



Ukrainian Financial Forum

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MINISTRY OF
FINANCE OF
UKRAINE

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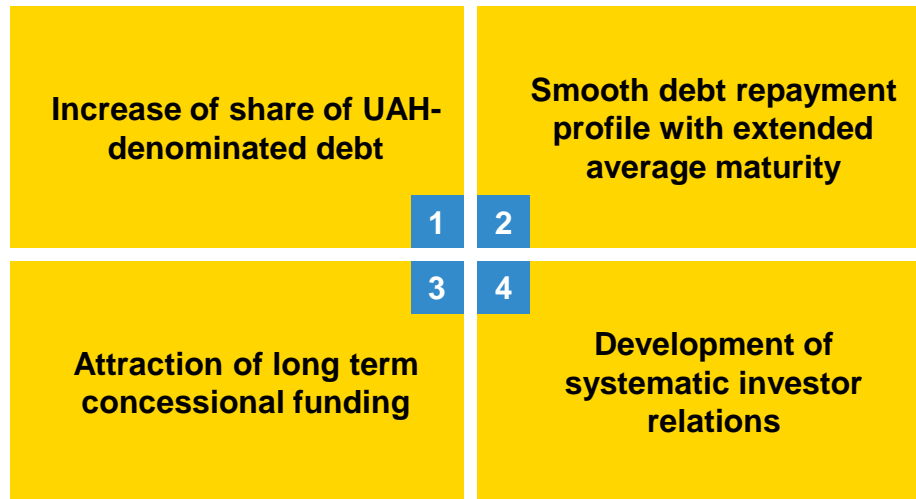
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Medium-Term Debt Strategy 2019 - 2022

Key objectives



Roadmap for Strategy implementation

- ▶ Domestic market development
- ▶ Enhancing the participation of international investors on domestic market
- ▶ Construction of EUR-denominated Eurobond yield curve
- ▶ Further issuance of USD-denominated Eurobonds
- ▶ Pro-active liability management operations
- ▶ Strengthening investor relations
- ▶ Government's efforts to improve Ukraine's credit ratings

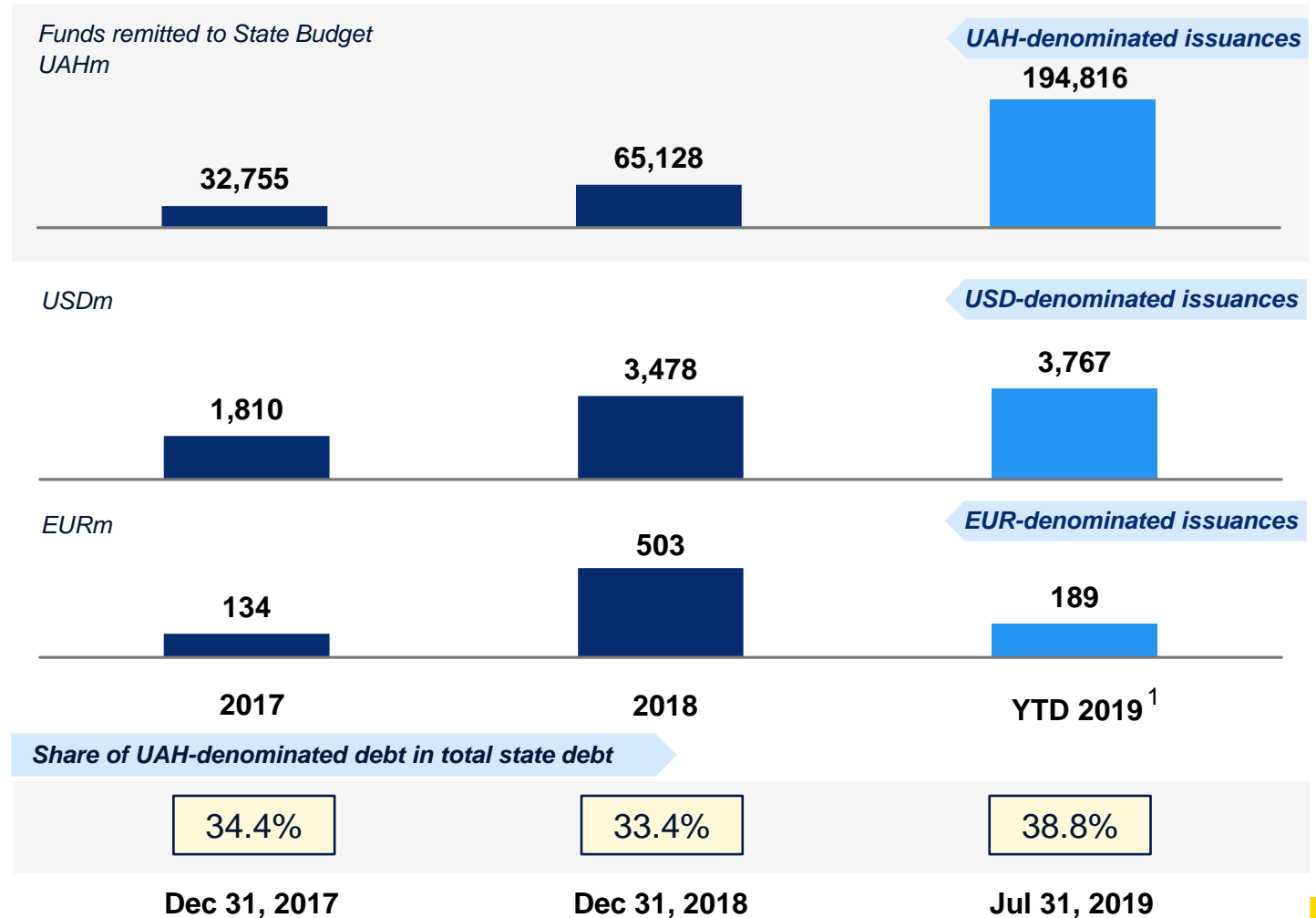
Limits of State debt to GDP (according to the Budget Declaration)



Booming domestic government bond market

- ▶ **Major** recent development of domestic bond market with a focus on **UAH-denominated** issuances experiencing **3-fold** YTD volume increase as compared to 2018
- ▶ In line with MTDS objectives, **FX-denominated** issuances are kept relatively **stable**

Domestic government bond placements by currency

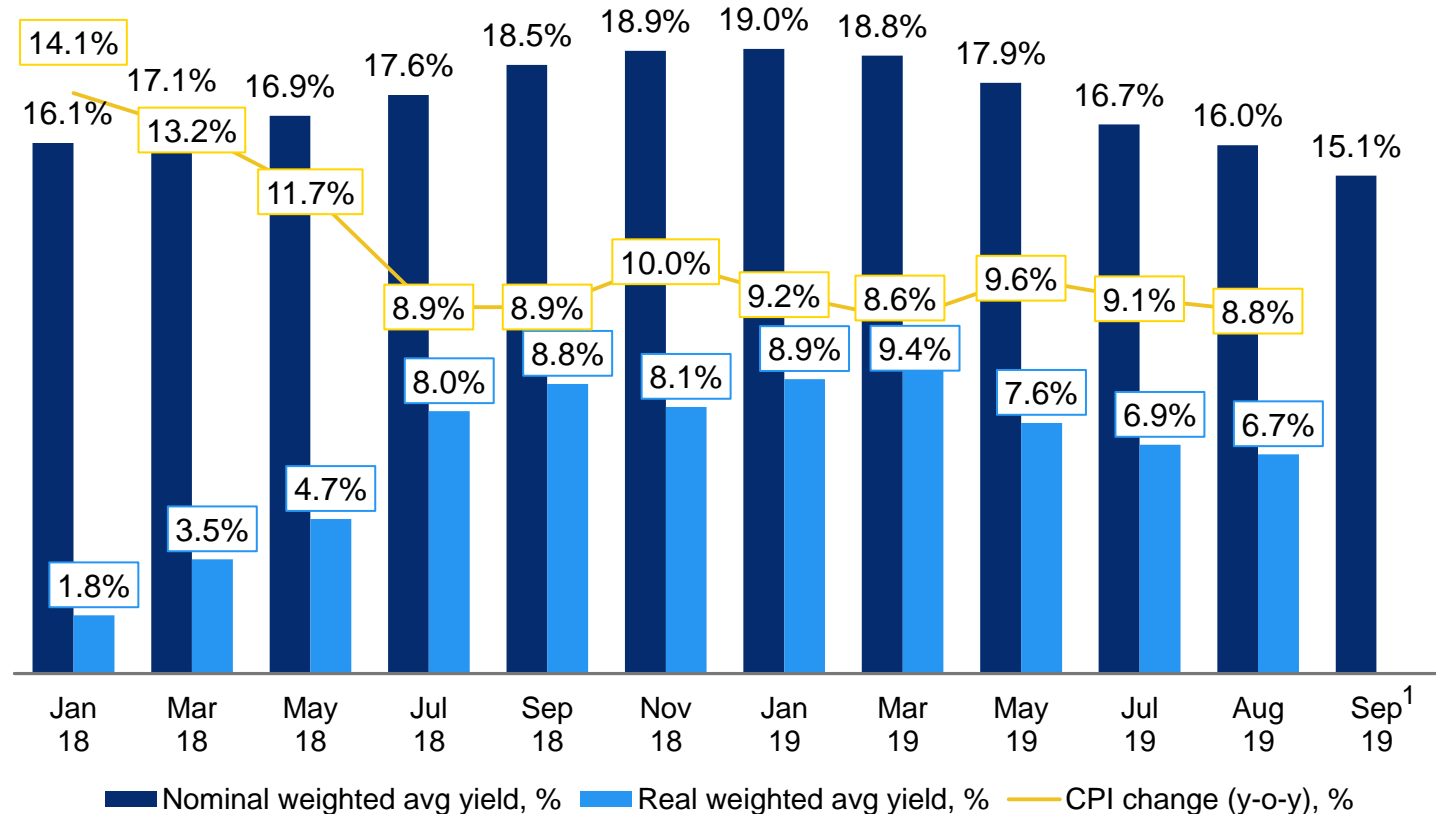


Source Ministry of Finance of Ukraine
 Note 1 As of 26.09.2019



Falling weighted average yields

Nominal and real weighted average yields at primary auctions, %



- ▶ Although nominal interest rates are declining, **real yields remain high and attractive** alluring great number of international investors to the domestic market
- ▶ **High demand** for domestic bonds allowed the Ministry of Finance to outpace the borrowings' plan as well as to significantly reduce the interest rates

Source Ministry of Finance of Ukraine

Note 1 As of 26.09.2019

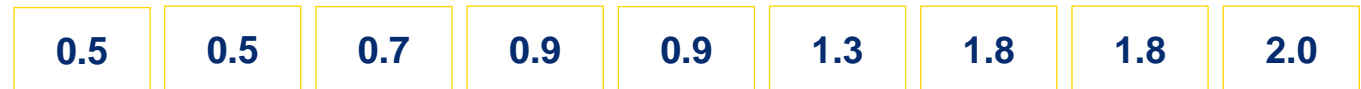


Continuously extending average maturity of domestic bonds

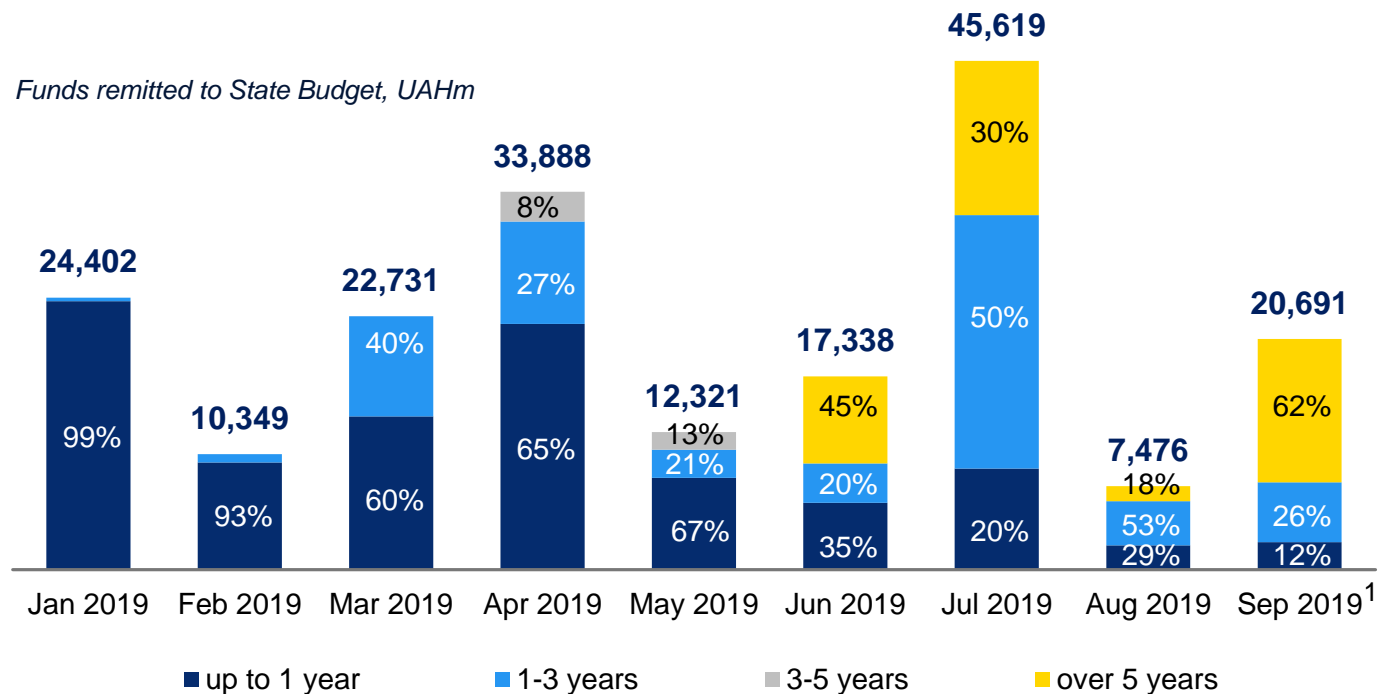
Monthly composition of domestic UAH-denominated government bond issuances YTD 2019 by average maturities

- ▶ **Remarkable shift** of prevailing maturities at issuances **from short-term bonds** in January 2019 (c.99%) **to medium- and long-term bonds** (c.88%) in September 2019
- ▶ **Extended average maturity** of domestic government bond portfolio mainly due to series of consistent 5Y bonds placements in June – September 2019

Weighted average cumulative YTD 2019 term to maturity, years



Funds remitted to State Budget, UAHm



Source Ministry of Finance of Ukraine

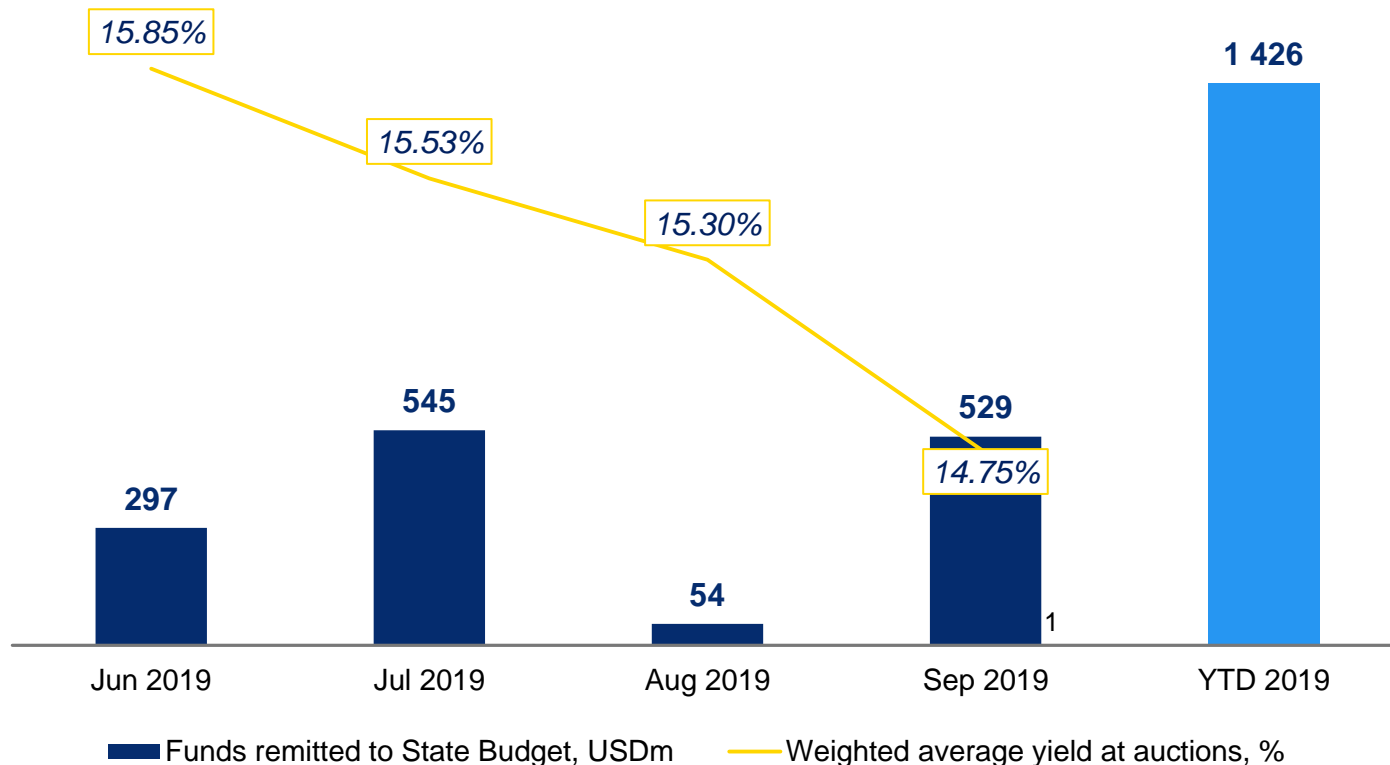
Note 1 As of 26.09.2019



Successfully introduced long-term domestic securities

2025 UAH-denominated bond issuances

- ▶ Owing to attractive rates, Ukraine benefits from **strong interest of investors**, especially non-residents, **to long-term securities** thus increasing average tenor of local bonds
- ▶ Total USD 1.4bn long-term domestic bond issuance **enables Ukraine to be in position to negotiate inclusion in JPMorgan GBI-EM Index**



Source Ministry of Finance of Ukraine

Note 1 As of 26.09.2019

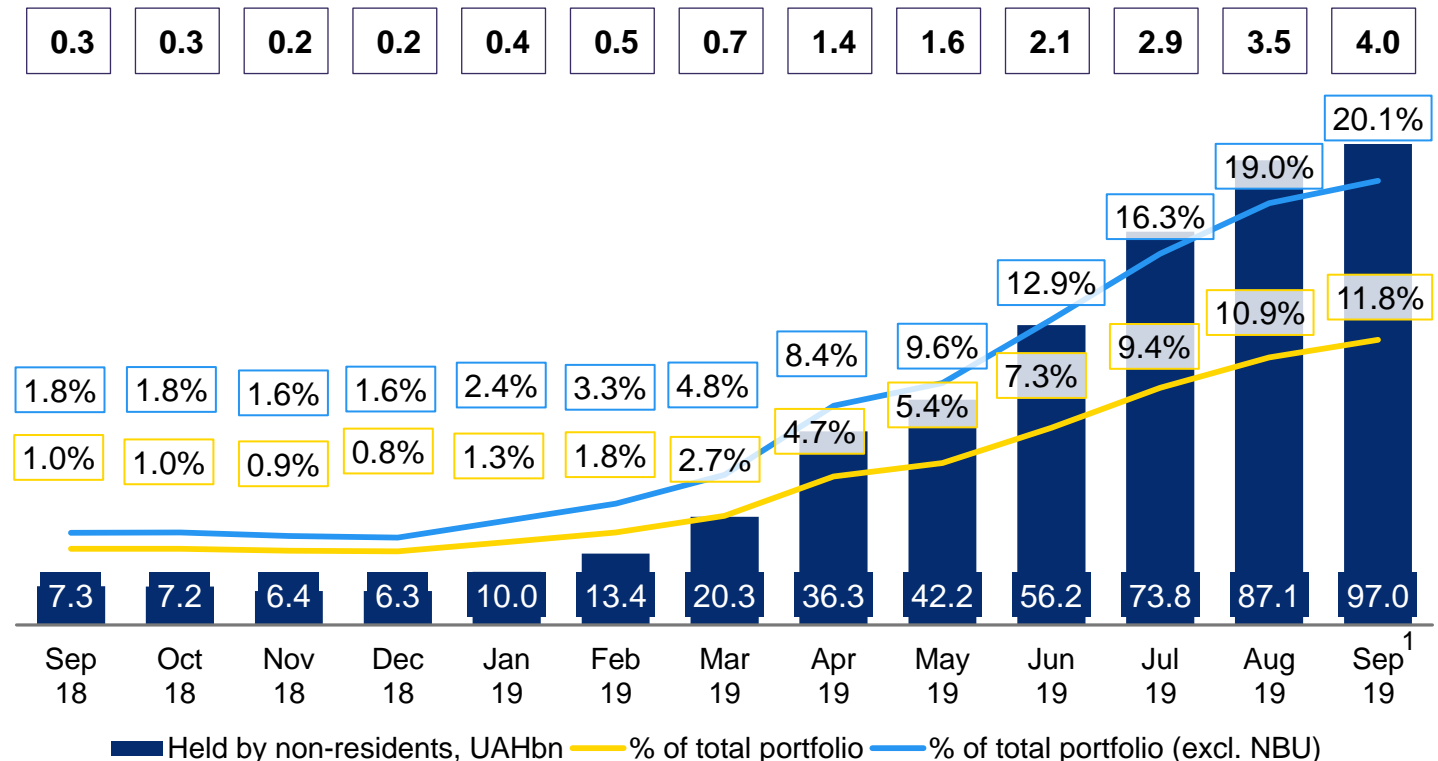


Substantially expanding non-residents portfolio

Non-residents' domestic government bond portfolio

- ▶ The amount of domestic government bonds held by non-residents grew by **USD 3.8bn** since the beginning of the year: from UAH 6.3bn (USD 0.2bn) as of January 3, 2019 to UAH 97.0bn (USD 4.0bn) as of September 26, 2019

Held by non-residents, UAH bn



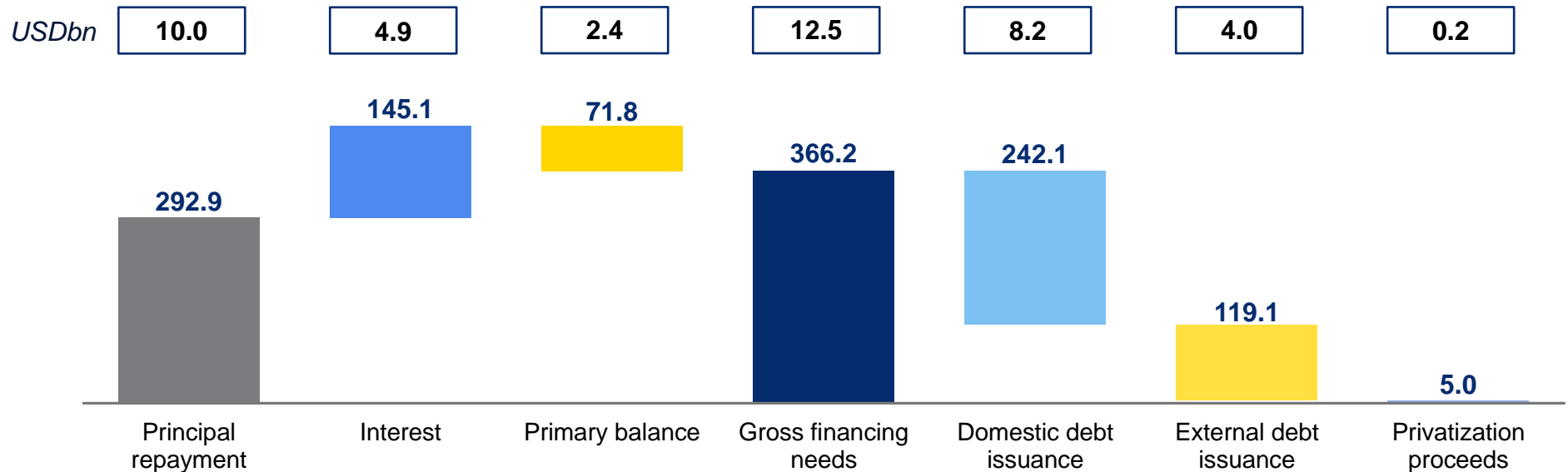
Source Ministry of Finance of Ukraine

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Ukraine's 2020 gross financing needs

Ukraine's 2020 Gross financing needs split by funding sources, USD bn



	UAH bn ¹	USD bn ²
Gross financing needs	366.2	12.5
State borrowings	361.2	12.3
Domestic debt issuance	242.1	8.2
External debt issuance	119.1	4.0
Privatization proceeds	5.0	0.2

Notes

1 Figures based on 2020 State budget law

2 Figures in UAH were translated into USD at 29.4 UAH/USD (exchange rate 2020 State budget law is based on)



Ukraine adopts Bloomberg Bond Auction System

Bloomberg

The Ministry of Finance will offer government bond auctions via Bloomberg's Auction System (BAS) starting from October 1st

- ✓ Facilitated participation of local and international banks operating in the primary market,
- ✓ Improved transparency and investor awareness,
- ✓ Expansion of the investor base, and
- ✓ Increase of the share of national currency in the state debt

***Bloomberg's Auction System** is used by government agencies, central banks and financial institutions to perform their auction tenders electronically, and by market participants to track these auctions and enter bids. The system provides a safe and secure environment to issue debt and buy back debt, and perform other open market operations, all from a single integrated solution.*

