OFFICE OF THE PRESIDENT OF UKRAINE

MINISTRY OF ECONOMY OF UKRAINE

BlackRock

Ukraine Development Fund (UDF)

A DFI for the reconstruction of Ukraine – Overview

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A national Development Finance Institution (DFI) can play a significant role in the reconstruction and modernization of Ukraine

Key challenges

Insufficient private capital to fulfill Ukraine's vast reconstruction needs

Ukraine needs an active role in attracting investment into its reconstruction

Limited bankable projects available to deploy committed capital

Need for a national DFI: The Ukraine Development Fund (UDF)

Ensure investment continuity beyond reconstruction

Create a self-sustaining institution that maintains investment focus as international priorities and market conditions evolve

Align roles of local actors supporting the reconstruction

Explicitly align Ukraine behind specific projects through broad government support and minority ownership ("skin in the game")

Mitigate risk/return imbalances and increase project pipeline

Address funding gaps through concessional capital and expand bankable projects through advisory and structuring services

Incubate an industrial policy instrument for Ukraine

Enable further investment in line with national industrial policy to help Ukraine become a world-leading investment destination

The UDF will play a central role in the ecosystem that focuses on the reconstruction and modernization of Ukraine

Government of Ukraine

Provides capital support in addition to non-financial assistance, signalling "skin in the game" to potential investors

Key building blocks:

✓ Capital endowment

✓ Regulatory and organizational support

Capital Providers

Provide capital support and guidance in early phases

Key building blocks:

✓ Capital from governments, philanthropies, etc.

✓ Interim decision-making support before UDF establishment

UDF

✓ **Independent institution** sponsored by Government of Ukraine and Capital Providers

✓ **Mandate for capital preservation** and self-sustainability

✓ **Focus** on mobilizing private capital into key sectors

Design Advisors

Strengthen credibility through best practices from leading sector specialists

Key building blocks:

✓ Organizational set up incl. legal, governance, organization design

✓ Investment, risk management and ESG framework

✓ Sector prioritization and pipeline development

International/Development Finance Institutions

Provide scale to UDF investments by contributing additional capital to specific investments

Key building blocks:

✓ Strategic partnerships

✓ Framework agreements

The UDF will focus on mobilizing additional private capital and increasing the pipeline of bankable projects

1 Provide ad hoc concessional financing

- Offer flexible, tailored financing to fill early stage or structural financing gaps and de-risk private capital
- Provide investors with commitment of support from the Ukrainian government

2 Support project and bid preparation

- Provide ad hoc preparation support to specific projects in a financially sustainable way
- In the long term, set up of an unsolicited proposal framework to widen the pipeline of investment opportunities

3 Outreach to FIs on deal environment

- Perform systematic stakeholder outreach to identify funding gaps, investment opportunities, as well as perceived risks and challenges
- Maintain an open dialogue with financial institutions to promote investment opportunities and success cases

4 Assist private sector sponsors

- Assist private sector sponsors to meet international documentation standards
- Provide regulatory support in the form of quick consultations and collaboration in expediting government procedures

The UDF targets five key sectors with a potential addressable market of $50bn+[1] suitable for private capital investment

The UDF aims to help address a $50+bn[1] universe for private capital targeted by the UDF and other institutions investing in Ukraine across five key economic sectors, including:

Infrastructure	*Includes investments into national roads and other public transport*	>20bn
Energy	*Includes existing and new renewable energy generation & transmission*	>10bn
Manufacturing	*Includes investments into industry and commerce*	>9bn
Agriculture	*Includes investments to replace damaged assets and machinery*	>7bn
IT	*Includes investments to attract R&D companies and support start-up ecosystem*	>1bn

1. The estimation uses the World Bank Needs Assessment report as a source and accounts for the funding needs based on three main assumptions: a 5 year time horizon, reconstruction and modernization focus, and general suitability of the asset type for private investment

The UDF will be a standalone institution aiming for capital preservation and financial sustainability

Ukraine Development Fund
(stylized overview)

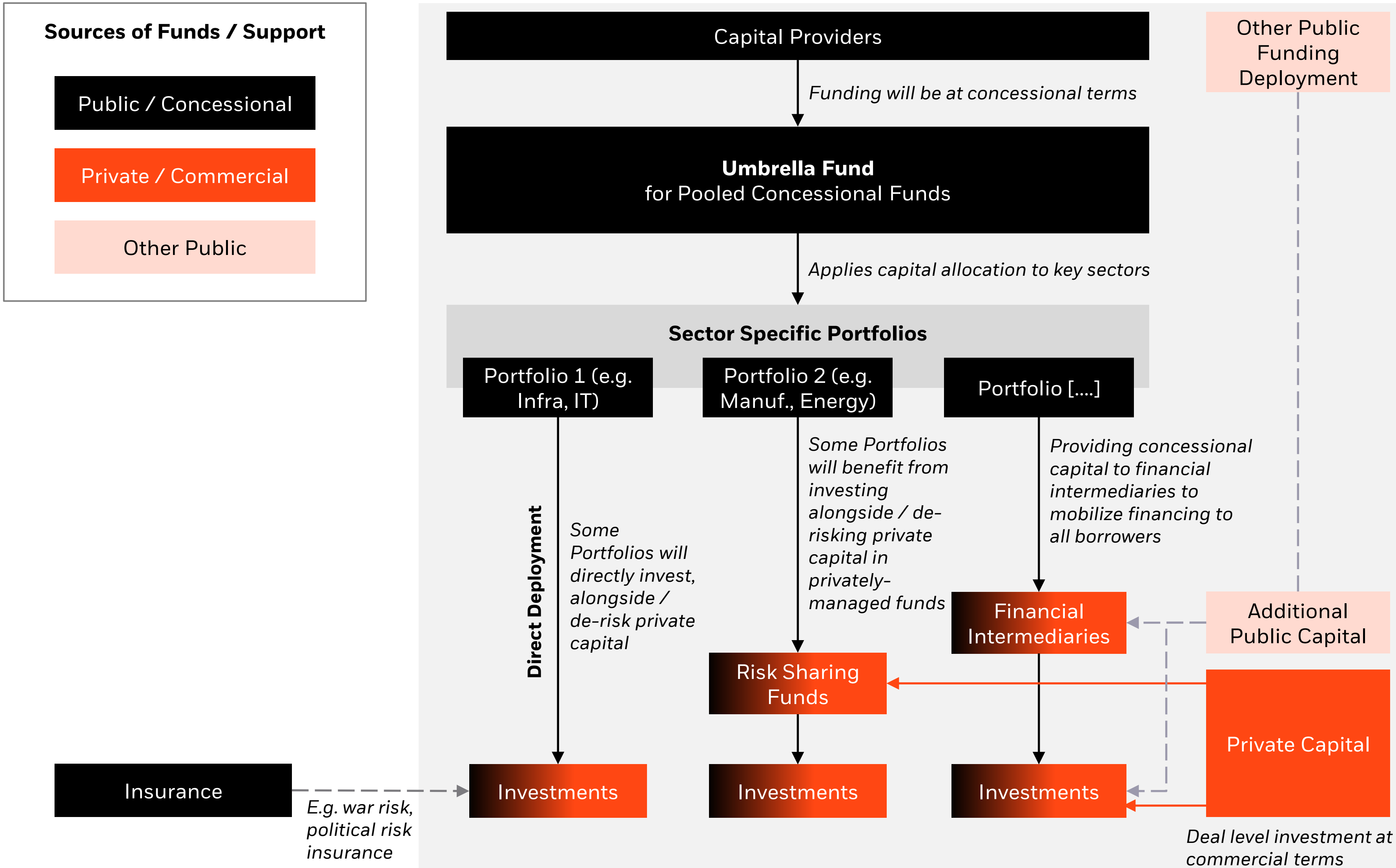
Assets	Liabilities / Funding
Senior and subordinated loans	*[Debt][1]*
Equity investments	
Cash	
Other assets (e.g. credit enhancements, securities)	*Equity*
Off-Balance Sheet items:	
E.g. Guarantees[1], other contingent liabilities	

Revenues	Expenses
• *Interest, dividends, returns on treasury activities, guarantee fees, advisory fees, other fees*	• *Operating expenses like salaries, administrative expenses, IT, etc.* • *[Interest expenses][1], costs of credit, applicable taxes*

The UDF aims for capital preservation with a potential small return on capital

1. In the medium-to-long term, the UDF will consider raising debt from private and public markets, and issue unfunded guarantees based on a sufficient credit standing

Over time, the UDF will mobilize public and private investment across multiple channels



The UDF will build its capabilities over multiple phases

Set-up Phase
Establish foundations & initial investment pipeline

- ✓ Preliminary investment pipeline
- ✓ Legal establishment and incorporation
- ✓ Investment principles
- ✓ Key interim decision making bodies

Ongoing – 6+ months

Build Phase
Roll out of investment capabilities

After 6-12+ months / after reasonable ceasing of hostilities

- ✓ Endowment of ~$1bn to cover operating costs and first investments
- ✓ First executives and critical staff hired
- ✓ Initial investments

Expansion Phase
Build up the balance sheet & organization

Up to ~3-5 years after establishment

- ✓ Fund size of $3-4bn
- ✓ Executive management in place
- ✓ Significant headcount

Target State Phase
Balance sheet & capabilities established

~5-10+ years after establishment

- ✓ Fund size between $5-10bn
- ✓ Headcount at target level

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