

Bond Market Insight

Yield decline slowed

Comment on government bond placement

At yesterday's auction, high competition for new bonds persisted, but the rate of decline in final rates slowed, and the maturity premium changed little.

Table 1. Details of domestic government bonds placed at the auction (UAHbn)

ISIN	Coupon rate (%)	Payment frequency ¹	Maturity	Qty of bonds sold	Price (UAH)	Proceeds ² (UAHm)	Volume ² (UAHm)	YTM ³ (%)	Outstanding (m) ⁴
UA4000238976	15.68	SA	24-Mar-27	2,000,000	1,070.38	2,140.76	2,000.00	15.85	8,000.00
UA4000238968	17.48	SA	7-Mar-29	2,000,000	1,108.86	2,217.73	2,000.00	16.97	23,000.00
UA4000238984	13.10	SA	24-Oct-29	8,000,000	1,046.64	8,373.09	8,000.00	13.41	24,000.00
Total UAH				12,000,000		12,731.57	12,000.00		55,000.00
UA4000238356	3.98	SA	12-Aug-27	200,000	1,004.07	8,678.31	8,643.18	3.84	15,125.57
Total USD				200,000		8,678.31	8,643.18		15,125.57

Note: [1] payment frequency abbreviations: M - monthly, Qtly - quarterly, SA - semi-annually, @Mty - at maturity date; [2] proceeds and volumes for the USD-denominated bonds are calculated based on the previous day's exchange rate 43.22/USD, 50.95/EUR; [3] yields on coupon-bearing bonds are effective yields to maturity. Sources: Ministry of Finance of Ukraine, Bloomberg, ICU.

The one-year military bill had a 4.6 bid-to-cover ratio in 41 bids with yields in a rather narrow range - from 15.1% to 15.4%. Most of the competitive bids turned out to have rates no higher than 15.28%, and this level became the cut-off rate; the MoF rejected only 7 bids completely. So, the cut-off rate decreased by another 12bp WoW and 107bp YTD. The weighted average yield of one-year securities at the auction slid yesterday by another 12bp WoW 113bp YTD.

Yesterday, the three-year ordinary note recorded a bid-to-cover ratio of 8.2. For this paper, the bid rate range has more than doubled. The minimum rate in bids fell by 45bp to 15.95%, while the maximum rate remained unchanged at 16.79%. However, there were few bids with low rates, which had little influence on the final rates. The cut-off rate decreased by another 13bp WoW to 16.3%, and the weighted average by 16bp to 16.26%, or 150bp and 154bp YTD, respectively. Thus, the maturity premium decreased by only 1bp WoW to 102bp.

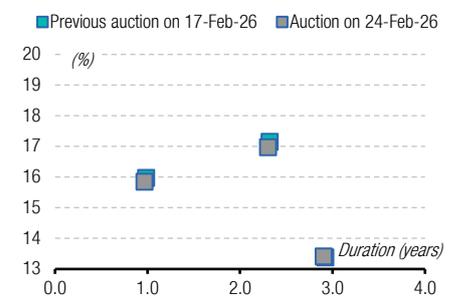
At the same time, the reserve bond received restrained oversubscription, with demand only 60% above supply. The weighted average rate rose by 3bp WoW to 12.95%, and the cut-off yield remained at 13.1%.

The first placement of USD-denominated bills was long-awaited. The volume of bids was 2.4 times greater than supply. The accumulated demand after two months without such instruments also affected yields. The cut-off rate decreased by 15 bp to 3.85% compared with the previous such placement last year, and the weighted-average rate fell by 18bp to 3.8%.

READ FIRST THE DISCLOSURES SECTION (ON LAST PAGE) FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATION

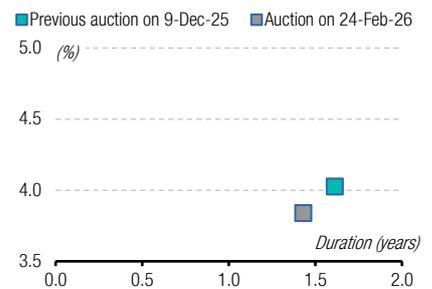
WEDNESDAY, 25 FEBRUARY 2026

UAH-denominated domestic gov't bonds: yield curve in past two auctions



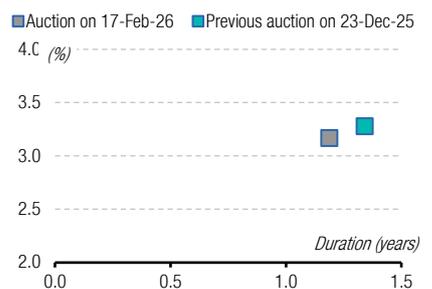
Source: Ministry of Finance of Ukraine, ICU.

USD-denominated domestic gov't bonds: yield curve in past two auctions



Source: Ministry of Finance of Ukraine, ICU.

EUR-denominated domestic gov't bonds: yield curve in past two auctions

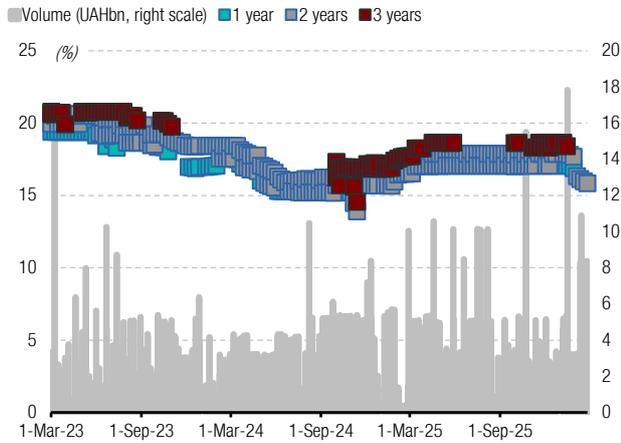


Source: Ministry of Finance of Ukraine, ICU.

Appendix: Yields-to-maturity, repayments

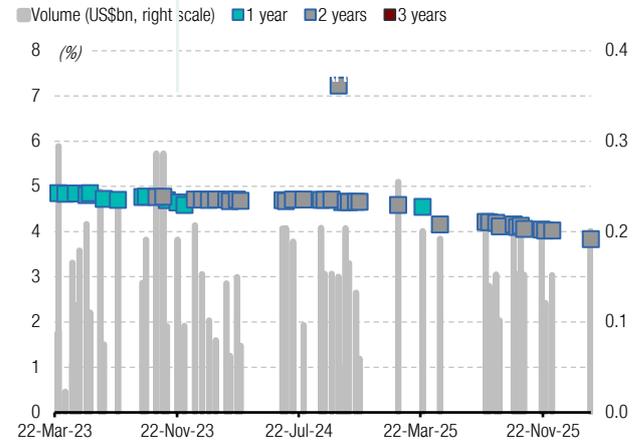
Chart 1. Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

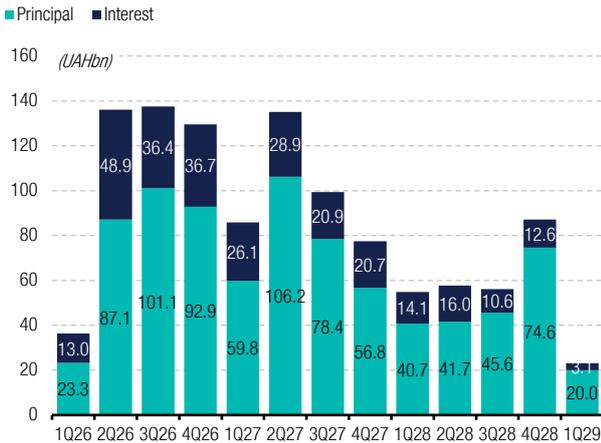
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

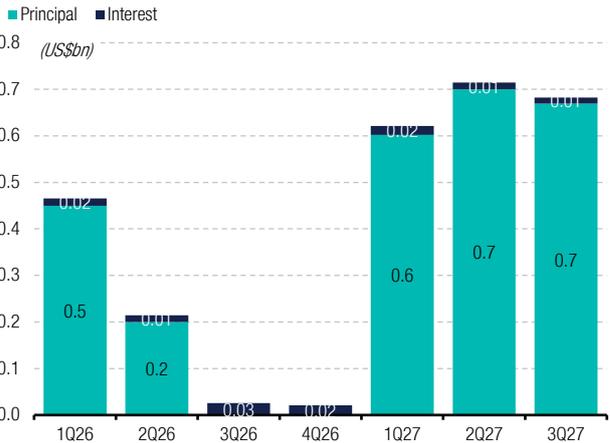
Chart 2. Future repayments on domestic government bonds (in billions of currency)

UAH-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

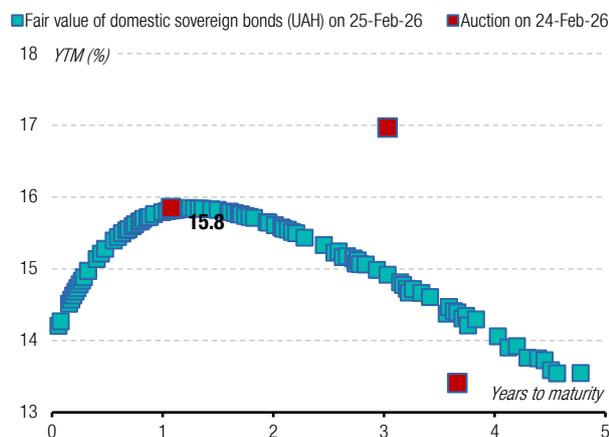
USD-denominated domestic government bonds



Source: Ministry of Finance of Ukraine, ICU.

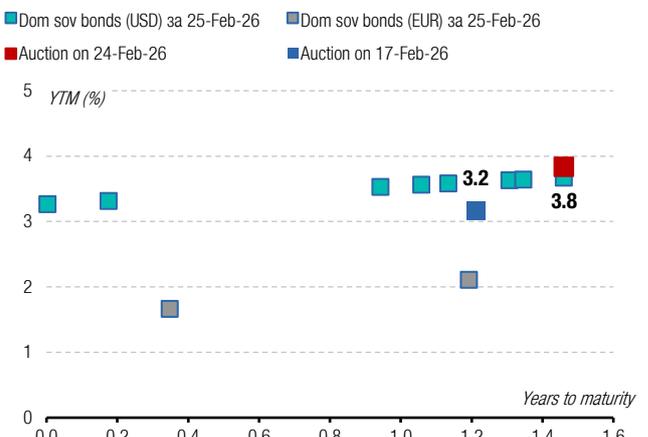
Chart 3. YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions

UAH-denominated domestic government bonds



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

USD- and EUR-denominated domestic government bonds



Source: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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