

Ukraine Gets Third 6-Month Extension on \$2Bln VTB Loan

By [The Moscow Times](#)

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Ukraine's government won a third six-month extension of a \$2 billion loan from VTB Group, Russia's second-largest bank, to ease its effort to finance the state budget deficit, its Finance Ministry said.

The original six-month loan, granted in June 2010, has an interest rate of 6.7 percent. The government won its first six-month extension in December 2010 and had an option for more time, according to the agreement.

"In spite of the deterioration of the global economic and financial situation, which raised Ukraine's borrowing costs and limited access to capital markets, the loan was prolonged at the same financial terms," the Kiev-based ministry said Thursday in a statement on its web site. The extension was signed Wednesday, the ministry said.

In July 2010, Ukraine agreed to a \$15.6 billion loan from the International Monetary Fund, its

second bailout in two years, as the global financial crisis hurt its economy. The fund has already released \$3.4 billion in two tranches, helping the government cover the budget gap and boost foreign currency reserves. The third installment, which was expected in March, was frozen after Ukraine failed to raise household utility prices to help balance the budget.

"This is somewhat disappointing" because another lump-sum payment is due in June, Tim Ash, head of emerging market research at Royal Bank of Scotland in London, said in an e-mail. "This creates an even bigger debt service lump-sum payment at that point in time."

The loan comes as Ukraine is seeking to reduce the natural gas price it pays to Russia and hopes to sign a new fuel accord by year-end. It wants to cut the price to about \$230 per 1,000 cubic meters of gas from \$400 it pays now.

Should the talks fail, the price may jump to \$485 in the first quarter of next year, Deputy Prime Minister Serhiy Tigipko said on Nov. 25.

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