

Ukraine

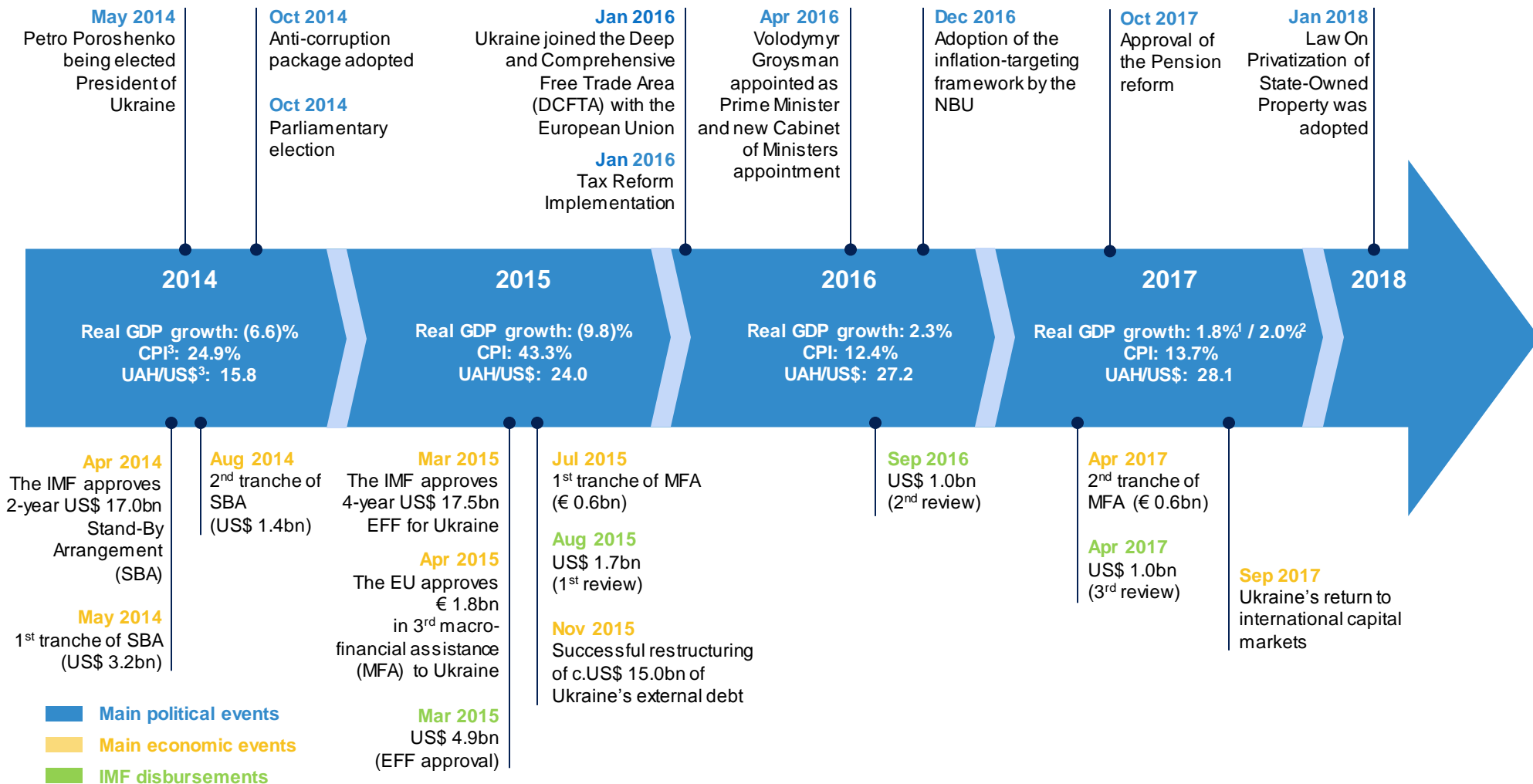
Investor Presentation



MINISTRY OF
FINANCE OF
UKRAINE

February 2018

Key milestones to Ukraine's economic recovery



Notes

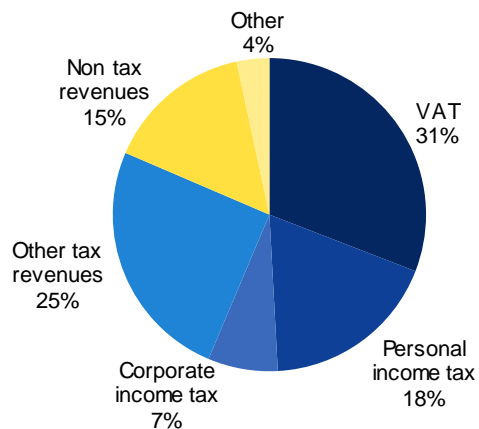
- MEDT Forecast of the Economic and Social Development of Ukraine for 2017
- IMF estimate
- As of end of year

Sources Ministry of Finance, NBU, IMF

Ambitious 2017 budget driven by strong tax revenue growth

Breakdown of public revenues (2017 budget¹)

Consolidated budget revenues: UAH 1,016bn

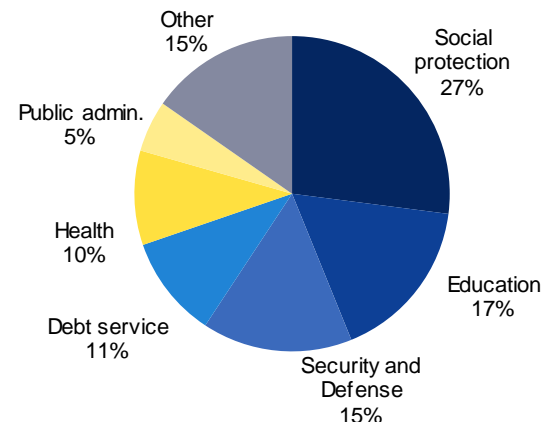


2017 Consolidated budget execution¹ (vs. 2016):

- Consolidated budget deficit: UAH 42bn – 1.5% of GDP (2.3% of GDP in 2016)

Breakdown of public expenditures (2017 budget¹)

Consolidated budget expenditures: UAH 1,057bn

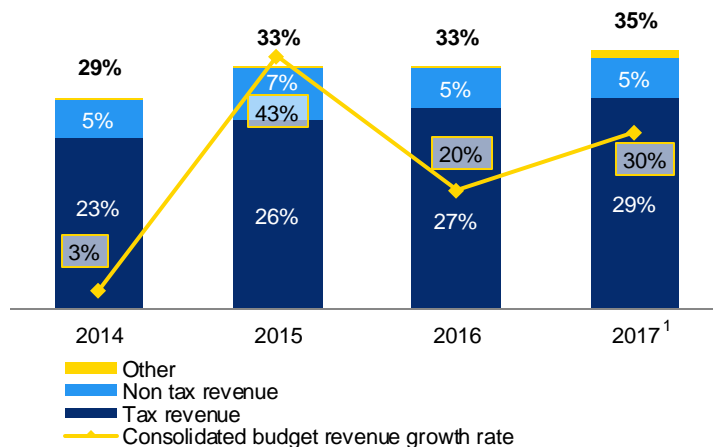


2018 State Budget Law has been adopted by the Parliament on Dec 7, 2017

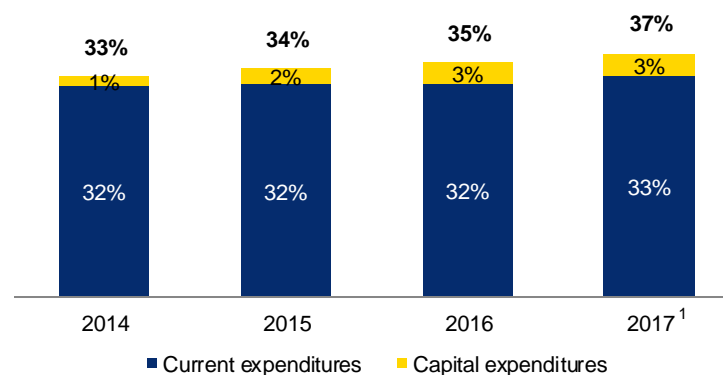
Key figures vs. 2017 State budget²:

- Total revenues: UAH 918bn (+19%)
- Total expenditures: UAH 992bn (+18%)
- Budget deficit: UAH 86bn (2.4% of GDP) – in line with IMF requirement of 2.5% of GDP

Consolidated budget revenues, % of GDP²



Consolidated budget expenditures, % of GDP²



Notes

- Preliminary estimates based on 12m budget execution data
- 2017 GDP represents preliminary estimates

Source Ministry of Finance

Significant fiscal consolidation efforts leading to primary surplus

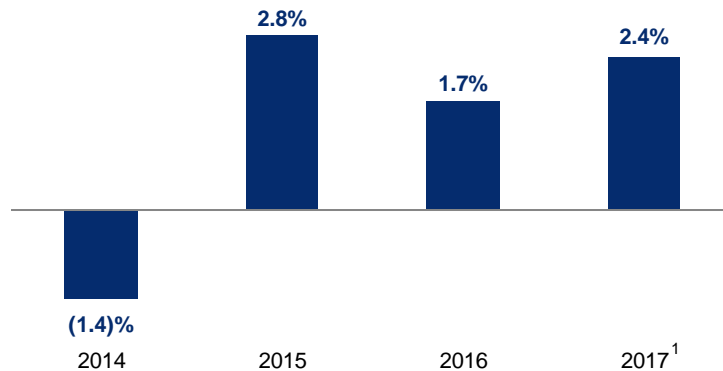
Comments

- ▶ **The overall deficit (incl. the energy sector's quasi-fiscal losses) declined significantly since 2014**, from 10.0% to 2.3% of GDP in 2017
 - Naftogaz operational deficit almost eliminated starting from 2016 owing to the successful reform of Naftogaz
- ▶ **Fiscal consolidation has created space in the budget** to finance infrastructure projects
- ▶ Medium-term budget resolution for 2018-20 anchors government's fiscal framework for the years to come
 - Target consolidated budget deficit at c.2% of GDP by 2020, vs 2.4%¹ in 2017
 - Reduction in current expenditures to increase investment spending for public infrastructure

2017 general government balance keeps an overall balance below 3% of GDP, in line with IMF programme's requirements

Source Ministry of Finance

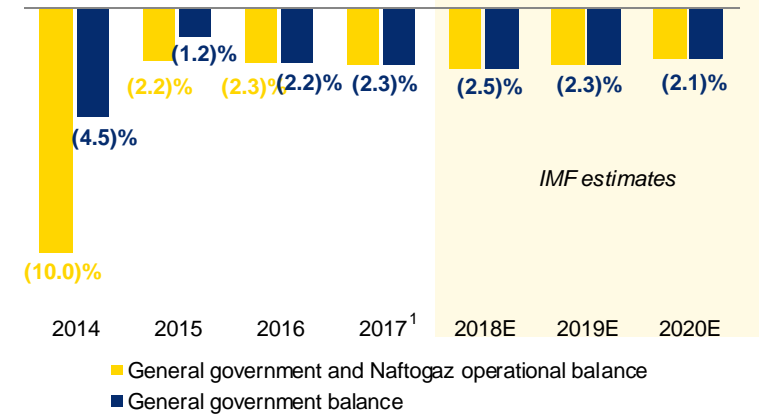
Primary balance,³ % of GDP



After a slight decline in 2016 primary surplus grew to 2.4% of GDP in 2017¹ mainly amid increasing tax revenues

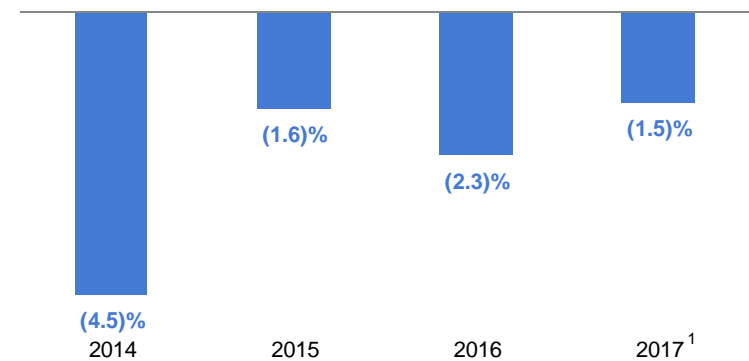
- Notes
- 1 Preliminary estimates based on 12m 2017 budget execution data
 - 2 Incl. state, local budgets, social security funds; excl. Naftogaz balance and state banks and DGF recapitalization
 - 3 Consolidated budget revenues minus expenditures and net lending (excl. debt servicing)
- Source Ministry of Finance

General government balance², % of GDP



Sources Ministry of Finance, IMF

Consolidated budget balance, % of GDP



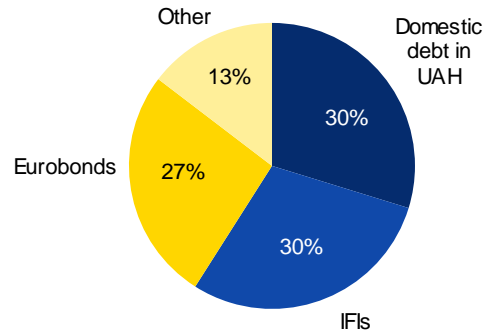
Source IMF

Prudent and proactive debt management strategy (1/2)

State and state-guaranteed debt structure (as of end-2017)²

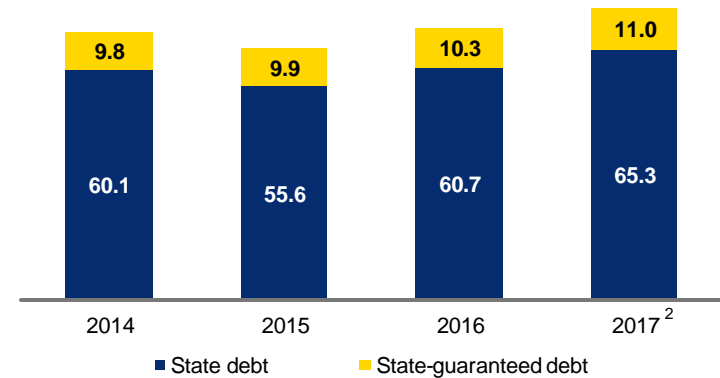
US\$ 76.3bn / UAH 2,142bn

State and state-guaranteed debt targeted at 72% of GDP by 2020¹

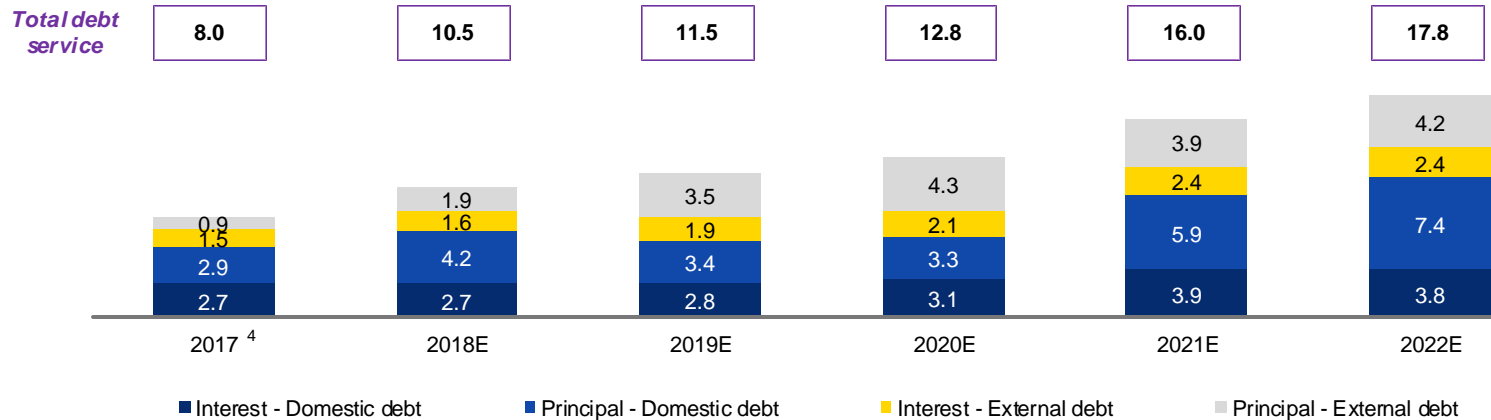


State and state-guaranteed debt (as of end-2017), US\$ bn

Total (% of GDP) 69.4% 79.1% 81.0% 74.0%



State debt amortization schedule (as of end-2017)³, US\$ bn



Notes

1 According to the Medium-term budget resolution for 2018-20

2 Preliminary estimates

3 Incl. outstanding and planned debt obligations

4 Excl. c.US\$ 1.6bn repayment as a result of LMO and c.US\$ 8.2bn as a result of domestic debt re-profiling

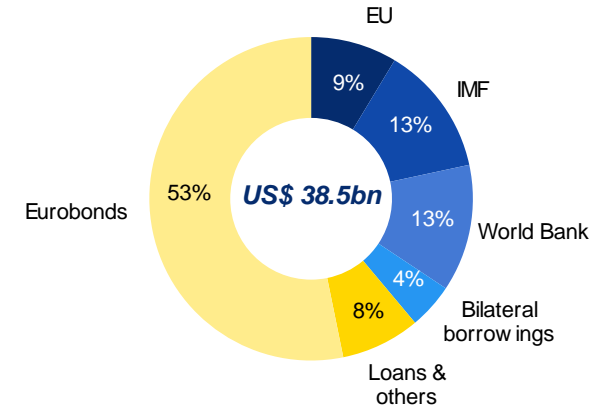
Source Ministry of Finance

Prudent and proactive debt management strategy (2/2)

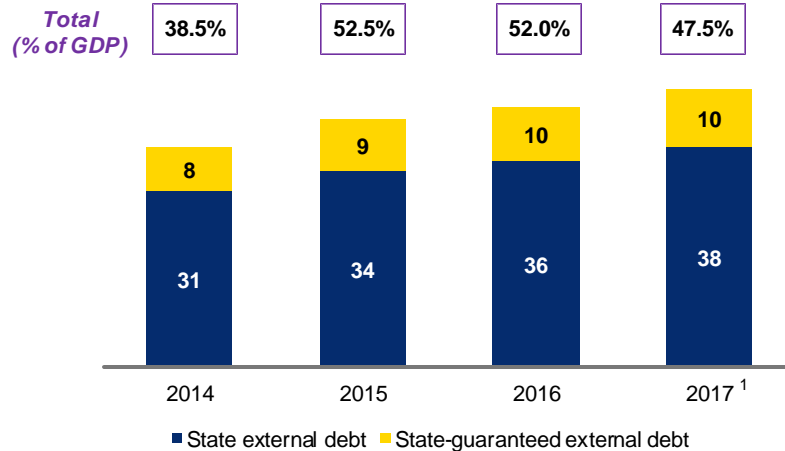
Comments

- ▶ **As of end 2017, Ukraine's total debt (US\$ 76.3bn)¹ is composed of**
 - 64% of external debt, 36% of domestic debt
 - 86% of state debt, 14% of state-guaranteed debt
- ▶ **State external debt is split between**
 - A growing portion of debt owed to International Financial Institutions (IFIs) reflecting IFIs increasing financial support to Ukraine
 - Non-concessional debt in the form of Eurobonds
- ▶ **The series of FX maturities from 2019 onwards call for a proactive debt management strategy**

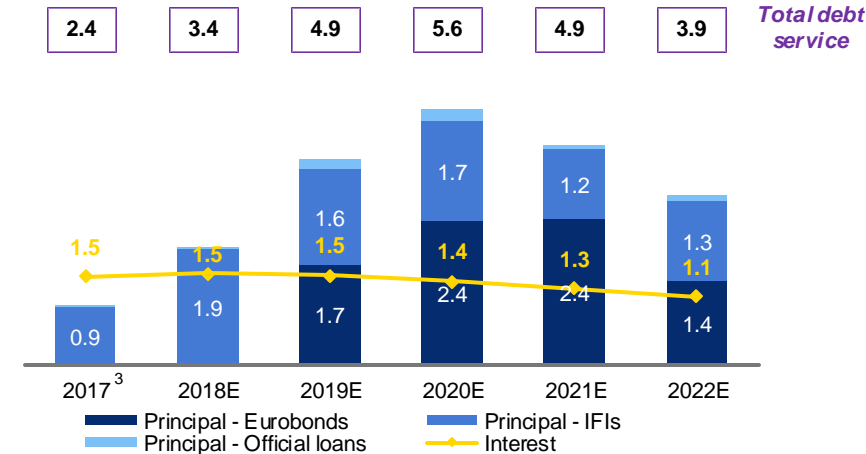
State external debt structure (as of end-2017)¹



State and state-guaranteed external debt, US\$ bn



State external debt maturity profile (as of end-2017)², US\$ bn







Notes

- 1 Preliminary estimates
- 2 Incl. existing debt obligations only
- 3 Excl. US\$ 1.6bn repayment as a result of LMO

Source Ministry of Finance

Continuous and significant support from our partners

Significant commitments made to support both public and private sectors

Institution	Financial support	Comments
	US\$ 17.5bn for 2015-19	<ul style="list-style-type: none"> ▶ IMF 4-year Extended Fund Facility approved in March 2015 ▶ c.US\$ 8.5bn already received (as of July 2017)
	US\$ 4.6bn for 2014-16	<ul style="list-style-type: none"> ▶ US\$ 4.6bn of new support committed from May 2014 to June 2016 (US\$ 655m committed for 2017) ▶ Financial support in the form of project financing (US\$ 2.2bn), Development Policy Loans (US\$ 2.25bn), IFC investments in the private sector (US\$ 250m)
	€ 11bn	<ul style="list-style-type: none"> ▶ € 11bn package approved in March 2014 to be provided by the EU budget (€ 3bn, of which € 1.6bn in macro financial assistance), the EIB (€ 3bn) and the EBRD (€ 5bn) ▶ Free trade agreement with the EU and implementation of the EU legislation
	US\$ 3bn of loan guarantees	<ul style="list-style-type: none"> ▶ Issuance of three US\$ 1bn loan guarantees from the US Treasury (USAID) in May 2014, May 2015 and Sept 2016 ▶ Financial support to promote economic recovery and reforms in Ukraine

Sources IMF, World Bank, the EU, US Treasury

Update on ongoing IMF programme in Ukraine

Key milestones

- ▶ **February 2015:** IMF staff Level Agreement on a US\$ 17.5bn Extended Fund Facility Arrangement (the EFF) (900% of quota)
 - 2nd largest IMF programme in percentage of quota: compared to 2,159% of quota for the 2nd programme in Greece or 422% for Egypt and 322% for Iraq
 - With limited front-loading to incentivize reforms
- ▶ **August 2015:** Staff Level Agreement on 1st review under the EFF
- ▶ **October 2015:** Discussions on the 2nd review under the EFF
- ▶ **December 2015:** IMF decision on the Status of Ukraine's Eurobond Held by the Russian Federation
- ▶ **September 2016:**
 - Completion of the 2nd review under the EFF and approval of US\$ 1bn Disbursement
 - Reduction in the number of reviews to 11 and rephrasing of remaining access to align purchases with reform progress and balance of payments needs
- ▶ **April 2017:** Completion of the 3rd review of the EFF and disbursement of the 4th tranche of EFF support
- ▶ **H1 2018:** Upcoming next tranche of the EFF budget support of SDR1.4bn (c.US\$ 1.9bn) is expected

Past and upcoming IMF reviews

Availability date / Next reviews	SDRs m	US\$ m ¹
March 11, 2015	3,546	4,879
July 31, 2015 [1 st review]	1,182	1,659
September 15, 2016 [2 nd review]	716	1,003
April 3, 2017 [3 rd review]	734	996
4 th review	1,418	1,907
5 th review	952	1,280
6 th review	952	1,279
7 th review	712	955
8 th review	712	955
9 th review	712	955
10 th review	712	955
Total	12,348	16,823

Key structural benchmarks to be met for IMF 4th review

- ▶ **Pension reform:**
 - Approved in October 2017
- ▶ **Privatization:**
 - Law on state property privatization adopted in January 2018
- ▶ **Anti-corruption court:**
 - Draft Law submitted to the Parliament for consideration

Note 1 March 2015 - April 2017 tranches translated at NBU XDR/US\$ exchange rate as of the date of the receipt of the tranches; expected tranches converted at XDR/US\$ as of April 2017

Source IMF, Ministry of Finance



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Thank you for your attention!