National Bank of Ukraine

Consolidated Financial Statements
for the Year Ended 31 December 2015

These consolidated financial statements contain 69 pages.

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Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material aspects, the consolidated financial position of the National Bank of Ukraine and its subsidiaries as at 31 December 2015, and the consolidated results of its operations, cash flows, and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the consolidated financial position and financial performance of the National Bank of Ukraine and its subsidiaries;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Making an assessment of the ability of the National Bank of Ukraine and its subsidiaries to continue as a going concern in the foreseeable future.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the National Bank of Ukraine and its subsidiaries;
- Maintaining adequate accounting records that are sufficient to show and explain the transactions of the National Bank of Ukraine and its subsidiaries and disclose with reasonable accuracy at any time the consolidated financial position of the National Bank of Ukraine and its subsidiaries, and which enable them to ensure that the consolidated financial statements comply with IFRS;
- Maintaining accounting records in compliance with the legislation of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the National Bank of Ukraine and its subsidiaries; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2015 were approved by management of the National Bank of Ukraine on 8 April 2016.

On behalf of the Board of the National Bank of Ukraine:

V. O. Gontareva, **Governor**	**B. V. Lukasevych,** **Chief Accountant – Director of Accounting Department**
8 April 2016	8 April 2016

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INDEPENDENT AUDITOR'S REPORT

To The Council and the Board of the National Bank of Ukraine:

We have audited the accompanying consolidated financial statements of the National Bank of Ukraine and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the National Bank of Ukraine and its subsidiaries. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the National Bank of Ukraine and its subsidiaries as at 31 December 2015, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw your attention to Note 4 to the consolidated financial statements. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the National Bank of Ukraine and its subsidiaries. Our opinion is not qualified in respect of this matter.

Deloitte & Touche

8 April 2016

Certified Auditor

Natalia Samoilova

Certificate of Banks' Auditor №0202
issued by the Audit Chamber of Ukraine
on 24 December 2014 by Decision
of the Audit Chamber of Ukraine # 304/2 and
effective until 24 December 2019

PJSC "Deloitte & Touche Ukrainian Services Company"
Str. Zhylyanska, 48, 50a, Kyiv, 01033, Ukraine

	Notes	2015	2014
			(in UAH millions)
Assets			
Funds and deposits in foreign currency and investment metals	5	**129,053**	17,338
Foreign securities	6	**171,610**	88,118
SDR holdings	7	**212**	59
Monetary gold		**19,577**	14,366
Domestic securities	8	**404,514**	330,774
Loans to banks and other borrowers	9	**65,236**	81,573
Internal state debt	10	**2,091**	2,180
IMF quota contributions	11	**45,631**	31,344
Property and equipment and intangible assets	12	**6,269**	7,196
Other assets	13	**5,006**	4,321
Total assets		**849,199**	577,269
Liabilities			
Banknotes and coins in circulation		**308,237**	304,811
Accounts of banks	14	**31,041**	28,895
Accounts of government and other institutions	15	**51,319**	14,648
Liabilities on profit distribution to the State Budget	20	**38,164**	61,803
Certificates of deposit issued by the National Bank of Ukraine	16	**89,747**	19,609
Borrowings received	17	**31,283**	–
Liabilities to the IMF	18	**176,142**	65,615
Other liabilities	19	**420**	1,346
Total liabilities		**726,353**	496,727
Equity			
Statutory capital		**100**	100
General and other reserves		**39,185**	23,993
Revaluation reserves for assets and liabilities		**83,526**	56,420
Total equity	21	**122,811**	80,513
Non-controlling interest		**35**	29
Total equity		**122,846**	80,542
Total equity and liabilities		**849,199**	577,269

Approved and authorized for issue on behalf of the Board of the National Bank of Ukraine on 8 April 2016.

Governor V. O. Gontareva

Chief Accountant – Director of Accounting Department B. V. Lukasevych

The accompanying notes on pages from 9 to 69 form an integral part of these consolidated financial statements.

	Notes	**2015**	2014
		(in UAH millions)	
Interest income	23	**61,627**	37,629
Interest expense	23	**(10,531)**	(1,319)
Net interest income, before provisions		**51,096**	36,310
Net increase in provisions for loans to banks and other borrowers	28	**(7,931)**	(26,856)
Net interest income, less provisions		**43,165**	9,454
Fee and commission income	24	**343**	436
Fee and commission expense	24	**(312)**	(16)
Net fee and commission income	24	**31**	420
Gains on operations with financial assets and liabilities in foreign currency and monetary gold		**34,727**	88,866
Gains on operations with debt securities at fair value		**2,874**	2,295
Gains/(losses) on operations with financial instruments, other than debt securities at fair value		**1,894**	(15)
Other income	25	**2,508**	538
Total net income		**85,199**	101,558
Staff costs	26	**(1,785)**	(2,248)
Costs related to production of banknotes, coins, souvenirs, and other products		**(1,261)**	(1,184)
Administrative and other expenses	27	**(842)**	(951)
Recovery/(impairment) of the National Bank of Ukraine's assets located in temporarily occupied territories	12, 13, 19	**20**	(1,042)
Net decrease/(increase) in provisions for other assets	28	**1**	(52)
Profit before income tax		**81,332**	96,081
Income tax expense of subsidiaries		**(7)**	(1)
Profit for the year		**81,325**	96,080
Other comprehensive income not to be reclassified subsequently to profit or loss:			
Revaluation of investment metals		**22**	1,042
Other comprehensive income for the year		**22**	1,042
Total comprehensive income for the year		**81,347**	97,122
Profit for the year attributable to:			
National Bank of Ukraine		**81,319**	96,079
Non-controlling interest		**6**	1
		81,325	96,080
Comprehensive income attributable to:			
National Bank of Ukraine		**81,341**	97,121
Non-controlling interest		**6**	1
		81,347	97,122

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Governor	V. O. Gontareva
Chief Accountant – Director of Accounting Department	B. V. Lukasevych
Director of Finance Control Department	O. V. Strynzha

The accompanying notes on pages from 9 to 69 form an integral part of these consolidated financial statements.

	Notes	**2015**	2014 (restated)
		(in UAH millions)	
Operating activities			
Profit for the year		**81,325**	96,080
Adjustments for:			
Depreciation and amortization	12	**577**	588
Net increase in provisions for assets	28	**7,930**	26,908
Adjustment of interest income on impaired loans to banks	9	**387**	1,979
Change in accrued income		**(5,030)**	(5,119)
Change in accrued expense		**(260)**	(132)
Effect of FGLB restructuring		**507**	–
Loss on revaluation of derivative financial instruments		**(1,467)**	–
(Loss)/gain on revaluation of debt securities carried at fair value		**(1)**	855
Unrealized loss on revaluation of financial assets and liabilities in foreign currency and monetary gold		**(37,084)**	(88,969)
(Recovery)/impairment of the National Bank of Ukraine's assets located in temporarily occupied territories		**(20)**	1,042
Other non-cash movements		**12**	9
Net cash inflow before changes in operating assets and liabilities		**46,876**	33,241
Net decrease/(increase) in loans to banks and other borrowers		**7,963**	(45,109)
Repayment of internal state debt	10	**132**	132
Net decrease/(increase) in other assets		**760**	(9,862)
Accounts of banks on demand (other than interest accrued)		**3,078**	(19,445)
Accounts of government and other institutions		**27,394**	4,532
Net decrease in other liabilities		**(921)**	(1,246)
Net cash inflows/(outflows) from operating activities before transfers to the State Budget of Ukraine		**85,282**	(37,757)
Cash transfers to the State Budget of Ukraine	20	**(61,803)**	(22,807)
Net cash inflows/(outflows) from operating activities		**23,479**	(60,564)
Investing activities			
Net (increase)/decrease in term deposits placed		**(17,380)**	5,894
Net (increase)/decrease in foreign securities		**(48,529)**	79,519
Purchase of domestic securities		**(91,581)**	(162,456)
Sale and redemption of domestic securities		**25,057**	14,438
(Purchase)/sale of monetary gold		**(126)**	848
Investments in associates		**2**	–
Acquisition of property and equipment and intangible assets		**(182)**	(993)
Net cash outflows from investing activities		**(132,739)**	(62,750)

The accompanying notes on pages from 9 to 69 form an integral part of these consolidated financial statements.

	Notes	2015	2014 (restated)
			(in UAH millions)
Financing activities			
Issue of banknotes and coins in circulation		**3,426**	42,941
Repayment of liabilities to the IMF		**(9,259)**	(10,332)
Proceeds from the funds received under the IMF's loans		**63,811**	13,940
Net change in term deposits (placed)/attracted		**(448)**	434
Net change in certificates of deposit issued by the National Bank of Ukraine		**69,574**	16,468
Other borrowings received		**31,315**	-
Net cash inflows from financing activities		**158,419**	63,451
Effect of changes in exchange rates on cash and cash equivalents		**45,278**	24,847
Net increase/(decrease) in cash and cash equivalents		**94,437**	(35,016)
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the reporting year	22	**17,212**	52,228
Cash and cash equivalents at the end of the reporting year	22	**111,649**	17,212

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Governor V. O. Gontareva

Chief Accountant – Director of Accounting Department B. V. Lukasevych

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	Notes	Statutory capital	General and other reserves	Revaluation reserve for assets and liabilities	Total equity attributable to the NBU	Non-controlling interest	Total equity
							(in UAH millions)
Balance as at 1 January 2014		100	33,474	22,542	56,116	28	**56,144**
Total comprehensive income for 2014		–	96,079	1,042	97,121	1	**97,122**
Realized gain/(loss) on investment metals disposed	20	–	119	(119)	–	–	–
Realized gain/(loss) on revaluation of securities and futures disposed	20	–	292	(292)	–	–	–
Allocation of unrealized gains/(losses) on revaluation of securities to revaluation reserves	20	–	(242)	242	–	–	–
Allocation of unrealized gains/(losses) on revaluation of assets and liabilities in foreign currency and monetary gold to revaluation reserves	20	–	(34,042)	34,042	–	–	–
Transfer of funds to the State Budget of Ukraine	20	–	(9,884)	(1,037)	(10,921)	–	**(10,921)**
Liability of the National Bank of Ukraine on profit distribution to the State Budget of Ukraine for 2014	20	–	(61,803)	–	(61,803)	–	**(61,803)**
Balance as at 31 December 2014		**100**	**23,993**	**56,420**	**80,513**	**29**	**80,542**
Total comprehensive income for 2015		–	81,319	22	81,341	6	**81,347**
Disposal of subsidiaries	39	–	(879)	–	(879)	–	**(879)**
Realized gain/(loss) on investment metals disposed	20	–	9	(9)	–	–	–
Realized gain/(loss) on revaluation of securities and futures disposed	20	–	188	(188)	–	–	–
Allocation of unrealized gains/(losses) on revaluation of securities to revaluation reserve	20	–	(110)	110	–	–	–
Allocation of unrealized gains/(losses) on transactions with derivatives to revaluation reserve	20	–	(1,467)	1,467	–	–	–
Allocation of unrealized gains/(losses) on revaluation of assets and liabilities in foreign currency and monetary gold to revaluation reserves	20	–	(25,704)	25,704	–	–	–
Liability of the National Bank of Ukraine on profit distribution to the State Budget of Ukraine for 2015	20	–	(38,164)	–	(38,164)	–	**(38,164)**
Balance as at 31 December 2015		**100**	**39,185**	**83,526**	**122,811**	**35**	**122,846**

Approved and authorized for issue on behalf of the Board of the National Bank of Ukraine on 8 April 2016.

Governor V. O. Gontareva

Chief Accountant – Director of Accounting Department B. V. Lukasevych

1 Principal activities

The National Bank of Ukraine (the "NBU") is the central bank of Ukraine and operates in accordance with the Constitution of Ukraine, the Law of Ukraine *On the National Bank of Ukraine*, and other laws of Ukraine. In accordance with legislation, the primary function of the NBU is ensuring stability of the national currency of Ukraine. When performing it's primary function the NBU must follow the priority of establishing and maintaining price stability in the country. The NBU must ensure stability of the banking system and sustainability of economic growth, as well as to support the economic policies of the Cabinet of Ministers of Ukraine provided that it does not prevent the NBU from carrying out its primary function.

The NBU does not aim to earn profits. The financial results of the NBU's activities, as well as the structure of its assets, liabilities, and equity are defined by the functions of the NBU as a special central government authority.

In accordance with the Law of Ukraine *On the National Bank of Ukraine*, the main functions of the NBU are as follows:

Determine and carry out monetary policies in accordance with the Monetary Policy Fundamentals developed by the NBU's Council;

In its capacity as a monopoly, issue the national currency of Ukraine and arrange for its circulation;

Ensure accumulation and maintenance of foreign (gold and foreign currency) reserves (hereinafter referred to as "international reserves") and perform operations with international reserves and investment metals;

Be a lender of last resort to banks and organize a system of refinancing;

Exercise banking regulation and supervision on an individual and consolidated basis;

Represent Ukraine with other central banks, international banks, and other credit institutions where cooperation is maintained among central banks;

Exercise other functions in financial and credit areas within the competence defined by the Law of Ukraine *On the National Bank of Ukraine*.

According to the Law of Ukraine *On the National Bank of Ukraine*, the NBU grants loans to banks to support their liquidity, purchases and sells securities, foreign currency valuables, and investment metals in the open market, sells commemorative coins made of precious and non-precious metals in domestic and foreign markets, performs operations on servicing the state debt in respect of placement of government securities, their redemption, and payment of interest, maintains accounts of the State Treasury of Ukraine and accounts of international organizations, and conducts other operations required to perform its functions. The NBU also performs the functions of a depository for government securities of Ukraine.

The statutory capital of the NBU is owned by the State.

In accordance with the Constitution of Ukraine, the main task of the NBU's Council is to develop Monetary Policy Fundamentals and exercise control over the implementation of monetary policies. In addition, in accordance with the Law of Ukraine *On the National Bank of Ukraine*, the NBU's Council shall approve, on an annual basis, the NBU's budget of income and expenditures for the next year, take decisions on allocation of distributable profits to increase the NBU's statutory capital and create provisions to finance the investments aimed at supporting the NBU's activities, approve annual financial statements of the NBU, report on fulfilment of the NBU's budget of income and expenditures and distribution of profit for the reporting year, and approve decisions of the NBU's Board on the NBU's participation in international financial organizations, as well as perform other functions according to its authority as defined by Ukrainian legislation.

The NBU's structure includes the Central Administrative Office, standalone divisions (the Central Vault, the State Treasury of Ukraine, the Banknote Printing and Minting Works, the Team for International Credit Line Management, and the Banknote Paper Mill), and legal entities established by the NBU to support its activities solely within the NBU's tasks and functions in accordance with the Law of Ukraine *On the National Bank of Ukraine* (as at 31 December 2014, the NBU's system consisted of 25 regional offices within Ukraine, as well as the Main Administration and Maintenance Office, the Central Vault, the State Treasury of Ukraine, the Team for International Credit Line Management, the Central Clearing House, the Banknote Printing and Minting Works, and the Banknote Paper Mill).

1 Principal activities (continued)

The NBU's subsidiary is PJSC "SETTLEMENT CENTER FOR SERVICING AGREEMENTS IN FINANCIAL MARKETS", with the NBU's shareholding in its statutory capital amounting to 77.79% (31 December 2014: 77.79%). As at 31 December 2014, the NBU's subsidiaries included the Ukrainian Banking Academy (Sumy), the Banking University (Kyiv), and LLC "Banking Television" (Kyiv), all of which were fully owned by the NBU (Note 39), and PJSC "SETTLEMENT CENTER FOR SERVICING AGREEMENTS IN FINANCIAL MARKETS", with the NBU's share in its statutory capital amounting to 77.79%.

The statutory capital of the Settlement Center amounts to UAH 153.1 million and comprises ordinary registered shares with a par value of UAH 1,000 each.

The exclusive competency of the Settlement Center includes making settlements under transactions with securities and other financial instruments exercised on stock exchanges and over-the-counter if settlements are carried out using the "delivery versus payment" principle. The Settlement Center opens and maintains cash accounts for stock exchange participants. In addition, it ensures the payment of returns on securities and repayment of the nominal value when securities are redeemed and an issuer performs other corporate transactions, including the securities placed and circulating outside of Ukraine.

In accordance with the Law of Ukraine No. 399-VII dated 4 July 2013 *On Amendments to Certain Legislative Acts of Ukraine Regarding the Return of Government Control Over and Production of the Documents and Forms That Require Special Security Features by State-owned Enterprises*, State Enterprise "Polygraph Combine "Ukraina" for Securities' Production" (hereinafter, the "Polygraph Combine") was placed under the management of the NBU.

The NBU has exercised judgement and analyzed whether it complies with the control criteria under International Financial Reporting Standards (hereinafter, "IFRS") 10 *Consolidated Financial Statements* in respect to the Polygraph Combine. The NBU has power over the Polygraph Combine, but it is not exposed to risks, nor is it entitled to variable returns of its operations, and acts as an agent rather than a principal in respect to the Polygraph Combine. Based on those judgments, it has been concluded that the NBU has no control over the Polygraph Combine, so it is not consolidated in these consolidated financial statements.

The NBU has established a Corporate non-government pension fund of the NBU. The NBU acts as an administrator, asset manager, and custodian of the corporate non-government pension fund of the NBU.

The NBU has analyzed whether it complies with the control criteria under IFRS 10 "Consolidated Financial Statements" in respect to the corporate non-government pension fund of the NBU. The NBU is a founder of the corporate non-government pension fund, but it is not exposed to risks, nor is it entitled to variable returns of its operations. In accordance with IFRS 10 the NBU has no control over the corporate non-government pension fund. Based on those judgments corporate non-government pension fund of the NBU is not consolidated in these consolidated financial statements.

At 31 December 2015 and 2014, investments of the NBU in associates included the German-Ukrainian Fund and Public Joint Stock Company "National Depository of Ukraine".

The German-Ukrainian Fund (the "GUF") was established by the Cabinet of Ministers of Ukraine as represented by the Ministry of Finance, the NBU, and Kreditanstalt fur Wiederaufbau ("KfW") registered in Germany. The area of core activities of the GUF is improvement of competitiveness of Ukrainian small and medium enterprises by means of their financing through appointed Ukrainian banks using the GUF funds. According to the Charter, the GUF does not have an objective of generating profit. Profit of the GUF is allocated to increase the lending pool for small and medium enterprises.

National Depository of Ukraine Public Joint Stock Company (the "National Depository") was established by the NBU, the National Commission for Securities and Stock Market, and other participants of the stock market. In accordance with the Charter, the National Depository was established for depository accounting, accounting for securities and corporate transactions of the issuers on securities accounts of the customers.

As at 31 December 2015, the NBU owned 2,580 ordinary registered shares in the National Depository with the nominal value of UAH 10,000 each for the total amount of UAH 25.8 million (2014: 2,580 ordinary registered shares in the National Depository with the nominal value of UAH 10,000 each for the total amount of UAH 25.8 million).

2 Basis of presentation and a summary of significant accounting policies

The consolidated financial statements of the NBU have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (hereinafter, "IASB").

These consolidated financial statements have been prepared based on the assumption that the NBU is a going concern and will continue in operation in the foreseeable future.

These consolidated financial statements have been prepared on a historical cost basis except for financial assets classified as financial assets at fair value through profit or loss. The consolidated financial statements are presented in the national currency of Ukraine, Ukrainian Hryvnia (hereinafter, "UAH"), which is the functional and presentation currency. These consolidated financial statements of the NBU are presented in millions of UAH (hereinafter, "UAH millions").

Basis of consolidation

These consolidated financial statements include the financial statements of the NBU and its subsidiaries as at 31 December 2015.

Subsidiaries are the companies controlled by the NBU. The existence of control is determined when the following conditions are met simultaneously:

Existence of power over the investee;

Rights to variable returns from involvement in the investee and exposure to respective risks;

Ability to use its powers over the investee to make an impact on the NBU's performance.

Consolidation of the subsidiaries begins when the NBU obtains control over them (commonly on the date of acquisition) and ceases when the NBU loses control over the subsidiaries.

Changes in ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses of the subsidiary are attributable to non-controlling interest even if it results in the non-controlling interest having a deficit balance.

If the NBU loses control over the subsidiary, it derecognizes the assets and liabilities of the subsidiary (including goodwill), the carrying amount of non-controlling interests, recognizes the fair value of the consideration received, the fair value of any investment retained, and any surplus or deficit on the transaction in profit or loss; the NBU reclassifies its share in the components previously recognized in other comprehensive income to profit or loss. If the subsidiary is disposed of by means of transfer of the control to the State as represented by the Cabinet of Ministers of other state bodies and organizations, the result of these operations is recognized in equity.

Intragroup balances, including income and expense on transactions between subsidiaries, are eliminated on consolidation. The NBU and its subsidiaries use uniform accounting policies in preparing the consolidated financial statements. The financial statements of the subsidiaries have been prepared for the same reporting period as the NBU's consolidated financial statements.

Investments in associates

Associates are the entities over which the NBU has significant influence. Significant influence means the power to participate in the financial and operating policy decisions of the investee, but it does not mean control or joint control over those policies.

Investments in associates are accounted for under the equity method and recognized in other assets. Subsequent changes in the carrying value reflect the post-acquisition changes in the NBU's share in net assets of the associate. The NBU's share of the post-acquisition profits or losses of associates is recorded in the consolidated statement of comprehensive income as other income or expense. The NBU's share in other changes in the associates' equity that have occurred from the date of investments is recorded in the consolidated statements of comprehensive income and changes in equity. However, if the NBU's share in losses of the associate equals or exceeds its interest in the associate, the NBU does not recognize further losses, except where the NBU is obliged to make further payments to, or on behalf of, the associate.

2 Basis of presentation and a summary of significant accounting policies (continued)

Key valuation techniques

Depending on their classification, financial assets and liabilities are carried at fair value or amortized cost.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The market in which the NBU would normally enter into transactions to sell the asset or transfer the liability is presumed to be the principal market or, in absence of a principal market, the most advantageous market. The NBU should have access to the principal or the most advantageous market at the date of measurement. The NBU measures fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If there is a principal market for the asset or liability, the fair value represents the price in that market (regardless whether that price is directly observable, or it is estimated using another valuation technique), even if the price in a different market is potentially more advantageous at the measurement date.

Such valuation techniques as discounted cash flows and consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changes in any such assumptions to a reasonably possible alternative may result in significantly different amounts of profit, income, expense, total assets, or total liabilities.

The NBU uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement taken as a whole:

Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of a financial asset or financial liability. The incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or storage costs.

Amortized cost is the amount at which the financial asset or liability was recognized at initial recognition, less any principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and for financial assets, less any write-down for the impairment losses.

The effective interest rate method is a method of calculating amortized cost of financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future financial assets losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial asset or financial liability.

2 Basis of presentation and a summary of significant accounting policies (continued)

Transactions in foreign currency and monetary gold

Monetary assets and liabilities denominated in foreign currency and monetary gold are initially recognized at the official exchange rates of the UAH to foreign currencies (gold) at the date of settlement – the date of initial recognition of assets and liabilities. Subsequently, they are revalued after each change in the official exchange rate[*].

Monetary assets and liabilities in foreign currency and monetary gold are carried in the consolidated financial statements at the official exchange rates of the UAH to foreign currencies (gold) set by the NBU at the date of the consolidated statement of financial position.

Monetary gold consists of the stocks of gold bars of the international standard not less than 995 probe held in the State Treasury of Ukraine and representing a part of international reserves. Transactions in monetary gold can be held between monetary control bodies of different countries, or those bodies and international financial institutions only.

Gold owned by the NBU, but not representing a part of international reserves, is not included into monetary gold.

Monetary gold is recorded in physical weight in troy ounces and is measured in UAH at the official exchange rate of the NBU. The official exchange rate is calculated based on the information on gold prices as determined (fixed) by the participants of the London Bullion Market Association in USD translated into UAH at the NBU's official UAH/USD exchange rate.

Interest-bearing placements in gold with foreign banks are included in foreign currency and investment metals funds and deposits and recorded in the consolidated financial statements at the official exchange rate of the UAH to foreign currencies as at the date of the consolidated statement of financial position.

The principal official exchange rates of the UAH to foreign currencies used for translating the monetary items of the consolidated statement of financial position and monetary gold were as follows:

	31 December 2015 (UAH)	31 December 2014 (UAH)
USD 1	**24.000667**	15.768556
SDR 1	**33.258458**	22.845563
EUR 1	**26.223129**	19.232908
1 troy ounce of gold	**25,440.707**	18,827.656

Gains or losses on revaluation of monetary assets and liabilities in foreign currency and monetary gold, as well as gold placed with foreign banks, due to the changes in the official exchange rates of the UAH to foreign currencies and gold, are recognized as profit or loss in the consolidated statement of comprehensive income in the period in which they arise.

Operations with the International Monetary Fund

The NBU acts as a depository and fiscal agent of Ukraine (in respect of the funds received by the NBU) in the relationship of Ukraine with the International Monetary Fund (hereinafter, "IMF"). All claims of Ukraine on and liabilities to the IMF in respect of the funds received by the NBU are recorded in the consolidated financial statements of the NBU. The IMF's asset balances include holdings of the Special Drawing Rights (hereinafter, "SDR") and IMF quota contributions. Liabilities to the IMF include the securities issued to the IMF by the Ministry of Finance of Ukraine in settlement of quota and the NBU as a fiscal agent in respect of its borrowings and balances on the IMF's accounts No. 1 and No. 2. The IMF's account No. 1 is used for IMF transactions, including quota subscription payments, purchase and repurchase of funds. Account No. 2 is used for settlements with the IMF in Ukrainian currency.

[*]As at 31 December 2015 and 2014, the official exchange rate of UAH to USD was set at the exchange rate determined as average weighted rate of purchases and sales that had been established based on the data of the system of deal confirmation in the interbank foreign exchange market of Ukraine at the NBU and effective at the time of establishment. The official exchange rate of UAH to other currencies was established based on the information about the official exchange rate of UAH to USD and the daily fixing exchange rates of currencies to EUR of the European Central Bank. As at 31 December 2015, the official exchange rate of UAH to USD was set on each business day at 00:00 (Kyiv time) (as at 31 December 2014 the official exchange rate of UAH to USD was set on each business day after 12:00 (Kyiv time)).

2 Basis of presentation and a summary of significant accounting policies (continued)

Assets and liabilities denominated in SDR, including the IMF quota contributions, are translated into UAH at the NBU's official exchange rate of the UAH to the SDR at the date of the consolidated statement of financial position. The official exchange rate of the UAH to the SDR is calculated based on the information about the exchange rate of the SDR to the USD set by the IMF and the NBU's official UAH/USD exchange rate.

Interest received in respect of SDR holdings is recognized as interest income, and charges paid in respect of the use of the IMF's funds are recognized as interest and fee expense, as appropriate, in the consolidated statement of comprehensive income. Non-reimbursable fees under arrangement of SDR purchases are recorded as fee and commission expense. Expenses related to operations with the IMF are amortized using the effective interest rate method and recorded as interest expense.

Transactions with financial instruments

Financial assets of the NBU are classified depending on intentions of their acquisition as follows:

Funds and deposits in foreign currency

Funds and deposits in foreign currency are recorded when the NBU advances foreign currency funds to counterparty banks with no intention of trading them. Those funds are not related to derivative financial instruments, not quoted in the market, and repayable on fixed or determinable dates.

Debt securities at fair value

This category includes the securities, which do not meet the criteria of measurement at amortized cost. The NBU manages a group of these financial instruments in accordance with a documented business model, which is used for managing the NBU's financial assets and provides for sale of such securities in the short-term perspective.

The fair value of these securities is determined by reference to market quotations in the principal or most advantageous markets. Securities of this category may be reclassified to securities at amortized cost if a business model changes.

Debt securities at amortized cost

This category includes the securities in respect of which both of the following conditions are met:

Securities are held within the business model used for managing the NBU's financial assets under which securities are held to collect contractual cash flows;

Contractual terms give rise to cash flows on specified dates that are solely payments of securities' principal and interest on the principal amount outstanding.

Restructuring of debt securities

Restructuring of debt securities is presented in the consolidated financial statements by derecognition of the carrying amount as of the date of the restructuring of the previously recognized debt securities, and recognition of the fair value as of the date of the restructuring of the newly acquired financial instruments, when criteria for recognition and derecognition of the financial instruments, set out in the IFRS, are met.

The difference between carrying value of the previously recognized debt securities and fair value of the newly acquired financial instruments is recognized in the consolidated statement of comprehensive income for the period, in which such restructuring takes place.

Equity instruments at fair value

This category includes the investments in statutory capital of the companies, which are neither associates nor subsidiaries. When the information for determining the fair value of equity instruments is not available, the cost is the best estimate of fair value. Therefore, the fair value of investments in shares of the Interstate Bank and the Black Sea Trade and Development Bank is determined at cost, i.e. is equal to their carrying amounts.

Loans to banks and other borrowers

Loans to banks and other borrowers are recorded when the NBU lends money to counterparty banks or other borrowers with the intention of obtaining contractual cash flows which are exclusively the payments to repay the principal amount and interest. These loans do not have embedded derivatives, are not quoted in the market, and are due on fixed or determinable dates.

2 Basis of presentation and a summary of significant accounting policies (continued)

Internal state debt

Internal state debt includes the loans granted to the Government of Ukraine. Under these loans, the contractual cash flows are expected to be received which are exclusively the payments to repay the principal amount and interest. The internal state debt is initially recognized at fair value and subsequently measured at amortized cost.

Derivative financial instruments

Derivative financial instruments are represented by derivative securities, swaps, forwards, and futures contracts. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. All derivatives are recorded as assets if their fair value is positive and as liabilities if the fair value is negative.

Changes in the fair value of derivatives is included in the financial result of the consolidated statement of comprehensive income in the period when they arise.

Recognition and measurement of financial instruments

Financial instruments are recognized as follows:

Transactions with financial instruments are recorded in the consolidated statement of financial position at a settlement date, which is the date when the ownership right to these assets is transferred to (from) the NBU, other than derivative financial instruments;

Debt securities, equity instruments, and other financial instruments at fair value are initially recorded at fair value;

Foreign currency denominated funds and deposits, debt securities at amortized cost, loans to banks and other borrowers, and all financial liabilities are initially recorded at fair value, plus transaction related costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the fair value at initial recognition differs from the transaction price, it accounts for that instrument at that date as follows:

At the measurement value, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The NBU recognizes the difference between the fair value at initial recognition and the transaction price as a gain or loss;

In all other cases, at the measurement value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the NBU recognizes that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of the NBU's financial instruments is as follows:

Debt securities, equity instruments, and other financial instruments at fair value are revalued after each change in their market price. The gains or losses from changes in fair value are recognized in profit or loss of the consolidated statement of comprehensive income in the period in which they arise;

Foreign currency denominated funds and deposits, debt securities at amortized cost, loans to banks and other borrowers, as well as the internal state debt are measured at amortized cost using the effective interest rate method.

Provisions for impairment of financial assets

Impairment losses are recognized in profit or loss in the consolidated statement of comprehensive income when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The objective evidence of impairment of financial assets is the information on the following loss events:

The borrower or issuer experiences significant financial difficulties;

Breach of contract by the borrower or breach by the securities issuer of the conditions of their issue;

The possibility of bankruptcy or other financial reorganization of the borrower or issuer;

2 Basis of presentation and a summary of significant accounting policies (continued)

The lender, for economic or legal reasons relating to the borrower's or issuer's financial difficulty, granting to the borrower or issuer a concession that the lender would not otherwise consider (such as a change in interest rate or extension of payment terms);

Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

Losses from impairment are recognized through the inclusion of the respective amount in expenses. The amount of provision for impairment is calculated as a difference between the financial asset's carrying amount and the present value of expected cash flows discounted at the original effective interest rate of the asset (current effective interest rate if the loans are granted at variable rates).

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment has been recognized, the previously recognized impairment loss is reversed by adjusting the provision account through profit or loss in the consolidated statement of comprehensive income.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed.

Renegotiation of financial assets' terms and conditions

If financial assets terms are renegotiated and changed due to financial difficulties of a borrower, such financial assets are treated as impaired, and the respective impairment loss is calculated using the original effective interest rate determined before the renegotiation. If the loans are granted at floating rates, the impairment of such assets is calculated using the current effective interest rate. If the renegotiation of the terms is not caused by financial difficulties of the borrower, such financial assets are not considered impaired, and the carrying amount of such assets is adjusted.

The adjustment is determined as a difference between the present value of cash flows at the renegotiated terms discounted at the original effective interest rate (current effective interest rate if loans are granted at floating rates), and the carrying value of financial asset at the date of the terms' renegotiation and is included into consolidated statement of comprehensive income.

Repo transactions

Funds paid under the agreements for purchase and sale of securities with a subsequent repurchase obligation (hereinafter, "repo") are recorded as loans to banks. The difference between the purchase and resale prices is treated as interest income recognized over the life of the repo agreements using the effective interest rate method.

Funds received under repo agreements are included in accounts of banks in the consolidated statement of financial position. The securities sold under repo agreements are retained as the assets of the NBU. The difference between the sale and repurchase prices is treated as interest expense and accrued over the life of the repo agreement using the effective interest rate method.

Property and equipment

Property and equipment items are carried at historical cost, less accumulated depreciation.

Historical cost of acquired property and equipment items includes the costs incurred to acquire and bring them to use.

Costs of enhancement of any item of property and equipment, which increases the expected economic benefits embodied in this item of property and equipment increase the asset's historical cost. Costs on minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalized and the residual value of the replaced part is charged to expenses in the consolidated statement of comprehensive income of the reporting period.

If impaired, property and equipment items are written down to the higher of their recoverable value and fair value, less costs to sell. A decrease in the carrying amount is recognized in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable value or fair value, less costs to sell.

Gains or losses on disposals determined as the difference between the proceeds and the asset's carrying amount are recognized in profit or loss of the consolidated statement of comprehensive income.

2 Basis of presentation and a summary of significant accounting policies (continued)

Construction in progress is carried at cost. Upon completion, assets are transferred to buildings and constructions at cost. Construction in progress is not depreciated until the asset is available for use.

Depreciation

Depreciation of property and equipment commences after the assets are available for use and is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings and structures	20 – 50 years;
Vehicles	7 – 28 years;
Machinery and equipment	4 – 20 years;
Tools, fixtures, and fittings	4 – 10 years;
Other fixed assets	2 – 25 years.

Land and construction in progress are not depreciated.

The residual value of an asset is the estimated amount that the NBU would currently obtain from disposal of the asset, less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the NBU expects to use the asset until the end of its physical life.

Intangible assets

All of the NBU's intangible assets have definite useful lives and primarily include computer software and licenses.

The historical cost of acquired intangible assets includes the costs incurred to acquire and bring them to use. Acquired intangible assets are amortized on a straight-line basis over the expected useful lives from 3 to 8 years and subsequently measured at historical cost, less amortization.

Investment and other precious metals

Investment metals include stocks of gold, other than monetary, silver, platinum, and palladium held in the State Treasury of Ukraine. Investment metals are recorded in physical weight in troy ounces and are measured at the official exchange rate of the NBU. The official exchange rate is calculated based on the information on precious metal prices determined (fixed) by the participants of the London Bullion Market Association and participants of the London Platinum and Palladium Market and the NBU's official UAH/USD exchange rate.

The official exchange rates of investment metals to UAH at which investment metals are carried in the consolidated financial statements were as follows:

	31 December 2015	31 December 2014
1 troy ounce of gold	**25,440.707**	18,827.656
1 troy ounce of silver	**331.689**	252.297
1 troy ounce of platinum	**21,480.597**	19,174.564
1 troy ounce of palladium	**13,392.372**	12,819.836

Unrealized gains or losses on revaluation of investment metals due to changes in the official exchange rate of the UAH to investment metals are included in other comprehensive income of the consolidated statement of comprehensive income in the period in which they arise. Realized gains or losses on revaluation of investment metals are transferred to retained earnings.

Interest-bearing placements in investment metals with foreign banks are included in funds and deposits in foreign currency and investment metals. The results of revaluation of investment metals placed with foreign banks due to the change in the official exchange rates of the UAH to investment metals are recognized as profit or loss in the consolidated statement of comprehensive income in the period in which they arise.

Other precious metals include gold and other scrap metal and bars, which are not of a recognized standard. Other precious metals are recognized as inventory and are carried at historical cost.

Investment and other precious metals are included in other assets in the consolidated statement of financial position.

2 Basis of presentation and a summary of significant accounting policies (continued)

Banknotes and coins in circulation

The amount of banknotes and coins in circulation represents the nominal value of banknotes and coins (small change, circulating, commemorative, and investment coins) that can be used as payment instruments and have been issued into circulation by the NBU after the introduction of the UAH into circulation in September 1996. The banknotes and coins in circulation are recorded as a liability at their nominal values when cash is issued by the NBU to banks and customers of the NBU. Cash in the national currency held in the NBU's vaults and cash offices is not included in banknotes and coins in circulation.

Accounts of banks

Accounts of banks are recognized when funds are advanced to the NBU by counterparty banks. These liabilities are non-derivative and are initially recognized at fair value, including transaction costs and are subsequently measured at amortized cost.

Accounts of government and other institutions

Accounts of government and other institutions are non-derivative liabilities to government or other customers and are initially recognized at fair value, including transaction costs, and are subsequently measured at amortized cost.

Certificates of deposit issued by the NBU

Certificates of deposit issued by the NBU are initially recorded at fair value and are subsequently measured at amortized cost using the effective interest rate method. Upon redemption of certificates of deposit issued by the NBU, the difference between the consideration paid and the amortized cost is included in profit or loss in the consolidated statement of comprehensive income.

Borrowings received

Borrowings received are recognized when the NBU receives funds from other central banks and begins using them on the payment basis. Initially, they are measured at fair value, less transaction costs, and subsequently measured at amortized cost using effective interest rate method. When the parties conclude mutual agreements for receipt of funds from other central banks, reverse future irrevocable commitments for granting the loan to the counterparty arise. The future irrevocable commitments for granting the loan are not recognized on balance until the date the central banks engaged in the agreement grant respective loans.

Income and expense recognition

Interest income and expense are recorded in the consolidated statement of comprehensive income on an accrual basis using the effective interest rate method for all debt instruments, except for debt securities at fair value through profit or loss. Interest income on debt securities at fair value through profit or loss is recognized in the consolidated statement of comprehensive income in the results from operations with debt securities at fair value.

All other fee and commission and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed as a relation of the actual service provided (received) to the total contractual services to be provided.

Costs related to production of banknotes, coins, souvenirs, and other products

The NBU produces the Ukrainian national currency banknotes and coins. Expenses associated with banknote and coin production (excluding commemorative coins made of precious metals and investment coins) are charged to the NBU's expenses when the banknotes and coins produced are transferred by the Printing and Minting Works to the Central Vault of the NBU. Expenses for money issuance include depreciation of plant and machinery, staff costs, and other production costs.

Expenses associated with the production of commemorative coins made of precious metals and investment coins are recorded as an asset in the other assets line of the NBU's consolidated statement of financial position and are charged to expenses in the period when the coins are sold.

Staff costs

Salaries, payments of the single contribution to mandatory state social security funds and transfers of contributions to the NBU's corporate non-state pension fund, as well as expenses incurred on personnel training and development, are recognized in the year in which the respective costs are incurred.

2 Basis of presentation and a summary of significant accounting policies (continued)

Corporate non-state pension fund of the NBU

The NBU has established a corporate non-state pension fund, which is a defined contribution plan. The NBU pays contributions to this fund on a contractual basis. The NBU has no further payment obligations once the contributions have been paid. The contributions are recognized as staff costs when they are due. Upon retirement of the NBU's employees, all benefits are paid by the corporate non-state pension fund of the NBU.

The NBU acts as an administrator, asset manager, and custodian of the corporate non-state pension fund of the NBU.

Expenses for contributions to mandatory state social funds

Under Ukrainian legislation, the NBU makes a single contribution for mandatory state social security to the State Fiscal Service of Ukraine. The transfers made to the State Fiscal Service of Ukraine are expensed as incurred.

Taxation

According to the Tax Code of Ukraine, the NBU makes settlements with the State Budget of Ukraine according to the Law of Ukraine *On the National Bank of Ukraine*.

The NBU transfers distributable profit to the State Budget of Ukraine in accordance with the Law of Ukraine *On the National Bank of Ukraine*. The distributable profit is determined by decreasing profit by the amounts of unrealized gains for the reporting period transferred to revaluation reserves and of unrealized losses not compensated by the revaluation reserve and including the gains that were realized in the current reporting period. These transfers are treated as distributions to owners and are recorded in the consolidated statement of changes in equity (Note 20).

The Law of Ukraine *On the State Budget of Ukraine for 2015* has introduced changes to the Law of Ukraine *On the National Bank of Ukraine* and established that, in 2014, 2015, and 2016, the NBU shall make transfers to general reserves until the amount of general reserves equals to 4, 7, and 10 percent of the NBU's monetary liabilities, respectively. Upon creating the general reserves in the amount stipulated for by the Law of Ukraine *On the National Bank of Ukraine*, the distributable profit shall be transferred to the State Budget of Ukraine in full.

Other taxes paid by the NBU are recorded within administrative and other expenses.

Revaluation reserve for assets and liabilities

According to the Law of Ukraine *On the National Bank of Ukraine*, unrealized gains on revaluation of foreign currency and monetary gold due to changes in the UAH to foreign currencies and monetary gold exchange rates during the reporting period, as well as unrealized gains on revaluation of securities and derivative financial instruments to their fair value, are transferred by the NBU to the revaluation reserve for assets and liabilities within equity in the consolidated statements of financial position and changes in equity.

The revaluation reserve is used to compensate for the unrealized losses from the revaluation of foreign currency, monetary gold, securities, and derivative financial instruments at fair value, should they accumulate during the reporting year.

The revaluation reserve for foreign currency sold, monetary gold, securities, and derivative financial instruments is included in distributable profit in the respective reporting periods.

Provisions for subsequent expenses

Provisions for subsequent expenses of the NBU include the amounts provided to (Note 19):

Pay for annual (basic, additional, and social) vacations of its employees to ensure the recovery of subsequent expenses incurred on annual (basic, additional, and social) vacations unused by employees of NBU's institutions in prior years and carried forward to subsequent years, with reference to payment of a single contribution for general mandatory state social insurance. The NBU determines the amount of provision as an undiscounted amount of current payments to employees payable in accordance with the service performed by employees, net of any amounts already paid;

2 Basis of presentation and a summary of significant accounting policies (continued)

Reimburse for the loss of cash stored in cash reserves, currency handling offices, and automated telling machines of the NBU's Head Office in the Autonomous Republic of Crimea and the NBU's offices in Donetska and Luhanska regions, considering the exceptionally challenging situation as a result of temporary occupation, which makes it impossible for the NBU's offices to operate in the said territories.

Cash and cash equivalents

For the purposes of reporting cash flows, cash and cash equivalents include financial assets on demand and maturing within three months from the origination date and which are available for use at short notice and are subject to insignificant risk of changes in value.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Adoption of new and revised Standards and IFRS Interpretations applied in preparation of the NBU's consolidated financial statements

Revised IFRS and Interpretations that have become effective in 2015, with no material effect on the NBU's consolidated financial statements

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (effective for annual reporting periods beginning on or after 1 July 2014, with earlier application permitted) clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, the amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can be, but are not required to be, recognized as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to IFRSs 2010-2012 Cycle (effective for annual periods beginning on or after 1 July 2014)

The amendments to IFRS 2 "Share-based Payment" change the definition of "vesting condition" and "market condition" and add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition".

The amendments to IFRS 3 "Business Combinations" clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 "Operating Segments" require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 "Fair Value Measurement" clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 "Property, Plant, and Equipment" and IAS 38 "Intangible Assets" remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant, and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 "Related Party Disclosures" clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

2 Basis of presentation and a summary of significant accounting policies (continued)

Annual Improvements to IFRSs 2011-2013 Cycle (effective for annual periods beginning on or after 1 July 2014)

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 “Investment Property” clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

Standards in issue but not yet effective

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018, with early application permitted) applies to classification and measurement of financial assets and liabilities, hedge accounting, impairment of financial assets, and their derecognition.

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and, in November 2013, to include the new requirements for general hedge accounting. In July 2014, the IASB issued a finalized version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aimed at replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

The key requirements of IFRS 9 are:

Classification and measurement of financial assets. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost after initial recognition. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair value. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Classification and measurement of financial liabilities. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss.

Impairment. The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

2 Basis of presentation and a summary of significant accounting policies (continued)

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship.' Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Depending on the approach applied, the transition may be performed simultaneously or on different dates for different requirements of the standard. The NBU adopted IFRS 9 early in respect of classification and measurement of financial assets and liabilities in preparation of the consolidated financial statements for 2012.

IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016, with early application permitted) permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The application of IFRS 14 will have no impact on the consolidated financial statements of the NBU in the future, as the NBU has been preparing its consolidated financial statements under IFRS since 2012.

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018, with early application permitted). In May 2014, IFRS 15 was issued, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

Identify the contract with the customer;

Identify the performance obligations in the contract;

Determine the transaction price;

Allocate the transaction price to the performance obligations in the contracts;

Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract, and various related matters. New disclosures about revenue are also introduced.

IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019, with early application permitted). IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after 1 January 2016, with early application permitted). The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other Standards should be applied.

2 Basis of presentation and a summary of significant accounting policies (continued)

The same requirements should be applied to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Amendments to IAS 1 *Disclosure Initiative Project* (effective for annual reporting periods beginning on or after 1 January 2016) include clarifications regarding practical application of the materiality principle.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant, and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (effective for annual periods beginning on or after 1 January 2016, with early application permitted). The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant, and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for as agricultural produce in accordance with IAS 41.

Amendments to IAS 27 *Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2016, with early application permitted). The amendments to IAS 27 allow entities to apply the equity method as one of the options for accounting for its investments in subsidiaries, joint ventures, and associates in its separate financial statements.

Amendments to IFRS 10, IFRS 12, and IAS 28 *Investment Entities: Applying the Consolidation Exception* (applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016, with early application permitted). The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture* (effective date deferred indefinitely, with early application permitted). The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual period from 01 January 2017). IAS 12 *Income Taxes* is amended to clarify the following aspects:

Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

The carrying amount of an asset does not limit the estimation of probable future taxable profits.

Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

2 Basis of presentation and a summary of significant accounting policies (continued)

Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Amendments to IAS 7 *Statement of Cash Flows* (Disclosure Initiative) (effective for annual period from 01 January 2017). IAS 7 is amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The NBU is currently assessing the impact of adoption and application of the finalized version of IFRS 9 *Financial Instruments* on its consolidated financial statements. As to other Standards and Interpretations, management estimates their adoption in the future periods will not have a significant effect on the consolidated financial statements.

Annual Improvements to IFRS 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016)

Amendments to IFRS 5 *Insurance Contracts* clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation, and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

Amendments to IFRS 7 *Financial Instruments: Disclosures* provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 *Interim Financial Reporting*. The amendments should be applied retrospectively.

Amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied.

Amendments to IAS 34 *Interim Financial Reporting* clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

3 Critical accounting estimates and judgments in applying accounting policies

The NBU makes estimates, assumptions, and judgments that affect the amounts of assets and liabilities reported in the consolidated financial statements for the current year and those to be reported within the next financial year. Estimates and judgments are continually revised and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant estimates and judgments include:

Financial assets at amortized cost

NBU's management has reviewed the financial assets carried at amortized cost and confirmed that:

Assets are held within a business model that is aimed at holding assets in order to collect contractual cash flows;

Contractual terms and conditions of the financial assets stipulate for the receipt of cash flows on specific dates that are intended only to repay a principal and interest for the outstanding principal amount.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

Impairment of securities carried at amortized cost

The NBU regularly reviews its portfolio of securities carried at amortized cost to assess for impairment. In determining whether an impairment loss should be recognized in respect of the portfolio, the NBU's management makes judgments as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows of the portfolio of securities. This evidence may include observable data indicating that there has been an adverse change in the solvency of issuers.

The NBU's management believes that, as at 31 December 2015 and 2014, there was no evidence for impairment of the securities carried at amortized cost.

Impairment of loans to banks and other borrowers

The NBU regularly reviews its loan portfolio to assess the impairment.

Most of the NBU's loans to banks and other borrowers are assessed on an individual basis. The NBU's management makes judgments to assess future cash flows of each specific loan. Provisions for individually significant loans are calculated by discounting future cash flows of those loans, with reference to repayment of the loan and sale of collateral under the respective loan. In measuring future impairment of the loans to banks that are in the process of liquidation, considered to be insolvent, or experiencing significant financial difficulties, management makes judgments and estimates future cash flows of the collateral sold.

The NBU determines the value of properties obtained as collateral under lending transactions at fair value. Provision for loan impairment may be affected by the assessed property value, which requires professional judgment. Accounting estimates related to the property appraisals in the absence of active market-based prices are considered to be a key source of uncertainty due to the fact that: (i) they are highly susceptible to change from period to period, and (ii) a potential impact from recognition of such estimates may be material.

In determining whether an impairment loss should be recognized in respect of the loans granted under credit lines to support small and medium enterprises at the cost of the funds obtained from the European Bank for Reconstruction and Development, the NBU's management makes judgments as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the solvency of borrowers in a group, or national or local economic conditions that correlate with defaults on the loans granted by the NBU. The NBU uses estimates based on historical loss experience for assets with similar credit risk characteristics when forecasting its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and the actual loss experienced.

A 10% decrease or increase in the estimated future discounted cash flows from individually impaired loans, which could arise from differences in amounts and timing of the cash flows, would result in the increase of loan impairment provisions as at 31 December 2015 in the amount of UAH 3,440 million, respectively or decrease of loan impairment provisions in the amount of UAH 3,270 million, respectively (as at 31 December 2014 it would result in the increase of loan impairment provisions in the amount of UAH 1,862 million or decrease of loan impairment provisions in the amount of UAH 1,375 million, respectively).

Impairment of property and equipment and intangible assets

At the end of each reporting period, the NBU's management reviews the carrying amounts of property and equipment and intangible assets to assess for their potential impairment if certain events or changes in circumstances indicate possible impairment of their carrying amounts (Notes 12, 13). The impairment of property and equipment and intangible assets is measured by estimating the recoverable values of assets.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

Related party transactions

In the normal course of business, the NBU enters into transactions with its related parties, being mainly the government and state-controlled banks and entities. IFRS 9 requires that the initial recognition of financial instruments be based on their fair value. Judgment is applied in determining whether transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

The terms and conditions of related party transactions are disclosed in Note 38.

Change in the presentation

In preparing the consolidated financial statements for the year ended 31 December 2015, the NBU changed its approach to presenting cash and cash equivalents in the consolidated statement of cash flows in order to improve understandability and comparability with the best global practices of IFRS application in central banks. The NBU applied change in presentation retrospectively, as the change is change in accounting policies. The NBU changed its presentation of cash and cash flows as at 1 January 2015 and 2014 to bring it in conformity with presentation as at 31 December 2015:

Changes in the consolidated statement of cash flows

	Previously presented as at 31 December 2014	**Restatement**	**Changed presentation as at 1 January 2015** *(in UAH millions)*
Cash and cash equivalents as at 1 January 2015	(28,706)	45,918	**17,212**
Operating activities			
Profit for the year	96,080	–	**96,080**
Change in accrued expense	231	(363)	**(132)**
Net cash inflow before changes in operating assets and liabilities	33,604	(363)	**33,241**
Net increase in other assets	(9,878)	16	**(9,862)**
Accounts of banks on demand (other than interest accrued)	–	(19,445)	**(19,445)**
Accounts of government and other institutions	–	4,532	**4,532**
Net cash outflows from operating activities before transfers to the State Budget of Ukraine	(22,497)	(15,260)	**(37,757)**
Net cash outflows from operating activities	(45,304)	(15,260)	**(60,564)**
Effect of changes in exchange rates on cash and cash equivalents	17,412	7,435	**24,847**
Net decrease in cash and cash equivalents	(27,191)	(7,825)	**(35,016)**
Cash and cash equivalents			
Cash and cash equivalents at the beginning of the reporting year	(1,515)	53,743	**52,228**
Cash and cash equivalents at the end of the reporting year	(28,706)	45,918	**17,212**

Changes in Note 22 “Cash and Cash Equivalents”

	Previously presented as at 31 December 2013	**Restatement**	**Changed presentation as at 1 January 2014**	**Previously presented as at 31 December 2014**	**Restatement**	**Changed presentation as at 31 December 2015** *(in UAH millions)*
Accounts of banks on demand (other than interest accrued)	(47,416)	47,416	–	(28,451)	28,451	–
Accounts of government and other institutions	(4,036)	4,036	–	(14,648)	14,648	–
IMF accounts No. 1 and No. 2	(43)	43	–	(79)	79	–
Liabilities to the IMF in respect of SDR allocation	(1,006)	1,006	–	(1,861)	1,861	–
Employee’s current accounts	(1,242)	1,242	–	(879)	879	–

4 Effect of economic environment on the consolidated financial position and performance of the National Bank of Ukraine

During 2015, the NBU's monetary policy was carried out under extremely challenging conditions, both external and internal. Unfavorable conditions in markets where Ukraine's primary commodities are traded have been influencing further devaluation of the UAH to major foreign currencies. Ukrainian companies and banks continue to suffer from lack of funding from domestic and international financial markets.

The limited capacity of public funding, unprofitable business activities of enterprises, and growing salary arrears were the factors of low domestic investment and consumer demand. Effects of said factors aggravated due to social and political tension in the country, as well as active military activities in the east of Ukraine, which, together with other issues, have complicated the NBU's business activities.

The above has had a relevant effect on the total output and the state of the real economy of the country. In particular, the decline in real GDP in 2015 amounted to 9.9% (real GDP drop in 2014 was 6.8%) (http://ukrstat.org).

The external imbalances accumulated in previous years, alongside the depressive economic situation, as well as social, political, and military events, led to a significant deterioration in the market expectations, with a simultaneous increase in the demand for foreign currency. Thus, in 2015, the official exchange rate of the UAH to the USD changed by 52.2% (from UAH/USD 15.769 as at 31 December 2014 to UAH/USD 24.001 as at 31 December 2015).

The NBU extended its range of measures that were introduced in 2014 and aimed at limiting the outflow of foreign currency from the country, inter alia, a mandatory sale of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on usage of foreign currencies for settlement purposes, and limitations on remittances abroad.

In early 2015, the Government of Ukraine agreed with the IMF to a four-year program for a USD 17.5 billion loan aimed at supporting the economic stabilization of Ukraine. The program defines economic reforms that must be undertaken by the Government of Ukraine to reinstate sustainable economic growth in the mid-term perspective.

The decreased UAH exchange rate and the administrative increase in some prices and tariffs due to implementation of unpopular but necessary economic reforms triggered price movements. Growth in the consumer price index in 2015 was 43.3% (2014: 24.9%) (http://ukrstat.org).

In general, since the beginning of 2015, the NBU has modified its operating approaches to realization of monetary policies. The NBU has simplified the procedure for creating and holding of obligatory reserves by banks, in particular, through the use of unified ratios of obligatory provisioning and the role of the NBU's discount rate has been increased as the key rate in monetary policies through its close linkage to interest rates under active and passive transactions on regulating the liquidity of the banking system.

As at 31 December 2015, Ukraine's sovereign rating was "Caa3" according to Moody's rating agency, "B-/B" according to Standard & Poor's rating agency, and "CCC" according to Fitch rating agency (31 December 2014: Ukraine's sovereign rating was "Caa3" according to Moody's rating agency, "CCC-" according to Standard & Poor's rating agency, and "CCC" according to Fitch rating agency).

The Ukrainian economy displays the characteristics of an emerging market. These characteristics include the existence of a national currency that is not convertible outside the country, a low level of liquidity in the public and private debt and equity markets, and budgetary constraints. Therefore, in 2015, the NBU was obliged to repurchase and acquire title of ownership in respect of domestic securities in the amount of UAH 93,733 million at the nominal cost in order to regulate the monetary market and banks' liquidity (2014: UAH 183,290 million at the nominal value); and, during 2015, the NBU transferred funds to the State Budget of Ukraine in the amount of UAH 61,803 million (2014: UAH 22,807 million) (Note 20).

4 Effect of economic environment on the consolidated financial position and performance of the National Bank of Ukraine (continued)

Changes in operating and political environment in Ukraine in 2015

In 2015, political and economic relationships between Ukraine and the Russian Federation remained strained, which led to a significant reduction in trade and economic cooperation. On 1 January 2016, a free-trade element of Ukraine's association agreement with the European Union is coming into force. In late 2015, the Russian Federation denounced the free trade zone agreement within CIS in respect of Ukraine and further trade restrictions were announced by both countries.

As at 31 December 2015, allowance for the losses of the NBU's assets located in or otherwise associated with the Autonomous Republic of Crimea (including loans to borrowers) and those incurred due to the loss by the Ukrainian authorities of control over certain areas in Donetsk and Luhansk regions amounted to UAH 1,022 million, which was equal to 0.12% of the NBU's consolidated assets (31 December 2014: UAH 1,042 million, which was equal to 0.18% of the NBU's consolidated assets).

The NBU management has been monitoring these developments and taking actions where appropriate. Further adverse developments may negatively affect the NBU's performance and financial position in a manner and to the extent not currently determinable.

The stability of Ukraine's economy is largely dependent on the Government's policies and actions aimed at reforming the administrative, fiscal, and legal systems, and the economy as a whole. Thus, business operations in Ukraine are exposed to risks that do not exist in more developed markets. The Ukrainian economy is largely dependent on fluctuations in global markets and the growth rate of the global economy.

5 Funds and deposits in foreign currency and investment metals

	2015	2014
	(in UAH millions)	
Financial assets		
Foreign currency cash	**1,675**	1,135
Demand deposits	**11,167**	10,186
Term deposits in foreign currency	**113,420**	6,017
Interest income accrued on deposits in gold	**1**	–
Total financial assets	**126,263**	17,338
Non-financial assets		
Term and demand deposits:		
in gold	**2,790**	–
Total non-financial assets	**2,790**	–
Total funds and deposits in foreign currency and investment metals	**129,053**	17,338

Included in demand deposits as at 31 December 2015 were balances on special purpose accounts totaling to UAH 350 million (31 December 2014: UAH 178 million) maintained by the NBU under credit lines received from international financial institutions, and UAH 11 million of margin reserve for settlements under futures operations within the framework of the agreements on investment management and advisory services between the International Bank for Reconstruction and Development and the NBU (2014: UAH 7 million) (Note 35).

As at 31 December 2015, term deposits in gold earned interest paid in USD.

As at 31 December 2015 and 2014 all foreign currency funds and deposits were neither past due nor impaired and were not collateralized.

All foreign currency funds and deposits are expected to be recovered within 12 months (31 December 2014: all foreign currency funds and deposits were expected to be recovered within 12 months).

A geographical concentration risk analysis of foreign currency funds and deposits is disclosed in Note 30, a credit risk analysis is disclosed in Note 31, a foreign currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is presented in Note 34.

6 Foreign securities

As at 31 December 2015, foreign securities comprised the following:

	Government bonds	Securities of international agencies, banks, and other issuers	Total
			(in UAH millions)
Foreign securities at fair value:			
Debt securities by issuers:			
Securities issued by US issuers:			
denominated in USD	95,465	5,480	100,945
denominated in EUR	–	1,808	1,808
Securities issued by EU states issuers:			
denominated in GBP	3,776	1,245	5,021
denominated in USD	8,902	18,719	27,621
denominated in EUR	7,772	13,865	21,637
Securities of other issuers:			
denominated in EUR	2,563	3,666	6,229
denominated in USD	1,206	6,699	7,905
denominated in AUD	323	–	323
Total debt securities	**120,007**	**51,482**	**171,489**
Equity instruments:			
Shares of the Black Sea Trade and Development Bank	–	120	120
Investment in the Inter-State Bank	–	1	1
Total equity instruments	**–**	**121**	**121**
Total foreign securities at fair value	**120,007**	**51,603**	**171,610**

As at 31 December 2015 and 2014, all foreign debt securities were neither past due nor impaired.

In 2015, interest income earned on foreign debt securities and included in results from operations with debt securities at fair value in the consolidated statement of comprehensive income amounted to UAH 1,432 million (2014: UAH 1,548 million).

All foreign securities can be recovered within 12 months, except for equity instruments totaling UAH 121 million (31 December 2014: UAH 121 million).

Securities of international agencies, banks, and other issuers include debt securities issued by foreign central and investment banks, international agencies, and other issuers.

Government bonds included in securities of other issuers are represented by bonds issued by foreign local governments.

Shares of the Black Sea Trade and Development Bank

Contribution to the share capital of the Black Sea Trade and Development Bank (hereinafter, the "BSTDB") was made in accordance with the agreement on establishment of the BSTDB dated 30 June 1994.

As at 31 December 2015, the amount of the NBU's contribution to the statutory capital of the BSTDB was SDR 24 million (UAH 120 million at the UAH/SDR official exchange rate as at the date of the investment) (31 December 2014: SDR 24 million or UAH 120 million). The NBU's share in the paid statutory capital of the BSTDB was 4% (31 December 2014: 4%).

Investment in the Inter-State Bank

The Inter-State Bank (hereinafter, the "ISB") was established under a multilateral agreement of member countries of the Commonwealth of Independent States in 1993. The ISB is an international settlement and credit and finance institution. The contribution of Ukraine to the statutory capital of the ISB is UAH 1 million and the share in equity equals 20.7%. The NBU does not have a significant influence on decisions of the ISB and does not earn any income from its activities.

6 Foreign securities (continued)

As at 31 December 2015, these investments were carried at fair value of UAH 121 million (31 December 2014: UAH 121 million) and were classified as equity instruments. These investments were made by the NBU in performance of one of its functions as the central bank of Ukraine, i.e. represent Ukraine in the organizations where co-operation is performed at the level of central banks. The shares of these banks are not traded, as those are specialized international institutions. The NBU has no intention to dispose of those investments.

A geographical concentration risk analysis of foreign securities is disclosed in Note 30, a credit risk analysis for debt securities is disclosed in Note 31, a currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is presented in Note 34.

As at 31 December 2014, foreign securities comprised the following:

	Government bonds	Securities of international agencies, banks, and other issuers	Total
			(in UAH millions)
Foreign securities at fair value:			
Debt securities by issuers:			
Securities issued by US issuers:			
denominated in USD	37,526	1,029	38,555
Securities issued by EU states issuers:			
denominated in GBP	2,368	–	2,368
denominated in USD	7,510	13,668	21,178
denominated in EUR	4,887	7,774	12,661
Securities of other issuers:			
denominated in EUR	–	3,359	3,359
denominated in USD	795	8,678	9,473
denominated in AUD	403	–	403
Total debt securities	**53,489**	**34,508**	**87,997**
Equity instruments:			
Shares of the Black Sea Trade and Development Bank	–	120	120
Investment in the Inter-State Bank	–	1	1
Total equity instruments	**–**	**121**	**121**
Total foreign securities at fair value	**53,489**	**34,629**	**88,118**

6 Foreign securities (continued)

Information on nominal value, yield to maturity, coupon income, and maturities of foreign debt securities as at 31 December 2015 is presented in the table below:

	Total nominal value in foreign currency, in millions	Total nominal value in UAH equivalent, in UAH millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Debt securities at fair value by issuers:						
Government bonds:						
Securities issued by US issuers:						
denominated in USD	3,974	95,388	0.2-1.4	0.25-2.75	Every 6 months	From 15 days to 3.1 years
Securities issued by EU states issuers:						
denominated in GBP	105	3,719	0.3-0.9	1.25-4.00	Every 6 months	From 22 days to 2.6 years
denominated in USD	371	8,904	0.6-1.8	0.375-1.750	Every 6 months or annually	From 2.7 months to 4.2 years
denominated in EUR	292	7,657	-0.3-0.7	0.05-1.65	Annually	From 2.2 years to 8,8 years
Securities of other issuers:						
denominated in EUR	85	2,229	0.2	4.0	Annually	3.9 years
denominated in USD	50	1,200	0.9	1.0	Every 6 months	6.8 months
denominated in AUD	18	308	2.0-2.1	4.25-5.50	Every 6 months	From 5.6 months to 2.1 years
Bonds of international agencies, banks, and other issuers:						
Securities issued by US issuers:						
denominated in EUR	69	1,809	0.1-0.4	0.247-0.308	Quarterly	From 1.1 years to 3.2 years
denominated in USD	229	5,496	1.2-2.4	1.00-2.45	Every 6 months	From 1.7 years to 4.7 years
Securities issued by EU states issuers:						
denominated in USD	780	18,725	0.6-2.0	0.3605-5.000	Quarterly, every 6 months, or annually	From 29 days to 4.6 years
denominated in EUR	515	13,500	-0.2-0.6	0.000-4.375	Quarterly or annually	From 15 days to 8.5 years
denominated in GBP	35	1,244	1.0	1.0	Annually	1.9 years
Securities of other issuers:						
denominated in USD	280	6,720	1.0-2.5	1.00-2.25	Every 6 months	From 6.8 months to 4.8 years
denominated in EUR	140	3,671	0.2-0.5	0.1-0.5	Annually	From 3 to 4.9 years

6 Foreign securities (continued)

Information on nominal value, yield to maturity, coupon income, and maturities of foreign debt securities as at 31 December 2014 is presented in the table below:

	Total nominal value in foreign currency, in millions	Total nominal value in UAH equivalent, in UAH millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Debt securities at fair value by issuers:						
Government bonds:						
Securities issued by US issuers:						
denominated in USD	2,351	37,078	0.1-1.6	0.25–2.75	Every 6 months	From 1 month to 4.9 year
Securities issued by EU states issuers:						
denominated in GBP	95	2,325	0.4-0.9	1.00-2.75	Every 6 months	From 22 days to 3.6 years
denominated in USD	476	7,498	0.2-1.7	0.25-1.75	Quarterly, every 6 months, or annually	From 2.2 months to 4.7 years
denominated in EUR	248	4,770	0.0-0.7	0.229-1.650	Annually or quarterly	From 3.5 months to 9.8 years
Securities of other issuers:						
denominated in USD	50	788	0.7	1	Every 6 months	1.6 years
denominated in AUD	30	386	2.1-2.3	4.25-4.75	Every 6 months	From 9.8 months to 2.6 years
Bonds of international agencies, banks, and other issuers:						
Securities issued by US issuers:						
denominated in USD	65	1,025	0.5–1.5	1.40-1.95	Every 6 months	From 2.5 months to 2.7 years
Securities issued by EU states issuers:						
denominated in USD	860	13,562	0.2-1.8	0.24185-5.00000	Monthly, quarterly, every 6 months, or annually	From 15 days to 5.2 years
denominated in EUR	400	7,693	0.0-0.6	0.09-3.00	Quarterly or annually	From 1.6 months to 9.5 years
Securities of other issuers:						
denominated in USD	547	8,630	0.2-1.9	0.2536-2.7500	Quarterly or every 6 months	From 26 days to 4.4 years
denominated in EUR	170	3,270	0.2-0.9	0.25-3.75	Annually	From 23 days to 6.8 years

7 SDR holdings

SDR holdings are demand funds denominated in SDR on the account opened with the IMF for Ukraine.

Movements in SDR holding account during 2015 and 2014 were as follows:

	2015	2014
		(in UAH millions)
Balance of SDR holdings as at 1 January	**59**	128
Proceeds from the IMF		
in favor of the NBU	**84,336**	19,033
in favor of the Government	**56,971**	35,931
Purchase of SDR	**32,393**	40,999
Other proceeds and payments	**340**	89
Repayment of loan:		
on behalf of the NBU	**(11,344)**	(11,587)
on behalf of the Government	**(17,212)**	(28,758)
Payment of loan related fees and commissions	**(1,217)**	(536)
Translation of SDR to other foreign currencies		
in favor of the NBU	**(83,931)**	(18,713)
in favor of the Government	**(56,971)**	(35,931)
Payment of interest for the use of the IMF loan:		
on behalf of the NBU	**(1,400)**	(237)
on behalf of the Government	**(1,816)**	(438)
Payment of interest for the use of funds received under SDR allocation:		
on behalf of the NBU	**(1)**	(1)
on behalf of the Government	**(19)**	(20)
Translation differences	**24**	100
Balance of SDR holdings as at 31 December	**212**	59

In 2015, the account of SDR holdings received funds in the amount of SDR 4,728 million (UAH 141,307 million at the official exchange rate at the date of payment) under the Extended Funding Facility (hereinafter, the "EFF") program. SDR 1,631 million (UAH 48,528 million at the official exchange rate at the date of receipt) and SDR 1,182 million (UAH 35,808 million at the official exchange rate at the date of receipt) were the funds of the first and second tranches under the new EFF program received at the NBU's account and translated to other foreign currencies and recorded as the NBU's liabilities to the IMF, and SDR 1,915 million (UAH 56,971 million at the official exchange rate at the date of receipt) were proceeds under the EFF program received in favor of the Government and translated to other foreign currencies and recorded on the State Treasury's account with the NBU.

In 2014, the account of SDR holdings received funds in the amount of SDR 2,973 million (UAH 54,964 million at the official exchange rate at the date of payment) under the Stand-by program. SDR 768 million (UAH 13,929 million at the official exchange rate at the date of receipt) and SDR 265 million (UAH 5,104 million at the official exchange rate at the date of receipt) were the funds of the first and second tranches under the new Stand-by program received at the NBU's account and translated to other foreign currencies and recorded as the NBU's liabilities to the IMF, and SDR 1,290 million (UAH 23,396 million at the official exchange rate at the date of receipt) and SDR 650 million (UAH 12,535 million at the official exchange rate at the date of receipt) were proceeds from the first and second tranches under the Stand-by program received in favor of the Government and translated to other foreign currencies and recorded on the State Treasury's account with the NBU.

8 Domestic securities

As at 31 December 2015, domestic securities comprised the following:

	Government securities	Corporate securities	Total
			(in UAH millions)
Domestic debt securities at fair value*:*			
Denominated in the national currency:			
Domestic government loan bonds	1,260	–	**1,260**
Denominated in foreign currencies:			
Domestic government loan bonds denominated in USD	765	–	**765**
Foreign government loan bonds denominated in USD	1,982	–	**1,982**
Total debt securities at fair value	**4,007**	–	**4,007**
Derivatives at fair value			
Government derivatives denominated in USD	418	–	**418**
Total derivatives at fair value	**418**	–	**418**
Debt securities at amortized cost:			
Denominated in the national currency:			
Domestic government loan bonds	397,824	–	**397,824**
Bonds of other government institutions	–	2,265	**2,265**
Total debt securities at amortized cost	**397,824**	**2,265**	**400,089**
Total domestic securities	**402,249**	**2,265**	**404,514**

In accordance with the Law of Ukraine *On the National Bank of Ukraine*, the NBU performs operations with domestic securities only in the secondary market.

Domestic government loan bonds (hereinafter, “DGLBs”) are issued by the Ministry of Finance of Ukraine with nominal value of UAH 1,000 each.

In 2015 the NBU purchased UAH-denominated DGLBs for the total value of UAH 2,096 million as a result of settlement of the amounts due from one borrower under refinancing loan.

In 2014 the NBU purchased UAH-denominated DGLBs for the total value of UAH 20,717 million as a result of acquisition of title rights in the process of restructuring of the NBU’s receivable from the Ministry of Finance for settlements made for extinguishing the Government’s tranche for settlements with IMF within Stand-by program and total value of UAH 2,101 million as a result of acquisition of title rights in order to satisfy the NBU’s claims as a purchaser under direct repo agreements and overnight loan.

In 2015, the NBU performed operations on restructuring debts under foreign government loan bonds (hereinafter, “FGLBs”) issued by the Ministry of Finance of Ukraine and denominated in USD and EUR with the nominal values of USD 100,000 and EUR 50,000 each (the nominal value of USD 130 million and EUR 83 million, respectively) with maturities in November 2016 and 2017 and coupon rates 6.75% and 6.58% and maturity in October 2015 and coupon rate 4.95% respectively through their exchange to USD-denominated FGLBs of the nominal value of USD 1,000 each with maturities in September 2019 – 2027 and coupon rate 7.75% and total nominal value of USD 182 million and government derivatives with the contingent amount of USD 44 million with maturity date in 2040 pursuant to Resolution of the Cabinet of Ministers of Ukraine No. 912 dated 11 November 2015 *On Performing Legal Acts in 2015 Regarding Government Debt and Debt Guaranteed by the State Aimed at Their Restructuring and Partial Write Off*. The loss on this restructuring amounts to UAH 507 million, which is presented in the item of *Gains/(Losses) on Transactions with Debt Securities at Fair Value* in the consolidated statement of comprehensive income.

Bonds of other government institutions include bonds issued by the State Mortgage Institution, with additional collateral in the form of a government guarantee for the issuer’s liabilities issued by the Cabinet of Ministers of Ukraine (hereinafter, “SMI bonds”), and bonds of the National Agency of Roads of Ukraine, with additional collateral in the form of a government guarantee for the issuer’s liabilities issued by the Cabinet of Ministers of Ukraine (hereinafter, “Ukravtodor bonds”). In 2015 and 2014, the NBU did not purchase any bonds of other government institutions. The SMI bonds have a nominal value of UAH 100,000 each. The Ukravtodor bonds have nominal value of UAH 1,000 each.

8 Domestic securities (continued)

As at 31 December 2014, the NBU, with the purpose of managing its financial assets in the course of regulating the monetary market and liquidity of the banking system, performed the following transfers:

DGLBs from the category of debt securities at fair value of the total nominal value of UAH 7,770 million to the category of debt securities at amortized cost. The effective interest rate under such securities, at the reclassification, was in the range of 20.10%–24.75%, and the fair value, as at 31 December 2014, amounted to UAH 6,860 million;

DGLBs from the category of debt securities at amortized cost of the total nominal value of UAH 10,331 million to the category of domestic debt securities at fair value.

All domestic securities were neither past due nor impaired as at 31 December 2015 and 2014.

All domestic securities are expected to be recovered later than within 12 months from the reporting date, except for a nominal amount of DGLBs and bonds of other government institutions and accrued interest on debt securities totaling to UAH 46,134 million, and accrued interest on FGLBs totaling to UAH 55 million payable within 2016 (31 December 2014: all domestic securities were expected to be recovered later than within 12 months from the reporting date, except for a nominal amount of DGLBs and bonds of other government institutions and accrued interest on debt securities totaling to UAH 23,093 million, and a nominal amount of FGLBs and accrued interest on them totaling to UAH 1,631 million payable within 2015).

A credit risk analysis of domestic securities is disclosed in Note 31, a foreign currency risk analysis is disclosed in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is presented in Note 34. Information on the estimated fair value of domestic securities is presented in Note 36.

As at 31 December 2014, domestic securities comprised the following:

	Government securities	**Corporate securities**	**Total**
			(in UAH millions)
Domestic debt securities at fair value*:*			
Denominated in the national currency:			
Domestic government loan bonds	9,254	–	**9,254**
Denominated in foreign currency:			
Domestic government loan bonds denominated in USD	1,427	–	**1,427**
Total debt securities at fair value	**10,681**	**–**	**10,681**
Debt securities at amortized cost:			
Denominated in the national currency:			
Domestic government loan bonds	311,565	–	**311,565**
Bonds of other government institutions	–	5,052	**5,052**
Denominated in foreign currency:			
Foreign government loan bonds denominated in USD	1,932	–	**1,932**
Foreign government loan bonds denominated in EUR	1,544	–	**1,544**
Total debt securities at amortized cost	**315,041**	**5,052**	**320,093**
Total domestic securities	**325,722**	**5,052**	**330,774**

8 Domestic securities (continued)

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as at 31 December 2015 is presented in the table below:

	Total nominal value and contingent amount in UAH equivalent, in UAH millions	Total nominal value and contingent amount in foreign currency, in millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Domestic debt securities at fair value:						
Denominated in the national currency:						
Domestic government loan bonds	1,250	–	19.58-20.60	9.50-17.00	Every 6 months	From 3.9 months to 3.8 years
Denominated in foreign currency:						
Domestic government loan bonds denominated in USD	720	30	4.07	8.75	Every 6 months	7.4 months
Foreign government loan bonds denominated in USD	2,140	89	9.93-10.29	7.75	Every 6 months	From 3.7 years to 10.7 years
Derivatives at fair value:						
Government derivatives	1,052	44				Up to 24.4 years
Debt securities at amortized cost:						
Denominated in the national currency:						
Domestic government loan bonds	387,993	–	9.53-22.00	9.50-17.60	Every 6 months	From 1.6 months to 13.8 years
Bonds of other government institutions	2,250	–	9.8-17.3	9.50-16.30	Quarterly	From 8 months to 2.7 years

8 Domestic securities (continued)

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as at 31 December 2014 is presented in the table below:

	Total nominal value in UAH equivalent, in UAH millions	**Total nominal value in foreign currency, in millions**	**Yield to maturity, % p.a.**	**Coupon rate, % p.a.**	**Frequency of coupon payments**	**Maturity**
Domestic debt securities at fair value:						
Denominated in the national currency:						
Domestic government loan bonds	10,331	–	17.6-36.4	0.00-14.30	Every 6 months	From 1.1 months to 4.6 years
Denominated in foreign currency:						
Domestic government loan bonds denominated in USD	1,475	94	10.2-18.0	7.75-9.45	Every 6 months	From 1.1 months to 1.6 years
Debt securities at amortized cost:						
Denominated in the national currency:						
Domestic government loan bonds	306,475	–	9.7-18.4	9,50-17.60	Every 6 months	From 1.1 years to 9.8 years
Bonds of other government institutions	5,030	–	9.8-17.3	9.50-16.30	Quarterly	From 1 year to 3.7 years
Denominated in foreign currency:						
Foreign government loan bonds denominated in USD	2,050	130	10.1-10.3	6.58-6.75	Every 6 months	From 1.9 to 2.9 years
Foreign government loan bonds denominated in EUR	1,597	83	11.1	4.95	Annually	Up to 9.5 months

9 Loans to banks and other borrowers

Loans to banks and other borrowers by the purpose of their issue are classified as follows:

	2015	2014
	(in UAH millions)	
Loans granted to banks to support their liquidity:		
for stabilization of banking activities	**103,111**	97,483
under repo agreements	**–**	2,560
provided through tenders conducted by the NBU	**2,727**	13,314
other	**10**	10
Loans granted to Household Deposit Guarantee Fund	**9,700**	10,200
Loans granted under credit lines to support small and medium enterprises from the funds received from the European Bank for Reconstruction and Development	**36**	36
Other	**2**	2
Provision for impairment of loans to banks and other borrowers	**(50,350)**	(42,032)
Total loans to banks and other borrowers	**65,236**	81,573

9 Loans to banks and other borrowers (continued)

Loans granted for stabilization of banking activities, which are expected to be recovered later than within 12 months from the reporting date, amounted to UAH 34,246 million at the nominal value (31 December 2014: UAH 23,028 million).

In 2015 and 2014, the NBU supported the liquidity of banks through establishing a standing refinancing line (overnight loans), refinancing banks for the period up to 14 days, up to 90 days, and up to 360 days by holding tenders and supporting banks' liquidity through carrying out direct repo transactions with government bonds of Ukraine and granting stabilization loans.

In 2015, movements in provisions for loans to banks and other borrowers were as follows:

	Loans granted to banks to support their liquidity	Loans granted under credit lines to support small and medium enterprises from the funds received from the European Bank for Reconstruction and Development	Other	Total
				(in UAH millions)
Provision for loans to banks and other borrowers at the beginning of the year	41,994	**36**	**2**	**42,032**
Net increase in provision (Note 28)	7,931	–	–	**7,931**
Adjustment of interest income on impaired loans to banks	387	–	–	**387**
Provision for loans to banks and other borrowers at the end of the year	**50,312**	**36**	**2**	**50,350**

In 2014, movements in provisions for loans to banks and other borrowers were as follows:

	Loans granted to banks to support their liquidity	Loans granted under credit lines to support small and medium enterprises from the funds received from the European Bank for Reconstruction and Development	Other	Total
				(in UAH millions)
Provision for loans to banks and other borrowers at the beginning of the year	**13,162**	**36**	**2**	**13,200**
Increase in provision (Note 28)	26,856	–	–	**26,856**
Adjustment of interest income on impaired loans to banks	1,979	–	–	**1,979**
Write-off of assets against provisions	(3)	–	–	**(3)**
Provision for loans to banks and other borrowers at the end of the year	**41,994**	**36**	**2**	**42,032**

9 Loans to banks and other borrowers (continued)

Analysis of loans to banks and other borrowers as at 31 December 2015 by credit quality was as follows:

(in UAH millions)

	Loans granted to banks to support their liquidity	Loans granted under credit lines to support small and medium enterprises from the funds received from the European Bank for Reconstruction and Development	Loans granted to Household Deposit Guarantee Fund and other	Total
Neither past due nor impaired, by credit rating:				
CC	16,835	–	–	**16,835**
Unrated	4,300	–	9,700	**14,000**
Total neither past due nor impaired	**21,135**	–	**9,700**	**30,835**
Individually impaired:				
not past due	21,178	–	–	**21,178**
overdue up to 30 days	17,104	–	–	**17,104**
overdue from 31 to 90 days	6	–	–	**6**
overdue from 91 to 180 days	7,062	–	–	**7,062**
overdue from 181 to 360 days	25,707	–	–	**25,707**
overdue over 360 days	13,656	36	2	**13,694**
Total individually impaired	**84,713**	**36**	**2**	**84,751**
Provision for loans to banks and other borrowers	(50,312)	(36)	(2)	**(50,350)**
Total loans to banks and other borrowers	**55,536**	–	**9,700**	**65,236**

The credit quality of loans granted to Household Deposit Guarantee Fund is limited by the sovereign credit rating of Ukraine as at 31 December 2015 and 2014.

As disclosed in Note 2, the primary factors that the NBU considers in determining whether a loan is impaired are worsening of the borrower's financial position, loans overdue status, and possibilities to sell collateral. The NBU presents in the table disclosing credit quality above an analysis of overdue payments for loans that are individually determined to be impaired.

Analysis of loans to banks and other borrowers as at 31 December 2014 by credit quality was as follows:

(in UAH millions)

	Loans granted to banks to support their liquidity	Loans granted under credit lines to support small and medium enterprises from the funds received from the European Bank for Reconstruction and Development	Loans granted to Household Deposit Guarantee Fund and other	Total
Neither past due nor impaired, by credit rating:				
CC	46,728	–	–	**46,728**
CCC	1,365	–	–	**1,365**
Unrated	8,714	–	10,200	**18,914**
Total neither past due nor impaired	**56,807**	–	**10,200**	**67,007**
Overdue but not impaired:				
overdue up to 30 days	**117**	–	–	**117**
Individually impaired:				
not past due	45,820	–	–	**45,820**
overdue up to 30 days	5,275	–	–	**5,275**
overdue from 31 to 90 days	1,657	–	–	**1,657**
overdue from 91 to 180 days	650	–	–	**650**
overdue from 181 to 360 days	2,092	–	–	**2,092**
overdue over 360 days	949	36	2	**987**
Total individually impaired	**56,443**	**36**	**2**	**56,481**
Provision for loans to banks and other borrowers	(41,994)	(36)	(2)	**(42,032)**
Total loans to banks and other borrowers	**71,373**	–	**10,200**	**81,573**

9 Loans to banks and other borrowers (continued)

Usually the loans were granted to banks to support their liquidity and were collateralized by securities, in particular – Ukrainian government bonds, municipal debt bonds, corporate bonds, including those placed under the Cabinet of Ministers of Ukraine’s guarantee, foreign currency, shares of the bank, as well as immovable property, title rights for loan agreements, and mortgage.

As at 31 December 2015, the estimated difference between actual losses of the NBU from the impairment of loans and losses from the impairment of those loans that would have been incurred, had they been granted without any collateral, amounted to UAH 14,009 million (as at 31 December 2014: UAH 14,449 million).

A geographical concentration risk analysis of loans to banks and other borrowers is disclosed in Note 30, a credit risk analysis is presented in Note 31, a foreign currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is presented in Note 34. The estimated fair value of loans to banks and other borrowers is presented in Note 36.

10 Internal state debt

	2015	2014
		(in UAH millions)
Internal state debt in respect of loans to the Government in the national currency:		
1994–1996	**2,091**	2,180
Total internal state debt	**2,091**	2,180

Loans in the national and foreign currencies were granted by the NBU in the period of 1991–1996 to finance State Budget of Ukraine deficits. In accordance with the Law of Ukraine *On Restructuring the Debt Liabilities of the Cabinet of Ministers of Ukraine to the National Bank of Ukraine* (hereinafter, the “Law on Restructuring”), the loans in national currency granted in the period of 1994–1996 totaling UAH 3,439 million were restructured in 2000 and included in the internal state debt. The internal state debt is not secured.

In accordance with the Law on Restructuring, the amount of internal state debt of Ukraine in respect of the loans granted in the period of 1994–1996 in the national currency is due to be repaid by equal quarterly installments, with the interest payment of 5% per annum for debt servicing during the period of 2010–2035. In 2015, the internal state debt of Ukraine in the national currency was repaid in the amount of UAH 132 million (2014: UAH 132 million). Interest income on the loans to the Government in the national currency was recognized in the consolidated statement of comprehensive income.

As at 31 December 2015, the internal state debt in the amount of UAH 132 million was expected to be recovered within 12 months and the remaining part of the internal state debt was expected to be recovered later than in 12 months (31 December 2014: the internal state debt in the amount of UAH 132 million was expected to be recovered within 12 months and the remaining part of the internal state debt was expected to be recovered later than in 12 months).

As at 31 December 2015 and 2014 internal state debt is neither past due nor impaired and its credit quality is limited by the sovereign rating of Ukraine.

A geographical concentration risk analysis of the internal state debt is disclosed in Note 30, a foreign currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is presented in Note 34. Estimated fair value of the internal state debt is disclosed in Note 36.

11 IMF quota contributions

The quota balance is a special type asset which represents Ukraine's subscription as a member of the IMF. Quotas vary based on the economic size of each country and are determined by the Board of Governors of the IMF. The quota determines a member's voting power in the IMF, the limits of access to financial resources of the IMF, and a participant's share in the allocation of SDR, the IMF's unit of account. The major part of Ukraine's quota was paid in the form of non-interest-bearing promissory notes issued to the IMF by the Ministry of Finance and the NBU in favor of the IMF, with the remaining amount of quota being credited to the IMF accounts No. 1 and No. 2 (Note 18). As at 31 December 2015, Ukraine's total quota in the IMF amounted to SDR 1,372 million, UAH 45,631 million at the end of the year official UAH/SDR exchange rate (31 December 2014: SDR 1,372 million, or UAH 31,344 million at the year-end official UAH/SDR exchange rate). The quota does not earn interest and is a non-current asset.

12 Property and equipment and intangible assets

(in UAH millions)

	Buildings and structures	**Vehicles**	**Machinery and equipment**	**Tools, fixtures, and fittings**	**Other property and equipment**	**Construc-tion in progress**	**Intangible assets**	**Total**
Net book value as at 1 January 2014	**4,938**	**105**	**1,181**	**50**	**100**	**627**	**230**	**7,231**
Additions	9	2	1,188	2	10	101	48	**1,360**
Disposals	–	(2)	(2)	–	(1)	(4)	–	**(9)**
Transfers to other categories	50	–	280	1	6	(336)	(1)	–
Impairment	(695)	(5)	(31)	(18)	(39)	(10)	–	**(798)**
Amortization (depreciation) charges	(157)	(24)	(290)	(9)	(17)	–	(91)	**(588)**
Cost as at 31 December 2014	6,249	207	4,108	148	289	388	435	**11,824**
Depreciation as at 31 December 2014	(2,104)	(131)	(1,782)	(122)	(230)	(10)	(249)	**(4,628)**
Net book value as at 31 December 2014	**4,145**	**76**	**2,326**	**26**	**59**	**378**	**186**	**7,196**
Additions	–	–	438	1	3	7	58	**507**
Disposals	–	(1)	(1)	–	–	(27)	(1)	**(30)**
Disposals of subsidiaries	(650)	(4)	(53)	(10)	(5)	(112)	(2)	**(836)**
Transfers to other categories	3	–	74	–	3	(80)	**–**	**–**
Recovery of cost	–	1	8	–	–	–	–	**9**
Amortization (depreciation) charges in the current reporting period	(132)	(16)	(330)	(4)	(12)	–	(83)	**(577)**
Cost as at 31 December 2015	5,441	184	4,406	113	243	175	475	**11,037**
Depreciation as at 31 December 2015	(2,075)	(128)	(1,944)	(100)	(195)	(9)	(317)	**(4,768)**
Net book value as at 31 December 2015	**3,366**	**56**	**2,462**	**13**	**48**	**166**	**158**	**6,269**

The cost of fully depreciated property and equipment which are still in operation amounted to UAH 1,096 million as at 31 December 2015 (31 December 2014: UAH 1,015 million).

Property and equipment and intangible assets are non-current assets.

In 2015, the NBU recovered the cost of its property and equipment for the amount of UAH 9 million (in 2014, considering the temporary occupation of the Autonomous Republic of Crimea and the city of Sevastopol, as well as certain areas of Donetsk and Luhansk regions, the NBU recognized the impairment of non-current assets of the NBU in the amount of UAH 798 million in respect of its assets that are impossible to use).

The amount of the disposal of the property and equipment and intangible assets of the subsidiaries is adjusted for the amount of depreciation, calculated in accordance with the accounting policy of the NBU.

13 Other assets

	2015	2014
	(in UAH millions)	
Other financial assets		
Loans to NBU employees and other accounts receivable – neither past due nor impaired	**462**	537
Fair value of transactions with derivative financial instruments	**1,467**	–
Proprietary rights on loan agreements repossessed by the NBU	**16**	18
Other	**25**	462
Provision for other financial assets	**(28)**	(54)
Total other financial assets	**1,942**	963
Other non-financial assets		
Investment metals	**1,954**	1,869
Current tangible assets	**535**	429
Advance payments	**98**	449
Precious metals and jewelry	**172**	310
Commemorative and bullion coins, souvenirs, and other products	**239**	206
Investments in associates	**66**	95
Total other non-financial assets	**3,064**	3,358
Total other assets	**5,006**	4,321

Other financial assets are not secured.

Movements in provision for other assets were as follows:

	2015	2014
	(in UAH millions)	
Provision for other assets at the beginning of the year	**54**	11
(Decrease)/increase in provision during the year (Note 28)	**(1)**	52
Write-off of assets against provisions	**(25)**	(9)
Provision for other assets at the end of the year	**28**	54

At 31 December 2015 and 2014, investments in associates included the following:

Name of entity	**Country of registration**	**Type of activity**	**2015**		2014	
			Carrying amount	**Interest (%)**	Carrying amount	Interest (%)
					(in UAH millions)	
German-Ukrainian Fund	Ukraine	Financial institution of special type	**37**	**31.25**	64	31.25
Public Joint-Stock Company “National Depository of Ukraine”	Ukraine	Depository activities	**29**	**25**	31	25
Total			**66**		95	

In 2015 and 2014 movements in investments in associates were as follows:

	2015	2014
	(in UAH millions)	
Carrying amount of investments at the beginning of the year	**95**	99
Share of the NBU in losses of associates	**(27)**	(4)
Dividends received	**(2)**	–
Carrying amount of investments at the end of the year	**66**	95

13 Other assets (continued)

Information on total assets and liabilities of associates as at 31 December 2015 and 2014 and their revenues, expenses, profits, and losses for the years ended 31 December 2015 and 2014 is provided below:

	2015	2014
		(in UAH millions)
Total assets	**736**	697
Total liabilities	**193**	163
Total revenue	**92**	75
Total expense	**178**	81
Net loss for the year	**(86)**	(6)

As at 31 December 2015, considering the temporary occupation of the Autonomous Republic of Crimea and the city of Sevastopol, as well as certain areas of Donetsk and Luhansk regions, provision for the NBU's assets included carrying value of tangible valuables in the amount of UAH 18 million in respect of its assets that are impossible to use (in 2014: considering the temporary occupation of the Autonomous Republic of Crimea and the city of Sevastopol, as well as certain areas of Donetsk and Luhansk regions, provision for the NBU's assets included the carrying value of tangible valuables in the amount of UAH 25 million in respect of its assets that are impossible to use). This amount is included in current tangible assets that include current tangible assets, precious metals and stones, cost of commemorative and bullion coins, souvenirs, and other products.

All other assets are expected to be recovered within 12 months, except for non-current receivables, investment metals, and investments in associates totaling UAH 2,223 million as at 31 December 2015 (31 December 2014: UAH 2,221 million).

A geographical concentration risk analysis of other financial assets is disclosed in Note 30, a credit risk analysis is disclosed in Note 31, a foreign currency risk analysis is presented in Note 32, and a liquidity risk analysis is presented in Note 34.

14 Accounts of banks

	2015	2014
		(in UAH millions)
Correspondent accounts:		
in the national currency	**27,698**	27,528
in foreign currency	**1**	–
Term deposits:		
in foreign currency	–	444
Obligatory reserves kept on separate accounts with the NBU	–	265
Accounts of banks on special use terms:		
in the national currency	**2,590**	323
in foreign currency	**752**	335
Total accounts of banks	**31,041**	28,895

Term deposits in foreign currency are represented by accounts of banks in foreign currency received as collateral under refinancing loans.

Obligatory reserves are accounted for on correspondent accounts of banks in the national currency (2014: obligatory reserves were accounted for on separate accounts with the NBU and on correspondent accounts in the national currency). As at 31 December 2015, obligatory reserves were calculated on the basis of a simple average over a monthly period and had to be maintained at the level of 3%–6.5% of certain obligations of banks (as at 31 December 2014: 0%–15%).

14 Accounts of banks (continued)

As at 31 December 2015, in accordance with NBU regulations, banks had to provide and hold their obligatory reserves on their correspondent accounts with the NBU (as at 31 December 2014, in accordance with NBU regulations, banks classified to the category of non-performing, as well as banks with debts to the NBU (under the loans to support liquidity/stabilization loans for financial recovery programs, and the loans to retain liquidity), in respect of which a special control procedure is applied by assigning a supervisor to the bank, should maintain on separate accounts with the NBU 20% of all required provisions created for the previous reporting period in accordance with the regulatory requirements for the relevant period, while the rest of banks should create and retain reserve requirements on correspondent accounts with the NBU). In addition, as at 31 December 2015, banks were required to maintain on a daily basis, at the beginning of the operating day, on the correspondent account with the NBU the amount of not less than 40% of the provision base calculated for the respective period (as at 31 December 2014, banks were required to maintain on a daily basis, at the beginning of the operating day, on the correspondent account with the NBU the amount of not less than 40% of the obligatory reserves created for the previous reserving period and maintained on the correspondent accounts with the NBU).

As at 31 December 2015, interest on obligatory reserves balances on correspondent accounts was not accrued (as at 31 December 2014, interest on obligatory reserves balances transferred by banks to a separate account with the NBU was accrued in the amount of 30% of the discount rate of the NBU, provided banks were in compliance with the procedure for creating and storing obligatory reserves. Interest on obligatory reserves balances on correspondent accounts was not accrued. As at 31 December 2014, interest on balances of obligatory reserves on a separate account with the NBU was not accrued).

As at 31 December 2015, banks were allowed, in order to meet their requirement relating to obligatory reserves created on correspondent accounts with the NBU, to use balances of cash on hand in the national currency accounted for on accounts *Banknotes and Coins on Hand of the Bank*, *Banknotes and Coins on Hand of the Bank's Outlets*, *Banknotes and Coins in Currency Exchange Outlets*, and *Banknotes and Coins in Automated Teller Machines* in the amount of 75% and balances outstanding on the accounts *Correspondent Accounts with Other Banks* and *Accounts of Banks in Settlements* opened with PJSC "SETTLEMENT CENTER FOR SERVICING AGREEMENTS IN FINANCIAL MARKETS" in the amount of 100% of their carrying value (as at 31 December 2014, banks were allowed, in order to meet their requirement relating to obligatory reserves created on correspondent accounts with the NBU, to use DGLBs denominated in foreign currency in the amount of 10% of their carrying value in UAH equivalent and long-term DGLBs denominated in the national currency with a maturity (in accordance with the terms of the initial issue) of more than 3,600 days in the amount of 100% of their carrying value and balances outstanding on the accounts *Correspondent Accounts with Other Banks* and *Accounts of Banks in Settlements* opened with PJSC "SETTLEMENT CENTER FOR SERVICING AGREEMENTS IN FINANCIAL MARKETS" in the amount of 100% of their carrying value).

Accounts of banks on special use terms as at 31 December 2015 and 2014 included provisions for funds attracted by banks in foreign currency from non-residents, funds placed for the purposes of statutory capital creation of newly established banks in the process of registration, accounts for making settlements by liquidation committees of banks in the process of their liquidation, and accounts opened for other purposes specified by the laws of Ukraine and the NBU's regulations.

As at 31 December 2015 and 2014, all accounts of banks were maturing within 12 months.

A geographical concentration risk analysis of due to banks is disclosed in Note 30, a foreign currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is disclosed in Note 34.

15 Accounts of the government and other institutions

	2015	2014
		(in UAH millions)
Funds of budgets and budget entities	**42,546**	13,572
Household Deposit Guarantee Fund	**8,344**	819
Other	**429**	257
Total accounts of the government and other institutions	**51,319**	14,648

The NBU services the accounts of the State Budget of Ukraine and local budgets that are consolidated on one treasury account.

In accordance with the Law of Ukraine *On the National Bank of Ukraine*, all budget accounts are non-interest bearing.

As at 31 December 2015 and 2014, all accounts of government and other institutions were maturing within 12 months.

A geographical concentration risk analysis of due to government and other institutions is disclosed in Note 30, a foreign currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is disclosed in Note 34.

16 Certificates of deposit issued by the National Bank of Ukraine

Certificates of deposit issued by the NBU are one of its monetary policy instruments. This is a debt security issued by the NBU in a non-documentary form evidencing the placement of banks' funds with the NBU and the right of banks to receive on maturity the funds placed, together with the interest accrued. Yield on certificates of deposit is established by the NBU for each placement individually based on current aims of the monetary policy.

In 2015 and 2014, transactions on placements of certificates of deposit were performed under agreements with banks for the period of one day (overnight deposits) and up to 90 days.

As at 31 December 2015, the nominal value of certificates of deposit issued by the NBU was UAH 1 million each, with the initial period of placement from 5 to 86 days and a weighted average yield of 19.77% per annum (31 December 2014: a weighted average yield of 10.31% per annum and the initial period of placement from 6 to 45 days). The weighted average yield for certificates of deposit placed in 2015 was 18.54% per annum, and the initial period of placement varied from 1 to 89 days (2014: a weighted average yield of 5.68% per annum and the initial period of placement varied from 1 to 85 days).

As at 31 December 2015 and 2014, all certificates of deposit issued by the NBU were maturing within 12 months.

A geographical concentration risk analysis of the certificates of deposit is disclosed in Note 30, a foreign currency risk analysis is disclosed in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is disclosed in Note 34. For the purposes of calculation of the indicative fair value of the certificated of deposit (Note 36), the NBU used yields on these instruments that were established as of the reporting date.

17 Borrowings received

In 2015, the NBU attracted funds under the Bilateral Agreement between the NBU and the People's Bank of China and an agreement between the NBU and the Central Bank of Sweden. As at 31 December 2015, the borrowed funds amounted to UAH 31,283 million.

As at 31 December 2015, borrowings received were maturing within 12 months.

When the NBU concludes bilateral agreements for receipt of funds from other central banks, reverse future irrevocable commitment for granting the loan to the counterparty arises. As at 31 December 2015 the amount of this commitment was UAH 68,393 million (Note 35).

A geographical concentration risk analysis of borrowing received is disclosed in Note 30, a foreign currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is presented in Note 34.

18 Liabilities to the IMF

	2015	2014
	(in UAH millions)	
IMF accounts No. 1 and No. 2	**115**	79
Liabilities to the IMF in respect of SDR allocation	**2,709**	1,861
Liabilities to the IMF on settlement of quota	**45,515**	31,265
Liabilities to the IMF in respect of purchases of SDR	**127,803**	32,410
Total liabilities to the IMF	**176,142**	65,615

IMF account No. 1 is the IMF account with the NBU in the national currency that is used for transactions with the IMF related to utilization and repayment of IMF loans. IMF account No. 2 is the IMF account with the NBU in the national currency that is used by the IMF for receipts and administrative disbursements in UAH in the territory of Ukraine.

Liabilities to the IMF in respect of SDR allocation represent the funds received by the NBU in respect of special SDR allocation.

Liabilities to the IMF on settlement of quota represent the liability on settlement of quota contribution. As of 31 December 2014 the liability of the Ministry of Finance of Ukraine to the IMF on settlement of quota contribution included the debt obligation of the Ministry of Finance of Ukraine in the amount of UAH 2,511 million. In 2015, the liability of the Ministry of Finance of Ukraine to the IMF on settlement of quota contribution totaling UAH 2,511 million was substituted by the NBU's debt obligation.

Liabilities to the IMF in respect of purchases of SDR represent the loans received from the IMF by the NBU. During 2015, liabilities to the IMF increased at the cost of proceeds from the IMF in the amount of SDR 2,813 million (UAH 84,336 million at the official exchange rate at the date of the transaction or UAH 63,811 million at the IMF's annual exchange rate). During 2014, liabilities to the IMF increased at the cost of proceeds from the IMF in the amount of SDR 1,033 million (UAH 19,033 million at the official exchange rate at the date of the transaction or UAH 13,940 million at the IMF's annual exchange rate) (Note 7).

During 2015, the NBU repaid its liability to the IMF for the amount of SDR 388 million (UAH 11,344 million at the official exchange rate at the date of the transaction or UAH 9,259 million at the IMF's annual exchange) (during 2014, for the amount of SDR 679 million (UAH 11,587 million at the official exchange rate at the date of the transaction or UAH 10,332 million at the IMF's annual exchange rate) (Note 7).

All liabilities to the IMF are non-current, except for balances on IMF accounts No. 1 and No. 2, the liability to the IMF in respect of SDR allocation, and interest accrued on liabilities to the IMF.

A geographical concentration risk analysis of liabilities to the IMF is disclosed in Note 30, a foreign currency risk analysis is presented in Note 32, an interest rate risk analysis is presented in Note 33, and a liquidity risk analysis is disclosed in Note 34.

19 Other liabilities

	2015	2014
	(in UAH millions)	
Other financial liabilities		
Current accounts of employees	**53**	879
Accounts payable	**81**	131
Provision for unused vacations	**47**	97
Total other financial liabilities	**181**	1,107
Other non-financial liabilities		
Provision for contingent liabilities	**215**	219
Taxes payable	**21**	8
Deferred income	**3**	12
Total other non-financial liabilities	**239**	239
Total other liabilities	**420**	1,346

19 Other liabilities (continued)

Provision for contingent liabilities comprises the provision created for the loss of cash stored in cash reserves, currency handling offices, and automated telling machines of the NBU's Head Office in the Autonomous Republic of Crimea, and the NBU's offices in Donetsk and Luhansk regions, considering the situation as a result of temporary occupation of the Autonomous Republic of Crimea and certain territories of Donetsk and Luhansk regions, which makes it impossible for the NBU's offices to operate in the said territories.

A geographical concentration risk analysis of other financial liabilities is provided in Note 30, a foreign currency risk analysis is provided in Note 32, interest rate risk analysis is provided in Note 33, and a liquidity risk analysis is provided in Note 34.

20 Liabilities on profit distribution to the State Budget of Ukraine

The NBU determines distributable profit in accordance with Article 5' of the Law of Ukraine *On the National Bank of Ukraine*. A part of distributable profit that is payable to the State Budget of Ukraine is transferred to the State Budget of Ukraine in the year following the reporting year upon confirmation of the annual financial statements by an external auditor and approval of the annual financial statements by the NBU's Council.

Total amount transferred by the NBU to the State Budget of Ukraine in 2015 was UAH 61,803 million (in 2014 – UAH 22,807 million).

Liabilities on profit distribution to the State Budget of Ukraine for 2015 is presented in the calculation below:

	2015	2014
	(in UAH millions)	
Profit for the year attributable to the National Bank of Ukraine per the consolidated statement of comprehensive income	**81,319**	96,079
Allocation of unrealized gains/(losses) on revaluation of assets and liabilities in foreign currency and monetary gold to revaluation reserves	**(25,704)**	(34,042)
Allocation of unrealized gains/(losses) on revaluation of securities to revaluation reserve	**(110)**	(242)
Allocation of unrealized gains/(losses) on transactions with derivatives to revaluation reserve	**(1,467)**	–
Realized gain/(loss) on investment metals disposed	**9**	119
Realized gain/(loss) on revaluation of securities and futures disposed	**188**	292
Adjustment for (positive)/negative results of subsidiaries	**(21)**	61
Distributable profit for the year	**54,214**	62,267
Retained earnings for the year	**(16,050)**	(464)
Recognition of liabilities on distribution to the State Budget at the cost of:		
part in distributable profit	**38,164**	61,803
Liabilities on profit distribution to the State Budget of Ukraine	**38,164**	61,803

Distributable profit for 2015 amounts to UAH 54,214 million, from which UAH 38,164 million are recognized as liabilities on profit distribution to the State Budget of Ukraine. Another portion of the distributable profit in the amount of UAH 16,050 shall be directed for increase of the general reserves up to 7% after approval of the annual financial statements of the NBU, report on fulfillment of the NBU's administrative expenses budget, and distribution of the distributable profit for the reporting year by the NBU's Council. This amount is presented as retained earnings for 2015.

21 Capital management

Capital of the NBU comprises the residual value of the NBU's assets after deduction of its liabilities.

No external capital requirements exist for the NBU as a central bank, except for the size of the statutory capital stipulated by the Law of Ukraine *On the National Bank of Ukraine*.

In accordance with the Law of Ukraine *On the National Bank of Ukraine*, the amount of statutory capital of the NBU should be UAH 10 million. The amount of statutory capital may be increased based on the decision of the NBU Council.

Based on the results for the year 2007, the NBU Council approved an increase in the statutory capital of the NBU to UAH 100 million.

The NBU's objectives when managing capital are to maintain an appropriate level of capital to ensure economic independence of the NBU and ability to perform its functions. The NBU's management considers total capital under the NBU's management to be equity as shown in the consolidated statement of financial position. The amount of capital managed by the NBU as at 31 December 2015 was UAH 122,811 million (31 December 2014: UAH 80,513 million).

Objectives and policies of managing the components of the NBU's capital are defined by the respective internal regulations approved by the NBU's Board.

A part in distributable profit, as determined by the Law of Ukraine "On the National Bank of Ukraine", shall be allocated to general and other reserves of the NBU.

Revaluation reserve for assets and liabilities includes gain/(loss) arising on the revaluation of monetary assets and liabilities denominated in foreign currency, monetary gold, and investment metals due to the changes in exchange rates of UAH to foreign currency, monetary gold, and investment metals and due to changes in the fair value of financial assets.

The composition of the NBU's own equity as at 31 December 2015 is presented as follows:

	2015	2014
		(in UAH millions)
Statutory capital	**100**	100
General reserves	**14,622**	14,622
Other reserves	**8,513**	8,907
Retained earnings	**16,050**	464
Revaluation reserves for assets and liabilities	**83,526**	56,420
Total own equity	**122,811**	80,513

22 Cash and cash equivalents

	Notes	**2015**	2014
			(in UAH millions)
Foreign currency cash	5	**1,675**	1,135
Demand deposits (other than gold, investment metals, and restricted funds)	5	**10,806**	10,001
Short-term deposits with maturities up to three months (other than gold, investment metals, and restricted funds)	5	**98,786**	6,017
Foreign securities with maturities up to three months	6	**170**	–
SDR holdings	7	**212**	59
Total cash and cash equivalents		**111,649**	17,212

23 Interest income and expense

	2015	2014
	(in UAH millions)	
Interest income		
Income on domestic securities carried at amortized cost	**46,360**	26,503
Income on loans to banks and other borrowers	**14,884**	10,708
Income on accounts and deposits in foreign currency	**130**	131
Income on internal state debt	**180**	187
Other	**73**	100
Total interest income	**61,627**	37,629
Interest expense		
Expense on operations with the IMF	**(1,829)**	(291)
Expense on accounts of banks	**(33)**	(127)
Expense on certificates of deposit issued by the NBU	**(8,163)**	(696)
Expense on borrowings received	**(389)**	–
Expenses on accounts of Household Deposit Guarantee Fund	**(116)**	(63)
Other	**(1)**	(142)
Total interest expense	**(10,531)**	(1,319)
Net interest income	**51,096**	36,310

Other interest income includes interest income on the loans to employees and other interest expense includes expenses on accounts of employees. During 2015, interest received and interest paid, which are included in cash flows from operating activities in the consolidated statement of cash flows, amounted to UAH 59,318 million (2014: UAH 31,409 million) and UAH 10,791 million (2014: UAH 1,088 million), respectively.

In 2015, income on loans to banks and other borrowers included income on impaired loans in the amount of UAH 8,506 million (2014: UAH 3,329 million), net of the adjustment of interest income on impaired loans to banks in the amount of UAH 387 million (2014: UAH 1,979 million) (Note 9).

24 Fee and commission income and expense

	2015	2014
	(in UAH millions)	
Fee and commission income		
Income on cash and settlement services	**208**	288
Income on services of electronic payment systems and electronic mail	**131**	141
Income on transactions with financial instruments	–	2
Income on valuables transportation services	**2**	2
Other	**2**	3
Total fee and commission income	**343**	436
Fee and commission expense		
Expense on transactions with the IMF	**(265)**	–
Expense on transactions with financial instruments	**(47)**	(15)
Other	–	(1)
Total fee and commission expense	**(312)**	(16)
Net fee and commission income	**31**	420

In 2015, due to early close of the Stand-by program with the IMF, the NBU recognized as expense the uncollectible fees on the purchase of funds within this program in the amount of UAH 265 million (SDR 8 million equivalent).

25 Other income

	2015	2014
	(in UAH millions)	
Gain on derecognition of financial assets when exchanged for new ones	**782**	74
Gain on sale of investment and commemorative coins, souvenirs, and other products	**364**	333
Fines, penalties, and forfeits received	**129**	23
Gain on disposal of property and equipment and intangible assets	**16**	2
Income on registration and licensing	**5**	4
Income on credit lines management	**4**	3
Excess of fair value of debt securities over transaction price paid	**1,135**	16
Other	**73**	83
Total other income	**2,508**	538

Gain on derecognition of financial assets when exchanged for new ones includes result on derecognition of loans to banks and other borrowers, when exchanged for new ones by substituting the borrower under the loan agreement.

Included in other income are income on sales of tangibles, providing social and consumer services, etc.

Excess of fair value of debt securities over transaction price paid that had been earlier included in the item “Other” in the amount of UAH 16 million is presented separately in these consolidated financial statements as “Excess of fair value of debt securities over transaction price paid” in this Note.

26 Staff costs

	2015	2014
	(in UAH millions)	
Payroll of staff	**1,241**	1,436
Single contribution for mandatory state social security and contributions to non-government pension funds	**431**	651
Financial aid and other social benefits	**60**	130
Other	**53**	31
Total staff costs	**1,785**	2,248

Included in other staff costs are staff training and development costs, expenditure for special clothes, footwear and other means of protection, the NBU’s employees’ housing expenses, and other costs.

27 Administrative and other expenses

	2015	2014
	(in UAH millions)	
Depreciation and amortization	**350**	420
Taxes, duties, and charges	**61**	129
Utilities and household expenses	**122**	122
Expenses for maintenance of non-current tangible and intangible assets	**102**	107
Telecommunication services and maintenance	**26**	38
Business trips	**18**	13
Fines and penalties paid	**15**	16
Stationery	**2**	3
Other	**146**	103
Total administrative and other expenses	**842**	951

27 Administrative and other expenses (continued)

Depreciation and amortization for 2015 exclude depreciation of UAH 227 million (2014: UAH 168 million) in respect of property and equipment used in the production of banknote paper, banknotes, coins, and other products. This portion of depreciation and amortization is included in the expenses for production of banknotes, coins and other products.

Other expenses include financial aid paid to retired employees, postal and mail, representation, audit costs, etc.

28 Net increase in provisions

	Notes	**2015**	2014
			(in UAH millions)
Net (increase)/decrease in provisions for:			
Loans to banks and other borrowers	9	**(7,931)**	(26,856)
Other assets	13	**1**	(52)
Total net increase in provisions		**(7,930)**	(26,908)

29 Financial risk management

Risk management objectives of the NBU are as follows:

Ensure that the NBU’s risks are continuously kept at a secure level;

Ensure effective management of assets and liabilities of the NBU, in particular, prevention of inadequate use of funds;

Ensure maintenance of the NBU’s assets’ liquidity at the required level;

Comply with the limits set by the legislation, as well as with principles, internal rules, procedures, and limits defined by the NBU regulations, in the course of assets and liabilities management;

Provide the NBU’s management on a timely basis with adequate information (reports) on risk management positions in respect of assets and liabilities of the NBU.

Main principles of financial risk management of the NBU are as follows:

Financial risk management is aimed at full avoidance or mitigation of the effect of risks inherent in assets and liabilities of the NBU on the NBU’s cash flows and equity, with reference to the NBU’s risk appetite as defined by the Ukrainian legislation and the NBU regulations;

Acceptable level of financial risks of the NBU is defined by the NBU’s departments management and Risk Management Department of the NBU.

To cover potential losses from realization of financial risks of the NBU attributable to performance of the NBU’s functions, provisions are created in accordance with specific regulations.

Principal types of financial risks inherent to the NBU’s activities are credit, foreign currency, interest rate, and liquidity risks.

Credit risk

Credit risk is the risk to incur losses in the event a debtor or counterparty fails to perform its financial obligations to the NBU in accordance with the terms and conditions agreed. Credit risk may have the following symptoms:

Risk of a borrower’s default – exposure to decreased income or capital of the NBU arising from the failure of a borrower to fulfill its obligations under debt financial instruments (i.e. risk that the borrower will not pay interest, fees and commissions, and principal at all);

Risk of loan collateral – risk that, as a result of collateral sale, lender’s claims will not be satisfied in full;

29 Financial risk management (continued)

Settlement risk – exposure to decreased income or capital of the NBU arising from the failure of a counterparty to fulfill the obligations assumed on delivery of cash or base asset in the event that, before receiving relevant assets from the counterparty, the NBU transferred (assigned irrevocably to transfer) cash or base asset to the counterparty.

Credit risk management of the NBU is performed through the following actions:

Defining the minimum acceptable credit ratings of counterparties;

Setting long-term credit limits for outstanding amounts of foreign counterparties and securities issuers to the NBU (both general and by individual financial instruments);

Setting short-term credit limits for outstanding amounts when dealing with domestic counterparty banks;

Setting limits on standard duration (average maturity) level for the placements of funds by currency and type of financial instruments;

Utilizing collateral and other types of security to perform liabilities;

Diversifying the placement of funds into financial instruments with varied counterparties allowed to cooperate with in view of their risk exposure characteristics;

Creating provisions of the NBU to cover credit risks related to the performance of its functions.

Market risks

Market risks are the risks that the NBU will incur losses as a result of adverse movements in market prices (exchange rates, interest rates, currency spreads, stock or commodity prices, etc.). Depending on the factors leading to losses, the NBU singles out the following types of market risks:

Foreign currency risk is the risk of losses due to unfavorable changes in foreign currency exchange rates;

Interest rate risk is the risk to incur losses due to adverse movements in interest rates;

Currency spread risk is the risk to incur losses as a result of the increase in credit spreads in the market.

Market risks are managed by the NBU by:

Setting limits on absolute and relative indicators of specific types of market risks (including with reference to the standard selected);

Diversifying them.

The following table summarizes sensitivity of the NBU’s positions regarding foreign currency risk estimated on the assumption of 5% and 30% increase and decrease in the exchange rates of USD, EUR, SDR, and other currencies to UAH in 2015 and 2014, respectively. The analysis considers only foreign currency denominated amounts (except for non-monetary assets) available at the end of the period in translating of which the rates adjusted by 5% and 30% were applied in 2015 and 2014, respectively.

The effect of movements in exchange rates on profit or loss and distributable profit was as follows:

	31 December 2015		**31 December 2014**	
				(in UAH millions)
	+5%	-5%	+30%	-30%
USD	8,703	(8,703)	24,341	(24,341)
EUR	2,199	(2,199)	2,664	(2,664)
SDR	(6,497)	6,497	(10,240)	10,240
GBP	498	(498)	1,042	(1,042)
Other currencies	421	(421)	1,546	(1,546)

The table below presents the sensitivity analysis to the NBU’s positions regarding interest rate risk. The effect on profit or loss and distributable profit was as follows:

	31 December 2015		**31 December 2014**	
				(in UAH millions)
	+100 bp	-100 bp	+100 bp	-100 bp
Sensitivity of financial assets	1,893	(1,893)	866	(866)
Sensitivity of financial liabilities	(2,479)	2,479	(506)	506
Net impact on profit or loss and distributable profit +100 bp	(586)	586	361	(361)

29 Financial risk management (continued)

Sources of interest rate risk are identified through the analysis of the existing structure of interest-bearing assets and liabilities. The NBU assesses interest rate risk by analyzing the sensitivity to fluctuations in interest rates, i.e. changes in the market value of instruments and portfolios as a result of movements in the yield curve by a certain number of basis points. In accordance with the methodology, the scenarios applied include a parallel shift of the whole curve by 1 percentage point (+/-100 basis points). The sensitivity of interest rate risk is estimated based on the scenario according to which all interest rate curves are treated as the ones changing in identical fashion irrespective of a financial instrument or currency. Estimates include the interest rate risk by all positions of the NBU for instruments with fixed and fluctuating interest rates as defined by a respective model.

Liquidity risk

Liquidity risk is defined as the risk when an entity has no available funds due to its inability to sell assets in the required quantity within the acceptable period of time without a significant deterioration of their value as a result of unfavorable situation in the market.

The NBU manages its liquidity risk by:

Maintaining certain regulatory levels of reserve assets in the form of cash on the NBU's correspondent accounts;

Maintaining the sufficient amount of highly liquid financial instruments that can be easily translated to cash;

Setting liquidity requirements to the NBU's assets.

A detailed analysis of exposures to the above risks is disclosed in Notes from 30 to 34.

30 Analysis of financial assets and liabilities by geographical concentration risk

Geographical concentration risk analysis of the NBU's financial assets and liabilities as at 31 December 2015 was as follows:

	Ukraine	OECD countries	IMF	Other	Total
					(in UAH millions)
Financial assets					
Funds and deposits in foreign currencies	1,675	124,584	–	4	**126,263**
Foreign securities	–	171,609	–	1	**171,610**
SDR holdings	–	–	212	–	**212**
Domestic securities	404,514	–	–	–	**404,514**
Loans to banks and other borrowers	65,236	–	–	–	**65,236**
Internal state debt	2,091	–	–	–	**2,091**
IMF quota contributions	–	–	45,631	–	**45,631**
Other financial assets	239	1,467	236	–	**1,942**
Total financial assets	**473,755**	**297,660**	**46,079**	**5**	**817,499**
Financial liabilities					
Banknotes and coins in circulation	308,237	–	–	–	**308,237**
Accounts of banks	31,041	–	–	–	**31,041**
Accounts of government and other institutions	51,278	41	–	–	**51,319**
Certificates of deposit issued by the NBU	89,747	–	–	–	**89,747**
Borrowings received	–	12,003	–	19,280	**31,283**
Liabilities to the IMF	–	–	176,142	–	**176,142**
Other financial liabilities	167	14	–	–	**181**
Total financial liabilities	**480,470**	**12,058**	**176,142**	**19,280**	**687,950**
Net balance sheet position	**(6,715)**	**285,602**	**(130,063)**	**(19,275)**	**129,549**
Off-balance sheet commitments					
Commitments for granting loans to the foreign central banks	**–**	13,848	**–**	**54,545**	**68,393**
Net off-balance sheet position (Note 35)	**–**	**(13,848)**	–	**(54,545)**	**(68,393)**
Net position	**(6,715)**	**271,754**	**(130,063)**	**(73,820)**	**61,156**

30 Analysis of financial assets and liabilities by geographical concentration risk (continued)

Geographical concentration risk analysis of the NBU's financial assets and liabilities as at 31 December 2014 was as follows:

	Ukraine	**OECD countries**	**IMF**	**Other**	**Total**
					(in UAH millions)
Financial assets					
Funds and deposits in foreign currencies	1,135	16,203	–	–	**17,338**
Foreign securities	–	88,117	–	1	**88,118**
SDR holdings	–	–	59	–	**59**
Domestic securities	330,774	–	–	–	**330,774**
Loans to banks and other borrowers	81,573	–	–	–	**81,573**
Internal state debt	2,180	–	–	–	**2,180**
IMF quota contributions	–	–	31,344	–	**31,344**
Other financial assets	963	–	–	–	**963**
Total financial assets	**416,625**	**104,320**	**31,403**	**1**	**552,349**
Financial liabilities					
Banknotes and coins in circulation	304,811	–	–	–	**304,811**
Accounts of banks	28,895	–	–	–	**28,895**
Accounts of government and other institutions	14,648	–	–	–	**14,648**
Certificates of deposit issued by the NBU	19,609	–	–	–	**19,609**
Liabilities to the IMF	–	–	65,615	–	**65,615**
Other financial liabilities	1,107	–	–	–	**1,107**
Total financial liabilities	**369,070**	**–**	**65,615**	–	**434,685**
Net balance sheet position	**47,555**	**104,320**	**(34,212)**	**1**	**117,664**
Off-balance sheet commitments					
Commitments to extend credit	(2,790)	–	–	–	**(2,790)**
Net off-balance sheet position (Note 35)	(2,790)	–	–	–	**(2,790)**
Net position	**44,765**	**104,320**	**(34,212)**	**1**	**114,874**

31 Credit risk

Financial assets of the NBU are classified by the lowest of the ratings assigned to the NBU's counterparties by the international rating agencies of Fitch IBCA, Moody's, and Standard & Poor's. The ratings are listed below as per coding of the rating agency of Fitch IBCA using the rating correspondence table of Bloomberg information system.

		2015		2014	
	Credit rating	**Amount**	**% in note line of financial assets**	Amount	% in note line of financial assets *(in UAH millions)*
Financial assets – neither past due nor impaired:					
Funds and deposits in foreign currencies:					
Demand deposits	**AAA**	**2,012**	**1.6**	87	0.5
	AA+	**52**	**0.0**	1,107	6.4
	AA	**2,322**	**1.8**		
	AA-	**3,387**	**2.7**	4,583	26.4
	A+	**520**	**0.4**	2,916	16.8
	A	**2,333**	**1.8**	1,315	7.6
	A-	**192**	**0.2**	178	1.0
	BBB+	**349**	**0.3**		
Term deposits	**AAA**	**19,677**	**15.6**	3,438	19.8
	AA+	**14,696**	**11.6**	2	0.0
	AA-	**8,096**	**6.4**	2,442	14.1
	A+	**27,359**	**21.7**	–	–
	A	**24,708**	**19.6**	–	–
	A-	**18,885**	**15.0**	135	0.8
Foreign currency cash	**Riskless**	**1,675**	**1.3**	1,135	6.6
Total funds and deposits in foreign currencies:		**126,263**	**100.0**	17,338	100.0
Foreign securities:					
Government bonds	**AAA**	**10,543**	**6.2**	6,771	7.7
	AA+	**101,034**	**58.9**	44,082	50.1
	AA	**394**	**0.2**	–	–
	AA-	**4,268**	**2.5**	2,636	3.0
	A+	**3,768**	**2.2**	–	–
Bonds of international agencies, banks, and other issuers	**AAA**	**18,683**	**10.9**	10,400	11.8
	AA+	**3,455**	**2.0**	4,789	5.4
	AA	**2,063**	**1.2**	269	0.3
	AA-	**9,654**	**5.6**	13,353	15.2

31 Credit risk (continued)

	Credit rating	**2015** Amount	**2015** % in financial assets	2014 Amount	2014 % in financial assets
					(in UAH millions)
	A+	**13,099**	**7.6**	4,151	4.7
	A	**1,311**	**0.8**	1,546	1.8
	A-	**3,217**	**1.9**	–	–
Total foreign debt securities		**171,489**	**100.0**	87,997	100.0
Domestic securities	**CCC**	**402,249**	**99.4**	–	–
	CCC-	–	–	325,722	98.5
	Not rated	**2,265**	**0.6**	5,052	1.5
Total domestic securities		**404,514**	**100.0**	330,774	100.0
Loans to banks and other borrowers:					
Loans granted to banks to support their liquidity and loans granted to Household Deposit Guarantee Fund	**CCC**	–	–	1,365	2.0
	CC	**16,835**	**54.6**	46,728	69.8
	Not rated	**14,000**	**45.4**	18,914	28.2
Total loans to banks and other borrower		**30,835**	**100.0**	67,007	100.0
Other financial assets	**AAA**	**236**	**12.2**	–	–
	A	**1,467**	**75.5**	–	–
	CC	**2**	**0.1**	–	–
	Not rated	**237**	**12.2**	963	100.0
Total other financial assets		**1,942**	**100.0**	963	100.0

Total amount of loans to five banks with the largest exposure outstanding as at 31 December 2015 was UAH 70,631 million (31 December 2014: UAH 68,572 million), or 61% (31 December 2014: 55%) of the total amount of loans to banks and other borrowers before provisioning. Recognized provision for loans granted to those five banks was equal to UAH 30,719 million as at 31 December 2015 (31 December 2014: UAH 24,515 million).

Domestic securities that have no international rating assigned are represented by bonds of government institutions the rating of which is limited by the sovereign rating of Ukraine.

32 Foreign currency risk

As at 31 December 2015, the NBU had the following positions in currencies:

	UAH	USD	EUR	SDR	GBP	Other	Non-monetary	Total
Financial assets								*(in UAH millions)*
Funds and deposits in foreign currencies	–	93,683	19,435	–	4,930	8,215	–	**126,263**
Foreign securities	–	136,471	29,674	–	5,021	323	121	**171,610**
SDR holdings	–	–	–	212	–	–	–	**212**
Domestic securities	401,349	3,165	–	–	–	–	–	**404,514**
Loans to banks and other borrowers	65,236	–	–	–	–	–	–	**65,236**
Internal state debt	2,091	–	–	–	–	–	–	**2,091**
IMF quota contributions	–	–	–	45,631	–	–	–	**45,631**
Other financial assets	1,697	–	–	236	–	9	–	**1,942**
Total financial assets	**470,373**	**233,319**	**49,109**	**46,079**	**9,951**	**8,547**	**121**	**817,499**

32 Foreign currency risk (continued)

	UAH	USD	EUR	SDR	GBP	Other	Non-monetary	Total
								(in UAH millions)
Financial liabilities								
Banknotes and coins in circulation	308,237	–	–	–	–	–	–	**308,237**
Accounts of banks	30,288	707	41	–	–	5	–	**31,041**
Accounts of government and other institutions	17,441	28,794	5,084	–	–	–	–	**51,319**
Certificates of deposit issued by the NBU	89,747	–	–	–	–	–	–	**89,747**
Borrowings received	–	12,003	–	–	–	19,280	–	**31,283**
Liabilities to the IMF	115	–	–	176,027	–	–	–	**176,142**
Other financial liabilities	119	51	1	–	–	10	–	**181**
Total financial liabilities	**445,947**	**41,555**	**5,126**	**176,027**	**–**	**19,295**	**–**	**687,950**
Net balance sheet position	**24,426**	**191,764**	**43,983**	**(129,948)**	**9,951**	**(10,748)**	**121**	**129,549**
Off-balance assets and liabilities								
Assets to be received under forward contracts	–	–	–	–	–	19,175	–	**19,175**
Assets to be delivered under forward contracts	–	17,697	–	–	–	–	–	**17,697**
Net off-balance position	–	**(17,697)**	**–**	–	–	**19,175**	–	**1,478**
Net position	**24,426**	**174,067**	**43,983**	**(129,948)**	**9,951**	**8,427**	**121**	**131,027**

As at 31 December 2014, the NBU had the following positions in currencies:

	UAH	USD	EUR	SDR	GBP	Other	Non-monetary	Total
Financial assets								*(in UAH millions)*
Funds and deposits in foreign currencies	–	9,609	1,644	–	1,104	4,981	–	**17,338**
Foreign securities	–	69,206	16,020	–	2,368	403	121	**88,118**
SDR holdings	–	–	–	59	–	–	–	**59**
Domestic securities	325,871	3,359	1,544	–	–	–	–	**330,774**
Loans to banks and other borrowers	81,573	–	–	–	–	–	–	**81,573**
Internal state debt	2,180	–	–	–	–	–	–	**2,180**
IMF quota contributions	–	–	–	31,344	–	–	–	**31,344**
Other financial assets	963	–	–	–	–	–	–	**963**
Total financial assets	**410,587**	**82,174**	**19,208**	**31,403**	**3,472**	**5,384**	**121**	**552,349**
Financial liabilities								
Banknotes and coins in circulation	304,811	–	–	–	–	–	–	**304,811**
Accounts of banks	28,116	718	61	–	–	–	–	**28,895**
Accounts of government and other institutions	3,905	316	10,255	–	–	172	–	**14,648**
Certificates of deposit issued by the NBU	19,609	–	–	–	–	–	–	**19,609**
Liabilities to the IMF	79	–	–	65,536	–	–	–	**65,615**
Other financial liabilities	1,032	4	11	–	–	60	–	**1,107**
Total financial liabilities	**357,552**	**1,038**	**10,327**	**65,536**	**–**	**232**	**–**	**434,685**
Net balance sheet position	**53,035**	**81,136**	**8,881**	**(34,133)**	**3,472**	**5,152**	**121**	**117,664**

Assets and liabilities in other currencies mainly included positions in CHF, AUD, JPY, and CNY.

33 Interest rate risk

As at 31 December 2015, the NBU had the following structure of the weighted average interest rates by major currencies for monetary financial interest-bearing instruments. The analysis has been prepared using the weighted-average contractual rates at the reporting date.

	UAH	**USD**	**EUR**	**SDR**	**GBP**	**Other**	**Total weighted average interest rate** *(in %)*
Financial assets							
Term deposits in banks of OECD countries	–	0.38	0.01	–	0.51	0.61	0.35
Foreign securities	–	0.99	0.16	–	0.77	2.07	0.84
SDR holdings	–	–	–	0.05	–	–	0.05
Domestic securities	13.59	8.39	–	–	–	–	13.56
Loans to banks and other borrowers	21.27	–	–	–	–	–	21.27
Internal state debt	8.66	–	–	–	–	–	8.66
Financial liabilities							
Household Deposit Guarantee Fund	5.75	–	–	–	–	–	5.75
Certificates of deposit issued by the NBU	19.77	–	–	–	–	–	19.77
Borrowings received	–	0.42	–	–	–	5.72	3.69
Liabilities to the IMF in respect of purchases of funds under credit facilities and SDR allocation	–	–	–	1.94	–	–	1.94

The sign "–" in the table above means that the NBU has no respective interest-bearing assets or liabilities in corresponding currency.

Interest is accrued at floating rates on SDR holdings and liabilities to the IMF (interest rates are reviewed on a weekly basis).

Interest rates used for accruing expenses on accounts of Household Deposit Guarantee Fund are not fixed, and their amounts correspond to weighted average interest rates on demand deposits of individuals in the national currency.

Interest on securities is accrued at both variable and fixed rates.

As at 31 December 2014, the NBU had the following structure of the weighted average interest rates by major currencies for monetary financial interest-bearing instruments. Considering the materiality principle and proximity of effective and nominal interest rate values as at 31 December 2014, interest rates, other than weighted average interest rate for the category of "Internal State Debt", were calculated as weighted average contractual interest rates at the reporting date.

	UAH	**USD**	**EUR**	**SDR**	**GBP**	**Other**	**Total weighted average interest rate** *(in %)*
Financial assets							
Term deposits in banks of OECD countries	–	0.10	0.00	–	0.00	0.11	0.11
Foreign securities	–	0.64	0.24	–	0.60	2.22	0.57
SDR holdings	–	–	–	0.05	–	–	0.05
Domestic securities	12.92	7.33	4.95	–	–	–	12.83
Loans to banks and other borrowers	15.76	–	–	–	–	–	15.76
Internal state debt	8.66	–	–	–	–	–	8.66
Financial liabilities							
Household Deposit Guarantee Fund	5.04	–	–	–	–	–	5.04
Certificates of deposit issued by the NBU	10.31	–	–	–	–	–	10.31
Liabilities to the IMF in respect of purchases of funds under credit facilities and SDR allocation	–	–	–	1.05	–	–	1.05

33 Interest rate risk (continued)

Analysis of assets and liabilities by periods of interest rate repricing

The table below summarizes concentration of interest rates by periods of repricing categorized by the earlier of contractual repricing.

For financial assets and liabilities with fixed interest rates, classification was determined based on the contractual maturity date from the consolidated statement of financial position date. For assets and liabilities with variable interest rates, classification was determined taking into account the earlier of repricing period or maturity date.

As at 31 December 2015, the NBU's financial assets and liabilities by periods of interest rate repricing were as follows:

(in UAH millions)

	On demand and up to 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-interest-bearing**	**Total**
Financial assets							
Funds and deposits in foreign currencies	97,922	17,057	6,464	–	–	4,820	**126,263**
Foreign securities	7,001	15,736	46,723	99,097	2,932	121	**171,610**
SDR holdings	212	–	–	–	–	–	**212**
Domestic securities	3,033	9,247	34,793	220,181	136,842	418	**404,514**
Loans to banks and other borrowers	12,570	1,201	12,081	39,384	–	–	**65,236**
Internal state debt	–	26	78	418	1,569	–	**2,091**
IMF quota contributions	–	–	–	–	–	45,631	**45,631**
Other financial assets	5	15	23	68	48	1,783	**1,942**
Total financial assets	**120,743**	**43,282**	**100,162**	**359,148**	**141,391**	**52,773**	**817,499**
Financial liabilities							
Banknotes and coins in circulation	–	–	–	–	–	308,237	**308,237**
Accounts of banks	–	–	–	–	–	31,041	**31,041**
Accounts of government and other institutions	8,350	–	–	–	–	42,969	**51,319**
Certificates of deposit issued by the NBU	89,747	–	–	–	–	–	**89,747**
Borrowings received	31,283	–	–	–	–	–	**31,283**
Liabilities to the IMF	130,080	431	–	–	–	45,631	**176,142**
Other financial liabilities	–	–	–	–	–	181	**181**
Total financial liabilities	**259,460**	**431**	–	–	–	**428,059**	**687,950**
Net gap	**(138,717)**	**42,851**	**100,162**	**359,148**	**141,391**	**(375,286)**	**129,549**
Cumulative gap	**(138,717)**	**(95,866)**	**4,296**	**363,444**	**504,835**	**129,549**	

33 Interest rate risk (continued)

As at 31 December 2014, the NBU's financial assets and liabilities by periods of interest rate repricing were as follows:

	On demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	Total
							(in UAH millions)
Financial assets							
Funds and deposits in foreign currencies	10,474	1,839	–	–	–	5,025	**17,338**
Foreign securities	5,664	12,119	12,755	52,510	4,949	121	**88,118**
SDR holdings	59	–	–	–	–	–	**59**
Domestic securities	2,576	5,899	14,951	193,786	113,562	–	**330,774**
Loans to banks and other borrowers	12,317	31,047	10,196	28,013	–	–	**81,573**
Internal state debt	–	22	66	363	1,729	–	**2,180**
IMF quota contributions	–	–	–	–	–	31,344	**31,344**
Other financial assets	3	1	438	92	423	6	**963**
Total financial assets	**31,093**	**50,927**	**38,406**	**274,764**	**120,663**	**36,496**	**552,349**
Financial liabilities							
Banknotes and coins in circulation	–	–	–	–	–	304,811	**304,811**
Accounts of banks	–	–	–	–	–	28,895	**28,895**
Accounts of government and other institutions	819	–	–	–	–	13,829	**14,648**
Certificates of deposit issued by the NBU	19,259	350	–	–	–	–	**19,609**
Liabilities to the IMF	34,212	59	–	–	–	31,344	**65,615**
Other financial liabilities	–	–	–	–	–	1,107	**1,107**
Total financial liabilities	**54,290**	**409**	–	–	–	**379,986**	**434,685**
Net gap	**(23,197)**	**50,518**	**38,406**	**274,764**	**120,663**	**(343,490)**	**117,664**
Cumulative gap	**(23,197)**	**27,321**	**65,727**	**340,491**	**461,154**	**117,664**	

As at 31 December 2015, a portion of foreign securities bearing variable interest rates amounted to 5.09% of the total portfolio (31 December 2014: 13.38%).

34 Liquidity risk

For the purposes of liquidity risk estimation, financial assets are grouped by the period remaining as at the reporting date to repayment of the expected cash flows, and financial liabilities are grouped by the remaining contractual maturity at the reporting date.

The amounts of financial liabilities disclosed in the liquidity risk table below are the contractual discounted cash flows. Derivatives settled on a net basis are included at the net amounts expected to be paid. Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows.

When the amounts payable are not fixed, the amounts disclosed are determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rates at the reporting date.

34 Liquidity risk (continued)

The NBU's liquidity risk position as at 31 December 2015 was as follows:

(in UAH millions)

	On demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity not defined	Total
Financial assets							
Funds and deposits in foreign currencies	102,742	17,057	6,464	–	–	–	**126,263**
Foreign securities	4,932	9,396	48,417	105,812	2,932	121	**171,610**
SDR holdings	212	–	–	–	–	–	**212**
Domestic securities	3,033	8,247	34,793	221,181	137,260	–	**404,514**
Loans to banks and other borrowers	1,414	1,201	12,081	39,384	–	11,156	**65,236**
Internal state debt	–	26	78	418	1,569	–	**2,091**
IMF quota contributions	–	–	–	–	–	45,631	**45,631**
Other financial assets	1,478	16	28	89	73	258	**1,942**
Assets to be received under forward contracts	19,175	–	–	–	–	–	**19,175**
Total financial assets	**132,986**	**35,943**	**101,861**	**366,884**	**141,834**	**57,166**	**836,674**
Financial liabilities							
Banknotes and coins in circulation	308,237	–	–	–	–	–	**308,237**
Accounts of banks	31,041	–	–	–	–	–	**31,041**
Accounts of government and other institutions	51,319	–	–	–	–	–	**51,319**
Certificates of deposit issued by the NBU	89,747	–	–	–	–	–	**89,747**
Borrowings received	31,283	–	–	–	–	–	**31,283**
Liabilities to the IMF	2,824	431	–	54,231	73,141	45,515	**176,142**
Other financial assets	107	13	–	1	–	60	**181**
Loan commitments under the loans to the foreign central banks	68,393	–	–	–	–	–	**68,393**
Assets to be delivered under forward contracts	17,697	–	–	–	–	–	**17,697**
Total future payments under financial liabilities	**600,648**	**444**	**–**	**54,232**	**73,141**	**45,575**	**774,040**
Liquidity gap arising from financial instruments	**(467,662)**	**35,499**	**101,861**	**312,652**	**68,693**	**11,591**	**62,634**
Cumulative liquidity gap	**(467,662)**	**(432,163)**	**(330,302)**	**(17,650)**	**51,043**	**62,634**	

34 Liquidity risk (continued)

The NBU's liquidity risk position as at 31 December 2014 was as follows:

	On demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity not defined	Total
							(in UAH millions)
Financial assets							
Funds and deposits in foreign currencies	15,499	1,839	–	–	–	–	**17,338**
Foreign securities	2,400	4,361	18,777	57,510	4,949	121	**88,118**
SDR holdings	59	–	–	–	–	–	**59**
Domestic securities	2,576	5,899	14,951	193,786	113,562	–	**330,774**
Loans to banks and other borrowers	12,317	31,047	10,196	28,013	–	–	**81,573**
Internal state debt	–	22	66	363	1,729	–	**2,180**
IMF quota contributions	–	–	–	–	–	31,344	**31,344**
Other financial assets	3	1	438	92	423	6	**963**
Total financial assets	**32,854**	**43,169**	**44,428**	**279,764**	**120,663**	**31,471**	**552,349**
Financial liabilities							
Banknotes and coins in circulation	304,811	–	–	–	–	–	**304,811**
Accounts of banks	28,895	–	–	–	–	–	**28,895**
Accounts of government and other institutions	14,648	–	–	–	–	–	**14,648**
Certificates of deposit issued by the NBU	19,259	350	–	–	–	–	**19,609**
Liabilities to the IMF	3,576	1,040	6,219	23,515	–	31,265	**65,615**
Other financial liabilities	1,107	–	–	–	–	–	**1,107**
Loan commitments	2,790	–	–	–	–	–	**2,790**
Total future payments under financial liabilities	**375,086**	**1,390**	**6,219**	**23,515**	**–**	**31,265**	**437,475**
Liquidity gap arising from financial instruments	**(342,232)**	**41,779**	**38,209**	**256,249**	**120,663**	**206**	**114,874**
Cumulative liquidity gap	**(342,232)**	**(300,453)**	**(262,244)**	**(5,995)**	**114,668**	**114,874**	

IMF quota contributions and part of liabilities to the IMF representing the liabilities on settlement of quota are included in "maturity not defined" category due to the nature of these balances.

The amounts presented in the following tables do not reconcile with the amounts presented in the consolidated statement of financial position as the information presented below includes analysis of financial liabilities by maturity, which represents total future payments under contacts (including interest), which are not recognized in the consolidated statement of financial position using effective interest rate method.

Settlement periods for undiscounted contractual cash flows for financial liabilities as at 31 December 2015 were as follows:

	On demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity not defined	Total
							(in UAH millions)
Financial liabilities							
Banknotes and coins in circulation	308,237	–	–	–	–	–	**308,237**
Accounts of banks	31,041	–	–	–	–	–	**31,041**
Accounts of government and other institutions	51,319	–	–	–	–	–	**51,319**
Certificates of deposit issued by the NBU	89,747	–	–	–	–	–	**89,747**
Borrowings received	31,326	–	–	–	–	–	**31,326**
Liabilities to IMF	2,824	648	1,899	61,818	75,369	45,515	**188,073**
Other financial liabilities	107	13	–	1	–	60	**181**
Assets to be delivered under forward contracts	17,697	–	–	–	–	–	**17,697**
Loan commitments under the loans to the foreign central banks	68,393	–	–	–	–	–	**68,393**
Total future payments under financial liabilities	**600,691**	**661**	**1,899**	**61,819**	**75,369**	**45,575**	**786,014**

34 Liquidity risk (continued)

Settlement periods for undiscounted contractual cash flows for financial liabilities as at 31 December 2014 were as follows:

	On demand and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity not defined	Total
							(in UAH millions)
Financial liabilities							
Banknotes and coins in circulation	304,811	–	–	–	–	–	**304,811**
Accounts of banks	28,895	–	–	–	–	–	**28,895**
Accounts of government and other institutions	14,648	–	–	–	–	–	**14,648**
Certificates of deposit issued by the NBU	19,259	350	–	–	–	–	**19,609**
Liabilities to the IMF	3,474	1,131	6,456	24,275	–	31,265	**66,601**
Other financial liabilities	1,107	–	–	–	–	–	**1,107**
Loan commitments	2,790	–	–	–	–	–	**2,790**
Total future payments under financial liabilities	**374,984**	**1,481**	**6,456**	**24,275**	**–**	**31,265**	**438,461**

35 Off-balance sheet commitments and derivative financial instruments

Loan commitments

Loan commitments include the following:

	2015	2014
		(in UAH millions)
Loan commitments under the loans to support banks' liquidity	–	2,790
Loan commitments under the loans to the foreign central banks	68,393	–
Total loan commitments	**68,393**	2,790

Loan commitments represent the unused amounts of loans to banks. As regards the credit risk on loan commitments, the NBU is potentially exposed to loss in the amount equal to the total unused loan commitments if the unused amounts were to be drawn down. The possible amount of loss on commitments under the loans to support banks' liquidity is less than the total unused loan commitments since most undrawn commitments under the loans to support banks' liquidity are contingent upon borrowers' maintaining specific credit standards. The NBU monitors the period to maturity of loan commitments because longer-term commitments generally have a greater degree of credit risk than shorter commitments. Total outstanding contractual amount of undrawn loan commitments does not necessarily represent future cash flows, as those financial instruments may expire or terminate without being funded.

Capital commitments

As at 31 December 2015, the NBU had capital commitments in respect of acquisition, construction, and improvement of property and equipment and intangible assets totaling to UAH 94 million (31 December 2014: UAH 118 million).

Derivatives

The NBU carried out transactions with futures for the purposes of regulating the interest rate risk since October 2013 under Investment Management and Consulting Services Agreement between the NBU and the International Bank for Reconstruction and Development.

As at 31 December 2015, the NBU had 213 long stock-exchange interest futures contracts maturing in March 2016 the notional value of which equaled to UAH 1,111 million or USD 46 million, and 972 short stock-exchange interest futures contracts maturing from March 2016 to June 2019 the notional value of which equaled to UAH 5,387 million or USD 224 million (as at 31 December 2014, 138 long stock-exchange interest futures contracts maturing from March 2015 to September 2016 the notional value of which equaled to UAH 526 million or USD 33 million, and 1,096 short stock-exchange interest futures contracts maturing from March 2015 to June 2019 the notional value of which equaled to UAH 4,258 million or USD 270 million). Funds for settlements under futures transactions in the amount of UAH 11 million (2014: UAH 7 million) were measured at fair value and included in foreign currency funds and deposits as at 31 December 2015 (Note 5).

35 Off-balance sheet commitments and derivative financial instruments (continued)

In accordance with the general framework agreement of ISDA with the National Bank of Ukraine and Citibank, N.A. London, off-balance sheet liabilities and claims included funds under swap transactions. As at 31 December 2015, assets receivable amounted to UAH 19,175 million, and assets for delivery amounted to UAH 17,697 million.

Legal proceedings

From time to time and in the normal course of business, claims against the NBU occur. On the basis of own estimates and internal professional advice, management is of the opinion that no material losses will be incurred by the NBU. Accordingly, no provision has been created in these consolidated financial statements.

36 Fair value of financial assets and liabilities

The estimated fair value of financial assets and liabilities has been determined by the NBU using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret the market data to determine the estimated fair value. As disclosed in Note 4, the economy of Ukraine displays characteristics of an emerging market, and the level of activity in financial markets of Ukraine at the moment is low. As such, the estimates may not be fully reflective of the value that could be realized by the NBU in the current circumstances.

Financial assets and liabilities carried at fair value. Foreign debt securities are recorded in the consolidated statement of financial position at their fair value. Fair value of these securities is based on quoted prices in an active market. The fair value of major part of the internal state debt securities measured at fair value was based on quoted prices in the market that was not active (31 December 2014: the fair value of majority of the internal state debt securities measured at fair value was based on quoted prices in the market that was not active).

The NBU has estimated that the fair value of certain financial assets and liabilities is not significantly different from their carrying values. These financial instruments include funds and deposits in foreign currencies, SDR holdings and IMF quota contributions, banknotes and coins in circulation, accounts of banks, accounts of government and other institutions, certificates of deposit issued by the NBU and liabilities to the IMF, other financial liabilities.

Fair value of those financial instruments for which no active market exists has been estimated by the NBU using discounted cash flow techniques. These models takes into account future interest payments and principal repayments, the repayment period and the discount factor.

For the purposes of estimating fair value of domestic securities for which no active market existed, the NBU used the income approach and:

For government bonds of Ukraine, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built on the data of actually concluded and performed agreements of DGLBs using the Nelson-Siegel parametric model);

For bonds of other government institutions, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built on the data of actually concluded and performed agreements of DGLBs using the Nelson-Siegel parametric model) and Level 3 inputs (risk premium on securities compared to DGLBs risk determined by using judgments at the level of 100 basis points which consider the availability of guarantees on behalf of the Government in respect of these securities).

As discount rates to determine the fair value of internal state debt in the national currency, the NBU used the weighted average NBU’s rate for all instruments of refinancing.

As discount rates to determine the fair value of loans to banks and other borrowers, the NBU used the market rate (the NBU’s discount rate) plus 1.5% as at the calculation date.

The discount rates used were as follows:

	2015	2014
	Discount rate, in % per annum	Discount rate, in % per annum
Debt securities in the national currency:		
Domestic government loan bonds	**11.05–20.72**	13.89–27.04
Bonds of other government institutions	**18.52–21.48**	14.05–29.49
Internal state debt in the national currency (1994–1996)	**25.22**	15.57
Loans to banks and other borrowers	**23.50**	14.00–21.00

36 Fair value of financial assets and liabilities (continued)

The following table summarizes the carrying amounts and estimated fair value of those financial assets not presented in the NBU's consolidated statement of financial position at their fair value:

	2015		2014	
				(in UAH millions)
	Carrying amount	**Estimated fair value**	Carrying amount	Estimated fair value
Domestic securities in the national currency:				
Domestic government loan bonds	**397,824**	**394,795**	311,565	304,121
Bonds of other government institutions	**2,265**	**2,085**	5,052	4,809
in foreign currency:				
FGLBs denominated in USD	–	–	1,932	1,330
FGLBs denominated in EUR	–	–	1,544	1,053
Total domestic securities not carried at fair value	**400,089**	**396,880**	320,093	311,313
Internal state debt	**2,091**	**1,014**	2,180	1,431
Loans to banks and other borrowers	**65,236**	**61,705**	81,573	78,673

Taking into account that calculations of the estimated fair value are based on certain assumptions, it should be noted that the information provided above may not be fully reflective of the value that could be realized.

For financial instruments, the levels in the fair value hierarchy into which the fair value is categorized were as follows:

	2015			2014		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
						(in UAH millions)
Assets measured at fair value:						
Funds and deposits in foreign currency (futures)	**11**	–	–	7	–	–
Foreign securities at fair value	**171,489**	–	**121**	87,997	–	121
Domestic debt securities at fair value: in the national currency						
Domestic government loan bonds	–	**1,260**	–	–	9,254	–
in foreign currency						
Domestic government loan bonds denominated in USD	–	**765**	–	–	1, 427	–
FGLBs denominated in USD	**1,982**	–	–	–	–	–
Government derivatives	**418**	–	–	–	–	–
Assets for which fair value is disclosed:						
Domestic securities in the national currency:						
Domestic government loan bonds	–	**394,795**	–	–	32,802	271,319
Bonds of other government institutions	–	–	**2,085**	–	2,763	2,046
in foreign currency:						
FGLBs denominated in USD	–	–	–	1,330	–	–
FGLBs denominated in EUR	–	–	–	1,053	–	–
Internal state debt	–	–	**1,014**	–	–	1,431
Loans to banks and other borrowers	–	–	**61,705**	–	–	78,673

36 Fair value of financial assets and liabilities (continued)

In 2015, there were no significant transfers of financial instruments between Level 1 and Level 2 of fair value hierarchy. The NBU considers the transfers between the levels of the fair value hierarchy to have occurred at the end of the reporting period.

No changes in the structure or the carrying value of financial instruments carried at fair value as of the reporting date that were included in Level 3 of the fair value hierarchy occurred during 2015 and 2014, neither any gains or losses were recognized. Change of inputs to valuation models according to reasonably possible alternative assumptions would not have had a significant impact on the fair value of those instruments as at 31 December 2015 and 2014.

37 Presentation of financial instruments by measurement categories

In accordance with IFRS 9 "Financial Instruments", the NBU classifies its financial assets into the following categories: financial assets at fair value and financial assets measured at amortized cost.

All financial liabilities of the NBU are carried at amortized cost.

The following table analyzes financial assets by these measurement categories as at 31 December 2015:

	Assets measured at fair value	**Assets measured at amortized cost**	**Total**
			(in UAH millions)
Financial assets			
Funds and deposits in foreign currency	11	126,252	**126,263**
Foreign securities	171,610	–	**171,610**
SDR holdings	–	212	**212**
Domestic securities	4,425	400,089	**404,514**
Loans to banks and other borrowers	–	65,236	**65,236**
Internal state debt	–	2,091	**2,091**
IMF quota contributions	–	45,631	**45,631**
Other financial assets	1,467	475	**1,942**
Total financial assets	**177,513**	**639,986**	**817,499**

The following table analyzes financial assets by these measurement categories as at 31 December 2014:

	Assets measured at fair value	**Assets measured at amortized cost**	**Total**
			(in UAH millions)
Financial assets			
Funds and deposits in foreign currency	7	17,331	**17,338**
Foreign securities	88,118	–	**88,118**
SDR holdings	–	59	**59**
Domestic securities	10,681	320,093	**330,774**
Loans to banks and other borrowers	–	81,573	**81,573**
Internal state debt	–	2,180	**2,180**
IMF quota contributions	–	31,344	**31,344**
Other financial assets	–	963	**963**
Total financial assets	**98,806**	**453,543**	**552,349**

38 Related party transactions

For the purposes of these consolidated financial statements, parties are considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form. Related parties of the NBU include the Government, state-controlled entities, key management personnel, and other related parties.

38 Related party transactions (continued)

In the normal course of business, the NBU enters into transactions with the related parties. Only material transactions with related parties are provided in this Note. The outstanding balances at the year-end are as follows:

		2015			2014		
	Notes	**Government and state-controlled entities**	**Associates**	**Other related parties**	Government and state-controlled entities	Associates	Other related parties
							(in UAH millions)
Domestic securities	8	**404,514**	**–**	**–**	330,774	–	–
Loans to banks and other borrowers		**25,206**	**–**	**–**	34,889	–	–
Loans to Household Deposit Guarantee Fund	9	**9,700**	**–**	**–**	10,200	–	–
Provision for loans to banks and other borrowers		**(4,174)**	**–**	**–**	(4,843)	–	–
Internal state debt	10	**2,091**	**–**	**–**	2,180	–	–
Other assets		**8**	**66**	**–**	72	95	–
Accounts of banks		**7,322**	**–**	**–**	5,164		
Accounts of government and other institutions		**42,546**	**352**	**5**	13,572	180	5
Accounts of Household Deposit Guarantee Fund	15	**8,344**	**–**	**–**	819	–	–
Liability on profit distribution to the State Budget	20	**38,164**	**–**	**–**	61,803	–	–
Certificates of deposit issued by the NBU		**31,748**	**–**	**–**			
Other liabilities		**5**	**–**	**–**	5	–	–

Other related parties include Corporate Non-government Pension Fund of the NBU.

The terms of balances presented in the table above were as follows:

Short-term loans to state-owned banks (included in the loans to banks and other borrowers in the table above) as at 31 December 2015 bore contractual interest rates from 7.00% to 21.50% (31 December 2014: from 7.00% to 16.00%); these loans are repayable in the period from 1 to 5 years (31 December 2014: from 1 to 2 years);

Loans to Household Deposit Guarantee Fund as at 31 December 2015 bore interest rate at 12.5 %;

Accounts of government and other institutions were non-interest bearing;

Accounts of Household Deposit Guarantee Fund bore interest rates of 5.75% as at 31 December 2015 (31 December 2014: 5.04%);

Short-term loans to state-owned banks (included in the loans to banks and other borrowers in the table above, specifically, under direct “repo” transactions with the government bonds of Ukraine) bore interest rates from 18.40% to 19.50% as at 31 December 2014 (as at 31 December 2015, no direct “repo” transactions with the government bonds of Ukraine were held);

Refinancing loans granted through tender procedure as at 31 December 2014 bore interest rates from 10.00% to 19.50% (as at 31 December 2015, no refinancing loans were granted through tender procedure);

Obligatory reserve deposit balances transferred by state-owned banks to correspondent accounts with the NBU had no interest accrued (Note 14) (included in accounts of banks in the above table) (as at 31 December 2014, obligatory reserve deposit balances transferred by state-owned banks to separate accounts with the NBU bore interest rates of 4.20%).

38 Related party transactions (continued)

Terms of transactions with internal state debt and domestic securities are disclosed in the respective notes.

Income and expense items from transactions with related parties were as follows:

	2015			2014		
	Government and state-controlled entities	**Associates**	**Other related parties**	Government and state-controlled entities	Associates	Other related parties
						(in UAH millions)
Interest income	**54,094**	**–**	**–**	30,576	–	–
Interest expense	**(1,795)**	**–**	**–**	(95)	–	–
Fee and commission income	**142**	**–**	**–**	201	–	–
Other income	**22**	**4**	**–**	90	3	–
Staff costs	–	**–**	**36**	–	–	157
Other expenses	**(46)**	**(28)**	**–**	(40)	(3)	–
Net (decrease)/ increase in provisions	**(669)**	**–**	**–**	580	–	–

In accordance with the Law of Ukraine "On the National Bank of Ukraine", services to the State Treasury of Ukraine are provided by the NBU free of charge.

In 2015, short-term benefits (payroll) of key management personnel amounted to UAH 11.9 million (2014: UAH 12.9 million). As at 31 December 2015, outstanding balance of loans to key management personnel amounted to UAH 1 million (31 December 2014: UAH 1 million). Those loans are neither past due nor impaired.

39 Disposal of subsidiaries

In March 2015, pursuant to Resolution of the Cabinet of Ministers of Ukraine No. 247-p dated 18 March 2015 "On Transfer to the Ministry of Information Policy Authorities to Manage Government Corporate Rights of Limited Liability Company "Banking Television", the NBU transferred its powers to manage government corporate rights of LLC "Banking Television" to the Ministry of Information Policy free of charge.

In September 2015, pursuant to Resolution of the Cabinet of Ministers of Ukraine No. 666-p dated 24 June 2015 "On Transfer of Integrated Property Complexes of Higher Educational Institutions to the Ministry of Education and Science", the NBU transferred to the Ministry of Education and Science the Banking Academy (city of Sumy) and the Banking University (city of Kyiv) free of charge.

Assets and liabilities of the subsidiary, LLC "Banking Television", as at the disposal date were as follows:

		Amounts recognized as at the disposal date	*(in UAH millions)*
	LLC "Banking Television"	**Banking Academy (city of Sumy) and the Banking University (city of Kyiv)**	**Total**
Assets			
Property and equipment and intangible assets	39	802	841
Other assets	25	51	76
Liabilities	(2)	(989)	(991)
Net assets disposed	**62**	**(136)**	**(74)**

39 Disposal of subsidiaries (continued)

The amount of property and equipment and intangible assets does not include adjustment of the depreciation in the amount of UAH 5 million, which was made in order to adjust depreciation in accordance with the accounting policy of the NBU (Note 12).

The amount of liabilities includes intragroup liability before the NBU in the amount of UAH 958, which was disposed of due to transfer of the state funds into management by another custodian free of charge.

Amounts of the profit and loss, cash and cash equivalents, cash flows from operating, investment and financing activities of the disposed subsidiaries of the NBU are immaterial for the respective periods of 2015.

The result of disposal of the subsidiaries amounted to UAH 879 million and was recognized in the equity of the NBU as change in General and other reserves.

40 Disclosure of significant amounts by items of assets and liabilities

As at 31 December 2015, 51% (31 December 2014: 61%) of total consolidated assets of the NBU (other than IMF quota) were represented by arrears of the Ukrainian Government under the loans granted and domestic securities, 12% (31 December 2014: 7%) – by the US government coupon bonds, 3% (31 December 2014: 3%) – by the coupon bonds of the UK government and other EU countries, and 8% (31 December 2014: 15%) – by the loans to Ukrainian banks and other borrowers.

As at 31 December 2015, 45% (31 December 2014: 65%) of total consolidated liabilities of the NBU (other than promissory notes to the IMF on quota contribution) were banknotes and coins in circulation, 5% (31 December 2014: 6%) – accounts of banks, 5% (31 December 2014: 0%) – borrowings received, and 19% (31 December 2014: 7%) – liabilities to the IMF other than promissory notes to the IMF on quota contribution.

41 Subsequent events

In February 2016, Ukraine increase its quota to the International Monetary Fund by SDR 639.8 million – to SDR 2,011.8 million.

8 April 2016
City of Kyiv, Ukraine