

Trends

Ukrainian sovereign dollar bonds advanced after S&P Global Ratings upgraded the country's credit rating from default to CCC+.

The key technical driver behind the upgrade was the completion of a restructuring of GDP-linked warrants with a nominal value of USD 2.6bn, exchanged for new Eurobond issues maturing in 2030–2032. The deal, finalized in December 2025, was executed at an exchange ratio of 1.34, eliminating the risk of potential payments of up to USD 20bn under the warrants over the 2025–2041 period.

Ukraine's 2029 Eurobonds rose 3.3% to 77.4 cents on the dollar, implying a yield to maturity of 16.8%. Notes due in 2036 gained 2.2% to 60.2 cents, corresponding to an implied yield of 14.1%.

Strong gains were also recorded in the secondary market for MHP's newly issued USD 450mn Eurobonds due in 2029, with prices climbing to 103.6 cents on the dollar, implying a yield of 9.8%.

In the latest war news, Ukrainian President Volodymyr Zelenskyy has confirmed that Ukraine and Russian negotiating teams discussed in the UAE stopping attacks on energy facilities in Ukraine.

This came as US President Donald Trump stated that he personally asked his Russian counterpart, Vladimir Putin, for the Russian armed forces to cease strikes on Kyiv and other cities in Ukraine for one week due to record-breaking cold temperatures.

The strikes on energy infrastructure have caused significant electricity shortages in Ukrainian Kyiv, Odesa, Kharkiv and Donetsk, causing sufferings to the civilians, especially in the freezing temperatures.

Many accuse Moscow of trying to weaponise the frigid weather with huge drone and missile strikes every few days, knocking out heat, water, and electricity in Kyiv and other cities. After each assault, the companies scramble to repair the damage, often completing the task only to have the enemy strike again.

Highlights

- > Kyiv Coldest in 14 Years as Donbas Territory Still the Key Issue in Peace Talks
- > Ukraine's Central Bank Cuts Key Rate from 15.5% to 15.0%, Signals Scope for Further Easing

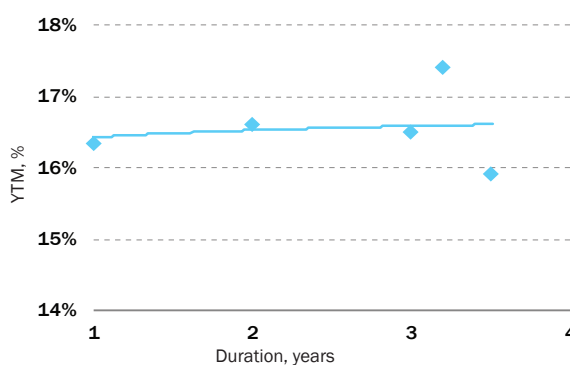
The National Bank of Ukraine has opened a special fundraising account to support the Armed Forces of Ukraine. Please find more at the National Bank's official website under the link below:

www.bank.gov.ua/en/about/support-the-armed-forces

The National Bank also opened fundraising account for Humanitarian Assistance to Ukrainians. Please see details under the link below:

www.bank.gov.ua/en/about/humanitarian-aid-to-ukraine

UAH-DENOMINATED BOND YIELD CURVE



Source: Bloomberg, Eavex Capital

FIXED INCOME

| | Last | 1W ch | YTD |
|-----------------------|-------|-----------|-----------|
| NBU Key Rate | 15.0% | -0.5 p.p. | -0.5 p.p. |
| UAH 1-year bond yield | 16.2% | -0.2 p.p. | -0.2 p.p. |
| Ukraine-2029 yield | 16.8% | -1.3 p.p. | -1.2 p.p. |
| Ukraine-2036 yield | 14.1% | -0.4 p.p. | -0.4 p.p. |

CASH EXCHANGE RATES

| | Last, UAH | 1W chg. | YTD |
|---------|-----------|---------|------|
| USD/UAH | 43.10 | -0.5% | 1.9% |
| EUR/UAH | 51.40 | 0.8% | 2.9% |

Source: Eavex Capital

Kyiv Coldest in 14 Years as Donbas Territory Still the Key Issue in Peace Talks

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NEWS

Kyiv and much of Central Ukraine are expected to see their coldest temperatures since the winter of 2011-12 early this week, with the mercury dropping to near -25 C (-12 F) in the capital overnight on Monday-Tuesday (Feb 2-3).

Some improvement in the weather is expected starting on Wednesday (Feb 4).

Power outages in Kyiv are widespread, and the Kyiv City administration reported that some 240 multi-story residential buildings (roughly 2% of the capital's residential housing stock) remain without heating due to Russian strikes on energy infrastructure.

The government of President Zelenskiy has blamed Ukraine's European allies for a shortage of air defense which has allowed Russia to incapacitate key energy targets.

On the negotiations front, Zelenskiy announced that trilateral US-Ukraine-Russia peace talks which were due to take place in Abu Dhabi this past weekend have been pushed back to later this week for unexplained reasons.

Zelenskiy had previously stated in remarks published in the Financial Times that a deal on US postwar security guarantees for Ukraine is "100 percent ready to be signed" but that the key remaining point of contention for a deal with Russia is still the 25% of Donetsk province controlled by Ukraine. The Putin regime has been demanding this territory as a condition for stopping the war.

COMMENTARY

As previously, we still do not believe that Zelenskiy is willing to unilaterally withdraw Ukraine's forces from the cities of northwestern Donetsk province (home to about 200,000 residents), even in return for US guarantees, as such guarantees from the Trump administration will likely be viewed as not credible.

This implies to us that Ukraine will continue to defend the region into the spring and summer.

The question from a military point of view is whether Russia might manage to capture new territory around other less-defended parts of the front line (mainly in Zaporizhia and Dnipropetrovsk provinces), which could put new political pressure on Zelenskiy to finally concede the Donbas.

We note that the current winter weather is also hitting Russia, and although oil prices have risen recently, Russia is being forced to use much of its production for domestic consumption, reducing its export revenues to fund the war.

Other cracks continue to appear in the Russian economy thanks to the cumulative effects of Western sanctions, and we are cautiously optimistic that the Putin regime may finally be forced into a definitive peace deal by the end of the summer, i.e. September 2026. However, failing that outcome, Ukraine could be forced into yet another winter of war and energy crisis in 2026-27.

Ukraine's Central Bank Cuts Key Rate from 15.5% to 15.0%, Signals Scope for Further Easing

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NEWS

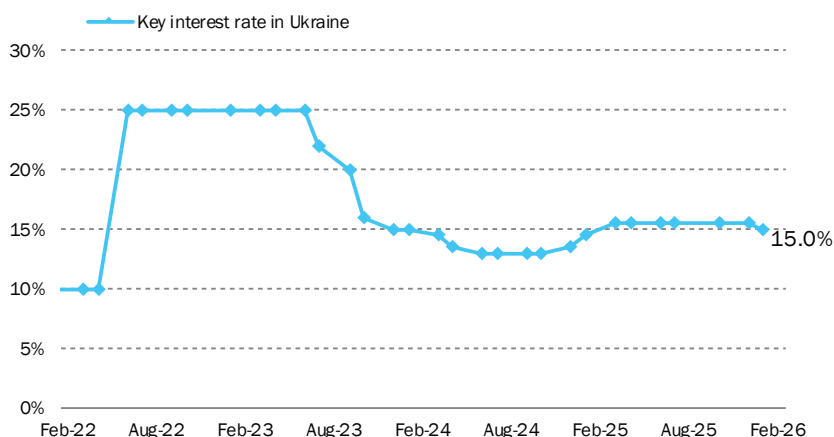
Ukraine's central bank cut its benchmark interest rate to 15.0% from 15.5%, kicking off an easing cycle as inflationary pressures continue to subside and risks related to external financing ease.

The National Bank of Ukraine said its board decided to lower the key rate effective Jan. 30, 2026.

At the same time, the NBU downgraded its 2026 economic forecasts, largely reflecting the impact of continued Russian attacks on Ukraine's energy infrastructure. The central bank now expects gross domestic product to grow by 1.8% in 2026, down from a previous estimate of 2.0%.

The inflation outlook was also revised higher. The National Bank now sees consumer price growth at 7.5% by the end of 2026, compared with an earlier projection of 6.6%.

NATIONAL BANK KEY POLICY RATE



Source: National Bank of Ukraine

COMMENTARY

The National Bank of Ukraine last eased monetary policy in June 2024, when it cut the key policy rate to 13.0% from 13.5%. The benchmark was then held unchanged through December 2024, before the regulator embarked on a tightening cycle amid a renewed surge in inflation.

Under the current base-case scenario, the policy rate is expected to be reduced to about 14.5% over the course of the year.

The primary market for domestic government bonds has already reacted to expectations of lower borrowing costs. At auctions last week, the Finance Ministry sold UAH-denominated government bonds at yields 16 to 20 basis points lower than a week earlier. As a result, one-year bonds were placed at a yield of 16.19%, while three-year securities cleared at 17.30%. Bonds maturing in August 2027 were sold at a yield of 16.91%.

Deposit rates at leading banks are unlikely to adjust materially in the near term and are expected to remain in the 13%-16% range.

| SELECTED UKRAINIAN EURO BONDS | | | | | | | | |
|-------------------------------|------------------|--------------------------|--------|--------|---------------|---------------|----------|----------------------|
| Issue | Indicative Price | Price change in one week | YTM, % | Coupon | Maturity Date | Volume USD mn | Currency | Ratings ¹ |
| Sovereign Eurobonds | | | | | | | | |
| Ukraine, 2029 | 77.4 | 3.3% | 16.8% | 4.50% | 1 Feb 2029 | 1,168 | USD | Ca/CCC+/CCC |
| Ukraine, 2030 (B) | 63.0 | 3.4% | 12.2% | - | 1 Feb 2030 | 531 | USD | Ca/CCC+/CCC |
| Ukraine, 2034 | 62.3 | 1.8% | 14.6% | 4.50% | 1 Feb 2034 | 3,150 | USD | Ca/CCC+/CCC |
| Ukraine, 2035 | 61.4 | 2.3% | 14.3% | 4.50% | 1 Feb 2035 | 2,946 | USD | Ca/CCC+/CCC |
| Ukraine, 2036 | 60.2 | 2.2% | 14.1% | 4.50% | 1 Feb 2036 | 2,456 | USD | Ca/CCC+/CCC |
| Corporate Eurobonds | | | | | | | | |
| MHP, 2029 | 103.6 | 3.6% | 9.8% | 10.5% | 28 Jul 2029 | 450 | USD | // |
| Kernel, 2027 | 94.8 | 2.7% | 10.6% | 6.75% | 27 Oct 2027 | 300 | USD | // |
| DTEK Energy, 2027 | 70.6 | 5.4% | 30% | 5.00% | 31 Dec 2027 | 1,645 | USD | // |
| Metinvest, 2026 | 92.6 | 1.3% | 56% | 8.50% | 23 Apr 2026 | 648 | USD | Caa3//CCC |
| Metinvest, 2029 | 75.2 | 0.0% | 17.8% | 7.75% | 17 Oct 2029 | 500 | USD | Caa3//CCC |
| NaftoGaz, 2026 | 76.1 | 2.0% | 19.8% | 7.625% | 8 Nov 2026 | 500 | USD | // |
| Ukrainian Railways, 2026 | 72.3 | 1.1% | n/a | 8.25% | 9 Jul 2026 | 500 | USD | /CC/C |

¹ Moody's/S&P/Fitch

Source: Boerse-Berlin, Boerse-Stuttgart. TR Data, Eavex Research

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