

Weekly Insight

MoF maintains proactive stance

Key messages of the today's comments

Ukrainian bond market

MoF maintains proactive stance

Last week, the Ministry of Finance held its fifth bond exchange auction YTD to smooth out the debt redemption schedule.

Eurobond sentiment upbeat on positive media coverage

Ukrainian Eurobonds rose again last week as international investors were encouraged by overly optimistic Western press coverage of the war.

Foreign exchange market

NBU sets new lows for the hryvnia

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MONDAY, 25 MAY 2026

Banks' reserves market (22 May 2026)

| | Last | Weekly chg (%) | YoY chg (%) |
|------------------------------|---------|----------------|-------------|
| NBU rate (%) ¹ | 15.00 | +0bp | -50bp |
| ON rate (%) | 15.00 | +0bp | -50bp |
| Reserves (UAHm) ² | 274,939 | -9.7 | +6.2 |
| CDs (UAHm) ³ | 645,757 | -0.2 | +21.8 |

Notes: [1] NBU's key policy rate; [2] stock of banks' reserves held at NBU; [3] stock of NBU's certificates of deposit.

Source: NBU, Bloomberg, ICU.

Breakdown of govt bond holders (UAHm) (22 May 2026)

| | Last | Weekly chg (%) | YoY chg (%) |
|--------------|------------------|----------------|-------------|
| NBU | 658,957 | +0.0 | -2.0 |
| Banks | 917,991 | -1.9 | +9.6 |
| Residents | 244,415 | +1.3 | +21.1 |
| Individuals | 146,160 | +1.8 | +58.6 |
| Foreigners | 16,296 | +2.8 | -17.2 |
| Total | 1,984,319 | -0.4 | +9.0 |

Source: NBU, ICU.

FX market indicators (22 May 2026)

| | Last | Weekly chg (%) | YoY chg (%) |
|---------|---------|----------------|-------------|
| USD/UAH | 44.1275 | +0.1 | +6.3 |
| EUR/USD | 1.1603 | -0.2 | +2.9 |
| DXY | 99.239 | +0.0 | -0.7 |

Source: Bloomberg, ICU.

Market gov't bond quotes (25 May 2026)

| Maturity | Bid (%) | Ask (%) |
|----------------|---------|---------|
| 6 months | 16.00 | 14.50 |
| 12 months | 16.50 | 15.50 |
| 2 years | 17.25 | 16.00 |
| 3 years | 17.50 | 16.50 |
| 6 months (\$) | 4.00 | 3.15 |
| 1.5 years (\$) | 4.25 | 3.35 |

Source: ICU.

Ukrainian bond market

MoF maintains proactive stance

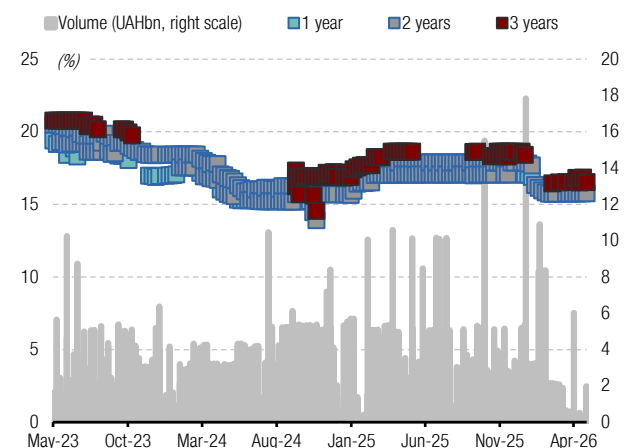
Last week, the Ministry of Finance held its fifth bond exchange auction YTD to smooth out the debt redemption schedule.

On Wednesday, the MoF offered holders of bonds due this June an exchange for bonds maturing in June 2028. The MoF exchanged UAH3.9bn par value of bonds or UAH4.2bn at market prices. The total amount of exchanged bonds reached almost UAH48bn YTD.

ICU view: The Ministry of Finance continues to proactively use the bond exchange mechanism. Last week, more than a quarter of the issue due on June 10, was exchanged. Despite an active bond exchange stance, YTD net borrowings have been declining in recent weeks. The draft amendments to the state budget submitted to Parliament in early May do not envisage any changes to the domestic borrowing plan, so we expect the YTD rollover rate (in all currencies) at approximately 100% at end-1H26.

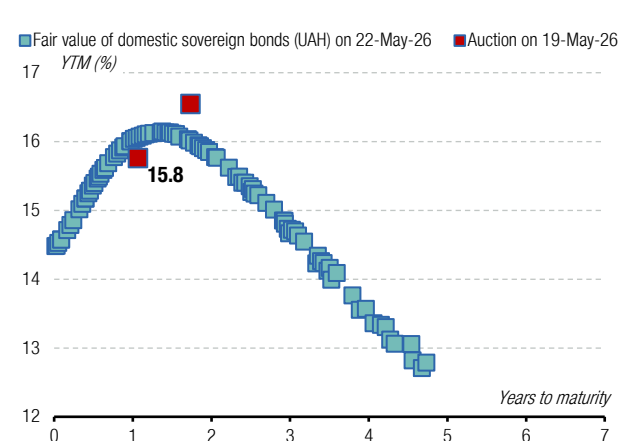
Chart 1. Local-currency bonds

Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)



Source: MFU, ICU.

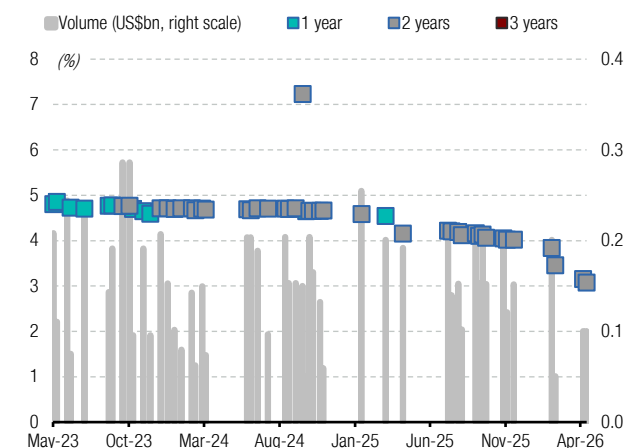
YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: NBU, MFU, ICU.

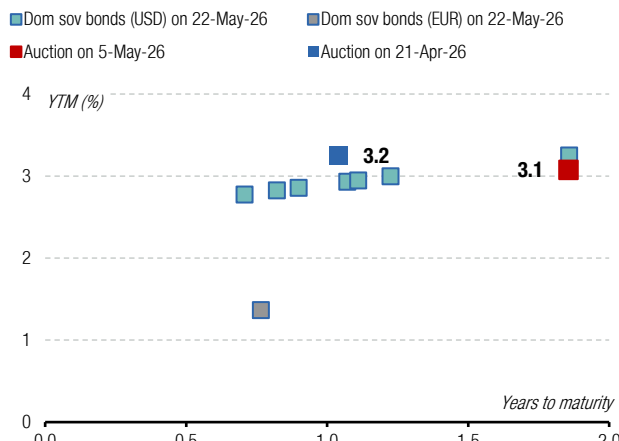
Chart 2. FX-denominated bonds

Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)



Source: MFU, ICU.

YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: NBU, MFU, ICU.

Eurobond sentiment upbeat on positive media coverage

Ukrainian Eurobonds rose again last week as international investors were encouraged by overly optimistic Western press coverage of the war.

Early last week, the Financial Times published an article stating that the Chinese president indicated that Putin might eventually regret his decision to invade Ukraine. The Chinese side later denied this statement.

On Thursday, a Bild article highlighted three main Russian failures in the war: heavy losses on the frontline, the lack of fresh territorial advances, and Ukrainian counterattacks that reach infrastructure and military facilities deep behind the frontline.

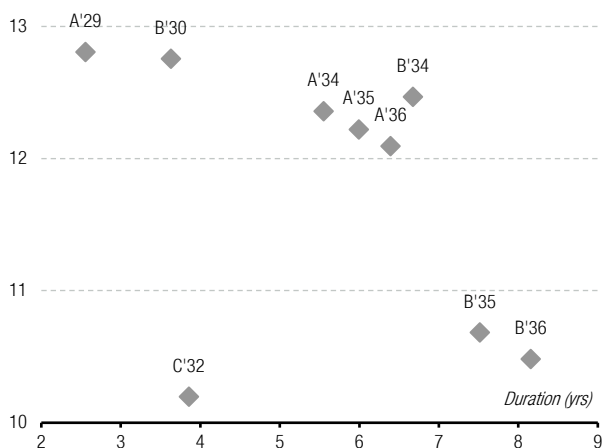
The week concluded with a Bloomberg text that, like the above-mentioned ones, stated Ukraine and its allies are increasingly confident that the Russian invasion is losing steam, as Ukraine stabilises the frontline and successfully prevents the enemy's spring offensive.

All in all, the Ukrainian Eurobonds rose another 3% last week, and almost 25% since the end of March, when prices collapsed amid global turbulence. Eurobonds maturing in 2029 rose on Friday to 84 cents, the highest since the 2024 restructuring. The Series C bonds issued at the end of 2025 and due in 2032 reached 82 cents. The Series B Eurobonds with maturity in 2035-36 also rose in price, but remain well below the highs, as the prospects of additional issuance are getting increasingly bleaker.

ICU view: The active coverage by the global media of the current situation on the front and Ukraine's strengthening bargaining power lends more ground for investor optimism. Yet, we believe the optimism is hardly justified and the prospects of ending the war in the foreseeable future are still illusory, especially given the lack of US interest in this matter during the ongoing Iran crisis.

Chart 3. Ukrainian Eurobond YTM and prices

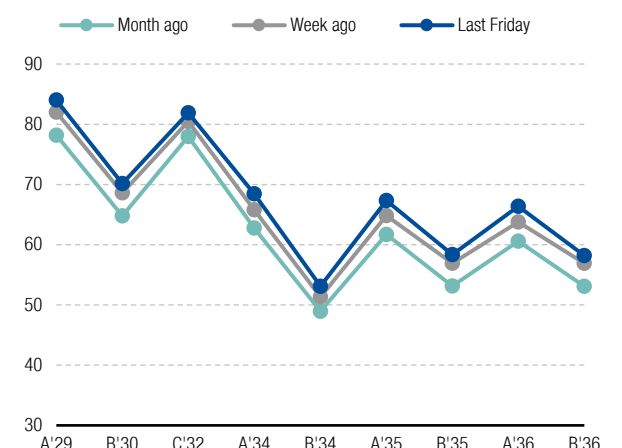
Eurobonds yield map



Note: The nominal value of Series B bonds due in 2035 and 2036 may increase in 2030

Source: Bloomberg, ICU.

Eurobonds price changes



Source: Bloomberg, ICU.

Foreign exchange market

NBU sets new lows for the hryvnia

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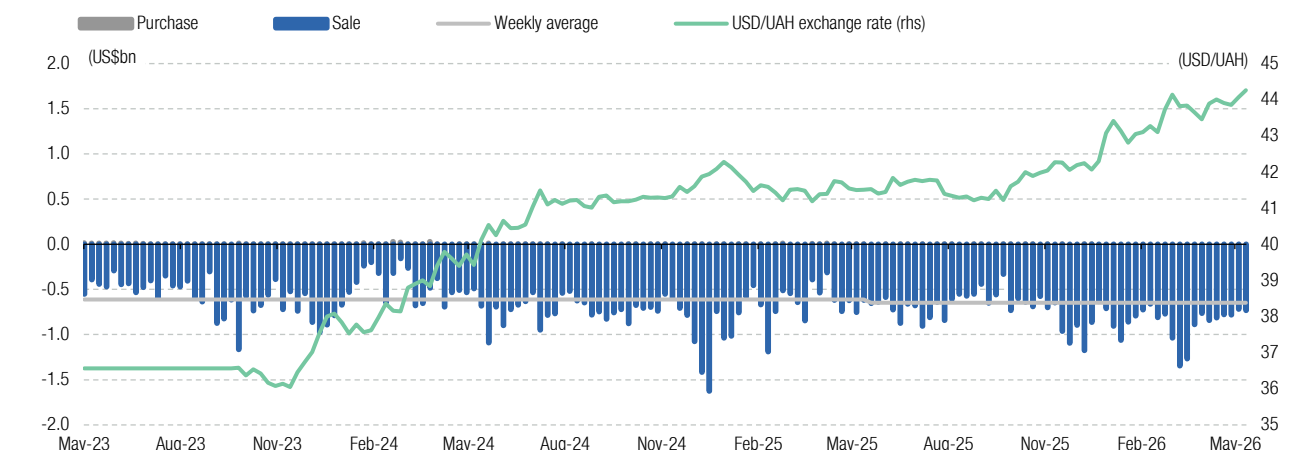
Over the four business days of last week, the foreign currency deficit was US\$454m, slightly above previous weeks but significantly below shortages in January-April. NBU interventions edged up 2% WoW to US\$734m.

The National Bank allowed the hryvnia to fall to UAH44.3/\$ on the interbank market on Friday and set the official exchange rate for today at UAH44.26/US\$, which is up 0.4% WoW and 4.5% YTD.

ICU view: The NBU continued to widen the hryvnia's exchange rate fluctuations last week, which may be a targeted move ahead of the IMF mission visit to Kyiv this week. The FX market deficit is now close to this year's lows, but the FX market shortage and NBU interventions remain higher in YoY terms.

Chart 4. FX market indicators, 3-year history

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market and NBU interventions (weekly data and weekly average starting from 24-Feb-2022)



Source: NBU, Bloomberg, ICU.



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