Doing Business ranking

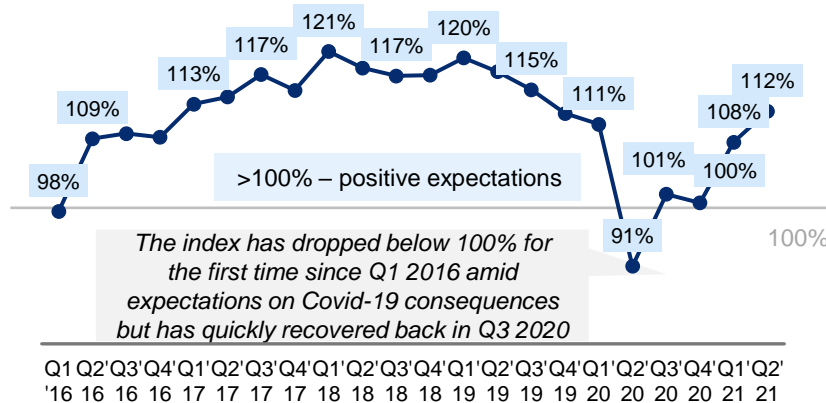


Source Doing Business

Ukraine's selected pillars in 2020 global ranking

- 20** Dealing with construction permits (+10 p. vs the previous report)
- 37** Getting credit (-5 p. vs the previous report)
- 45** Protecting minority investors (+27 p. vs the previous report)
- 61** Starting a business (-5 p. vs the previous report)
- 61** Registering property (+2 p. vs the previous report)
- 63** Enforcing contracts (+6 p. vs the previous report)

Business expectations index by the NBU



Source NBU

Q2 2021 expectations by industry

- Manufacturing 116.1%**
- Retail 115.6%**
- Mining 108.6%**
- Transport & logistics 104.8%**
- Utilities 102.9%**

Seizing crisis opportunity for agri exports









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

- ▶ Reinforced by Covid-19, the global demand for basic goods, such as agri and food, remains stable
- ▶ This provides Ukraine an opportunity to elevate basic goods exports to large and developed economies amidst crisis
- ▶ Most of such trade connections have already been set up and developed with conclusion of an increasing number of FTAs while Ukraine has undergone a major shift in trade flows towards the EU market in recent years
 - **The EU's share** in Ukraine's foreign trade turnover (goods) went up **from 35% in 2015 to 38% in 2020**
 - **DCFTA (in full force since September 2017)** provides further opportunities in the EU markets

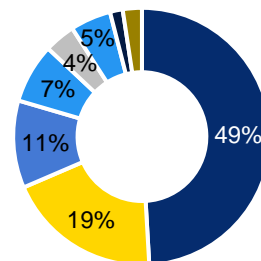
7m 2021 y-o-y increase in export of goods by countries²

| | |
|---|---|
|  Czech Rep. / +107.7% USD 864m |  Poland / +67.6% USD 2,891m |
|  Italy / +65.6% USD 1,830m |  Turkey / +58.5% USD 2,084m |
|  USA / +57.6% USD 873m |  Romania / +43.2% USD 822m |
|  Germany / +40.0% USD 1,393m |  China / +36.5% USD 4,993m |

Source State Statistics Service of Ukraine

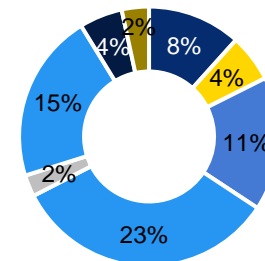
Ukraine's exports and imports breakdown¹ in 7m 2021

Exports



- Agricultural products
- Mineral products
- Timber and wood products
- Industrial goods

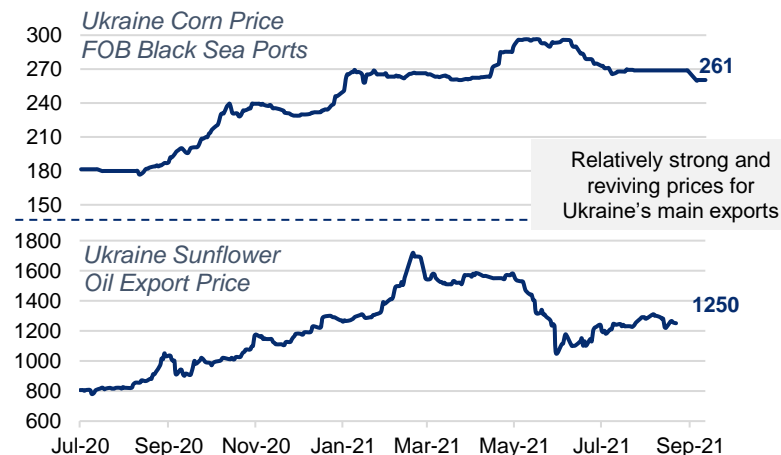
Imports



- Ferrrous and nonferrous metals
- Machinery and equipment
- Chemicals
- Other (incl. informal trade)

Source National Bank of Ukraine

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

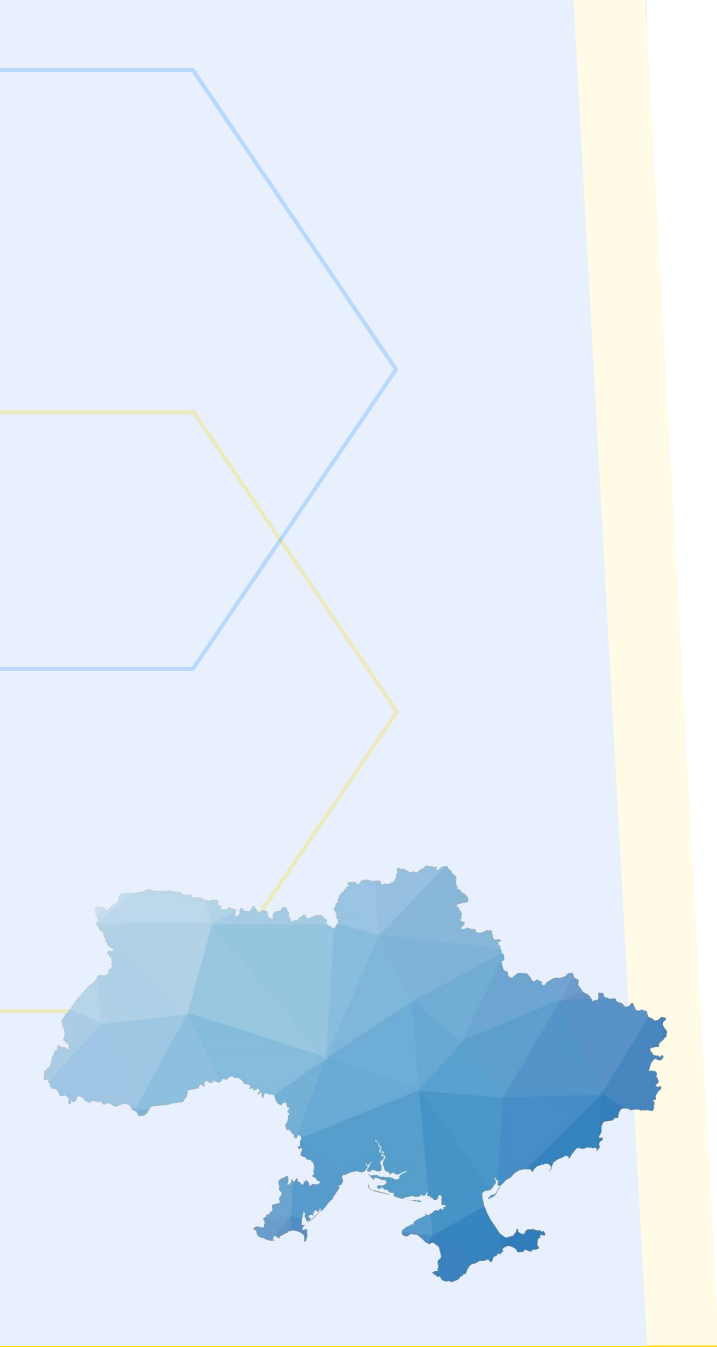


Source Bloomberg, as of Sept 13, 2021

Notes

- 1 Export and import of goods breakdown
- 2 Only countries, exports of goods to which in 7m 2021 surpassed 2.0% of total Ukraine's export of goods were included





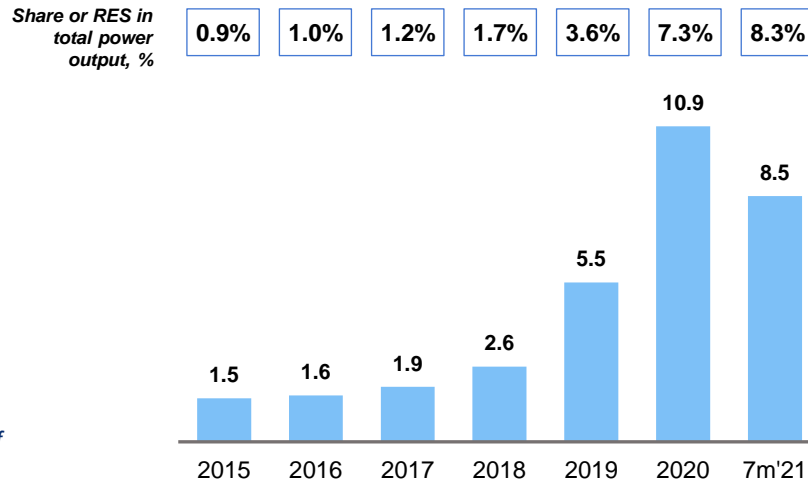
- 1 Solid foundation for long-term economic growth
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Ukraine's Paris agreement commitments

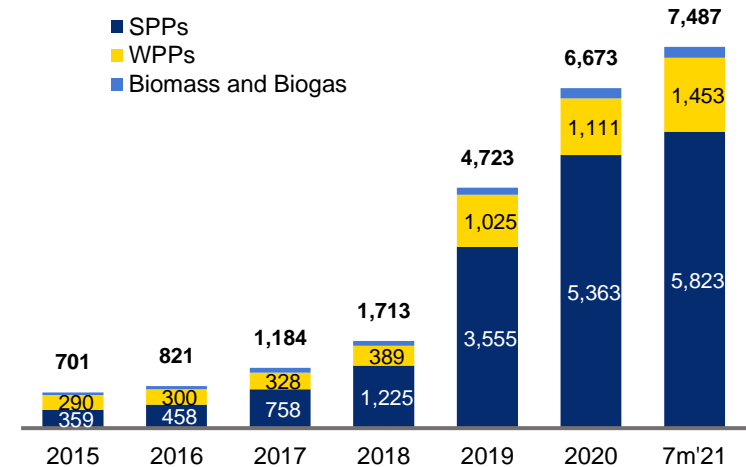
- Ukraine is a Party to the UNFCCC and is one of the first countries which ratified the Paris Agreement.
- Ukraine's 1st NDC defines GHG emissions target as 'not exceeding 60% of the 1990 level'. (63% as of end 2019)
- In April 2021, the draft of the 2nd NDC were published, aiming to reduce GHG emissions 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 SAEЕ, Ministry of Energy of Ukraine, Ukrenergo

Electricity production from RES, TWh



RES installed capacity dynamics as of eop, MW



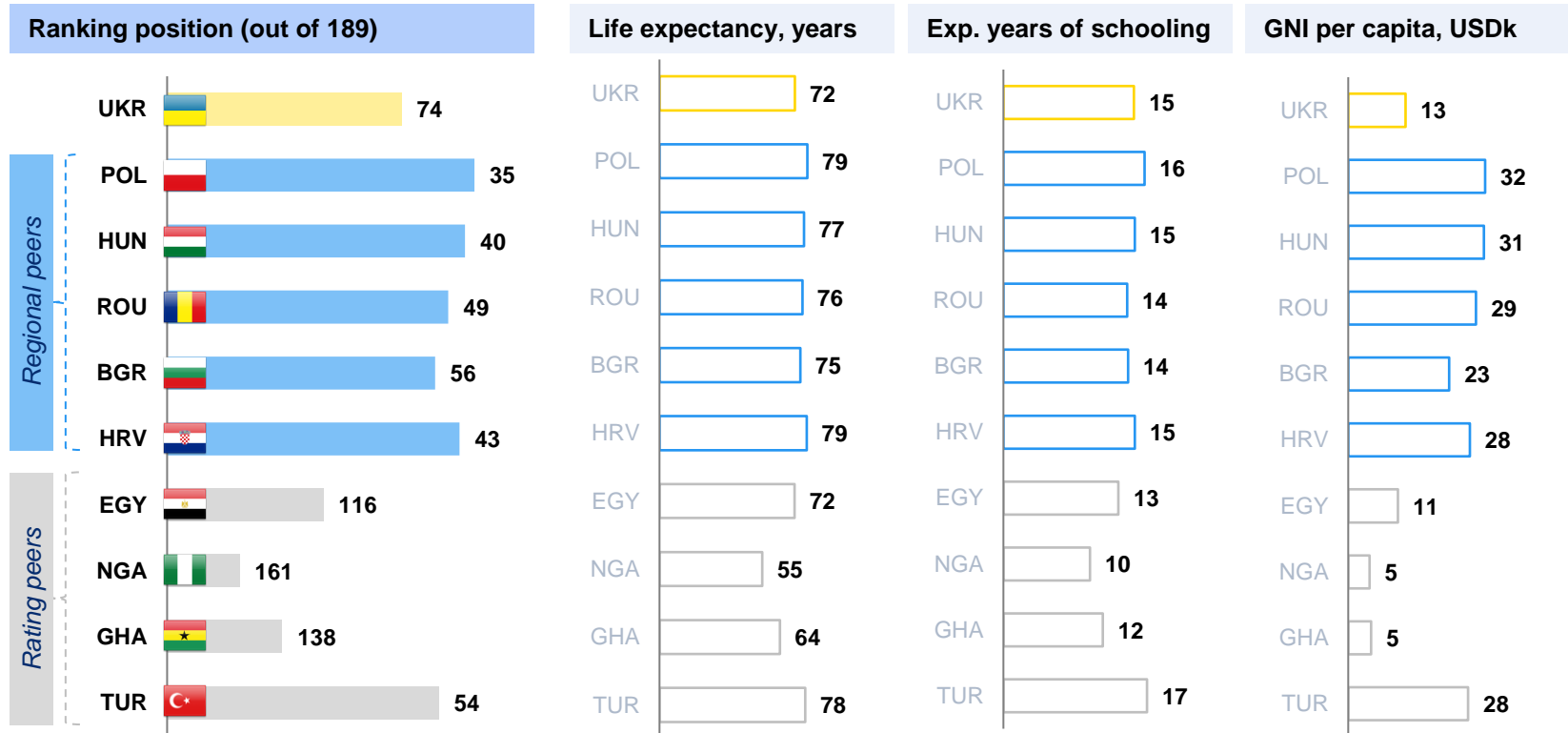
Key environmental initiatives / commitments

- 2016:** Ukraine signed the **Paris agreement** in April (which commits Ukraine to ensuring that greenhouse gas emissions in 2030 will not exceed 60% of the 1990 emissions level) 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. The SAEE¹ developed a draft Concept for the implementation of a green bond market in Ukraine
- 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.
- August 2021:** Ministry of Energy has developed a bill to change "green tariff". It involves a replacement of Feed-in-Tariff mechanism to Feed-in-Premium, whereby RES producers are paid a premium price in addition to the wholesale price



UNPD 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

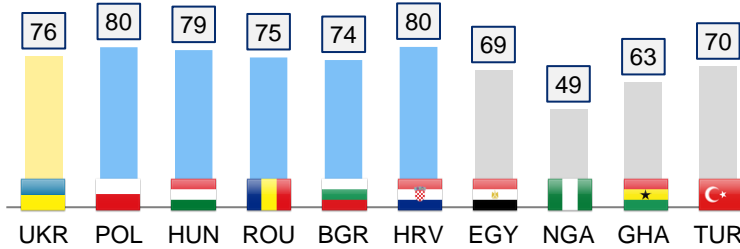


Ukraine vs peers in governance ratings

Sustainable Development Goals Index 2021



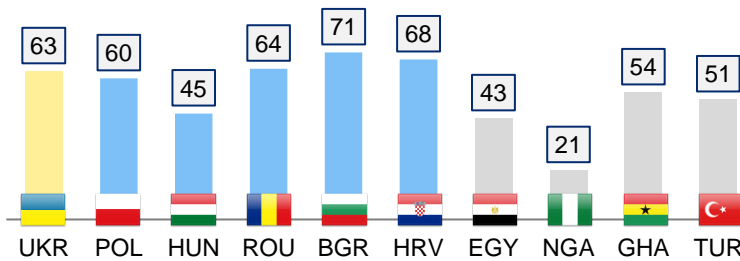
- ▶ Rating: 0 (worst) to 100 (best)
- ▶ Analyzes country's performance within 17 goals



Open Budget Index 2019



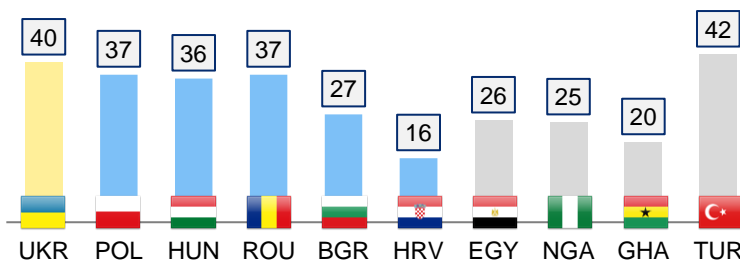
- ▶ Rating: 0 (worst) to 100 (best)
- ▶ Analyzes country's budget transparency



Investor Relations Index 2020



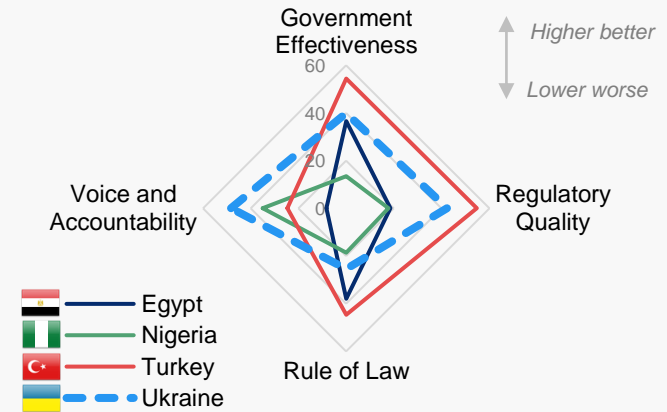
- ▶ Rating: 0 (worst) to 42 (best)
- ▶ Analyzes country's investor relations function



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

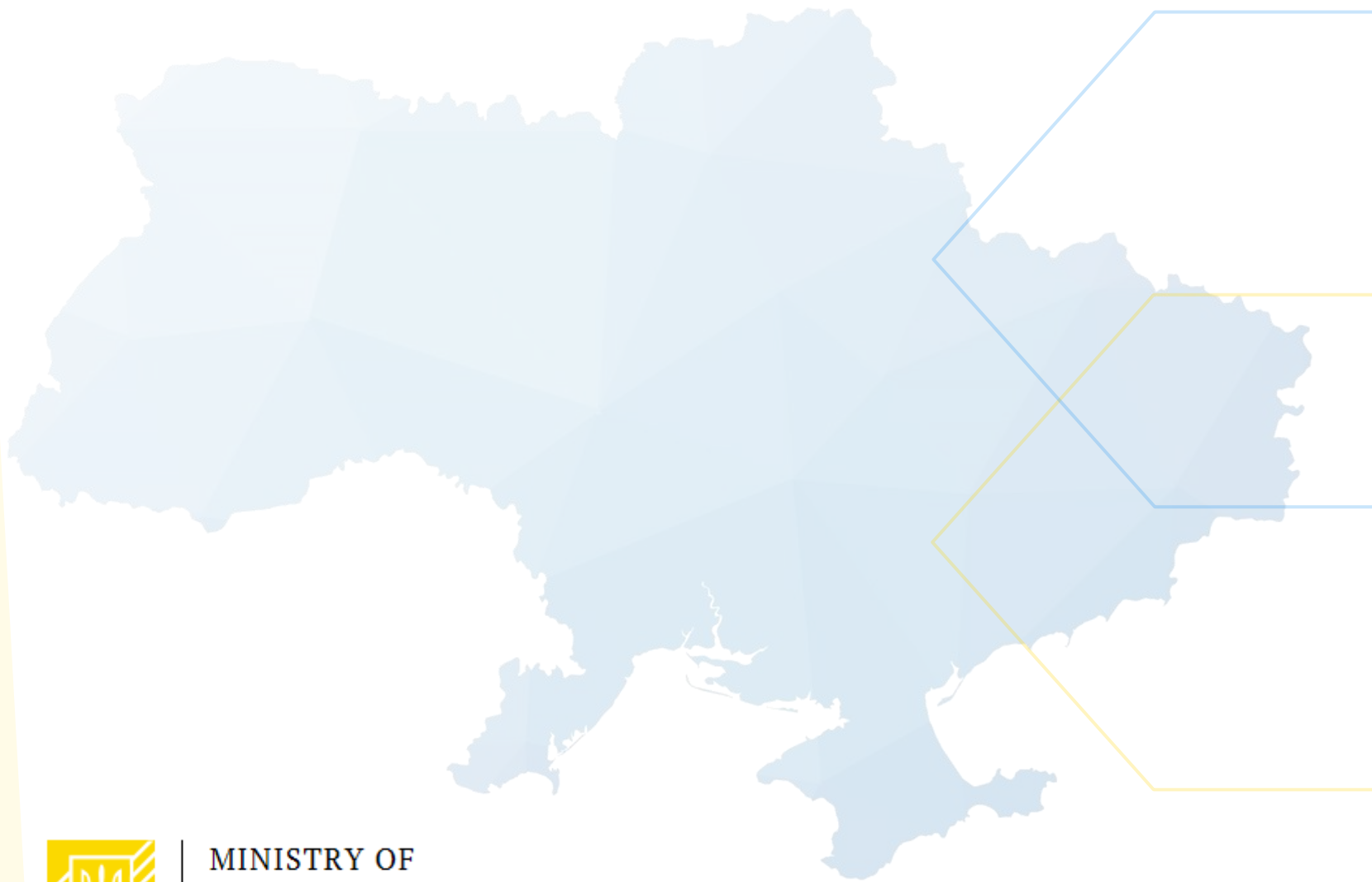
WGI and other developments on governance

Worldwide Governance Indicators 2019



- ▶ **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 2019 (among 31 countries) and was highly appraised with regard to the fiscal transparency in the **U.S. 2020 Fiscal Transparency Report**
- ▶ 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, ProlFIs.





**MINISTRY OF
FINANCE OF
UKRAINE**

