



National Bank
of Ukraine

Interim Concise Consolidated Financial Statements

for the period ended 30 September 2019



Table of contents

Interim Concise Consolidated Statement of Financial Position	1
Interim Concise Consolidated Statement of Comprehensive Income	2
Interim Concise Consolidated Statement of Cash Flow (direct method)	3
Interim Concise Consolidated Statement of Changes in Equity	4
Notes to Interim Concise Consolidated Financial Statements.....	5
1. Principal Activities	5
2. Basis of Presentation and Significant Accounting Policies	6
3. Basic estimates and judgments in applying accounting principles	7
4. Impact of economic conditions on the NBU's financial position and performance	8
5. Funds and deposits in foreign currency and investment metals	9
6. Foreign securities	10
7. SDR holdings	14
8. Domestic securities	14
9. Loans to banks and other borrowers	16
10. IMF quota contributions	16
11. Accounts of banks	17
12. Accounts of government and other institutions	17
13. Certificates of deposit issued by the NBU	18
14. Liabilities to the IMF	18
15. Liabilities on profit distribution to the State Budget of Ukraine	19
16. Cash and cash equivalents	19
17. Interest income and expenses	19
18. Staff costs	20
19. Administrative and other expenses	20
20. Off-balance sheet commitments and derivative financial instruments	20
21. Fair value of financial assets and liabilities	21
22. Presentation of financial instruments by measurement categories	23
23. Related Party Transactions	24

Interim Concise Consolidated Statement of Financial Position

	Notes	As of 30 September 2019	As of 31 December 2018
(in UAH million)			
Assets			
Funds and deposits in foreign currency and investment metals	5	70,621	116,681
Foreign securities	6	417,603	432,991
SDR holdings	7	298	100
Monetary gold		28,401	27,752
Domestic securities	8	351,363	361,436
Loans to banks and other borrowers	9	14,374	22,145
Internal state debt		1,751	1,834
IMF quota contributions	10	66,052	77,472
Property and equipment and intangible assets		4,315	4,780
Other assets		4,927	4,188
Total assets		959,705	1,049,379
Liabilities			
Banknotes and coins in circulation		390,999	400,119
Accounts of banks	11	53,042	38,509
Accounts of government and other institutions	12	89,881	47,727
Liabilities on profit distribution to the State Budget of Ukraine	15	–	64,898
Certificates of deposit issued by the NBU	13	59,814	61,867
Borrowings received		2,408	2,769
Liabilities to the IMF except IMF quota contributions	14	171,516	217,300
Liabilities to the IMF in respect of quota contributions	14	66,044	77,462
Other liabilities		970	1,221
Total liabilities		834,674	911,872
Equity			
Statutory capital		100	100
General and other reserves		44,451	56,091
Revaluation reserves for assets and liabilities		80,436	81,274
Total equity		124,987	137,465
Noncontrolling interest		44	42
Total capital		125,031	137,507
Total equity and liabilities		959,705	1,049,379

Signed and approved for publishing on behalf of the National Bank of Ukraine on 21 November 2019.

Governor

Yakiv SMOLII

Chief Accountant – Director
Accounting Department

Bohdan LUKASEVYCH

Notes on pages 5 through 25 are an integral part of these interim concise consolidated financial statements

Interim Concise Consolidated Statement of Comprehensive Income

	Notes :	For the period ended 30 September 2019		For the period ended 30 September 2018	
		For the current quarter	On a cumulative basis from the beginning of the year	For the current quarter	On a cumulative basis from the beginning of the year
(in UAH millions)					
Interest income	17	5,444	27,419	8,822	32,244
Interest expenses	17	(3,633)	(11,801)	(3,270)	(10,717)
Net interest income before impairment recovery		1,811	15,618	5,552	21,527
Net impairment recovery on main financial assets		109	584	156	373
Net interest income after impairment recovery		1,920	16,202	5,708	21,900
Fee and commission income		71	204	82	260
Fee and commission expense		(28)	(65)	(7)	(27)
Net fee and commission income		43	139	75	233
Gains or losses on operations with financial assets and liabilities in foreign currency and monetary gold		(22,622)	(38,097)	20,906	2,932
Gains or losses on operations with debt securities measured at fair value		2,421	11,159	1,408	3,120
Gains or losses on operations with financial instruments, other than debt securities measured at fair value		241	413	(130)	(23)
Other income		256	895	258	772
Total net income		(17,741)	(9,289)	28,225	28,934
Staff costs	18	(435)	(1,313)	(352)	(1,043)
Costs related to production of banknotes, coins, souvenirs, and other products		(356)	(1,053)	(355)	(964)
Administrative and other expenses	19	(197)	(555)	(255)	(784)
Increase in provisions for contingent liabilities		–	(122)	–	–
Net decrease/(increase) in provisions for other assets		–	2	(1)	(3)
(Loss)/profit before income tax		(18,729)	(12,330)	27,262	26,140
Income tax expense of subsidiary		(1)	(4)	(3)	(7)
(Loss)/profit for the period		(18,730)	(12,334)	27,259	26,133
Other comprehensive income not to be reclassified subsequently to profit or loss:					
revaluation of investment metals		61	107	9	(197)
Other comprehensive income for the period		61	107	9	(197)
Total comprehensive income for the period		(18,669)	(12,227)	27,268	25,936
(Loss)/profit for the period attributable to:					
National Bank of Ukraine		(18,731)	(12,336)	27,257	26,127
Noncontrolling interest		1	2	2	6
		(18,730)	(12,334)	27,266	26,133
Comprehensive income attributable to:					
National Bank of Ukraine		(18,670)	(12,229)	27,257	25,930
Noncontrolling interest		1	2	2	6
		(18,669)	(12,227)	27,268	25,936

Signed and approved for publishing on behalf of the National Bank of Ukraine on 21 November 2019.

Governor

Yakiv SMOLII

Chief Accountant – Director
Accounting Department

Bohdan LUKASEVYCH

Director
Financial Controlling Department

Oleh STRYNZHA

Notes on pages 5 through 25 are an integral part of these interim concise consolidated financial statements.

Interim Concise Consolidated Statement of Cash Flow (direct method)

	Notes	As of 30 September 2019	As of 30 September 2018
(in UAH millions)			
Operating activities			
Interest received		25,290	27,195
Fees and commissions received		205	260
Other operating income		233	574
Other nonoperating income		134	25
Interest paid		(11,514)	(10,716)
Fees and commissions paid		(65)	(572)
Other operating expense		(2,049)	(3,492)
Other nonoperating expense		(85)	(810)
Taxes, duties, and charges paid		(236)	(238)
Transfers to the state budget of Ukraine		(64,898)	(44,614)
Decrease in loans to banks and other borrowers		9,270	10,532
Internal state debt repaid		99	66
Increase in accounts of banks on demand		14,639	12,335
Increase/(decrease) in accounts of government and other institutions		19,818	(25,353)
(Increase)/decrease in other assets		(1,427)	235
(Decrease)/increase in other liabilities		(1,104)	144
Net cash outflows from operating activities		(11,690)	(34,429)
Investing activities			
Decrease in term deposits placed		–	1,434
Net (increase)/decrease in foreign securities		(35,409)	3,640
Purchase of monetary gold		(125)	(4)
Repayment of domestic securities		11,023	13,609
Acquisition of property and equipment and intangible assets		(108)	(86)
Sale of property and equipment and intangible assets		80	1
Net cash (outflows)/inflows from investing activities		(24,539)	18,594
Financing activities			
(Withdrawal from)/issue of banknotes and coins into circulation		(9,120)	13,462
Repayment of liabilities to the IMF		(15,438)	(14,942)
Term deposits (deposited)/paid out		(41)	245
Certificates of deposit issued by the NBU		(2,096)	(38,491)
Net cash outflows from financing activities		(26,695)	(39,726)
Effect of changes in exchange rate		15,513	5,367
Net increase/(decrease) in cash and cash equivalents		(47,411)	(50,194)
Cash and cash equivalents at beginning of reporting period		139,241	134,970
Cash and cash equivalents at end of year	16	91,830	84,776

Signed and approved for publishing on behalf of the National Bank of Ukraine on 21 November 2019.

Governor

Yakiv SMOLII

Chief Accountant – Director

Accounting Department

Bohdan LUKASEVYCH

Notes on pages 5 through 25 are an integral part of these interim concise consolidated financial statements

Interim Concise Consolidated Statement of Changes in Equity

Notes	Statutory capital	General and other reserves	Revaluation reserve for assets and liabilities	Total equity	Non-controlling interest	Total equity
(in UAH millions)						
Balance as of 31 December 2017	100	53,053	111,740	164,893	37	164,930
Impact of change in accounting policies on the determination of unrealized and realized gain/(loss) from transactions with foreign currencies, monetary gold, and investment metals	-	22,011	(22,011)	-	-	-
Effect of transition to IFRS 9	-	22	(31)	(9)	-	(9)
Balance as of 1 January 2018 as restated	100	75,086	89,698	164,884	37	164,921
Total comprehensive income (expense) for nine months in 2018	-	26,127	(197)	25,930	6	25,936
Gain/(loss) on transfer of assets	-	(142)	-	(142)	-	(142)
Realized gain/(loss) on revaluation of securities disposed and derivatives	-	456	(487)	(31)	-	(31)
Balance as of 30 September 2018	100	101,527	89,014	190,641	43	190,684
Balance as of 1 January 2019	100	56,091	81,274	137,465	42	137,507
Total comprehensive income for nine months in 2019	-	(12,336)	107	(12,229)	2	(12,227)
Gain/(loss) on transfer of assets	-	(249)	-	(249)	-	(249)
Realized gain/(loss) on revaluation of securities disposed and derivatives	-	619	(619)	-	-	-
Compensation of unrealized loss on derivative financial instruments through the revaluation reserve	-	326	(326)	-	-	-
Balance as of 30 September 2019	100	44,451	80,436	124,987	44	125,031

Signed and approved for publishing on behalf of the National Bank of Ukraine on 21 November 2019.

Governor

Yakiv SMOLII

Chief Accountant – Director
Accounting Department

Bohdan LUKASEVYCH

Notes on pages 5 through 25 are an integral part of these interim concise consolidated financial statements

Notes to Interim Concise Consolidated Financial Statements

1. Principal Activities

The National Bank of Ukraine (the "NBU") is Ukraine's central bank. Its operations are governed by Ukraine's Constitution, Ukraine's Law *On the National Bank of Ukraine*, as well as other Ukrainian laws. The central bank's main statutory function is safeguarding the stability of the Ukrainian national currency. In performing its main function, the NBU must be guided by the priority of achieving and maintaining price stability in the country. The NBU facilitates the stability of the banking system and sustainable economic growth, and supports the economic policies of the Cabinet of Ministers of Ukraine, provided that these do not prevent the NBU from carrying out its primary function of maintaining price stability.

The NBU does not aim to earn profits.

The NBU performs its functions and conducts operations in accordance with the Law of Ukraine *On the National Bank of Ukraine*.

The NBU's authorized capital is the property of the state.

As of 30 September 2019 and 31 December 2018, the NBU's structure comprised the Head Office and the Banknote Printing and Minting Works – a standalone unit of the bank.

The NBU's subsidiary is the SETTLEMENT CENTER FOR SERVICING FINANCIAL MARKET AGREEMENTS PJSC (the "settlement center"). The NBU's shareholding in the statutory capital of the Settlement Center was 83.55% as of 30 September 2019 (83.55% as of 31 December 2018).

As of 30 September 2019 and 31 December 2018, the statutory capital of the Settlement Center totaled UAH 206.7 million and comprised ordinary registered shares with a par value of UAH 1,000 each.

The Settlement Center is the only institution that has a mandate to settle the cash leg of securities and other financial instrument agreements entered into on the stock exchange or over-the-counter agreements, where the delivery against payment principle is used. The Settlement Center opens and maintains money accounts for stock market participants. In addition, it ensures the payment of returns on securities, the repayment of the face value when securities are redeemed, and that an issuer performs other corporate transactions, including those related to securities that have been placed and are circulating outside Ukraine.

The NBU is the founder of the Corporate Nonstate Pension Fund. The NBU administrates and stores assets of the Corporate Non-State Pension Fund (CNPf). However, it is neither exposed, nor has any rights, to variable returns from its operations. In line with IFRS 10, the NBU does not control the CNPF, and accordingly CNPF data was not consolidated for the purpose of these consolidated financial statements.

As of 30 September 2019, the NBU had investments in the German Ukrainian Fund, which has been reclassified as a joint venture, and the National Depository of Ukraine PJSC, an associate (as of 31 December 2018, both the German Ukrainian Fund and the National Depository of Ukraine were classified as associates).

The German-Ukrainian Fund (GUF) was established by the Cabinet of Ministers of Ukraine – represented by the Ministry of Finance – the NBU and Kreditanstalt für Wiederaufbau (KfW) (registered in Germany).

The core activity of the GUF is to improve the competitiveness of Ukraine's small- and medium-sized enterprises by financing them through authorized Ukrainian banks using GUF funds. According to its articles of association, the GUF does not have the objective of generating profit. The profit of the GUF is allocated to increase the lending pool for SMEs.

As of 31 December 2018, the NBU's shareholding in the statutory capital of the GUF was 31.25%. The NBU had a significant influence on the GUF's operation.

Significant influence means the power to participate in the taking of financial and operating policy decisions of the investee, but it does not mean control or joint control over those policies.

In March 2019, as a result of KfW withdrawing as a shareholder, the holdings of the NBU and the Ministry of Finance of Ukraine in the GUF increased to 50% each. However, the NBU's shareholding in UAH equivalent did not change and remains at UAH 21 million. In line with the GUF's charter, after the withdrawal of one shareholder, the size of the authorized capital and the number of voting rights reduces accordingly. The contribution of the withdrawn stakeholder becomes the additional capital of the GUF.

The NBU applied professional judgement to determine the type of its involvement in the GUF and whether or not there is joint control involved.

The NBU has power over the GUF, exposure and rights to variable returns from its involvement with the fund, the ability to use its power over the investee in order to affect the amount of the NBU's returns. In line with IFRS 10, the NBU has control over the GUF.

At the same time, considering the equal division of voting rights between the shareholders (50% each) and the lack of preemptive voting rights and other prevailing circumstances of each stakeholder, decisions on the important lines of business of the GUF can only be passed unanimously by both parties. Consequently, the NBU shares joint control of the

GUF, and in line with IFRS 11, for the purpose of these financial statements the GUF is a joint arrangement.

A joint arrangement is an arrangement in which two or more parties have joint control.

Since the GUF's shareholders exert joint control of all of the fund's activities, IFRS 11 classifies it as a joint venture.

The NBU, the National Securities and Stock Market Commission and other stock market players are shareholders

of the National Depository of Ukraine, PJSC (the "National Depository"). According to its charter, the National Depository conducts depository record-keeping, and maintains records of securities and issuers' corporate transactions on customers' securities accounts.

As of 30 September 2019, the NBU's shareholding in the statutory capital of the National Depository was 25% (25% as of 31 December 2018).

2. Basis of Presentation and Significant Accounting Policies

The interim concise consolidated financial statements of the NBU have been prepared in accordance with International Accounting Standards 34 (IAS) *Interim Financial Reporting*, as approved by the International Accounting Standards Board (IASB).

These interim concise consolidated financial statements do not comprise all of the information required for complete financial reporting in line with international financial reporting standards (IFRS), but contain only some notes explaining the events and transactions that are essential to understanding the changes in the NBU's financial standing and performance that have occurred since the publication of the central bank's latest consolidated financial statements.

These interim concise consolidated financial statements are to be read together with the NBU's annual consolidated financial statements compiled as of 31 December 2018 in line with international financial reporting standards.

These interim concise consolidated financial statements have been prepared on the basis of the assumption that the NBU is a going concern and will continue to operate in the foreseeable future.

In compiling these interim concise consolidated financial statements, the same accounting principles were applied as those used to prepare the latest consolidated financial statements, with the exception of IFRS 16 Leases, which came into effect on 1 January 2019.

In nine months in 2019, the NBU's financial risk management targets and policies remained the same.

The main official exchange rates of the hryvnia against foreign currencies used for translating the monetary items of the consolidated statement of financial position and monetary gold, were as follows:

	30 September 2019 (in UAH)	31 December 2018 (in UAH)
1 US dollar	24.082809	27.688264
1 SDR	32.83224	38.508604
1 euro	26.334552	31.714138
1 Troy ounce	36,031.495	35,364.835

Introducing new and amended standards and interpretations of the financial statements

Amended IFRSs and interpretations that came into effect were adopted on 1 January 2019 and did not have any significant influence on the NBU's performance indicators and financial standing.

IFRS 16: Leases (effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted). IFRS 16 specifies how a reporting entity will recognize, measure, present, and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases

Amendments to IFRS 9 *Financial Instruments* – Prepayment Features with Negative Compensation.

These narrow-scope amendments remedy an unintended consequence to the notion of 'reasonable additional compensation'.

The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the SPPI condition, if specified criteria are met.

In addition to that, the IASB has discussed the accounting for financial liabilities, the modification or exchange of which do not result in derecognition. According to the review findings, two paragraphs were added on the aforesaid issues, where

the Board observed that the accounting in such cases is the same as it is for modifying a financial asset. If the gross carrying amount of a financial asset (amortized cost of a financial liability) is changed, it will lead to an immediate gain or loss in profit or loss at the date such a financial asset (financial liability) is changed.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The application of the standard and amendments did not have any significant effect on the NBU's performance indicators and financial standing.

IFRIC 23 Uncertainty over Income Tax Treatments¹

IAS 28 Investments in Associates and Joint Ventures stipulating that explanations for decisions to measure investments at fair value through profit or loss must be provided separately for each investment¹

Amendment to IAS 19 Employee Benefits (February 2018) – Plan Amendment, Curtailment or Settlement¹

Annual improvements to IFRS in 2015–2017 (amendments to IFRS 3, IFRS 11, IAS 12, IAS 23):

Standards that have been issued but are not yet effective:

NBU top-management anticipates that the application of the Standards mentioned above is not going to have a significant effect on NBU performance indicators and financial standing.

The NBU has not adopted the following new and revised standards that have been issued but are not yet effective:

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture. Amendments to

IFRS 10 and IAS 28 concern the sale or distribution of assets between an investor and its associate or joint venture. In particular, the amendments state that gains or losses arising from the loss of control of a nonbusiness subsidiary due to this subsidiary becoming an associate or joint venture accounted for using the equity method are recognized in the profit or loss of the parent company only to the extent of the unrelated investors' ownership interest in that associate or joint venture. Similarly, gains and losses arising from the revaluation at fair value of investments held in any former subsidiary (which became an associate or joint venture and is accounted for using the equity method) are recognized in profit or loss by the former parent company only in the amount of the unrelated investors' holdings in a new associate or joint venture³

IFRS 17: Insurance Contracts, is a new financial reporting standard for insurance contracts that determines recognition and measurement, presentation and disclosure of information²

Amendments to IAS 1 and IAS 8 are intended to simplify the definition of 'material' in IAS 1, however do not amend the main concept of 'material' in the Standards. Definition of 'material' in IAS 8 was replaced with a reference to IAS 1¹

Amendments to references to the IFRS Conceptual Framework for Financial Reporting¹

Amendments to IFRS 3: Business combinations¹.

¹ The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2020, however early application will be permitted.

² The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2021, however early application will be permitted.

³ The amendments apply retrospectively to annual reporting periods beginning on or after the date to be specified. Early application is permitted.

According to the top-management, the adoption of the mentioned standards will have no significant influence on the consolidated financial statements in future periods.

3. Basic estimates and judgments in applying accounting principles

The NBU makes estimates, assumptions, and professional judgments that affect the sums of assets and liabilities reported in its interim concise consolidated financial statements. 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:

classifying financial assets as those that are measured at amortized cost

basic assumptions and judgements of future events that could lead to substantial adjustments to the book value of assets and liabilities in the next reporting period

measurement of loss allowances for expected credit losses on demand deposits and time deposits in foreign currency and monetary gold

measurement of loss allowances for expected credit losses on securities that are measured at amortized cost

measurement of loss allowances for expected credit losses on loans granted to banks and other borrowers

depreciation of fixed assets and amortization of intangible assets

loss allowances for potential liabilities under lawsuits filed against the NBU

related party transactions.

The same estimates and judgements applied in the recent annual consolidated financial statements were used in these interim concise consolidated financial statements.

4. Impact of economic conditions on the NBU's financial position and performance

In Q3 2019, the Ukrainian economy continued to grow at a high pace, i.e. real GDP was up by 4.2% yoy (<http://ukrstat.gov.ua>). It was driven by growth in private consumption on the back of higher wages and pensions, improved consumer sentiment, and the bumper harvest of early grain crops.

Harvest drove rapid growth in merchandise exports in nine months this year, at the same time imports continued to accelerate at a slower pace in contrast with the previous year. An increase in labor migrant remittances and a drop in dividend payments caused narrowing of the current account deficit in nine months of this year in contrast with the same period of the previous year up to USD 2.7 billion. The financial account recorded an increase in capital inflows to USD 4.9 billion, which were primarily driven by the public sector. Thus, the balance of payments recorded a surplus of USD 2.2 billion exceeding the IMF loan repayments throughout the year. As a result, at the beginning of the year, international reserves increased to USD 21.4 billion as of the end of September (compared to USD 20.8 billion as of 31 December 2018).

In September 2019, consumer inflation declined in annual terms – to 7.5% (<http://ukrstat.gov.ua>). Also, the slowdown in core inflation (to 6.5% yoy) indicates that underlying pressures on prices are gradually easing amid tight monetary conditions. The tight monetary policy was one of the reasons behind the strengthening of the hryvnia exchange rate and an improvement in inflation expectations. This outweighed the impact of other pro-inflationary factors, such as sustained consumer demand and pressing supply of some foods. Noncore inflation also decelerated, due to the strengthening of the hryvnia and a fall in global energy prices.

In view of lower inflation risks and better inflation expectations, the NBU Board reduced the key policy rate two times to 16.5% per annum (as of 31 December 2018 – 18.0% per annum).

Thanks to the favorable FX market environment, in January–September 2019, the NBU mostly purchased foreign currency to replenish international reserves without impeding the general trends prevailing on the market. In nine months in 2019, the NBU was a net buyer of foreign currency, purchasing a total of USD 3.9 billion.

In nine months, the consolidated budget ran a surplus of UAH 8.7 billion. Despite the significant government borrowing in January–September 2019 both on the domestic and

international market, the ratio between public and publicly guaranteed debt and GDP further reduced below 52% as of the end of September 2019 (according to NBU estimates) given the tight repayment schedule, hryvnia strengthening, and speeding-up economic growth.

In January–September 2019, the banking system saw a substantial liquidity surplus once again, largely on the account of significant NBU FX interventions and a decrease in the amount of cash. The increased liquidity of the banking system in the current year is attributed to increased balanced on correspondent accounts to UAH 50 billion as of the end of September 2019 (as of 31 December 2018 – UAH 35.7 billion), while the volume of certificates of deposit shrank to UAH 59.8 million (31 December 2018 – UAH 61.9 billion).

As of 30 September 2019, Fitch raised Ukraine's sovereign rating to B (last set on 31 December 2018 at B-), Standard & Poor's and Moody's, kept their ratings for Ukraine set as of 31 December 2018 at Caa1 according to Moody's, B- according to Standard & Poor's.

Changes in the operational and political environment of Ukraine during nine months in 2019

In nine months in 2019, Ukraine remained in armed conflict in certain regions of Luhansk and Donetsk oblasts. Political and economic ties with Russia also continued to deteriorate.

In 2019 two elections were held in Ukraine: in spring presidential and in summer parliamentary elections took place that complied with international standards for democratic elections. After the parliamentary elections on 21 July, already on 29 August the new Cabinet of Ministers of Ukraine was appointed.

Since the enactment of the Law of Ukraine On Currency and Currency Operations on 7 February 2019, the new currency regulation was introduced to ensure free currency transactions. Furthermore, the NBU continues to gradually cancel currency restrictions responding to the improved macroeconomic conditions in line with the road map outlining the transition to free movement of capital.

Further economic growth and the preservation of macrofinancial stability greatly depend on the implementation of planned reforms and continued cooperation with the IMF.

5. Funds and deposits in foreign currency and investment metals

	As of 30 September 2019	As of 31 December 2018
		(in UAH millions)
Financial assets that are measured at amortized cost		
Foreign currency cash	834	1,816
Demand deposits	12,021	41,592
Time deposits in foreign currency	57,765	73,288
Loss allowances for expected credit losses on deposits in foreign currency that are measured at amortized cost	(11)	(25)
Total financial assets that are measured at amortized cost	70,609	116,671
Financial assets that are measured at fair value through profit or loss		
Demand deposits <i>for settling futures transactions</i>	12	10
Total financial assets	70,621	116,681
Total funds and deposits in foreign currency and investment metals	70,621	116,681

The sum of demand deposits at amortized cost as of 30 September 2019 includes balances of special purpose accounts of UAH 73 million (UAH 169 million as of 31 December 2018), which are maintained by the NBU within the credit lines granted by international financial institutions, and which are restricted for use.

The sum of demand deposits at fair value through profit or loss as of 30 September 2019 includes funds of UAH 12 million (UAH 10 million in 2018) for settling futures transactions under agreements on investment management and the provision of advisory services between the EBRD and the NBU (Note 20).

All funds and deposits in foreign currency are neither past due nor impaired, and are not in collateral as of 30 September 2019 and 31 December 2018.

All funds and deposits in foreign currency are expected to be recovered within 12 months (as of 31 December 2018, these

funds and deposits were also expected to be recovered within 12 months).

As of 30 September 2019, the gross carrying value of demand deposits was UAH 12,021 million, no allowances for expected credit losses were raised in nine months of 2019 (as of 31 December 2018, the gross carrying value of demand deposits was UAH 41,592 million, no allowances for expected credit losses were raised in 2018).

As of 30 September 2019, the gross carrying value of time deposits in foreign currency was UAH 57,765 million, allowances for expected credit losses were UAH 11 million (as of 31 December 2018, the gross carrying value of time deposits in foreign currency was UAH 73,288 million, and allowances for expected credit losses was UAH 25 million).

6. Foreign securities

As of 30 September 2019, foreign securities comprised the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(in UAH millions)			
Foreign securities that are measured at fair value through profit or loss:			
Debt securities broken down by issuers:			
securities issued by U.S. issuers:			
denominated in USD	191,970	5,314	197,284
securities issued by EU issuers:			
denominated in USD	9,394	51,557	60,951
denominated in EUR	150	15,904	16,054
denominated in GBP	6,942	2,169	9,111
denominated in Chinese renminbi	–	3,777	3,777
securities issued by other issuers:			
denominated in USD	2,843	60,476	63,319
denominated in EUR	–	37,426	37,426
denominated in AUD	535	246	781
denominated in GBP	–	2,496	2,496
denominated in Chinese renminbi	271	13,692	13,963
denominated in JPY	–	12,320	12,320
Total debt securities	212,105	205,377	417,482
Capital instruments:			
securities issued by the Black Sea Trade and Development Bank	–	120	120
investment in the Interstate Bank	–	1	1
Total capital instruments	–	121	121
Total foreign securities that are measured at fair value through profit or loss	212,105	205,498	417,603

As of 30 September 2019 and 31 December 2018, all foreign debt securities were neither past due nor impaired.

In nine months of 2019, the interest income on foreign securities that are included in the consolidated statement of comprehensive income, gains or losses on operations with debt securities at fair value, totaled UAH 5,453 million (compared to UAH 3,567 million in nine months of 2018).

All foreign securities are expected to be recovered within 12 months, except for capital instruments worth UAH 121 million (UAH 121 million as of 31 December 2018).

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

As of 31 December 2018, foreign securities comprised the following:

	Government bonds	Securities issued by international agencies, banks and other issuers	Total
(in UAH millions)			
Foreign securities that are measured at fair value through profit or loss:			
Debt securities broken down by issuers:			
securities issued by U.S. issuers:			
denominated in USD	173,912	6,609	180,521
securities issued by EU issuers:			
denominated in USD	14,705	60,884	75,589
denominated in EUR	178	13,517	13,695
denominated in GBP	3,251	3,619	6,870
denominated in Chinese renminbi	–	406	406
securities issued by other issuers			
denominated in USD	3,137	83,386	86,523
denominated in EUR	–	38,841	38,841
denominated in AUD	605	296	901
denominated in GBP	–	3,232	3,232
denominated in Chinese renminbi	–	20,949	20,949
denominated in JPY	–	5,343	5,343
Total debt securities	195,788	237,082	432,870
Capital instruments:			
securities issued by the Black Sea Trade and Development Bank	–	120	120
investment in the Interstate Bank	–	1	1
Total capital instruments	–	121	121
Total foreign securities that are measured at fair value through profit or loss	195,788	237,203	432,991

Information about the nominal value, yield to maturity, coupon rate, and maturities of foreign debt securities as of 30 September 2019 is presented in the table below:

	Total nominal value in foreign currency, in millions	Total nominal value in hryvnia equivalent, in UAH millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Debt securities that are measured at fair value through profit or loss broken down by issuers:						
Government bonds:						
securities issued by U.S. issuers:						
denominated in USD	7,888	189,957	1.6–2.2	1.125–3.625	Quarterly, every 6 months	From 3.1 months to 3.2 years
securities issued by EU issuers:						
denominated in USD	388	9,342	1.7–2.4	1.375–2.5	Quarterly, every 6 months or once a year	From 15 days to 2.8 years
denominated in EUR	6	145	(0.5)	0.375	Once a year	3.4 years
denominated in GBP	232	6,870	0.3–0.9	0.5–2.0	Quarterly, every 6 months	From 9.9 month to 3.8 years
securities issued by other issuers:						
denominated in USD	116	2,789	1.6–2.2	2.125–2.625	Quarterly, every 6 months	From 11.9 months to 4.7 years
denominated in AUD	31	506	0.7–0.8	2–5.75	Every 6 months	From 1.6 years to 3.1 years
denominated in Chinese renminbi	80	268	2.9	2.95	Every 6 months	1.7 years

	Total nominal value in foreign currency, in millions	Total nominal value in hryvnia equivalent, in UAH millions	Yield to maturity, % p.a.	Coupon rate, %, p.a.	Frequency of coupon payments	Maturity
Securities issued by international agencies, banks and other issuers:						
securities issued by U.S. issuers: denominated in USD	219	5,274	1.7–2.2	1.375-2.75	Quarterly, every 6 months	From 6.1 months to 2.2 years
securities issued by EU issuers: denominated in USD	2,125	51,186	1.7–3.2	0–3.125	Quarterly, every 6 months or once a year, without coupon payments	From 11 days to 3.7 years
denominated in EUR	598	15,748	(0.5)–0.2	0-4.0	Quarterly, once a year, without coupon payments	From 3.3 months to 5 years
denominated in GBP	73	2,165	0.7–1.1	0-1.125	Once a year, without coupon payments	From 2.8 months to 7.8 years
denominated in Chinese renminbi	1,130	3,818	3.1-3.2	0-4.5	Every 6 months, without coupon payments	From 4.5 months to 1.1 years
securities issued by other issuers: denominated in USD	2,498	60,154	1.8–2.9	0–3.3	Quarterly, every 6 months, without coupon payment	From 1.3 months to 4.7 years
denominated in EUR	1,412	37,184	(0.4)–0.3	0-0.75	Quarterly, once a year, without coupon payments	From 2.1 months to 4.9 years
denominated in AUD	15	244	1.3	1.82	Quarterly	2.1 years
denominated in GBP	84	2,492	1–1.1	0.875–1.138	Quarterly, once a year	From 6.2 months to 2 years
denominated in Chinese renminbi	4,089	13,815	2.8–3.9	0-4.8	Every 6 months, once a year, without coupon payments	From 2.5 months to 2.5 years
denominated in JPY	55,300	12,319	0–0.2	0-0.42	Every 6 months, without coupon payments	From 1.2 months to 2.2 years

Information about the nominal value, yield to maturity, coupon rate, and maturities of foreign debt securities as of 31 December 2018 is presented in the table below:

	Total nominal value in foreign currency, in millions	Total nominal value in hryvnia equivalent, in UAH millions	Yield to maturity, % p.a.	Coupon rate, % p.a.	Frequency of coupon payments	Maturity
Debt securities that are measured at fair value through profit or loss broken down by issuers:						
Government bonds:						
securities issued by U.S. issuers: denominated in USD	6,323	175,077	2.5-2.7	0.875-3.625	Every 6 months	From 7.6 months to 2.9 years
securities issued by EU issuers: denominated in USD	534	14,777	2.6-2.9	1.125-2.72694	Quarterly, every 6 months or once a year	From 4.7 months to 1.8 years
denominated in EUR	6	174	0	0.375	Once a year	Up to 4.1 years
denominated in GBP	92	3,243	0.7-0.8	0.5-2.0	Every 6 months	From 6.8 months to 3.6 years
securities issued by other issuers: denominated in USD	115	3,179	2.5-2.9	1.25-2.91963	Quarterly, every 6 months	From 1 month to 3.8 years
denominated in AUD	29	565	1.9	1.75-5.75	Every 6 months	From 1.9 years to 3.9 years
Securities issued by international agencies, banks and other issuers:						
securities issued by U.S. issuers: denominated in USD	239	6,617	2.6-3.2	1.25-2.96819	Quarterly, every 6 months	From 9.6 months to 3 years
securities issued by EU issuers: denominated in USD	2,208	61,122	2.5-3.8	0-3.6475	Quarterly, every 6 months or once a year, without coupon payments	From 14 days to 4.5 years
denominated in EUR	423	13,415	0-0.4	0-4.125	Quarterly, once a year, without coupon payments	From 2.9 months to 5.4 years
denominated in GBP	103	3,619	0.9-1.0	0-1.125	Once a year, without coupon payments	From 4.7 months to 1 year
denominated in Chinese renminbi	100	403	4.3	4.5	Every 6 months	1.9 years
securities issued by other issuers: denominated in USD	3,021	83,655	2.6-3.9	0-3.7475	Quarterly, every 6 months, without coupon payment	From 1.4 months to 4.8 years
denominated in EUR	1,225	38,850	0-0.9	0-0.75	Quarterly, once a year, without coupon payments	From 14 days to 4.4 years
denominated in AUD	15	293	2.6	2.79	Quarterly	2.9 years
denominated in GBP	92	3,232	1.1-1.6	0.875-1.29244	Quarterly, once a year	From 6.9 months to 2.8 years
denominated in Chinese renminbi	5,295	21,316	0.1-4.4	0-4.8	Once a year, without coupon payments	From 18 days to 2.4 years
denominated in JPY	21,300	5,344	0.1-0.4	0-0.42	Every 6 months, without coupon payments	From 2 months to 2.9 years

7. SDR holdings

SDR holdings are demand deposits denominated in SDR on the account opened at the IMF for Ukraine.

Movements in the SDR holding account in nine months of 2019 and the same period in 2018 were as follows:

	2019	2018
	(in UAH millions)	
Balance of SDR holdings as of 1 January	100	60,860
Purchase of SDRs	49,247	–
Repayment of loans:		
on behalf of the NBU (Note 14)	(15,438)	(14,942)
on behalf of the Government	(26,396)	(28,055)
Payment of loan-related fees and commissions	–	(545)
Payment of interest for the use of IMF loans:		
on behalf of the NBU	(4,686)	(4,133)
on behalf of the Government	(2,020)	(2,702)
Payment of interest for the use of funds received under SDR allocation:		
on behalf of the NBU	(24)	(20)
on behalf of the Government	(368)	(295)
Other payments	(1)	(1)
Income on SDR holdings	4	208
Exchange differences	(120)	(1,949)
Balance of SDR holdings as of 30 September	298	8,426

In nine months of 2019 and the same period in 2018, the NBU received no funds from the IMF.

8. Domestic securities

As of 30 September 2019, domestic securities comprised the following:

	Government securities	Corporate securities	Total
	(in UAH millions)		
Derivative securities at fair value through profit or loss:			
Denominated in foreign currencies:			
Government derivatives denominated in USD	986	–	986
Total derivative securities at fair value through profit or loss	986	–	986
Debt securities at amortized cost:			
Denominated in domestic currency:			
domestic government debt securities	350,377	–	350,377
Total debt securities at amortized cost	350,377	–	350,377
Total domestic securities	351,363	–	351,363

Under the Law of Ukraine *On the National Bank of Ukraine*, the NBU performs securities transactions only on the secondary market.

Domestic government debt securities are issued by the Ministry of Finance of Ukraine. The face value of DGBs is UAH 1,000 each.

In nine months 2019 and in 2018, the NBU did not purchase domestic government debt securities.

All domestic securities were neither past due nor impaired as of 30 September 2019 and 31 December 2018.

All domestic securities are expected to be redeemed later than 12 months from the reporting date, except for the face value of domestic government debt securities and accrued interest on debt securities worth UAH 25,457 million (as of 31 December 2018, all domestic securities were expected to be redeemed later than 12 months from the reporting date, except for the face value of domestic government debt securities and accrued interest on debt securities worth UAH 23,381 million that were due in 2019).

As of 31 December 2018, domestic securities comprised the following:

	Government securities	Corporate securities	Total
			(in UAH millions)
Derivative securities at fair value through profit or loss:			
Denominated in foreign currencies:			
Government derivatives denominated in USD	692	–	692
Total derivative securities at fair value through profit or loss	692	–	692
Debt securities at amortized cost:			
Denominated in domestic currency:			
domestic government debt securities	360,744	–	360,744
Total debt securities at amortized cost	360,744	–	360,744
Total domestic securities	361,436	–	361,436

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 30 September 2019 is presented in the table below:

	Total nominal value 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
Derivative securities at fair value:						
Denominated in foreign currencies:						
Government derivatives	1,056	44				Up to 20.6 years
Debt securities at amortized cost:						
Denominated in domestic currency:						
domestic government debt securities	337,077	–	7.45–16.86	8.12–14.5	Once a year, every 6 months	From 3.8 months to 28.1 years

Information on the nominal value, yield to maturity, coupon income, and maturities of domestic securities as of 31 December 2018 is presented in the table below:

	Total nominal value 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
Derivative securities at fair value:						
Denominated in foreign currencies:						
Government derivatives	1,214	44				Up to 21.4 years
Debt securities at amortized cost:						
Denominated in domestic currency:						
domestic government debt securities	348,101	–	7.22–20.41	8.12–14.50	Once a year, every 6 months	From 8 days to 28.9 years

In nine months in 2019, changes occurred in the gross carrying amount of government securities due to the redemption of the nominal value of government securities totaling UAH 11,024 million. In nine months in 2019, the NBU

did not make provisions for expected credit losses on government securities.

9. Loans to banks and other borrowers

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

	As of 30 September 2019	As of 31 December 2018
		(in UAH millions)
Loans granted to banks to support their liquidity:		
for stabilizing banking activities	53,345	57,094
loans provided through tenders conducted by the NBU	411	4,494
other	10	10
Loans granted to the Deposit Guarantee Fund	–	1,458
Loans granted under credit lines to support small and medium enterprises from funds received from the European Bank for Reconstruction and Development (EBRD)	36	36
Other	2	2
Provisioning for expected credit losses on loans to banks and other borrowers	(39,430)	(40,949)
Total loans to banks and other borrowers	14,374	22,145

Loans granted for stabilizing banking activities, which are expected to be recovered later than within 12 months of the reporting date, amounted to UAH 7,617 million at the nominal value (31 December 2018: UAH 7,689 million).

During nine months in 2019, the NBU supported the liquidity of banks by establishing a standing refinancing line (overnight

loans), refinancing banks for a period up to 14 days by holding tenders (during 2018, the NBU supported the liquidity of banks by establishing a standing refinancing line (overnight loans), refinancing banks for a period up to 90 days by holding tenders).

10. IMF quota contributions

The quota balance is a special type of asset that represents Ukraine's contribution 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 its access to the financial resources of the fund, and a participant's share in the allocation of SDRs, the fund's unit of accounting. The major part of Ukraine's quota was paid in the form of noninterest-bearing promissory notes issued by the NBU to the IMF, with the remainder being credited to the IMF accounts No. 1 and No. 2 (Note 14).

As of 30 September 2019, Ukraine's total quota in the IMF amounted to SDR 2,012 million (30 September 2019: UAH 66,052 million, official UAH/SDR exchange rate) (31

December 2018: SDR 2,012 million, or UAH 77,472 million at the year-end official UAH/SDR exchange rate). The quota does not earn interest and is a non-current asset.

The reserve position in the IMF is a specific type of asset that is created as a result of the conversion of a part of the contribution of a member country to the IMF liquidity quota. The reserve position is part of the currency reserves of the country.

As of 30 September 2019, the reserve position of Ukraine in the IMF amounted to SDR 241,031 (UAH 8 million at the end of the reporting period official UAH/SDR exchange rate) (31 December 2018: SDR 241,031, or UAH 10 million at the year-end official UAH/SDR exchange rate).

11. Accounts of banks

	As of 30 September 2019	As of 31 December 2018
		(in UAH millions)
Correspondent accounts:		
in domestic currency	49,982	35,662
in foreign currency	13	16
Term deposits:		
in foreign currencies	–	41
Accounts of banks on special use terms:		
in domestic currency	2,625	2,178
in foreign currency	412	612
Funds placed to ensure the repayment of the debts of banks to the NBU:		
in foreign currency	10	–
Total accounts of banks	53,042	38,509

Obligatory reserves are accounted for on correspondent accounts held at the NBU by banks in domestic currency (2018: on correspondent accounts in domestic currency).

As of 30 September 2019 and 31 December 2018, obligatory reserves were calculated on the basis of a simple average over the period of the loss allowance base determination, and had to be maintained at the level of 3%–6.5% of certain liabilities of banks.

As of 30 September 2019 and 31 December 2018, in accordance with NBU regulations, banks had to hold obligatory reserves on correspondent accounts with the NBU. In addition, the legal acts of the NBU provide it with the right to set the amount of reserve requirement provisions for banks that are to be placed on the correspondent account at the beginning of each operating day. This amount is established for the period of maintenance of reserve requirement provisions as a percentage of the reserve base that has been calculated for the period of determination.

As of 30 September 2019 and 31 December 2018, interest on the balances of the reserve requirements in the correspondent account is not accrued.

As of 30 September 2019 and 31 December 2018, no transfers were envisaged by banks to cover reserve requirement provisions for any assets.

Accounts of banks on special-use terms as of 30 September 2019 and 31 December 2018 included accounts for liquidation committees of banks to make settlements in the process of a bank's liquidation, and the accounts opened for other purposes specified by the laws of Ukraine and the NBU's regulations.

As of 30 September 2019 and 31 December 2018, all accounts of banks to mature within 12 months.

12. Accounts of government and other institutions

	As of 30 September 2019	As of 31 December 2018
		(in UAH millions)
Funds of budgets and budget entities	88,616	40,417
Deposit Guarantee Fund	1,104	7,082
Other	161	228
Total accounts of government and other institutions	89,881	47,727

The NBU services the accounts of the State Budget of Ukraine and local budgets, which 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, except for the accounts of the Deposit Guarantee Fund,

which bore interest rates of 8.9% as of 30 September 2019 (31 December 2018: 4.00%).

As of 30 September 2019 and 31 December 2018, all accounts of government and other institutions were to mature within 12 months.

13. Certificates of deposit issued by the NBU

The certificates of deposit issued by the NBU are one of its monetary policy instruments. They are debt securities issued by the NBU in nondocumentary form evidencing the placement of banks' funds with the NBU and the right of banks to receive on their maturity the funds placed, together with the interest accrued. The yields of the certificates of deposit are set by the NBU individually for each placement, based on the current objectives of monetary policy.

In nine months in 2019, transactions on the placement of certificates of deposit were performed under agreements with banks for the period of one day (overnight deposits) and up to 14 days (in 2018, for the period of one day (overnight deposits) and up to 100 days).

As of 30 September 2019, the nominal value of the certificates of deposit issued by the NBU was UAH 1 million each, with the initial period of placement being from 1 to 14 days, and a weighted average yield of 15.76% per annum (31 December 2018: a weighted average yield of 17.03% per annum and an initial period of placement from 5 to 14 days). The weighted average interest rate for certificates of deposit placed in nine months of 2019 was 15.99% per annum, and the initial period of placement varied from 1 to 15 days (2018: a weighted average yield of 15.64% per annum, and the initial period of placement varied from 1 to 91 days).

As of 30 September 2019 and 31 December 2018, all certificates of deposit issued by the NBU were to mature within 12 months.

14. Liabilities to the IMF

	As of 30 September 2019	As of 31 December 2018 (in UAH millions)
Liabilities to the IMF for SDR purchases	168,835	214,155
Liabilities to the IMF for SDR allocations	2,678	3,142
IMF account No. 2	3	3
Liabilities to the IMF apart from quota contributions	171,516	217,300
Liabilities to the IMF with respect to quota settlement	65,878	77,268
IMF account No. 1	166	194
Liabilities to the IMF to pay quota contributions	66,044	77,462
Total liabilities to the IMF	237,560	294,762

Liabilities to the IMF for SDR allocation represent funds received by the NBU for special SDR allocation.

Liabilities to the IMF for purchases of SDRs represent loans received from the IMF by the NBU. In nine months in 2019 and of 2018, the NBU received no funds from the IMF (Note 7).

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

Liabilities to the IMF for quota contributions represent liabilities for quota settlement. During nine months in 2019, no changes occurred in liabilities to the IMF with respect to quota contributions due to administrative payments being made in hryvnias (in nine months in 2018, liabilities to the IMF in respect to quota contributions decreased by UAH 5.6 million due to the need to replenish IMF account No. 1, and by UAH 2.6 million due to administrative payments made by

the IMF in UAH, which resulted in a respective increase in the IMF's reserve position of the amount of SDR 137,353).

During nine months in 2019 and the same period in 2018, no changes occurred in the size of the quota in the IMF (Note 10).

During nine months of 2019, liabilities worth SDR 427 million (UAH 15,438 million at the official exchange rate at the transaction date, or UAH 15,945 million at the annual exchange rate of the IMF) were repaid to the IMF (during nine months of 2018, repayments of liabilities to the IMF worth SDR 387 million (UAH 14,942 million at the official exchange rate at the transaction date, or UAH 14,437 million at the annual exchange rate of the IMF) were repaid) (Note 7).

All liabilities to the IMF are noncurrent, except for balances on IMF accounts No. 1 and No. 2, the liability to the IMF for SDR allocation, and liabilities to the IMF for borrowing of the amount of SDR 469 million (UAH 17,296 million at the IMF's annual exchange rate) and interest accrued on liabilities to the IMF (during 2018, SDR 427 million (UAH 16,113 million at the IMF's annual exchange rate) and interest accrued on liabilities to the IMF).

15. 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 the distributable profit that is payable to the State Budget of Ukraine shall be transferred upon confirmation by an external auditor and approval by the NBU Council of the bank's annual financial statements.

In accordance with the Law of Ukraine *On the National Bank of Ukraine*, the NBU may not transfer to the State Budget of

Ukraine an amount of distributable profit that is higher than that determined in the annual financial statements, as confirmed by the external auditor and approved by the NBU's Council. Total funds transferred by the NBU in 2019 to the State Budget of Ukraine amounted to UAH 64,898 million (2018: UAH 44,614 million). The NBU made the transfer in two installments: UAH 47,600 million in April, and UAH 17,298 million in May.

16. Cash and cash equivalents

	As of 30 September 2019	As of 31 December 2018
	(in UAH millions)	
Foreign currency cash	834	1,816
Demand deposits (other than restricted funds)	11,948	41,423
Short-term deposits with maturities of up to three months (other than gold, investment metals, and restricted funds)	57,741	73,179
Foreign securities with maturities of up to three months	21,010	22,725
SDR holdings	297	98
Total cash and cash equivalents	91,830	139,241

17. Interest income and expenses

	For the period ending 30 September 2019		For the period ending 30 September 2018	
	For the current quarter	On a cumulative basis from the beginning of the year	For the current quarter	On a cumulative basis from the beginning of the year
	(in UAH millions)			
Interest income				
Income on domestic securities at amortized cost	4,358	24,080	7,681	28,697
Income on loans to banks and other borrowers	768	2,323	841	2,711
Income on accounts and deposits in foreign currency	254	909	203	469
Income on internal state debt	39	99	40	103
Income on SDR holdings	1	4	38	209
Other	24	4	19	55
Total interest income	5,444	27,419	8,822	32,244
Interest expense				
Expenses on certificates of deposit issued by the NBU	(2,016)	(6,605)	(1,756)	(6,230)
Expenses on operations with the IMF	(1,567)	(4,964)	(1,421)	(4,245)
Expenses on accounts of Deposit Guarantee Fund	(17)	(126)	(58)	(146)
Expenses on borrowings received	(33)	(106)	(35)	(96)
Other	–	–	–	–
Total interest expenses	(3,633)	(11,801)	(3,270)	(10,717)
Net interest income	1,811	15,618	5,552	21,527

Other interest income includes interest income on loans to employees.

In the reporting period in 2019, income on domestic securities at amortized cost included interest income domestic government debt securities worth UAH 24,009 million (the same period in 2018: UAH 28,601 million).

In the reporting period in 2019, income on loans to banks and other borrowers included income on impaired loans worth UAH 2,017 million (the same period in 2018: UAH 2,136 million).

18. Staff costs

	For the period ending 30 September 2019		For the period ending 30 September 2018	
	For the current quarter	On a cumulative basis from the beginning of the year	For the current quarter	On a cumulative basis from the beginning of the year
	(in UAH millions)			
Payroll of staff	353	1,063	279	832
Single contribution for mandatory state social security and contributions to nonstate pension funds	78	236	69	203
Financial aid and other social benefits	1	4	2	3
Other	3	10	2	5
Total staff costs	435	1,313	352	1,043

19. Administrative and other expenses

	For the period ending 30 September 2019		For the period ending 30 September 2018	
	For the current quarter	On a cumulative basis from the beginning of the year	For the current quarter	On a cumulative basis from the beginning of the year
	(in UAH millions)			
Depreciation and amortization	51	160	58	178
Utilities and household expenses	33	113	35	117
Expenses for maintenance of noncurrent tangible and intangible assets	38	110	29	80
Consulting and legal services	21	55	100	234
Taxes, duties, and charges	6	21	(6)	57
Business trips	6	18	7	19
Telecommunication services and maintenance	6	16	5	16
Other	36	62	27	83
Total administrative and other expenses	197	555	255	784

Depreciation and amortization charges over nine months of 2019 exclude depreciation worth UAH 165 million (nine months of 2018: UAH 241 million) for property and equipment used in the production of banknote paper, banknotes, coins, and other products. This portion of depreciation and

amortization charges is included in costs related to the production of banknotes, coins, and other products.

This portion of depreciation and amortization charges is included in costs related to the production of banknotes, coins, and other products.

20. Off-balance sheet commitments and derivative financial instruments

Capital commitments

As of 30 September 2019, the NBU had capital commitments with respect to the acquisition, construction, and improvement of property and equipment and intangible assets totaling UAH 212 million (as of 31 December 2018: UAH 118 million).

Loan commitments

As of 30 September 2019, the NBU had commitments for granting loans to the Deposit Guarantee Fund under an open

revolving credit line totaling UAH 2,000 million (as of 31 December 2018, the NBU had no commitments for granting loans to banks).

Derivative financial instruments

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

As of 30 September 2019, the NBU had 415 long stock-exchange interest futures contracts maturing in December 2019, the notional value of which equaled UAH 2,154 million or USD 89 million, and 392 short stock-exchange interest futures contracts maturing from December 2019 to September 2021, the notional value of which equaled UAH 2,323 million or USD 96 million (as of 31 December 2018: 478 long stock-exchange interest futures contracts maturing in March 2019, the notional value of which equaled UAH 2,993 million or USD 108 million, and 258 short stock-exchange interest futures contracts maturing from June 2019 to March 2020, the notional value of which equaled UAH 1,740 million or USD 63 million). Funds for settlements under futures transactions worth UAH 12 million (2018: UAH 10 million) were estimated at fair value and included in funds and deposits in foreign currency (Note 5).

Legal proceedings

From time to time and in the normal course of business, claims against the NBU occur. As of 30 September 2019 and 31 December 2018, there were no lawsuits that had been filed against the NBU that had a low likelihood of resulting in losses, according to NBU estimates. Accordingly, the NBU made no provisions for liabilities that could arise from these lawsuits.

For lawsuits against the NBU that, the NBU estimated, had a high likelihood of resulting in losses, the NBU made a respective provision, which as of 30 September 2019 amounted to UAH 152 million (31 December 2018: UAH 418 million). The NBU is also a defendant in claims for restoration of the activities of some banks. At present, the mechanism for the restoration of banks in Ukraine is not regulated by the law.

21. Fair value of financial assets and liabilities

The NBU determines the estimated fair value of financial assets and liabilities using available market information, where it exists, and the appropriate valuation methodologies. However, professional judgment is necessarily required to interpret market data to measure the fair value. Given the low activity in the financial market of Ukraine, the estimated fair value 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

Financial instruments accounted for by the National Bank at fair value include foreign securities, some domestic securities, government derivatives and futures that are part of the balance sheet item "Funds and deposits in foreign currencies."

All foreign debt securities are recorded in the consolidated financial statements at their fair values. The fair value of these securities is based on quoted prices in an active market (Level 1 inputs). In the absence of information on quoted prices in an active market, the fair value is based on an income approach and Level 3 inputs (the yield of the securities during their initial placement by the issuer and the assumption that the yield will remain unchanged until the maturity date of the relevant securities, taking into account their short maturities).

The fair value of futures and government derivatives is determined on the basis of quoted prices in an active market (Level 1 input).

All of the NBU-held securities have no active market. For the purposes of estimating fair values of these securities, the NBU uses the income approach and:

for long-term inflationary government bonds, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and executed

domestic government debt securities agreements, using the Svensson parametric model, and the actual consumer price index calculated for one month and compared to the previous month over the period from September 2018 to August 2019), and Level 3 inputs (the September 2019 FOCUSECONOMICS consensus forecast of consumer price indices for the next five years and target consumer price indices established by the NBU for the period from year 6 to year 30)

for other Ukrainian government bonds, Level 2 inputs (spot rates calculated on the basis of the zero-coupon yield curve built using data from actually concluded and executed domestic government debt securities agreements using the Svensson parametric model).

Financial assets and liabilities carried at amortized cost.

The NBU has determined that the fair value of certain financial assets and liabilities carried at amortized cost does not materially differ from their carrying amount. These financial assets and liabilities include funds and deposits in foreign currencies, SDR holdings and IMF quota contributions, other financial assets, banknotes and coins in circulation, accounts of banks, accounts of the government and other institutions, NBU certificates of deposit and liabilities to the IMF, and other financial liabilities. The fair value of these financial instruments is not additionally disclosed.

Financial instruments carried at amortized cost, the fair value of which may differ significantly from their carrying values, include domestic securities, internal state debt in domestic currency, and loans to banks and other borrowers. None of these financial instruments have an active market.

For the purposes of disclosing in its consolidated financial statements the fair values of financial assets and liabilities for

which no active market exists, the NBU estimates the fair values of such assets and liabilities using the discounted cash flow method (income approach). The said model takes into account future interest payments and principal repayments, the repayment period, and the discount rate.

The inputs (including discount rates) for calculating the fair value of the Ukrainian securities that are measured at amortized cost do not differ from the inputs for calculating the fair value of the Ukrainian securities that are carried at fair value.

To measure the fair value of internal government debt in domestic currency, the NBU's weighted average rate on all refinancing instruments (Level 3 input) is used as the discount rate.

The NBU employs the market rate (the NBU's key policy rate) plus 1.5% as of the calculation date (Level 3 inputs) as the discount rate used to measure the fair value of loans to banks and other borrowers.

The discount rates used are as follows:

	As of 30 September 2019	As of 31 December 2018
	Discount rate, in % per annum	Discount rate, in % per annum
Domestic securities in domestic currency:		
domestic government debt securities	7.45–16.86	7.22–20.41
Internal state debt in domestic currency (1994–1996)	17.32	19.22
Loans to banks and other borrowers	18.00	19.5

The following table summarizes the carrying amounts and estimated fair values of the financial assets which do not appear in the NBU's consolidated statement of financial position at their fair values:

	As of 30 September 2019		As of 31 December 2018	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
(in UAH millions)				
Domestic securities in domestic currency:				
domestic government debt securities	350,377	324,103	360,744	339,924
Internal state debt	1,751	1,179	1,834	1,128
Loans to banks and other borrowers	14,374	14,115	22,145	21,540

Taking into account that fair value estimates 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.

The fair value of financial instruments was categorized as follows:

	As of 30 September 2019			As of 31 December 2018		
	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)	12	–	–	10	–	–
Foreign securities carried at fair value:	381,533	–	36,070	392,684	–	40,307
Domestic securities carried at fair value:						
in foreign currency						
Government derivatives	986	–	–	692	–	–
Assets for which fair value is disclosed:						
Ukrainian securities in domestic currency						
domestic government debt securities	–	183,999	140,104	–	196,241	143,683
Internal state debt	–	–	1,179	–	–	1,128
Loans to banks and other borrowers	–	–	14,115	–	–	21,540

In nine months of 2019, there were no transfers of financial instruments between Levels 1 and 2 of the fair value hierarchy. In nine months of 2019, there were no transfers of financial instruments to or from Level 3 of the fair value hierarchy.

Long-term inflationary domestic government debt securities the fair values of which are disclosed are included in Level 3 of the fair value hierarchy.

The change in the fair value of foreign securities that are measured at the reporting date at fair value, and are included in Level 3 of the fair value hierarchy, is presented as follows:

The fair value of foreign securities that are measured at fair value through profit or loss and are attributed to Level 3 of the fair value hierarchy (in UAH millions)	
Foreign securities as of 31 December 2017	68,310
Total gains/losses	(2,633)
Purchases of foreign securities	39,921
Redemptions of foreign securities	(60,997)
Purchases of foreign securities	(4,294)
Foreign securities as at 31 December 2018	40,307
Total gains/losses	(8,389)
Purchases of foreign securities	38,497
Redemptions of foreign securities	(34,345)
As of 30 September 2019, foreign securities comprised the following:	36,070

The weighted average modified duration of the financial assets at fair value and are included in Level 3 of the fair value hierarchy (except equity instruments at fair value through profit or loss) was 0.50 as of 30 September 2019 (0.38 as of 31 December 2018). An increase in the yield rates used to determine the fair value of these financial assets as

of 30 September 2019 (Level 3 inputs) by 1 basis point would decrease the fair value of the relevant assets by UAH 181 million (by UAH 151 million as of 31 December 2018), while a decrease in these yield rates by 1 basis point would increase the fair value of these assets by UAH 181 million (UAH 151 million as of 31 December 2018).

22. Presentation of financial instruments by measurement categories

In accordance with IFRS 9 *Financial Instruments*, the NBU classifies its financial assets according to the following categories: financial assets measured at fair value through profit or loss and financial assets measured at amortized cost.

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

As of 30 September 2019, financial assets were broken down into measurement categories as follows:

	Assets measured at fair value through profit or loss	Assets measured at amortized cost	Total
(in UAH millions)			
Financial assets			
Funds and deposits in foreign currency	12	70,609	70,621
Foreign securities	417,603	–	417,603
SDR holdings	–	298	298
Ukrainian securities	986	350,377	351,363
Loans to banks and other borrowers	–	14,374	14,374
Internal state debt	–	1,751	1,751
IMF quota contributions	–	66,052	66,052
Other financial assets	8	217	225
Total financial assets	418,609	503,678	922,287

As of 31 December 2018, financial assets were broken down into measurement categories as follows:

	Assets measured at fair value through profit or loss	Assets measured at amortized cost	Total
			(in UAH millions)
Financial assets			
Funds and deposits in foreign currency	10	116,671	116,681
Foreign securities	432,991	–	432,991
SDR holdings	–	100	100
Ukrainian securities	692	360,744	361,436
Loans to banks and other borrowers	–	22,145	22,145
Internal state debt	–	1,834	1,834
IMF quota contributions	–	77,472	77,472
Other financial assets	13	333	346
Total financial assets	433,706	579,299	1,013,005

23. 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 if 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. The related parties of the NBU include the Ukrainian government, state-controlled entities, key management personnel, etc.

In the normal course of its operations, the NBU enters into transactions with related parties. This note describes only material transactions with related parties. The outstanding balances as of September 2019 and 31 December 2018 are presented in the table below:

	Notes	As of 30 September 2019			As of 31 December 2018		
		Government and state-controlled entities	Associates	Other related parties	Government and state-controlled entities	Associates	Other related parties
							(in UAH millions)
Ukrainian securities	8	351,363	–	–	361,436	–	–
Loans to banks and other borrowers		12,348	–	–	18,439	–	–
Loans granted to the Deposit Guarantee Fund	9	–	–	–	1,458	–	–
Loss allowances for loans to banks and other borrowers		(4,335)	–	–	(4,413)	–	–
Internal state debt		1,751	–	–	1,834	–	–
Other assets		26	131	–	31	132	–
Accounts of banks		24,564	–	–	16,483	–	–
Accounts of government and other institutions	12	88,616	107	–	40,417	191	3
Accounts of the Deposit Guarantee Fund	12	1,104	–	–	7,082	–	–
Liabilities to transfer distributable profit to the state budget		–	–	–	64,898	–	–
Certificates of deposit issued by the NBU		10,027	–	–	8,511	–	–
Other liabilities		53	–	–	4	–	–

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

long-term loans to state-owned banks (included in the loans to banks and other borrowers in the table above) as of 30 September 2019 bore interest rates from 14.25% to 16.00% (as of 31 December 2018: from 7.00% to 16.00%)

loans to the Deposit Guarantee Fund as of 31 December 2018 bore the interest rate of 12.5%

the accounts of the government and other institutions as of 30 September 2019 and 31 December 2018 were noninterest-bearing

the accounts of the Deposit Guarantee Fund bore interest rates of 8.9% as of 30 September 2019 (31 December 2018: 4.00%)

the balances of required reserves transferred by state-owned banks to the NBU's correspondent accounts (included in accounts of banks in the table above) earned no interest (as

of 31 December 2018, no interest was accrued on the balances of required reserves transferred by state-owned banks to the NBU's correspondent accounts) (Note 11).

The 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:

	As of 30 September 2019			As of 30 September 2018		
	Government and state-controlled entities	Associates	Other related parties	Government and state-controlled entities	Associates	Other related parties
						(in UAH millions)
Interest income	25,695	–	–	30,613	–	–
Interest expenses	(125)	–	–	(146)	–	–
Fee and commission income	74	–	–	113	–	–
Other income	170	–	–	67	–	–
Staff costs	–	–	(26)	–	–	(21)
Other expenses	(115)	–	–	(52)	–	–
Net decrease in provisions	77	–	–	146	–	–

In accordance with the Law of Ukraine *On the National Bank of Ukraine*, the NBU provides services to the State Treasury of Ukraine on a free-of-charge basis.

In nine months of 2019, the short-term benefits (salary) of key management personnel were UAH 26 million, including remuneration to members of the NBU Council of UAH 9

million (in nine months of 2018: the short-term benefits (salary) of key management personnel were UAH 21.3 million, including remuneration to members of the NBU Council of UAH 7.8 million). As of 30 September 2019 and 31 December 2018, there were no outstanding loans to key management personnel.

21 November 2019
Kyiv, Ukraine