DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 21 July 2026[1]

UKRAINE

KYIV EMERGENCY LIQUIDITY II
Resilience and Livelihoods Framework

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

---

1 As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

TABLE OF CONTENTS

ABBREVIATIONS / CURRENCY CONVERSIONS

CESP	Country Economics, Strategy & Policy
CAPEX	Capital expenditure
CHP / CHPs	Combined Heat and Power plant(s)
City	City of Kyiv
CPI	Consumer Price Index
DH	District Heating
DSCR	Debt Service Cover Ratio
E&S	Environmental and Social
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBRD	European Bank for Reconstruction and Development
EOP	End of period
ESAP	Environmental and Social Action Plan
EU	European Union
EUR	Euro
FLRC	First Loss Risk Cover
FX	Foreign exchange
GDP	Gross Domestic Product
GET	Green Economy Transition
IDP	Internally Displaced People
IDP(s)	Internally Displaced Person(s)
KTE	Communal Enterprise “Kyivteploenergo”
LTM	Last Twelve Months
NBU	National Bank of Ukraine
NEFCO	Nordic Environment Finance Corporation
OPEX	Operating expenditure
PPR	Procurement Policies and Rules
RLF	Resilience and Livelihoods Framework
UAH	Ukrainian hryvnia
UIF MIIR	Ukraine Investment Framework Municipal Infrastructure and Industrial Resilience
UPTF	Ukrainian Public Transport Framework
UAH/EUR	**51.4631 as of 22 June 2026**

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the City of Kyiv (the "City"), a municipality incorporated in Ukraine, are submitted for consideration by the Board of Directors.

The facility will consist of a loan to the City in the amount of up to EUR 50 million. A first loss risk cover guarantee under Ukraine Investment Framework (the "UIF"), from the European Union ("EU") will cover 25 per cent of the loan.

The operation will enable the City to provide emergency liquidity support to its key municipal district heating utility Communal Enterprise "Kyivteploenergo" to mitigate the effect of the ongoing war and to ensure uninterrupted provision of essential municipal services to the City's residents and internally displaced people (the "Project"). The expected transition impact of the Project is based on the Inclusive and Resilient qualities, as the Project promotes access to vital services that support livelihoods, strengthens municipal service providers directly affected by the wider economic consequences of the war, and enables the City to enhance services and support for its veteran community.

I am satisfied that the operation is consistent with the "War on Ukraine - EBRD Resilience Package - Resilience and Livelihoods Framework", a framework that is part of the "War on Ukraine – EBRD Resilience Package", the Bank's Country Strategy for Ukraine, the Infrastructure Sector Strategy, the Bank's Gender Equality and Human Capital Strategy 2026-2030 and with the Agreement Establishing the Bank.

I recommend that the Board approve, on a no-objection basis, the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

UKRAINE - KYIV EMERGENCY LIQUIDITY II – DTM 57497 Framework: REGIONAL - Resilience and Livelihoods Framework - DTM 53662	
Transaction / Board Decision	Board approval[2] is sought for a senior loan of up to EUR 50 million (the "Loan") in favour of the City of Kyiv (the "City" and the "Borrower"). In order to partially mitigate the EBRD's risk, the Loan will be supported by a guarantee from the EU covering up to 25 per cent of the committed amount. EBRD's loan will enable the City to provide emergency liquidity support to its municipal district heating utility Communal Enterprise "Kyivteploenergo" (the "Recipient" or "KTE", an existing client of the Bank) to mitigate the effect of the ongoing war and to ensure uninterrupted provision of essential municipal services to the City's residents and Internally Displaced People ("IDPs").
Client	Kyiv is the capital of Ukraine and the seventh largest city in Europe. The City is EBRD's existing client under three projects: i) GrCF2 W2 - Kyiv District Heating, ii) RLF - Kyiv Emergency Liquidity and iii) UPTF2 - Kyiv City Transport II: Metro. Pipeline consists of RLF - Kyiv Metro (EUR 150 million).
Main Elements of the Proposal	The war on Ukraine has triggered immediate and critical capex and liquidity needs for the City, which must be addressed, to ensure uninterrupted provision of essential public services to the City's residents and IDPs, in response to direct damages from the war. <u>Transition impact:</u> **Primary Quality** – Inclusive, through support to the City's district heating operator responsible for provision of heating services to schools, kindergartens, hospitals, residential and business customers, as well as critical generation of electricity for the City and the grid. Both, the City's permanent residents and the IDPs will benefit from the sustainable district heating services and electricity generation by KTE. In addition, the Project supports the City in strengthening and expanding services for its veteran community and their families. **Secondary Quality** - Resilient, through: (i) direct support to KTE, the main heat producer and the operator of key power generating capacities, which has been directly affected by the war, and (ii) indirect support to the City to sustain its operations amid the ongoing macroeconomic and security challenges. **Additionality** Financing Structure: Crisis response - EBRD financing is provided under the extraordinary circumstances of the war and effectively bridges financing gap when the market for liquidity financing in Ukraine is nearly closed. **Sound banking** – the transaction will benefit from a partial guarantee provided by the EU UIF MIIR.
Key Risks	Key risks include: (i) political, military damage and macro-economic risks; and (ii) City's credit and liquidity risk. These risks are mitigated by the presence of the partial donor guarantee; strong commitment from international partners (incl. G7, the EU, the IMF) to support Ukraine now and in the post-war reconstruction phase.
Strategic Fit Summary	The transaction is in line with the "War on Ukraine - EBRD Resilience Package - Resilience and Livelihoods Framework", a framework that is part of the "War on Ukraine – EBRD Resilience Package", the Bank's Country Strategy for Ukraine, the Infrastructure Sector Strategy, the Bank's Gender Equality and Human Capital Strategy 2026-2030 and with the Agreement Establishing the Bank.

[2] Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

<table>
<tr><td>EBRD Transaction</td><td>A senior loan of up to EUR 50 million, to provide emergency liquidity support to the City of Kyiv and its key municipal district heating utility to mitigate the effect of the ongoing war and to ensure uninterrupted provision of critical municipal services to the City's residents, IDPs and enterprises (the "Project").

The Recipient of the Project is Communal Enterprise "Kyivteploenergo" - municipal district heating utility, which operates two largest combined heat and power plants in Ukraine.</td></tr>
<tr><td>Mutual Reliance</td><td>No</td></tr>
<tr><td>Existing Exposure</td><td>Existing exposure to the City (direct and indirect): EUR 170 million, including:
− GrCF2 W2 - Kyiv District Heating, EUR 70 million[REDACTED].
− UPTF2 - Kyiv City Transport II: Metro, EUR 50 million[REDACTED].
− RLF - Kyiv Emergency Liquidity, EUR 50 million[REDACTED].</td></tr>
<tr><td>Maturity / Exit / Repayment</td><td>Tenor: 5 years [REDACTED]</td></tr>
<tr><td>Potential AMI eligible financing</td><td>None.</td></tr>
<tr><td>Use of Proceeds - Description</td><td>The proceeds of the Bank's loan will support the City via liquidity funds to its key municipal operator to: (i) compensate for temporary revenue losses and (ii) support the vital municipal utility with the day-to-day running costs (i.e., payroll, etc.), operating and maintenance costs.

[REDACTED]</td></tr>
<tr><td>Investment Plan</td><td>N/A</td></tr>
<tr><td>Financing Plan</td><td>[REDACTED]</td></tr>
<tr><td>Key Parties Involved</td><td>The City of Kyiv and Communal Enterprise "Kyivteploenergo".</td></tr>
<tr><td>Conditions to subscription / disbursement</td><td>[REDACTED]</td></tr>
<tr><td>Key Covenants</td><td>[REDACTED]</td></tr>
<tr><td>Other material agreements</td><td>n/a</td></tr>
<tr><td>Security /guarantees provided by the client/sponsor and Donor guarantees for the benefit of the EBRD, client or co-financier</td><td><u>Security/guarantee provided by the client/sponsor</u>

Donor guarantees for the benefit of the EBRD, client or co-financier
<table>
<tr><th>Programme and Donor Name(s) or TBC</th><th>Guarantee parameters*</th><th>CCY & amount</th><th>Net % cover for EBRD</th><th></th></tr>
<tr><td>Ukraine Investment Framework Municipal Infrastructure and Industrial Resilience Program (UIF MIIR)</td><td>First loss risk cover</td><td>€12,500,000</td><td>25%</td><td></td></tr>
</table>
</td></tr>
</table>

	[REDACTED]
Other donor-supported instruments other than guarantees	N/A.
[REDACTED]	

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

The ongoing military invasion of the territory of Ukraine by the Russian Federation is having an unprecedented social and economic impact on Ukraine, resulting in a full-fledged humanitarian crisis. The Russian invasion is hitting Ukraine's economy and has inflicted enormous damage to the country's infrastructure.

The Ukrainian economy experienced a significant downturn during the initial phase of the war, with GDP contracting by an estimated 29 per cent in 2022. Subsequently, however, the authorities succeeded in stabilising macroeconomic conditions. A moderate recovery was observed in 2023, marked with growth estimated at 5 per cent, partially driven by a 24 per cent increase in the grain and oilseed harvest. Due to unabated support from international partners, GDP grew by 2.9 per cent in 2024 but slowed to 1.8 per cent in 2025 amid the difficult security situation.

Approximately 15 per cent of the population has fled Ukraine, and an additional 15 per cent is displaced within the country.

Kyiv is the capital of Ukraine and the seventh largest city in Europe. The City benefits from central governmental support and is the most populated Ukrainian municipality, with a diversified local economy and tax base.

Kyiv has been subject to numerous missile and drone attacks, targeting its key infrastructure assets, including in energy and district heating sectors. Despite the casualties and material damage to the city's infrastructure and economic activity, Kyiv continues providing basic and administrative services to the population. At the end of 2025, the City hosted ca. 400,000 IDPs from other regions affected by the war. The City's administration, alongside various international aid organisations, set up numerous shelters, food distribution centres and medical facilities. In addition to humanitarian aid, the City serves as a hub for international diplomatic efforts and humanitarian aid coordination.

Since October 2025, Russia's intensified attacks on Ukraine's energy infrastructure have led to massive losses of heat and electrical capacity. [REDACTED]

[REDACTED]thousands of residential buildings and hundreds of hospitals, kindergartens, and schools were left without heat and stable electricity supply.

The Bank's loan is expected to support the City and its key municipal district heating operator KTE, which also generates a significant share of electricity, both for the City and for the country's grid, in addressing its critical liquidity needs to ensure uninterrupted provision of essential public services in response to direct damages from the war, presence of the significant number of IDPs and the City's shrinking liquidity.

In absence of the Bank's support, given the on-going war and the effects on the local economy, as well as ongoing forced displacement and labour market volatility, there is a high risk of disruptions in infrastructure services provision, which is critical both for Kyiv's economic recovery and the private sector in the City.

By providing liquidity support to sustain provision of vital municipal infrastructure services in the City of Kyiv, the transaction is in line with the “War on Ukraine - EBRD Resilience Package - Resilience and Livelihoods Framework”, a framework that is part of the “War on Ukraine – EBRD Resilience Package”, the Bank's Country Strategy for Ukraine, the Infrastructure Sector Strategy and the Gender Equality and Human Capital Strategy 2026-2030.

1.2 TRANSITION IMPACT

Primary Quality: Inclusive

Obj. No.	Objective	Details
1.1	*The sub-operation contributes to the Inclusive quality of the FW by promoting access to vital services and/or goods that enable people's livelihoods; human capital development or preservation; access to employment and training (particularly for Veterans and family members, IDPs and refugees).*	The Project supports the City of Kyiv and its key municipal district heating utility operator to mitigate the effects of the ongoing war and to ensure uninterrupted provision of critical municipal services to residents, IDPs and the local business community amid extensive direct damages to infrastructure assets. At the end of 2025, the City hosted ca. 400,000 IDPs from other regions affected by the war. This influx has placed sustained pressure on municipal services, social infrastructure, and operating budgets. The Project will support the City by sustaining the continued operation and performance of its key municipal district heating and energy provider, KTE, which delivers heating services to schools, kindergartens, hospitals, residential and business customers. This is critical to ensuring uninterrupted access to vital heating services for residents and IDPs, particularly in the context of increased demand resulting from ongoing internal displacement and damage to energy infrastructure. This includes damages incurred in January 2026 following sustained missile and drone attacks, which resulted in significant disruptions to heating and electricity supply across the city, leaving thousands of households and public facilities without reliable services during extreme winter temperatures. Reliable heat supply during winter months is essential to protect public health, maintain the continuity of education and healthcare services, and enable households, especially families with children, elderly persons, and other vulnerable groups, to remain in their homes. Stable heating and electricity also support economic activity by reducing disruptions to work and education, helping residents avoid illness, income losses, and potential secondary displacement during periods of extreme cold. Through EBRD’s engagement, the City will be able to allocate its own resources towards strengthening services and support for its veteran community and their families. [REDACTED]Support to veterans and family members is delivered through several dedicated facilities, including, notably the Kyiv Military Hub (the “Hub”) centres for veterans and their families. Through these dedicated centres (that are now planned to expand to several districts of the City), the City provides integrated

<table>
<tr>
<td></td>
<td></td>
<td>
support, addressing immediate needs and long-term reintegration challenges including:

<u>Psychological, rehabilitation, and family support</u>: Psychological counselling, PTSD recovery and rehabilitation, referrals to therapy and partner services, and psychological support for family members.
<u>Reintegration and community inclusion</u>: Reintegration into civilian life, community integration and social adaptation programmes, peer support groups, and community events, forums, and networking activities.
<u>Employment, reskilling, and labour market access</u>: Career counselling, job search support (CV writing, interview preparation), vocational and professional retraining, digital and soft skills development, and training for labour market adaptation and new professions.
<u>Entrepreneurship and self-employment support</u>: Entrepreneurship and small business development training, mentorship programmes, business planning and financial literacy, leadership and business education (including for women and military families), and grant/microgrant support for self-employment.
<u>Legal and social assistance</u>: Legal advice and access to legal and social support services for veterans and families.

[REDACTED]The Project will enable the City to expand this support by opening additional branch facilities across districts[REDACTED]. This will strengthen the City's capacity to support human capital recovery and social resilience by scaling access to rehabilitation, skills development, employment, and reintegration services for veterans, their families, and other affected groups.

EBRD's engagement under the Project will therefore have a meaningful and timely impact on the City's human capital recovery and longer-term resilience in response to ongoing wartime challenges. Specifically, the Project will enable the City to continue and scale resources towards training and reintegration programmes for veterans and their families, IDPs, including rehabilitation and mental health support, career counselling, skills development and entrepreneurship support, thereby fostering long-term well-being, human capital preservation and promoting family and community resilience.
</td>
</tr>
</table>

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	*The sub-operation supports the Resilient quality of the FW through Energy security measures, strengthening municipal service providers directly affected by the wider economic consequences of the war,*	The proposed Project will support the City of Kyiv, which has been directly affected by the war and needs to ensure continuation of its municipal services, despite direct damages and economic slowdown. The

	facilitating imports and exports of production equipment and related materials (capital goods) and TF-related technical assistance, or supporting businesses directly affected by the conflict (i.e., in Ukraine, including those trying to relocate) and businesses indirectly affected (Ukraine part of value chain)	Project will deliver emergency support to relieve financial constraints within the City itself, alongside its key municipal companies affected by wider economic consequences of the war. Thanks to the provided liquidity support, the City will be able to ensure sustainable operation of KTE.

Delivery risks: The ongoing war adds significant risks, which might affect the City and the country as a whole. These include a significant economic slowdown and macroeconomic challenges, as well as direct damages from the war. At the same time, due to the nature of the Project (i.e., liquidity support), the impact of these risks on the actual realisation of the Project will be limited.

1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (**repeat transaction**).	This is a subsequent/consecutive transaction with the same Client – the City of Kyiv (direct liquidity loan).

Additionality sources	Evidence of additionality sources
Financing Structure - Crisis response: EBRD financing **effectively bridges a financing gap** due to adverse market conditions.	As a result of the war, the market for liquidity financing in Ukraine is nearly closed, with both local and international financial institutions tightening their risk appetite.
Risk mitigation EBRD provides comfort to clients and investors, financial or strategic, by **mitigating non-financial risks**, such as country, regulatory, project, economic cycle, or political risks.	EBRD mitigates non-financial risks of public services disruptions in the City of Kyiv.
Standard-setting: helping projects and clients achieve higher standards	The Project enables the City to direct its own funds to the continuous support of its veteran community. Kyiv faces an unprecedented, multi-fold increase in the registration of veterans and families requiring municipal services. The system is shifting from localized social care to a large-scale, decentralized ecosystem. [REDACTED] The other requests related to legal and social support, employment and entrepreneurship, To respond to the growing needs, as part of this Project, the City will expand access to the Hub services. In 2026-2027, the Project is expected to

	enable the City to increase the Hub's capacity and geographic reach, opening new dedicated neighbourhood branches of the Hub across all city districts maximizing accessibility and local availability of services to veterans and family members . Rather than letting veterans and family members navigate bureaucracies alone, Kyiv is institutionalising a network of individual specialised assistants that would be managing thousands of case files and requests The expanded programme, to be implemented over 2026-2027, aims to open up the district branches of the Hub and hire additional personnel to serve as special assistants[REDACTED], supporting expected increased number of requests [REDACTED]from veterans and family members.

1.4 Sound Banking - Key Risks

Risks	**Probability / Effect**	**Comments**
Project specific risks		
Counter-party credit / liquidity risk	*High/ Medium*	[REDACTED]
FX Risk	High / High	While the proposed transaction is in EUR, all of the City's revenues are in UAH. [REDACTED] *<u>Mitigants</u>: That FX risk is partially mitigated by strict capital control measures implemented by the NBU, and inflow of external financing from IFIs and bilateral donors. [REDACTED]*
External risks		
Political risk	High / High	[REDACTED]
Macro-economic risk	High / Medium	Ukraine's macroeconomic environment remains highly challenging and uncertain, driven primarily by the continued military invasion of the territory of Ukraine by the Russian Federation. Key vulnerabilities include labour shortages, persistent energy infrastructure damage, and weak performance in agriculture and trade. Subdued agricultural exports, together with high defence-related and energy imports, widened the current account deficit, adding external pressures. In 2025, real GDP grew by 1.8 per cent. The growth was primarily supported by household consumption and infrastructure investment, although challenges remain in the form of labour shortages, damaged energy infrastructure, and subdued agricultural exports. However, the budget deficit reached 25.8 per cent of GDP in 2025 and, although

		expected to improve to 18.5 per cent in 2026, relies heavily on external support. Public debt sustainability remains a concern despite recent restructuring efforts, with the public debt-to-GDP ratio estimated at around 98.4 per cent in 2025. Gross financing needs remain elevated, and long-term debt sustainability depends on continued donor financing, further restructuring, and strong fiscal discipline. Short-term macroeconomic risks include energy shortages, weak agricultural output, continued labour constraints, and overall uncertainty regarding the war trajectory. Ukraine's credit ratings, although recently improved following successful restructuring of 94 per cent of commercial external debt, remain in the CCC/Ca range (S&P, Fitch, Moody's), reflecting still-high sovereign risk. Despite improvements in foreign-currency ratings due to normalisation with creditors, the sovereign remains exposed to further restructuring needs under the IMF programme by 2027. *Mitigants:* *(i) Combined support from the G7 Extraordinary Revenue Acceleration (ERA), EU Ukraine Facility, and the EUR 90bn EU loan, provides more than EUR 111 billion in financial backing for 2026–2027. This covers the IMF-determined financing gap (USD 63 billion or EUR 55 billion) and ensures the government's ability to fund defence and essential spending.* *(ii) Upgrades by S&P and Fitch after the successful 2024-2025 restructuring signal improving creditworthiness and reduce immediate default risks, contributing to a more stable financial environment.* *(iii) Despite wartime conditions, the economy shows resilience with positive GDP growth, supported by consumption and infrastructure investment. Medium-term growth prospects (up to 4 per cent in 2027 if hostilities end) would support further economic normalisation*
Legislation risk	High/ High	In September 2025, the President of Ukraine signed a law amending the Budget Code. As a one-off measure, proceeds from corporate income tax (of which the City is entitled to up to 10 per cent) were reallocated from the City's budget to the state budget. The measure applied from August to December 2025 and was not extended for 2026. As a result, the City's budget will not receive approximately UAH 8bn (about EUR 170m) in the previous period. This change reflects temporary measures adopted by the government to address liquidity gaps in the state budget. *[REDACTED]*

[REDACTED]

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Primary Quality: Inclusive

Obj. No.	*FW Monitoring indicator*	Corresponding Sub-Operation Monitoring indicator	Details	Baseline	Target	Due date
1.1	Municipal infrastructure Services Sustained and Expanded	Number of individuals in affected areas [m/f] with retained / improved access to municipal infrastructure services.	The Project will support the continued operation of Communal Enterprise "Kyivteploenergo", enabling the provision of essential heating and electricity services to approximately 1.04 million active customers across residential, social, and commercial sectors. This ensures sustained access to vital services for both permanent residents and IDPs.	1,044,000	1,044,000	[REDACTED]
1.2	Livelihoods and employment opportunities of affected people ensured.	Number of individuals in affected areas [m/f] with retained / improved access to municipal infrastructure services	In response to increasing demand for reintegration and support of veterans, the City, through this Project, commits to expanding the capacity of the Hub to support veterans and their family member's, including IDPs, women and children impacted by the war. The scope expansion is expected to be launched over 2026 - 2027. The growth will be supported by the opening of several new branch offices of the Hub and the recruitment of additional personnel to strengthen the Hub's team. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Resilient

Obj. No.	*FW Monitoring indicator*	Corresponding Sub-Operation Monitoring indicator	*Details*	*Baseline*	*Target*	*Due date*
2.1	Municipal infrastructure Services Sustained and Expanded	Net increase in municipal infrastructure services usage and/or capacity in the City	The Project will support its key municipal district heating utility operator to ensure its ability to maintain the operational performance.	0	Y	[REDACTED]

3. KEY PARTIES

3.1 Borrower

The City of Kyiv has been a strategic and long-standing client of the Bank since 2007 and a member of the EBRD Green Cities Programme since 2019.

The Bank signed six projects with Kyiv[REDACTED]. As of 31 December 2025, EBRD's total exposure (direct and guaranteed loans) to the City was EUR 170 million, with EUR 50 million in operating assets (disbursed under RLF Kyiv Emergency Liquidity which benefits from a 25 per cent FLRC or EUR 12.5 million).

Given its strong financial and operational performance, the City is currently rated by Standard and Poor's at CCC+/Stable and by Fitch at CCC (above sovereign) with the latter stating in its September 2025 report that "the City's financial profile is sufficiently strong to withstand a sovereign default". In Jan 2026, Moody's affirmed its Caa3 baseline credit assessment and Caa3 issuer rating with a stable outlook for the City.

3.2 Recipient

KTE is a municipal enterprise established by a decision of the Kyiv City Council. In May 2018, it became an operator of the district heating ("DH") system of the City of Kyiv, which was previously operated by private JSC "Kyivenergo" under the 2001 management contract between the City Council of Kyiv and JSC "Kyivenergo". KTE is an existing client under GrCF2 W2 - Kyiv District Heating project that is currently under implementation.

[REDACTED]

The situation changed drastically in January 2026[REDACTED]thousands of residential buildings and hundreds of hospitals, kindergartens, and schools were left without heat and stable electricity supply.

To respond to this crisis and ensure better energy resilience of the DH system of Kyiv, [REDACTED]

In parallel, the Bank applied for a EUR 20 million investment grant from E5P to support the cogeneration project.

The proposed Project will complement the above measures by covering KTE's operating needs and enabling the City to reallocate its own resources towards emergency restoration programmes, including the preparation of district heating systems for the next winter season.

4. FINANCIAL / ECONOMIC ANALYSIS

4.1 Financial Projections

[REDACTED]

4.2 Sensitivity Analysis

[REDACTED]

4.3 Projected Profitability for the Bank

[REDACTED]

5. OTHER KEY CONSIDERATIONS

5.1 Environment

Categorised B (2024 ESP). The provision of short-term working capital to support liquidity of the City to compensate for temporary revenue losses and additional expenses due to the ongoing war and also support with operating and maintenance costs to the existing client is not associated with any new environmental or social (E&S) risks or impacts.

The municipal district heating utility Communal Enterprise "Kyivteploenergo" is an existing Client to the Bank and even under the war-time circumstances demonstrates encouraging signs of resilience and adequate policy making, being largely in compliance with national law and relevant EBRD ESRs and on track with implementation of the existing ESAP. However, the institutional capacity and resources of the Company and the City were significantly stretched due to the war situation and unprecedented pressure to address Environmental, Social, Health and Safety and Public safety (ESHS) risks and issues. Therefore, the City and the Company have been provided with a TC for ESHS management capacity support to ensure implementation and governance in line with the requirements of the ESRs under the previous liquidity support project.

Support was also provided to address their needs and issues caused by the war where possible, including E&S management system, occupational health & safety capacity, trainings, etc. The City will be required to continue ensuring that the Project complies with the ESRs as well as submit annual E&S reports to the Bank.

5.2 Integrity

An updated integrity due diligence review was undertaken in respect of the City of Kyiv and Kyivteploenergo (KTE). Both are long-standing counterparts of the Bank with a positive history of engagement and good track record. [REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

5.3 Procurement

EBRD PPR 2022 will apply to this transaction and therefore any use of proceeds for Operational Expenditures (excluding Commodities) and/or debt restructuring are excluded in line with Clause 2.6(d) of the PPR. Should any proceeds of the Bank loan be used to finance any capital expenditures and/or Commodities as defined in the PPR 2022, the proposed procurement and implementation arrangements are to be subject to PPD sign-off prior to the commencement of the procurement process. Please refer to Annex 3 for more details on Project's implementation and procurement.

5.4 RATIONALE FOR THE USE OF THE GUARANTEE FROM THE EU

Given the war-triggered risks, the Bank intends to use a guarantee from EU UIF to 25 per cent (net EU cover) of the proposed loan structured on a FLRC basis with EBRD's financing. The use of the guarantee is crucial given the City's security risk and the continued exposure to frequent missile and drone attacks by Russian military forces, resulting in significant damages to energy, water and district heating infrastructure, residential housing, public buildings, municipal utilities and public transport infrastructure in the City.

The guarantee is vital to support the transaction, helping the City and its DH municipal operator address urgent liquidity needs and ensure uninterrupted provision of essential public services notwithstanding the crisis conditions triggered by the war.

ANNEXES TO OPERATION REPORT

ANNEX 1	CITY'S HISTORICAL FINANCIALS
ANNEX 2	GREEN ASSESSMENTS
ANNEX 3	PROJECT IMPLEMENTATION

ANNEX 1 – CITY'S HISTORICAL FINANCIALS

[REDACTED]

ANNEX 2 – GREEN ASSESSMENTS

SUMMARY

- The Project is to provide emergency liquidity support to the City of Kyiv (and its key municipal utility/operator – a municipal district heating utility), in order to mitigate the effect of the ongoing war on the City's financial position and support restoration of district heating services in the City.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project does not have any green finance attribution **(0 per cent green finance)**
- Climate-related financial risks have been assessed[REDACTED]**.**

PARIS ALIGNMENT ASSESSMENT

The Project is determined as **aligned with the mitigation and adaptation goals of the Paris Agreement** based on the application of the Bank's Paris alignment approach for other financial instruments (Section 4).

The client is a municipality, with funds supporting liquidity of the City of Kyiv (client) and its key municipal operator, a municipal district heating utility Communal Enterprise "Kyivteploenergo" (KTE), with a particular focus on renewal of sustainable provision of district heating services. The liquidity will predominately direct towards support restoration of district heating services in the City has a particular focus on ensuring the renewal and sustainable provision of district heating services which uses only natural gas in the system. It is highly unlikely that the counterparty will be involved in any non-aligned activities and therefore the transaction is aligned with PA mitigation goals.

The only hazard flagged for Kyiv was flooding. While there have been occasional localized incidents affecting minor assets (mainly due to pipeline leakages), there is no history of major flood impacts on critical infrastructure, and river levels are tightly regulated. Although key Combined Heat and Power Plants (CHPs) are located near the Dnipro River, they are protected by design and not exposed to significant flood risk. Adaptation measures are in place, including elevated foundations for existing assets and incorporation of flood protection features in new investments. Overall, the system has demonstrated strong resilience, supported by both engineering design and broader regulatory water management controls. Flood risk for Kyiv's district heating system is considered low in materiality.

GREEN FINANCE ATTRIBUTION

Project does not claim any green finance share (0 per cent green finance)

GREEN PROJECT MONITORING PLAN

No Green Project Monitoring Plan is required.

ANNEX 3 – PROJECT IMPLEMENTATION

Procurement classification – *Public* (*sub-sovereign)*

Project risk assessment:

Overall risk rating ***High*** based on

[REDACTED]

The Client's capacity assessment related risk ***N/A***

The Client's capacity assessment has not been carried out as the use of proceeds warrants exclusion from the EBRD PPR in line with article 2.6 (d).

Contracts risk assessment ***N/A***

Currently the use of proceeds envisages only liquidity support and hence there is no procurement plan in place and no risks associated with specific contracting arrangements.

Project implementation arrangements:

The proceeds of the Bank's loan will support the City via liquidity funds to its key municipal operator to: (i) compensate for temporary revenue losses and (ii) support the vital municipal utility with the day-to-day running costs (i.e., payroll, etc.), operating and maintenance costs.

The loan funds will be disbursed directly to the City and will be further provided by the City to KTE via on-lending or equity injections.

Procurement arrangements:

Should any proceeds of the Bank loan be used to finance any capital expenditures and/or commodities as defined in the PPR 2022, the proposed procurement and implementation arrangements shall be subject to PPD sign-off prior to the commencement of the procurement process. [REDACTED]

Use of proceeds will be confirmed as part of annual external audit.